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PREFACE In the curricular structure introduced by this University for students of Post- Graduate degree programme, the opportunity to pursue Post-Graduate course in a subject is introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. I am happy to note that university has been recently accredited by National Assessment and Accreditation Council of India (NAAC) with grade 'A'. Keeping this in view, the study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing, and devising of a proper layout of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials, the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great deal of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Subha Sankar Sarkar Vice-Chancellor

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Unit - 1 □ Organisation Theory and Organisational Behaviour Structure 1.1 Objectives 1.2 Introduction 1.3 Structure of Organisation 1.3.1 Factors Influencing Structure 1.3.2 Features of Good Organisation Structure 1.4 Modern Theories of Organisation 1.4.1 Behavioural Approach 1.4.2 Mathematical/Quantitative Approach 1.4.3 Systems Approach 1.4.4 Contingency/Situational Approach 1.5 Challenges of Managers 1.5.1 Recent Challenges of Managers 1.6 Organisational Behaviour (OB) 1.6.1 Organisational Behaviour—Meaning 1.6.2 OB its Activities/Functions 1.6.3 Importance of OB 1.7 Contributing Disciplines of OB 1.8 OB in Global Context 1.8.1 Difficulty is knowing Culture 1.8.2 Study of Kluckhohn and Strodtback 1.8.3 Hofstede Framework 1.8.4 GLOBE Framework 1.9 Summary 1.10 Questions 9

10 NSOU • PGC0-I 1.1 Objectives Objectives of this unit are to give idea on— • Some conceptual issues about organisation • Organisational structure • Modern theories of organisation • Challenges that managers are facing now • Meaning and importance of organisational Behaviour (OB) • Disciplines that contribute towards development of OB • The Global interpretation of OB 1.2 Introduction Human being can never stand alone. Human civilisation has taken the modern shape out of mainly the group activity of human beings. Different ancient civilisations, construction of huge pyramids are the glaring examples of such group activity. Organisations are nothing but the systematic and scientific forms of such group lives of human race. When people come together to help each other in a systematic way, it becomes an organisation.

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According to Barnard, organisation is a consciously created activities of two or more persons,

who are able to communicate with each other and are willing to contribute to a common purpose. So, the components of organisation are very clear. • Two or more persons • Common purpose • Conscious activities • Communication, and • Joint contribution Family, community and society—all are in one way the forms of organisations. Our natural urge to live in associations, not in isolation, has given birth to all the aforesaid groups. As the days are progressing, the organisations are increasingly dominating almost all the aspects of human activity. Our quality of life depends on NSOU • PGC0-I 11 how the organisations work. So the efforts are also everywhere so that organisations can work well. Different structures of organisations have been developed in the mean time. Outlines have been drawn up as to their process of functioning. Functioning of organisations is not just an art today, this is considered now-a-days as a science. Hence, some principles have also been deduced to provide foundations to organisational processes, which are commonly known as organisation theory. In the following sections, we will discuss on such structure and theory of organisations. 1.3 Structure of Organisation Organisation structure is not visible, so it is abstract. Still, it is real and affects every component of organisation. Very simply, organisation structure is a pattern in which different components of organisations are interrelated. It is the relationship among people and policies in the organisations. The chain of command among different organs refers to the structure of organisations. The basic structure of organisations is pyramidal, top being narrower and bottom broader. Then, it differs depending on its objective, size, system and process of operations. Broadly, the structure can be of two types— (a) Mechanistic structure, and (b) Organic structure. Mechanistic structure is a rigid and highly formal structure, which is not easily changeable, and hence is not suitable to ever changing dynamic world. Organic structure, on the other hand, is flexible and informal. It can be re- designed easily to cope with the changed situation. However, neither completely mechanistic nor fully organic structure does exist in modern world. Rather, a mix structure is seen in almost all cases, the inclination of which to either mechanistic or organic form depends usually on following factors. 1.3.1 Factors Influencing Structure Strategy : Any structure is built up to achieve some objective and to help materialise overall strategy. But as this strategy varies from organisation to organisation, the structure also varies. A.D. chandel is 1960's conducted a study on strategy- structure relationship. A few recent researches also confirm this relationship. Strategies broadly can be following types—

12 NSOU • PGCO-I • Innovation strategy • Cost-minimization strategy, and • Imitation strategy Innovation needs organic structure. For cost minimization, mechanistic structure is appropriate. In case of imitation strategy, however, a mixture of both mechanistic and organic structures is needed. Size : Size influences structure. More employees you hire, more will be the scope for specialisation requiring horizontal differentiation. Vertical differentiation will also be needed to co-ordinate different departments. Formalisation will be required to control everything. Thus, size is a notable contributor to structure. Technology : Technology is a major determinant of an organisation's structure. Specific structures are associated with specific type of technology and the effectiveness of organisations is related to the "fit" between this technology and structure. Firms use broadly the following three types of technology— (a) Unit Production Technology (b) Mass Production Technology, and (c) Process Production Technology According to Jahn Woodward (1965, London), for the first and third organic structure is the best-suited structure, and for the second we need the mechanistic structure. Charles Perrow (1967, USA) divided technology into two types-routine and non-routine. Routine technology matches with mechanistic, and non-routine with organic structure. Today's information technology, on the other hand, will match with modern virtual organisations. Environment : Nature has neatly packaged people into skins, animals into hides and trees into barks. But organisations are never in that way "packaged". Rather, they are open to the ups and downs of the environment. So, what will be structure of an organisation, mostly depends on the environment it comes across. Environment may be placid, that is, relatively unchanging. It may be disturbed, that means, more complex. It may also be turbulent, which is the most dynamic and has the highest degree of uncertainty. Mechanistic structure can work within placid environment. But in turbulent environment, organic structure is a must, whereas for disturbed environment, a mixture of aforesaid two structures can be more suitable.

NSOU • PGCO-I 13 1.3.2 Features of Good Organisation Structure Like the engineer who designs a building or a fly-over, an organiser while designing organisation structure, must also apply some principles to meet the objectives of organisation. Otherwise, organisational efficiency can never be achieved. The factors that are to be considered in this respect are known as the features of a good organisation structure. Those are narrated below. Clear lines of Authority and Responsibility : What anyone can do, is his/her authority. What anyone is to do, is his/her responsibility. Both of them must be very much clear, not confusing. A proper chain of Command from the top to bottom of the organisation structure only can provide this clarity, lack of which is a failure on the part of organisation structure. Delegation of Authority : You may have the authority to do many things. But if you alone do everything, you will not do justice to more important things. Cost effectiveness will also be affected by doing the work that can be got done by low- paid lower level managers/workers. So, do yourself the more important jobs, and delegate others to lower levels. A good structure will provide scope for that. Ultimate Responsibility : By delegation, authority flows from superiors to subordinates. Accordingly, subordinates will do their duties and remain accountable to the superiors. But ultimately the superiors are to take the responsibility for the tasks to be performed by subordinates as well. This is known as the concept of "ultimate responsibility". So, it is said that one can delegate authority, but not the responsibility. Span of Control : The number of subordinates to whom one superior will delegate authority to do some duties, is known as his/her span of control/management. In other words, span of control means the numbers of workers that a manager can control or manage properly. You can manage few people, but you are managing five. Then, it will be under-utilisation of your capacity and it is not cost-effective as well. You can manage five people, but you are managing ten. Then, you will be over- burdened, and supervision will be ineffective. So, span must have a standard size. The size, however, depends on the following factors— (a) Efficiency of superior (b) Quality of subordinates (c) Nature of work—routine or complicated (d) Communication Techniques—modern or traditional

14 NSOU • PGCO-I (e) Degree of centralisation (f) Staff assistance—superior gets or not (g) Clarity of objective, etc. Levels of Management : More the number of levels in the structure, more time it will take to communicate from top to bottom. More the levels an information passes through, higher is the possibility that it will be distorted. More the number of levels, more managers will be required and overhead expenses will be huge. So, the levels should be kept minimum. The structure should be flat and look like figure 1, not tall like figure 2. In figure 2, levels are more. In each level, there must be one manager, one office, some assistants and equipments. So, the cost is higher in second case. Of course, span of management has a relation with the levels of management. When span is larger, levels will be less, because one manager there will manage maximum number of subordinates. Division of work/Departmentation : Works need breaking up into parts. This helps having benefits of specialisation. Long back, Adam Smith advocated this concept of division of work and the resultant specialisation. By this, fixation of responsibility and appraisal of individual work became easy and effective. After the dividing the work for the aforesaid purpose, similar tasks again are to be grouped together to facilitate supervision and co-ordination. This is known as 'departmentation'. This grouping of activities can be done, based on any or more of the followings. (a) Functions : Leading to Functional Departmentation like production, marketing, finance etc. (b) Product : Leading to Product Departmentation like car Division, Truck Division, Bus Division etc. Fig. 1 Fig. 2 NSOU • PGCO-I 15 (c) Geography : Division like Kolkata Division, Southern Division etc. (d) Customers : Division like wholesale—retail or Male, Female, children. (e) Process : Leading to departmentation like Spinning, Dyeing and Weaving. (f) Time : For example—Day shift, Night shift. 1.4 Modern Theories of Organisation The classical theory of organisation had three pillars, e.g. Division of Labour, Departmentation and Co-ordination. Human beings were considered as inert instruments. Neo-classical theory stressed on flat structure, decentralisation and informal organisation. Whereas the modern theory, developed in early 1960s, feels that organisation is an open system and cannot have a rule of thumb principle. Approaches under modern theory of organisation are narrated below. 1.4.1 Behavioural Approach The approach draws heavily from psychology and sociology to learn the influence of individual and group behaviour respectively on organisation. Emphasis is placed here on motivation and good human relations. Hawthorne study of Elton Mayo revealed the need of human relations for greater productivity. Thereafter, Maslow, Herzberg, McGragor and many other psychologists and sociologists contributed a lot towards the development of this approach. Based on this approach, we have understood now the need and importance of human resource management and organisational behaviour. Before it, men were considered as the adage to the machines. Man can sometimes works below their capacity, if they are not satisfied. For desired outcome, workers willingness must be aroused. This approach believes on this premise. 1.4.2 Mathematical/Quantitative Approach This school treats management as a logical entity, the action of which can be analysed logically in terms of quantitative symbols or mathematical relationship. The main characteristics of this approach are as follows. (i) Organisation is a problem-solving mechanism that works with the help of some scientific techniques. (ii) The variables, both dependent and independent, can be quantified and related in the form of equations. 16 NSOU • PGCO-I (iii) The findings can also be expressed in quantitative symbols, pinpointing the areas of problems. (iv) Operations research, simulation, model developments, econometrics are the basic methodologies of this approach. The contributors of this approach are Newman, Hitch, Russell Ackoff etc. They want to quantify the behaviour of workers as well. But this is always not possible. Inanimate things follow the law of nature. But human beings are most complicated ones. This approach may not work on this. 1.4.3 Systems Approach A system is defined as an assembly of a number of things connected and inter dependent. So, a system can never work in isolation. It is to vary if the inter-related things vary. According to this approach, an organisation is a system. So the characteristics of a system an organisation does also possess. The important features of a system can be stated as below. (i) A system is the sub-system of a bigger system. For example, West Bengal is sub-system of India. (ii) A system has again a number of sub-systems, as the system of West Bengal has a number of districts. (iii) System is related with and dependent on sub-systems. (iv) Sub-systems are also inter-related. (v) A system is not only the aggregate of its sub-systems, it is more than that. (vi) Without analysing the larger system and the sub-systems, the behaviour of no system can be known. When we consider organisation as a system, then organisation will be of following nature. (i) It is dynamic. (ii) It is multi-disciplinary and multi-dimensional. (iii) It will have multi-variables. (iv) It is probabilistic and adaptive. (v) It is open in all ends, not a closed system. 1.4.4 Contingency/Situational Approach Contingency approach has emerged out of the system approach. Because, when

NSOU • PGCO-I 17 a sub-system behaves in response to another system or sub-system, we say that the response of the sub-systems is contingent on environment, i.e. on system. However, the basic idea of contingency approach is that there cannot be a specific solution for all kinds of organisations or no method can suit all situations. It varies from organisation to organisation, from situation to situation. Firstly, this approach accepts the system approach about interdependent and organic nature of organisation. It accepts also the open and adaptive character of system approach. Thereafter, it adds, always the same nature of a system may not lead to the similar type of sub-system or vice-versa. One plus one may sometime become two, but sometimes it may become eleven. According to this approach, the characteristics of organisation can be as follows. (i) Its function is entirely situational. (ii) No organisational design is suitable for all situations (iii) No organisation can take absolute decisions (iv) All organisational actions are relative to different social, legal, political and economic factors.

### 1.5 Challenges of Managers

If you ask one manager to describe his/her most frequent and most trouble some problem, the manager most often will describe "people problems". They will talk about poor managing skill of boss, lack of motivation in sub-ordinates, conflict among co-workers, resistance of employees, so on and so for. That means problem always is with people. Human beings are problematic, again human resource is the most important among all resources, e.g., physical, financial and human. Because, only the human resource can— (i) activate other resources (ii) sustain competitive advantages, and (iii) create value. So, managing human resource is the biggest challenge of the manager. Among three types of skills, i.e., technical skill, conceptual skill and human skill, the human skill of manager therefore, is considered as the most important one. Managers of top-

### 18 NSOU • PGCO-I level needs mostly the conceptual skill, lower level manager needs technical skill more. But the managers of all three levels, i.e., top, middle, and lower, need equality the human skill for their performance. Human skill is very important. But for this, the pre-condition is to understand the human being. No two human beings are identical. The same human being behaves differently at different times. So, to understand them is not so easy. It is not easy, but at the same time it is not impossible. Because no human behaviour is without any purpose or cause. When a little baby cries, that is also to draw attention of others. If that cause can be found out and the cause-and-effect relationship is formed, human behaviour can be predictable. A scientific body of knowledge has been developed for the purpose. This is organisational behaviour (OB). OB helps managers in solving people problems. So, challenges of managers are in one way the challenges to OB.

#### 1.5.1 Recent Challenges of Managers

Of late, the socio-economic environment has been radically changed. Thus, the problems as to people has become more acute, and the people's response (behaviour) to those problems have been much more complicated and unpredictable. The challenges as such are briefly discussed below.

1. Globalisation : Due to globalisation there has been free flow of labour and capital from one country to another. National companies have been transformed into multinational companies (MNCs). As a result of this a manager today— (i) is to accept off and on the foreign assignments (ii) is to deal with boss, peers and subordinates who may belong to some other countries. All these make understanding the human being more complicated. To know the people of one's own family is too difficult. So, the difficulty of understanding the people of different countries, culture, creed, colour and caste—can be easily imagined.
2. Workforce Diversity : Due to globalisation, workforce today is consisted of the people of different countries, leading to culture diversity. Beyond that, the present-day workforce experiences. (a) Age Diversity (b) Gender Diversity (c) Caste Diversity etc.

NSOU • PGC0-I 19 Retirement age in private sector is no longer in vogue. So, eighty-year old workers can be there. Newly recruited workers can be, again, eighteen years old. Likings, dislikings, productivity, needs of these workers of huge age gap can never be the same. Due to this age diversity managers thus face the problems. Earlier, number of female workers was too minimum. That is again in some selected professions like teaching, reception etc. But now in developed countries 45% workers are female. In the developing countries like ours also females are now equally competing with males, leading to gender diversity. Needs likings of males and females are not same. So again the managers are now in a problem. Alike, caste diversity is also increasing due to reservation policy of governments. Earlier, so-called upper caste people used to hold the managerial positions. Now, SC/ ST, OBC etc are getting those positions creating diversity. 3. Temporariness : Everything today is temporary. Earlier, rate of companies winding up was 1%, now it is 10%. Earlier, a product could remain in the market for 50 years. Now, no product has market beating capacity for more than five years. All the workers earlier were full time workers. Today maximum are part-time, casual workers. So, a manager cannot spend maximum time with one worker. Then, how will he/she understand the worker? Work-design is also temporary. Today workers work with pen and paper. Tomorrow they may be asked to work with cartidge and computer. So, today's skilled worker can be unskilled tomorrow. Thus, unpredictability increases throwing challenges to the managers or OB. 4. Change and Innovation : Since everything is temporary, one must not stick to old things, old product or design. Continuously one is to change, if it is to survive. Change again, cannot be done in isolation. Innovation is the pre-condition to that. Until you get something new by innovation or creativity, how you can replace the old. Innovation is broadly of three types. (a) Incremental : Just you are new feature to the old product, e.g., change in package. (b) Substantial : Maximum change e.g., change in packing and quality of product. (c) Transformational : Replace the old product by completely a new product. To change means to accept new environment which is always unknown and so, uncertain. Managers thus are in problems. 5. Increasing Customer's Service : Service sector now is the most important

20 NSOU • PGC0-I sector. More than 60% workers or managers are working there. In service sector, you are to deal directly with customers, unlike workers who work in factories, i.e. with machines. Customer's behaviour is more unpredictable than machines and customers' problems refer to people problem. Managers were so long worried with one kind of people, i.e., workers. Now, if customers and added to that, we can easily change how problematic will be the lives of managers. 6. Technology : Technology today is everywhere. Man created it to help him in enhancing his capacity. But, now it is throwing man, its creator, out of the scene. Due to introduction of technology, workers are losing jobs. So, they are always afraid and tensed as any moment they may be given golden handshake. So, their job satisfaction is low and to motivate them is a challenge. Moreover, along with white colour and blue colour, employees, we have come by the golden colour employees (knowledge workers) also. The need, demand, culture of this new type of workers are largely different from those of others, posing thus problems to managers. 7. Ethical Dilemma : Ethics, values are always controversial. But never earlier we were is such a dilemma on ethical issues. If you do not give bribe to hospital staff, your relatives will not get admission and may die. What should you do then? If you blow whistle, dignity of your company may be affected. If you don't, corruption may continue. If you evaluate properly your subordinate's performance, he/she may be denoted or dismissed. If not, you are compromising with your duty. Due to these role conflicts, managers/workers now are always tensed/stressed. Their productivity is less. Sometimes, they suffer from burn out. Resolution of this stress is a headache to modern managers. 8. Life-work Imbalance : 30 to 40 years back, there was a clear demarcating line between our personal life and working time. But day by day, this is gradually disappearing. We do not exactly know today which time is completely our own. Livelihood is encroaching every sphere of our life. The reasons thereto are as follows. (a) Managers now are the managers of MNCs. So, in his/her night time also some of his/her workers may be in work in other parts of the globe. Thus, he/she will never have a free sleeping time. He/she may be always on phone call thereby, and personal time is curtailed. (b) Due to technological development, net connectivity, when one worker is spending vacation, his/her may get him/her connected, assign duty



NSOU • PGCO-I 21 and sitting on a sea beach the worker is required to complete the assignment. Personal life is encroached there by. (c) Working hours today have also been increased, leaving minimum time for personal enjoyment. (d) Due to dual career families now-a-days, house hold responsibilities are grossly neglected. If at home, you are failure, working life will also be affected. Everything thereby is becoming imbalanced. Managers are getting much trouble in addressing the stress of workers created out of that. 1.6 Organisational Behaviour (OB) Organisational behaviour as a new discipline has emerged to assist the managers in understanding workers behaviour that is being complicated day by day due to radical socio-economic changes. Human nature always is to give judgement about others. Always we try to understand why people do what they do. But in most cases, we do it by intuition or get feelings. So, our judgements about others become incorrect. OB rather has come up with a scientific approach to replace that intuition or to supplement that, so that understanding the behaviour of people becomes accurate. How it proceeds to that end, is discussed one by one in following sections. 1.6.1 Organisational Behaviour—Meaning Organisational behaviour means behaviour within the four walls of organisation. So, as a discipline, it studies the actions and attitude of the human beings at their work place. At the workplace, not only individual human beings but hundred of their groups and millions of relationships exist. The relationship as such actually the organisation of different nature. So, in any organisation broadly there are three components— (a) Individuals (b) Groups, and (c) Structures And, behaviour within the organisation means the interface and interactions of these three. So, S. P. Robbins defined OB

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as follows. "OB is a discipline that investigates the impact that individuals, groups and 22

NSOU • PGCO-I structures have in the organisations for the purpose of applying the knowledge for enhancing the organisational efficiency." So, What are under consideration are firstly, the behaviour within the organisations and secondly, the organisational efficiency. That means, all types of behaviour are not the subject of OB. Rather the subject of OB is only the work-relates behaviour. Broadly, the work-related behaviours are— (a) Productivity i.e., degree of worker's efficiency. (b) Absentacism i.e., how many days workers are absent. (c) Worker's turnover i.e., rate of employee resignation. (d) Job Satisfaction i.e., extent of positive feeling to job. (e) Organisational citizenship i.e., favourable behaviour. (f) Deviant workplace Behaviour i.e., Unfavourable behaviour. So finally OB means the study of Individuals, groups and structure to know their impact on the aforesaid six outcomes. The study as such includes the following. 1.6.2 OB-its Activities/Functions OB is a social science. Like every science, it also wants to establish a cause and effect relationship among related variables. Behaviour here is the effect. So its first function is to find out the cause behind each behaviour. Then it tries to see the degree of association between the cause and effect, that is to what extent the same cause leads to similar behaviour. The causes here, in other words, are independent variables and outcomes are dependent variables. To build up an equation of relationship between the two is the primary activity of OB. Outcomes on dependent variables actually are the work related behaviours as mentioned in secetion 1.6.1 and, the variables on which they depend are— (i) What types individuals are there in the organisation. (ii) How strong is the group relationship, and (iii) What structure or style of management is there in the organisation ? Different characteristics of individuals are—age, gender, religion, physique, intelligence, values, personality, perception and attitude and all these have their impact on productivity like work-related behaviours. Group dynamics depend on the issues like conflict, negotiation, power, politics, communications, group decitions, group norms, cohesiveness and so on. On these dynamics depend the productivity, job satisfaction or absenteeism of workers.

NSOU • PGCO-I 23 Structure of organisation refers to degree of centralisation, Line and staff Matrix, flexibility of structure, extent of participation in decision making, human resource policies, organisational culture etc. OB, as a subject, deals with all the facets of these three independent variables, i.e., individuals groups and structures. Then it establishes relationship of them with productivity-like different dependent variables. However, the pure sciences like physics/chemistry can universally state that  $x$  always leads to  $y$ . For social sciences like OB this is not possible. Here, we need the function of one contingent variable,  $z$ . And, our equation normally stands as— “ $x$  leads to  $y$  subject to the condition of  $z$ .” So, the functions of social sciences are more difficult, more complicated than those of pure sciences. Pure sciences deal with inanimate things like sun, moon etc. Everyday the sun rises in the east. If you throw something upward, it will surely come down to earth. Thus, their behaviour is predictable. But human beings are unpredictable, making the activity of OB difficult to a large extent.

### 1.6.3 Importance of OB

OB is of very recent origin still, it performs a very important role in understanding the human beings and analysing the societal dynamics. Human resource is the most important of all resources. So, human resource management has got now the maximum prominence. But human resource management (HRM) is handicapped in absence of OB. OB helps HRM in following ways. (i) OB explains human behaviour by asking why people do what they do. If a number of workers resign, OB attempts to know “why” they resign. A number of causes can be there. But what is the exact cause? By explanation we know that fire causes smoke. Hydrogen and oxygen cause water, Similarly OB tries to know what is the cause leading to a specific behaviour. (ii) OB predicts human behaviour by using the knowledge from explanation. By explanation we know that fire causes smoke. So, from a distance when we see some smoke we can rightly predict that there is fire. Accurate prediction of human behaviour is crucial to any kind of managerial decision or action. Before modernisation or computerisation, managers must predict the reaction of workers. If he/she predicts that even if there is reaction, it will be mild and manageable, he/she can proceed to modernisation. But if he/she predicts acute agitation or revolt against this move, he/she should not proceed.

24 NSOU • PGCO-I (iii) OB also controls/manages human behaviour. That means it can change human behaviour according to the need of the organisation. By explanation, it comes to know the reason behind workers unfavourable reactions. Then, by adopting remedial measures it prevents the recurrence of such unfavourable reactions. Knowing the environment that creates positive actions, it builds up the same environment enabling the repetition of positive behaviour. Workers themselves may not know that their behaviour is being controlled. Because OB does it very tactfully whereby favourable behaviour of workers are repeated and unfavourable ones are prevented. With the help of these three roles, OB in fact performs the most important part of managerial functions. HRM also is inactive in absence of such help of OB.

### 1.7 Contributing Disciplines of OB

OB is still in its childhood. Still, it is to perform a very complicated role. So, it cannot but take help of one and all, and has built up itself as a multi-disciplinary subject. The disciplines from which it has borrowed the concepts to enrich itself are known as the contributing disciplines. Contributing disciplines along with their contributions towards the development of OB as a separate field of study are narrated below.

**Psychology :** Psychology is an age-old social science that deals with the mental state of all human beings and even the animals. OB deals with only the work-related behaviour. But the focus of psychology is on every walk of human beings as well as animals. Different dimensions of individual behaviour have been borrowed by OB from psychology. These dimensions are— (i) Value system (ii) Personality (iii) Attitude (iv) Perception (v) Learning Process (vi) Job satisfaction (vii) Job stress etc.

NSOU • PGCO-I 25 Sociology : While psychology helps OB in relation to individual behaviour, sociology helps it in understanding group behaviour. Sociology deals with society. Group is a sub-set of society. So, social dynamics equally hold good in group activity. The issues on group behaviour for which OB has borrowed concepts from sociology are— (i) Group formation (ii) Group Properties (iii) Group Decision-making (iv) Communication (v) Conflict and its resolution (vi) Power and Politics etc. Anthropology : Anthropology is the science of human race. It deals with the evolution of human civilisation and its culture. From civilisation to civilisation the behaviour of human beings varies because the culture of each civilisation is different. So, to know the followings, the OB has to depend on anthropology. (i) Organisational culture and its impact (ii) Organisational development (iii) Organisational change (iv) Organisational values vs personal values. Social Psychology : This discipline is the blending of sociology and psychology. So, it's natural that it will help both individual and group behaviour. In fact group is consisted of individuals. Still, group behaviour is different from individual behaviour. How this change or difference takes place in the area of social psychology. For knowing individual and group behaviour, it is very important. Thus, social psychology helps us in understanding— (i) change from individualism to collectivism (ii) the upholding of individuality amidst group pressure. (iii) reconciliation of individual aspiration with group goal. Initially, OB was built up with the contributions from aforesaid social sciences. But as the days are passing, organisations and their components are confronting with newer and newer problems. As a result of that, OB is now depending on some other disciplines also. These disciplines are mentioned below.

26 NSOU • PGCO-I (a) Economics for tackling the critical issues like job evaluation, wage determination, time study, motion study etc. (b) Political Science for combating the emerging politicking and power play at workplace. (c) Medical Science for resolving the issues like workers depression, job stress, counselling. etc. (d) Semantics for enabling the organisations to have an effective communication network as this network is considered to be the nervous system of all organisations, and the success or failure of group decision making mostly depends on it. One of the reasons of conflict is also poor communication. So, semantics, the science of communication is truly of much of OB. 1.8 OB in Global Context We live today in global village. Supersonic jets, world wide web, MNCs, easy flow of labour and capital from one country to another—all have given us scope of and necessity for continuous interactions with people of other countries of the globe. But the fact is—the way of response to same stimulus may not be the same in all countries. Response varies depending on the culture of a place. Americans, for examples, unlike europeans, always suffer from parochialism. They always believe that their customs, values, even the language are superior to all others. So, we can imagine how they would response to a call from other countries like Mexico, India, Brazil etc. Some of the differences from country to country we may cite below. (a) Americans like theme park, but French do not like it. (b) While speaking together, people of Peru like to come closer to each other, whereas US the people keep backing up. (c) Managers in USA always have separate luxurious private chambers, but Japanese executives do not have that. (d) American students from childhood are taught to be individualistic whereas Japanese from childhood learn to be the teamplayers. (e) In America, ends justify the means, whereas in India means justify the ends. 1.8.1 Difficulty is knowing Culture Culture of different nations varies, so varies the behaviour. But assessing culture

NSOU • PGCO-I 27 of different countries is not at all an easy task. You may know the accounting system, economic condition on political system of different countries, as in written form all of them are available. But books on culture are not in that way available for all countries. People of a nation can also not describe you about the culture of that nation. Because, culture to us is just like the water to fishes. As the fishes live in water, we live within the culture. Fishes do not know what is water. We also do not know what our culture is. Culture of one nation can be known by regorous research only. But due to difficulty in such kind of research, only a few studies are there as yet on varying culture of different nations. Two significant studies among them we narrate in following sections.

### 1.8.2 Study of Kluckhohn and Strodtback

These two researchers by their study has developed a framework in understanding the culture of different countries. This framework has identified six basic cultural dimentions on which differences are prominent from country to country.

**Relationship to Environment :** Researchers have found broadly three types of relationship to environment in different nations. They are— (a) Subjugation (b) Domination, and (c) Harmony In some nations, people feel that they are subjugated, i.e., completely under control of nature or under "god's will". So, they themselves have no power to go beyond that whereas, some other countries beleive that they are the architect of their own fate. They can do everything and "dominate". Some are again in-between these two extremes. They are in harmony with nature. Middle-east nations are subjugated and western dominated. Dominating societies fix target and try their best to achieve that. Subjugated societies feel "What will be, will be" and leave everything to fate.

**Time Orientation :** Societies differ in placing value on time. Western cultures are present oriented and have short-time orientation. Japanese, whereas, look to future and so give long-time to prove one's effeciency. Some cultures, like Italians, again, emphasize of past, tradition and preserving convention.

**Activity Orientation :** Orientation as to activity is also of three types. They are— (a) Doing or Action

28 NSOU • PGCO-I (b) Being or Living (c) Controlling or Restraining. Doing people work hard and expect reward like salary raise or promotion. People of North America are of this type. Mexican on the other hand, are "being" people who work at slower pace and prefer enjoying the moment. French people are controlling-oriented who can restrain their desires either for reward or for enjoyment and work logically or rationally.

**Nature of People :** Third-world countries view people as "good", so regulations to control them are less stringent there. Soviet Union thinks that people are generally "evil". So, stick policy is headed to make them work. North Americans are somewhere in between. They treat people as good, but still stay on guard.

**Focus of Responsibility :** Researchers have classified culture as follows according to the focus of responsibility of the people. (a) Individualistic (b) Group-oriented, and (c) Hierarchical Individualistic people, mostly the Americans, think themselves responsibe to self only. People of Israel/Malaysia are but group-oriented who share chores and rewards with other people. The British and French are not so self-focused. They are not concerned again about all people of the society. But they focus on the people who belong to their own hierarchy, level, class or caste.

**Conception of Space :** Some cultures, like Japanese culture, is very open, i.e., they prefer conducting business in public. Americans again prefer private space. So executives there do not work in the same room with their subordinates. They need private chambers, as secrecy is given there the weightage. Some societies have again the mixed orientation, who create and maintain therefore the "limited privacy".

### 1.8.3 Hofstede Framework

The framework built up by G. Hofstede is much more comprehensive because

NSOU • PGC0-I 29 the researcher here surveyed as many as 1,16,000 employees of sixty different countries. All employees worked however in same MNC, IBM. If workers from different companies were chosen, their difference in behaviour partly could be due to different working conditions. So, intentionally the researcher selected the employees of same MNC, so that all the differences in behaviour can be attributed to cultural differences. By his study, Hofstede found that workers vary in four dimensions of national cultures. Under each dimension, societies have divided here into two groups, unlike three in Kluckhohn-Strodback framework. Individualism Vs Collectivism : People of the world are either individualistic or collectivist. People of rich countries like USA, UK are individualistics who look after their own interests, personal achievements. People of poor countries like Pakistan, Taiwan are mostly collectivists who like always to co-operate others and expect also the co-operation from others. Power Distance : In every society some people are more powerful and some are less powerful. But the question here is how the societies treat these differences. Societies that do not give importance to the position, title or rank of people and socially everyone can have the relationships, are less power distance societies. But where there are separate canteens for executives and for workers, people of positions do not enter into social relationships with people without positions, the societies are known as the high power-distance countries. India, Venezuela are high and Denmark, Austria are low in power distance. Uncertainty Avoidance : People of some countries work comfortably with risks, i.e., they do not try to avoid uncertainty. In routine or stereotyped jobs rather they do not find any interest. People of Singapore, Hong Kong fall into this category. People of Greece, Portugal, on the other hand, feel nervous, stressed, depressed if risky or uncertain jobs are given to them. They prefer to be employees, never the entrepreneur. Their target is usually low, job mobility is also low. No risk means no gain. Thus, their gain is not so high. Masculinity Vs Femininity : People of some societies, even the females, possess mostly the masculine characteristics. That is, they are aggressive, assertive and dominant who run after mainly the quantity of achievement. In some other societies even the males possess the feminine characteristics like caring for others, quality of life, preference to relationships and so on. Such masculinity prevails in the countries like Japan and the femininity in Netherlands and Nordic countries.

30 NSOU • PGC0-I Later, a few more dimensions have been identified and added to his framework by Hofstede, they are— (i) Short-term VS long-term orientation (ii) Qualitative VS Quantitative Approach, and (iii) Indulgence VS restraint. In long-term oriented countries plans are usually long-term and performance evaluation is also done on long-term basis unlike the countries with short-term orientation. Quality is emphasized in some cultures, quantity is some other countries. Indulgent countries tolerate enjoyment of life, fulfillment of human desires. Resistant countries, on the other hand, form norms restricting gratification of human desires and enjoyment. 1.8.4 GLOBE Framework In 1993, a research programme named Global leadership and Organisational Behaviour Effectiveness (GLOBE) began to identify the cross-cultural differences. Using data from 825 organisations in 62 countries it identified nine dimensions on which national cultures differ. However, most of them resemble the Hofstede dimensions. Additional two, that GLOBE added are— (a) Humane orientation, and (b) Performance orientation. Humane orientation reflects the degree to which people of the society are generous and kind to others. Performance orientation measures the extent to which the society encourages the performance improvement and excellence. 1.9 Summary From the above discussion, we could understand the conceptual issues of organization, organizational structure, modern theories of organization, challenges faced by the managers. In addition, we could also understand meaning and importance of organizational behaviour, disciplines that contribute towards development of organizational behaviour and the global interpretation of operational behaviour.

NSOU • PGC0-I 31 1.10 Questions A. Objective Type : 1. Name two characteristics of organisation. 2. What are the types of organisation structure ? 3. State the relationship between span of control and levels of structure. 4. Give an example of Functional Departmentation. 5. Which of the resources is the important ? 6. Name two work-related behaviour. 7. Name the contributing discipline that contributed the concept of personality to OB. 8. In how many groups the countries were divided under each dimension of Kluckhohn-Strodback framework ? B. Short answer Type : 9. What are the skills that a manager should possess ? 10. How does size influence structure of organisations ? 11. Define the concept of ultimate responsibility. 12. What are the main characteristics of system approach ? 13. How does globalisation pose problems to modern managers ? 14. What you mean by "gender diversity" in workforce ? 15. According to Hofstede, narrate the culture of power distance. C. Long answer Type : 16. Give a brief discussion on the factors that influence the structure of organisation. 17. State how systems approach and contingency approach are related to each other. 18. What are the recent challenges to OB ? 19. Briefly discuss the disciplines that have contributed to the development of OB. 20. Discuss varying national cultures as identified by Hofstede.

32 NSOU • PGCO-I Unit - 2 □ Individual Behaviour in Organisation Structure 2.1 Objectives 2.2 Individual Behaviour– Definition 2.3 Learning Process 2.3.1 Learning Theories 2.3.2 Reinforcement—Why and How ? 2.3.3 Reinforcement Schedules 2.4 Personality : Meaning 2.4.1 Personality Measurements 2.4.2 Determinants of Personality 2.4.3 Personality Development 2.4.4 Personality Theories 2.4.5 Myers & Briggs Type Indicators 2.4.6 The Big Five Personality Model 2.4.7 Other Relevant Personality Traits 2.4.8 Personality Job Match 2.5 Perception 2.5.1 Importance of Perception 2.5.2 Perception-Influencing Factors 2.5.3 Making Judgement about other Persons 2.5.4 Short-cut Judgements about Others 2.6 Attitude 2.6.1 Cognitive Dissonance Theory 2.6.2 Attitude Development 32

NSOU • PGCO-I 33 2.7 Job Satisfaction 2.7.1 Factors Influencing job Satisfaction 2.7.2 Impact of Job Dissatisfaction 2.8 Summary 2.9 Questions 2.1 Objectives Objectives of this unit are to highlight the impact of learned characteristics like—  
 • Personality • Perception • Attitude, and • Learning Process 2.2 Individual Behaviour–Definition Individual behaviour depends on a large number of factors—Inherited and Learned. Individual behaviour is the combination of his/her responses to external and internal stimuli. Individual behaviour is a system by which an individual senses the events, interpretes the same and responds to them. So, behaviour means response. Every moment we face a number of persons, objects and events. How we react to them, how we respond to their actions—is our behaviour. Behaviour varies from individual to individual. Facing same stimuli, two individuals respond always differently. This is because we possess two varying characteristics. Those are— (a) Inherited characteristics that we inherit from our parents, and (b) Learned characteristics that we learn from environment. Our physique, intelligence, age, gender, religion—all are inherited characteristics, and they have their influence on our behaviour as well. But as these factors are unchangeable, managers have nothing to do on workers inherited characteristics of personal factors.

34 NSOU • PGCO-I Learned or environmental factors can be changed according to the need of the organisations by creating desired environment. So, to a student of OB, the would-be manager, the learned characteristics are more important. These learned characteristics or environmental factors are discussed below, along with the process by which we learn. 2.3 Learning Process Last month Mr. X behaved cordially with Mr. Y. But this month Mr. X is avoiding Mr. Y. Surely, Mr. X has learnt something about Mr. Y. So, is the change is behaviour. So, learning means change in behaviour. Learning itself is invisible. From outside we cannot know whether one person is learned or not. Learning rather is reflected in behaviour. If there is change in your behaviour, surely you have learnt something, good or bad. But if the change is just temporary, it is not out of learning. Sudden shock may make you depressed for a while, and again you come round. This is not learning. Beside, learning must be as a result of some experience, not out of maturity. A child can walk out of maturity. This is also not learning. So,

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learning is a relatively permanent change in behaviour that occurs

out of experience. And, the critical test of learning is “change is behaviour.” 2.3.1 Learning Theories A number of theories have been developed by the experts to explain the learning process. None can fully cover the whole learning process of an individual. Having some idea about all the theories, the process of learning may be adequately known. Classical Conditioning : The most well-known theory of learning is classical conditioning theory as was developed by I. Pavlov with the help of a dog and its salivation. Dog was kept in a cage. As first step of experiment, the researcher rang a bell. This ringing of bell is not a stimulus to salivation. So the dog did not salivate. In second step, Pavlov placed some meat outside the cage. Seeing the meat, the dog salivated as meat is a natural stimulus for dog’s salivation. In third step, Pavlov linked two actions together. He rang the bell and simultaneously placed the meat, and the dog salivated. This third step was repeated throughout the day at a fix interval. As fourth step at the end of the day, he again only rang the bell. Then also the dog salivated, though no meat was placed together.

NSOU • PGCO-I 35 Bell was not natural stimulus. But at the end it became the stimulus to salivation the dog also learnt to salivate listening to the bell. Meat here is natural stimulus, bell earlier was no stimulus, later it became "Conditioned stimulus". And salivation by bell is known as "conditioned response", the response that you have learnt. In work set-up or in our daily life also, the same may happen. A wrong statement, if stated repeatedly to you, you may assume it to be correct. As slowly and on trial and error method, it is learnt, the process is known also as "shaping". It takes time, but once you learn by this method, you will never forget, as happens in case of riding by-cycle. Operant Conditioning : B. F. Skinner was the advocate of this theory who believed that behaviour is a function of its consequence. This theory is mostly in operation, and the managers by manipulating the consequence try to control worker's behaviour. If the workers feel that the consequence or effect of one kind of behaviour is good, e.g. he may get the promotion; he will always try to repeat the behaviour. So, one's expectation about the outcome or effect actually is the cause of your behaviour in future. In classical conditions, one will change his/her behaviour unknowingly. In operant conditioning, an individual changes/repeats his/her behaviour out of some inference or expectation that may be correct or not. This is known as Law of Effect also. Cognitive Learning : Classical conditioning refers to involuntary change in behaviour. You yourself do not know that you are taught something. Effect of operant conditioning is also not known in that way, It is based on expectation, that may or may not happen. Here, learning is considered as the outcome based on known facts being organised in an objective and goal-oriented manner. Cognition is the act of knowing something. So, knowing completely the concerned items of information, you change your behaviour here. Training is an example of cognitive learning that we undergo willfully and with an intention. Tolman was the advocate of this theory. Social Learning : Learning always does not take place in training centres, classrooms or laboratories. From society also we are continuously learning. Social learning means the learning that takes place by observing or imitating some one of the society. We follow our parents, teachers, leaders, social workers, movie stars and give shape to our behaviour accordingly. This is social learning. We accept someone as our model and following his/her behaviour, we change our hair style, food habits, life style etc. As we take help of a model here, this is known as learning by modeling also. To social learning effective, the required conditions are—

36 NSOU • PGCO-I (a) Attention : Model must draw your attention. (b) Retention : You must remember him/her or keep his/her behaviour in mind. (c) Reproduction : You must have the capacity to behave like him/her. (d) Re-inforcement : You must get positive feedback to what you have learnt. 2.3.2 Reinforcement—Why and How ? On whatever way, you learn, if this is not re-inforced, you may forget it. So, learning must be motivated and nurtured, sometimes to strengthen the desired behaviour, sometimes to prevent the undesirable one. That you will get reward or punishment if you behave this way or that way, one must remind you the same. Otherwise, you may forget to repeat the favourable behaviour or refrain from the undesirable behaviour. This process is known as re-inforcement, and it is a very important step in one's learning process. Reinforcement is usually done in following four ways. (a) Positive reinforcement (b) Negative reinforcement (c) Punishment, and (d) Extinction Positive reinforcement aims at repetition of desired behaviour by providing the learners with something that he/she likes. He/she may need primary re-inforcers like food, water or other biological things. He/she may need status, praise, recognition (secondary reinforcers). If one is given, what he/she needs, he/she will be motivated to repeat the desired behaviour. Negative reinforcement also wants to elicit desired behaviour, but the process here is different. Here, the things that the learner dislikes are withdrawn. Suppose, one was transferred earlier to a remote place, and he disliked that place of work. Now he is brought back to Kolkata office. This is an example of negative reinforcement, and by it the learner will be inspired to repeat desired behaviour. Punishment means providing something unpleasant to the learner. Here, the objective is to prevent one's undesirable behaviour. Once he had done it, so he is

NSOU • PGCO-I 37 given now something that he dislikes. So, before repeating it, he will think twice. Demotion, punishment transfer are the examples. Extinction This is also one kind of punishment. Instead of providing something unpleasant, here something pleasant is withdrawn. You were so long given a perquisite, for examples free use of a car. But now this benefit is withdrawn to give you a lesson for your undesirable behaviour. If you learn correctly, you will not repeat it. 2.3.3 Reinforcement Schedules Reinforcement, positive or must be scheduled properly. Scheduling means timing of reinforcement. If huge time gap is there after one reinforcement, the learner may forget it, again continuously it is done, it may be too costly. So, different researchers have suggested different schedules of reinforcement. They are as follows. (a) Continuous reinforcement, that is done without break. (b) Partial or intermittent reinforcement, where gaps are given between two reinforcements. Continuous reinforcement is not generally used at work place. Partial reinforcement rather is used in different forms like— (a) Fixed Interval schedule, where between two reinforcements time interval is fixed, suppose, six months. (b) Variable interval schedule, where time gap will vary. Variable interval, again, is provided following two methods, e.g., (a) Fixed Ratio schedule, and (b) Variable Ratio schedule Reinforcement is done each time when sales fall by 10%. This is Fixed Ratio Schedule. In the second case, no fixed ratio is maintained. So, workers do not know exactly when or how reinforcement is being done. As a result of that it is said that the variable Ratio schedule is the most effective and most powerful way of reinforcement scheduling.

38 NSOU • PGCO-I 2.4 Personality : Meaning Every person has some uniqueness. So he/she is different from other. This uniqueness in persons is their personality. Why do we adjust with our environment in different ways ? This is because of the unique organisation of our psychological system. This unique organisation of our psychological system is known as presonality. Personality is formed not by a single quality of individual. Rather, it is the sum total of qualities that differentiate one form another. It is the aggregate of ways in which we react to and interact with other. 2.4.1 Personality Measurements While recruiting or hiring an employee, the personality test is a must. In written test, some questions are set. Reply to the questions indicates the personality of the applicant. So, self-report is here is the basis by which one’s personality is measured. Again, interviewers while asking question to the applicants observe the systems, manners, smartness, wit, openness etc and combining all of them, they rate the personality. Thus, the personality measurement is done in these two ways— (i) Self-report, and (ii) Observers’ rating 2.4.2 Determinants of Personality This issue is still a very debatable issue. Because, experts and researchers are divided on whether personality is determined by our heredity or by the environment of our surroundings. Personality usually is discussed under learned characteristics or environmental factors. But what surprises us is, research tends to support the importance of heredity over environment.

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The heredity approach argues that the ultimate explanation of individual’s personality is the molecular structure of the genes, located in the chromosomes,

and these we indirect from our parents. To prove it, the researchers of this line conducted research one thousand sets of identical twins from different countries. That the personality is mostly hereditary is the out come of these studies. Extreme example to this conclusion is

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one set of twins who were separated for 39 years and raised 45 miles apart.

Surprisingly it was found that, though there was no communication in them for so many years, they both— (i) used to drive the cars of same model and colour



NSOU • PGCO-I 39 (ii) chain-smoked the cigarettes of same brand (iii) owned dogs with the same name, and (iv) regularly vacationed in sea-beach. This is not to suggest that the personality never changes. Over time and in different cultures, personality does change. So, perhaps we talk about personality development. Had the personality been determined only at conception, all efforts toward personality development would have failed. But this does not happen. So, environment has also an impact as determinants of personality. Actually, whatever is revealed in the study of twins, genetics accounts for not more than 50% of the similarities, and the balance is explained, partly by family, partly by society and partly by occupational environment.

2.4.3 Personality Development Personality develops from its infant to grown up stage. Psychologists broadly accept this view. Most important few studies are explained below in brief.

Study of S. Freud : Freud was a pioneering theorist on personality development (PD). He stated that there are four universal stages of psychological development that are decisive in the formation of personality.

(a) The Oral Stage : This stage remains in first year of life. Mouth here is the significant body zone through which the baby tries to satisfy its biological drives. (b) The

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Anal Stage : During second to third year of life focus shifts from mouth to anal region. So, toilet training given to the child by parents

is too important during period, as it may have its influence on adulthood. (c) The Phallic Stage : At about four or five years of age, focus shifts to sex organs. Being unable to understand it properly, the child sometimes suffer from severe anxiety that may affect normal personality development. (d) The Latency Period : This period occurred between six to eight years of age, when the child loses interest in sex temporarily and gets interest in external world. (e) The Genital Stage : This stage occurs between adolescence and adulthood. Interest towards opposite sex comes in. The youth begins to love others rather than self. Learning about this stage is very vital, as major part of our personality develops at this stage.

40 NSOU • PGCO-I Freud has given thus on valuable insight into the theories on personality development. But his high reliance on sex and use of terms like 'anal' rather than 'impulsive', 'genital', rather than, 'mature' have been strongly criticised. Study of E. Erikson : Erikson gave a new dimension to PD. According to him, PD is not only a psycho-sexual development, rather the person and society has equal roles in PD. He stated that in each stage of our life we suffer from a unique set of dilemma, and solution to that we get from the environment of that time. Specific stages of life and related dilemma, as stated by Erikson are given below.

First year → Trust Vs Mistrust 2 – 3 years → Autonomy Vs Doubt 3 – 5 years → Initiative Vs Guilt 6 – 8 years → Superiority Vs Inferiority Adolescence → Identity Vs Role conflict Adulthood → Intimacy Vs Isolation Middle Age → Activity Vs Absorption Late Adulthood → Integrity Vs Despair

Theory of C. Argyris : Argyris believed that PD cannot have distinct or separate stages as stated by earlier two experts. Rather, it progresses along a continuum from immaturity to maturity. More you are in the side of maturity, more you are a man with personality. Based on this study, Argyris identifies the features of both immaturity and maturity. To which of them, one is prone determines his/her

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personality. The characteristics as such are given below. Immaturity Maturity Passivity → Activity Dependence → Independence Limited behaviour → Diverse behaviour Shallow interest → Deep interest

Subordinate position → Superordinate position Low self awareness → High-self awareness

NSOU • PGCO-I 41 2.4.4 Personality Theories The prominent theories on personality can be grouped as under. (a) Type theory (b) Trait theory (c) Psychoanalytic theory (d) Social learning theory, and (e) Humanistic theory Type theory groups the people into some categories, and believes that personality of people belonging to each category is same. Sometime grouping is done physically and sometimes psychologically. According to physical classification, fat persons are sociable, relaxed and even-tempered and thin ones are restrained and fond of solitude. According to psychological grouping, on the other hand, extroverts are sociable and introverts like solitude. Trait Theory classifies people not into types but as per the traits or attributes of people. Trait that is exposed more often is more associated with personality. Psychologists who work with trait

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theory are concerned with— (i) determining the traits that provide a meaningful description of

the man, and (ii) finding some way to measure it. The enduring or consistent trait is called the personality trait that appears frequently in a variety of situations. Psychoanalytic theory has its origin in the theory of S. Freud which is composed of broadly three elements, e.g., (i) id, i.e. raw and animalistic component following pleasure principle. (ii) ego that follows reality principle (iii) super ego that strives for perfection Here, mind is compared with iceberg, maximum of which is under water. Small portion of mind possesses in the same way the consciousness and the large part of it is unconscious, a store house of impulses. Movement from unconscious to conscious segment is the development of personality (from id to superego).

42 NSOU • PGC0-I Social Learning Theory accepts the influence of society or environment on the development of personality. When you learn something i.e. develop yourself by observing others in the society, it is known as social learning or vicarious learning. Social learning theorists deny the influence unconscious component, reversely they focus on cognitive activities that evoke, maintain and modify men. The Humanistic approach emphasizes

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on man's potential for self-direction and freedom of choice.

Man here, however, is not solely a biological but a social construct. That means, this theory combines psychoanalytic theory and the social learning theory. Roger's Self Theory and Maslow's Self actualisation Theory are the theories under this approach. Roger believed that one's personality depends on how he/she perceives self and the world around. Maslow again believed that man himself/herself is self-actualiser, and the drive towards it is inherent in human being. So, he/she is responsible for his/her existence and becoming always something different. 2.4.5 Myers & Briggs Type Indicators Based on Type Theory, two researchers, Myers and Briggs, jointly developed personality assessment indicators with the help of a questionnaire containing 100 questions. Analysing the responses, the researchers identified eight personality traits and combined some of them together to give some personality types. Firstly they classified the traits as below. Extraverted Vs Introverted (E Vs I) : Former being out-going and assertive, while latter very quiet and shy. Sensing Vs Intuitive (S Vs N) : Former having power of observation and latter looking at "big pictures". Thinking Vs Feeling (T Vs F) : First type works with head (brain) and the second with heart. Judging Vs Perceiving (J Vs P) : First type prefer giving judgement about others but the second gives his/her opinion. Having combined the above traits, the researchers developed 16 personality types for example— INTJ (introvert, Intuitive, Thinking and Judging) types who are according to researchers, visionaries.

NSOU • PGCO-I 43 ESTJ types who can be good organisers. ENTP types are innovative and can be an entrepreneur. Eight traits as above are Myers-Briggs Type Indicators (MBTI) as they indicate personality types.

### 2.4.6 The Big Five Personality Models

Some modern researchers have identified five personality traits and they call them Big Five Personality Traits as, according to them, they encompass most of the significant variation in human personality. Those are as below. Extraversion refers to the extent of assertiveness and sociability among human beings. Agreeableness means the propensity to agree with others. Conscientiousness is a measure of reliability and dependability. Emotional Stability denotes the ability to avoid and withstand stress and makes people calm and secure. Openness to Experience helps people listen to others' opinion, makes them curious, creative and flexible. These five dimensions of personality traits are closely related to the work-related behaviours of the workers. Extraversion makes people the good leaders having both assertiveness and sociability. Agreeable people are liked by all. So, interpersonal relationship can be very good if they are more in number. Conscientious people are highly productive and their absenteeism and turnover rate are low, as everything they do rationally. Emotionally stable people are highly satisfied people. As they can restrain their emotions they are rational as well. Open people on the other hand can cope better with change and also act as change-agents. Change being the rule of the day, open people make sense.

### 2.4.7 Other Relevant Personality Traits

Some other traits have come up at present which are considered by most of the business heads very relevant in the context of workplace behaviour. Those are summarised below.

**Core Self-evaluation :** Some people evaluate themselves positively; i.e. they believe "we are the architect of our own fate." They are confident about themselves and so their locus of control is internal.

44 NSOU • PGCO-I As the same time, there are people who have negative valuations about themselves and believe "we are the puppets in the hands of God." These people are said to have external locus of control who usually do not fix target, and even if it is fixed they do not have any urge to achieve it, as they are the believer of "what will be, will be." Self-Monitoring people can adjust with every situation. They can change themselves, as the lizards do, suit the changed situations. They are good politicians having striking difference between public person and private self. They are successful but not in that way satisfied.

**Machiavellianism :** The philosophy of Machiavelli, a most practical US philosopher, is known as such, and the followers of him are known as much people. They are so practical that ethics, morality are meaningless to them. If any one is to achieve something, he/she can do it by hook or by crook. They believe in "ends justify means." So, one must not be judgemental about whether this is good or bad. Mach people therefore manipulate more and succeed more. In the long run, however, they are supposed to be the failures.

**Narcissism :** Narcissus was a Greek mythological character and after his name this "ism" has come. Narcissus believed that he was the superior to all. So, he could not like or love other one. He stood before the mirror and looked off and on his own image. Ultimately he built a statue of himself and fell in love with that. The people who are over-confident about themselves and treat others as inferiors are known as narcissus people. The boss of this kind of people, however, give them very low score in their performance evaluation.

**A and B Type :** A type people always run after time. They eat quickly, walk quickly and also work very fast. They start at the same time a number of jobs and can complete none of them satisfactorily. Quantity may be achieved by them, but never the quality. They always suffer from stress also. B type people are always "happy-go-lucky." They play, but not to win but to make fun. They enjoy their leisure time, never suffer from urgency of time. So, their stress level is very low.

### 2.4.8 Personality Job Match

Why do we want to know personality or other characteristics of human beings? Our objective is to know their impact on human behaviour, particularly on work-related behaviour like productivity. In fact, productivity can be up to the mark if one's

NSOU • PGCO-I 45 personality fits the job requirements. All personality traits are not suitable to each type of jobs. John Holland, working on this issue, identified the following personality traits along with the jobs to which they are suitable.

**Personality traits Suitable jobs**

(a) Realistic : Simple Aggressive, Farming, Garage mechanic, Manually skilled welding

(b) Conventional : Routine worker, Accounting, Finance, Conforming, Traditional Corporate management

(c) Investigative : Thinker, Organiser, Biology, Mathematics

Curious, Analytical Market Research

(d) Enterprising : Dominating, Law, Public relation, Assertive, Politicking

Enterpreneurship

(e) Social : Polite, Cordial

Social work, Teaching, Helping, Dependable

Consoling

(f) Artistic : Emotional, Creative, Art, Music, Painting, Imaginative

Interior decoration

Then, he stated that productivity can be high if job can be matched with personality in the above-shown way. If this is not matched, the workers may also be dissatisfied and their absenteeism and turnover rates will be high. However, with the help of a hexagon Holland tried to show the personality traits that are closer to each other and the traits which are diagonally opposite. When the traits are closer, job suitable to one trait may also match the adjacent traits, but never this is true in Fig. 3

Artistic Social Enterprising Conventional Investigative Realistic

46 NSOU • PGCO-I case of diagonally placed traits. As is shown in Figure 3, the realistic people can somehow do the jobs earmarked for conventional or investigative people, as these traits are closer in the hexagon. But realistic people can never be social, conventional can never be artistic, as they are diagonally positioned. 2.5 Perception We see or hear the something through our sensory organs eyes or ears, but we interpret them differently "For many a reason, none of us can see the reality. We see something, give it a meaning and call it the reality. The process of interpreting the world as such is called perception. Perception is different from sensation. Sensation means what we do with our sensory organs like eyes, ears, nose, tongue and skin. But perception means sensation plus its interpretation. When a fly sits the skin, a baby will feel it as one adult will do. But the baby will understand that it is a fly and the adult will understand it and use his hand to remove it. The second case is perception. Sensation is same for all individuals, but the perception varies, as the latter depends on our understanding and the understanding again, depends on our learning and related many other things.

2.5.1 Importance of Perception Perception varies from person to person. That means it is not universal. Perception in most cases is not the reality. In spite of that perception exerts significant influence in our decision making. Mr. A may be actually a good person. But if you perceive him as bad, your behaviour to that person will never be cordial. If one manager perceives his/her workers as lazy or deviant, he/she will impose stringent rules to control them, even if actually they are not of that type. We have the general perception that government employees are not dutiful. Mr. Z, a government employee, is truly a dutiful person. Still, our behaviour with him may be suspicious. 2.5.2 Perception-Influencing Factors Why does perception vary? The answer to this question lies in the factors influencing perception. Perception has three components— (a) Perceiver (b) Perceived or Target, and (c) Situation

NSOU • PGCO-I 47 We all know two perceivers can never be identical. The perceived also varies in its features. Change in situation always makes the difference. So, these three factors are singly or jointly responsible for varying perception. Different characteristics of these three factors that make us perceive the same thing differently are outlined below. (a) Characteristics of Perceiver Learning : To an illiterate person, number 8 is just a mark. To a person who has learnt only the English number, it is eight. Again, to a person who knows only the Bengali number, it is four. So, learning makes difference. Attitude : There is a glass, half of which is filled with water. If you possess negative attitude. You will see the empty portion. Whereas the person having positive attitude will see the portion filled with water. Needs : If you are thirsty, the sand of desert may appear before you as water. A hungry man will get the smell of different food items from the roadside restaurants while going to Sealdah Station. But the person who is to avail the train, will listen the whistle of the trains. Interest : In the same page of the newspaper, your father seeks the information as to share price, whereas your mother will search for the price of the gold. Personality : If you are A type, you will dislike the people who enjoy in leisure time. If you are B type, you will rather like them. Experience : Mothers are afraid of snake as they have experience about its nature. Babies, on the other hand, may try to play with snake, as to them it is just like a doll. (b) Characteristics of Perceived Novelty : If you see something novel, for example, an elephant on city- street, it will attract your vision more in comparison to buses or cars. Size : A six-foot tall basket ball player will attract your vision and others you will ignore. Contrast : Among a number of white balls, there is only one black ball, it will attract your vision. Movement : Moving advertisement through flashing light is used by the advertiser because it draws our attention.

48 NSOU • PGCO-I Background : Black letters in white background are more easily visible than the same in yellow background. Position : You can see easily the people who are in front of the procession, and others you may not notice in that way. Similarity : In a large gathering, only ten persons were wearing the similar dress, and all others were in different dresses. Those ten persons will be prominent to you amidst that large gathering. (c) Situational Characteristics : Perception varies from perceiver to perceiver and also from perceived to perceived. But even if both perceiver and the perceived are same, the perception may vary due to situational differences. You did not know earlier Mr. X, when you first met Mr. X, he was with Mr. Y whom you know as a good man. Then, you will perceive that Mr. X is also a good man. But if the situation was different, i.e. suppose when you first met Mr. X, he was with Mr. Z and Mr. Z is not at all a good man. Then, your perception about Mr. X would have been completely opposite. Everyday you, the perceiver, see the rising sun, the perceived, through the window of your bed room. But one day you, the same perceiver, see the same rising sun from Tiger Hill at Darjeeling. Surely, your perception about the rising sun at two situations will be different. 2.5.3 Making Judgement about other Persons So long we give some examples of perception about inanimate things. More complicated is the perception or giving judgement about others. This is known as person perception and it is more difficult than the perception about impersonal things. Different studies are there on person perception. But the most relevant and significant study is as follows. Attribution Theory : Heider and Kelly are the known contributors to this theory that has explained in detail the complexity of person perception. While perceiving one person, i.e., giving judgement about that person, not only the external state, but also his internal state we need consider. First step is to question why he does that he does. Then, the perceiver himself will seek the answer. Usually, the perceiver wants to know whether the behaviour of the target is internally caused or externally caused. If it is internally caused then the perceived or the target is responsible for the behaviour concerned. But if it is externally caused that the perceived is not responsible personally, rather the situation has forced him/her to behave in this way. While fixing up the cause—internal or external, the perceiver depends on broadly following three factors.

NSOU • PGCO-I 49 1. Consensus : The behaviour of the target gets consensus when some other persons also behave in the same way. If not only Mr. X today is late, but other workers who follow the same route to come to office, are also late; then the perceiver may think that there was perhaps the traffic jam or train was late and hence, so many workers are late. That means target's behaviour in coming late is externally caused and the target is not personally responsible. 2. Distinctiveness : If the present behaviour of the target is distinct, i.e., clearly different from his/her other behaviours, then the behaviour is not internally caused, and so the concerned person is not also responsible for this. One student is very regular in class, attentive to lectures, well behaved also. Still, if his/her present behaviour, i.e., performance in class test is poor, it is no doubt different from other behaviour, so it is externally caused. 3. Consistency : When the target exhibits same behaviour consistently over time, then surely he/she is personally responsible for this. For example. Mr. X is late today, and during last three months, sixty days he was late. Then, it is internally caused and the target is responsible.

Consensus	Distinctiveness	Consistency	External	External	External	Internal	Internal	Internal	High	High	Low	High	Low	Low
High	High	High	External	External	External	Internal	Internal	Internal	High	High	Low	High	Low	Low

Fig. 4 Figure 4 summarises the above discussion and depicts at a glance when one's behaviour is externally caused and when internally. 2.5.4 Short-cut Judgements about Others To give judgement about others is not an easy task. Huge information needs to

50 NSOU • PGCO-I be collected before giving such judgements. But in most cases, the perceiver either does not get time or is not willing to collect so much information. So, he/she adopts some short-cut techniques while judging others. Quick decisions may be taken thereby, but in most cases they are not correct. The methods that are used usually for this purpose are narrated below. Halo/Horn Effect : Sometimes the perceiver gives judgement about the perceived considering just one quality or one disqualification of the perceived. Such process is known respectively as halo or horn effect. Example : Halo Effect : The lady is too charming, and so she is selected without considering her quality. Horn Effect : The candidate is poorly dressed, so he is not selected though his quality may be superb. Stereotyping : When someone is judged considering not his/her attributes but by considering the attributes of group he/she belongs to, is known as stereotyping. Only a few muslims may be the terrorists. But if we conclude that all muslims are terrorists, and so we reject one muslim candidate, then we are stereotyping. Projection : When we impose our own attributes on the person we judge, the process is known as projection. An honest man views other persons as honest. A guilty mind is always suspicious and thinks others guilty, and accordingly give judgement about others. Selective Perception : Our perception in most cases is selective. We select those qualities or disqualifications of a man that we want to see in him. So, the same person is good to one perceiver, and bad to other. Because the former selects only the virtues of the perceived but latter selects the vices. Contrast Effect : You are a mediocre student. If you are tested along with a group of very good students, then you may be labelled as very bad. But if, you the same, are tested with a group of very bad candidates, you may be graded as "very good". Thus, your actual calibre is never revealed. 2.6 Attitude What we want to do is our attitude, and what we actually do is our behaviour. So, behaviour and attitude are very closely related. This relationship is known as Attitude—Behaviour relationship or A-B relationship.

NSOU • PGCO-I 51 Attitude means one's mental make-up or mental pre-disposition or mental readiness that influences his or her response to some events, objects or persons. 2.6.1 Cognitive Dissonance Theory That A-B relationship is direct and very close has been shown in different studies. But the most important study in this respect is the study of Leon Festinger who is the advocate of Cognitive Dissonance Theory. 'Cognitive' means knowledge based and "Dissonance" means discomfort or dissatisfaction. This theory of Festinger asserts that Attitude and Behaviour always are co-related. If, for any reason, behaviour is not consistent with attitude, everyone feels dissonance, i.e., discomfort. Again, no one can carry discomfort in mind for long time. Once he/she feels discomfort, he/she tries to reduce it. In an attempt to reduce discomfort, every one hence tries to make attitude and behaviour consistent either by changing attitude or by changing behaviour. As they are made consistent in this way, the dissonance is reduced. So the theory attempts to show that attitude and behaviour can never remain unrelated for long time. If somehow it becomes so, the perceiver very soon will make them related by changing attitude or by changing behaviour. However, every rule has some exceptions. Here also Festinger identified the following exceptions or moderating variables to his theory. Moderating Variables as such are as follows : (a) Unimportance : If the attitude and behaviour are in respect of some unimportant issues, then dissonance is not so acute. So, no person wants to reduce that dissonance and attitude and behaviour may remain inconsistent. Example : Parents always advise the children to brush the teeth after every meal (attitude), but they themselves do not do the same (behaviour). (b) Uncontrollability : If your behaviour is not controllable by you, i.e., if you are compelled to behave in a way that you do not want, then attitude and behaviour may be different. Even if you feel dissonance, you will not try to reduce it. Because you know that you have no influence on your own behaviour. (c) Reward : If one gets sufficient reward to behave in a way, then he/she may do it even it is not liked by him/her. The discomfort that is created by this inconsistency is redressed by the reward he/she gets. As the dissonance is balanced by reward, there is no question of changing either the attitude or the behaviour. So, they two may remain inconsistent.

52 NSOU • PGCO-I 2.6.2 Attitude Development Attitude is developed out of experience or prior knowledge on the subject. If it is developed sans experience, it will surely when the holder will be exposed to experience. If still the attitude is not changed, the behaviour may fail to be in line of the attitude. Thus, A-B relationship will be affected. Attitude therefore is usually developed and should be developed having followed the CAB Model. CAB Model : Three letters of CAB stand for three steps or stages of attitude development. They are as follows. Cognition (C) : Cognition means knowledge of something. For example, Mr. X has come to know that his wages are low. Affective (A) : The above knowledge affects the feeling of Mr. X and he becomes angry or disappointed on his low salary. Behaviour (B) : So, in the third stage, he will want to leave the job and seek a better job. This is attitude and it is developed in this way having followed a three- step CAB Model. 2.7 Job Satisfaction Job satisfaction means positive feeling to job. This job satisfaction is the only work-related attitude, and like other attitudes, it has also the relationship with work- related behaviours e.g., productivity, absenteeism and workers' turnover. Some experts have identified other two work-related attitudes like job involvement and organisational commitment. But these two are just the extensions of job satisfaction. More satisfaction means involvement to job and more one's involvement at workplace means organisational commitment. 2.7.1 Factors Influencing job Satisfaction Factors that are responsible for job satisfaction or dissatisfaction are— • Job itself • Supervision/Supervisor • Management Style (centralisation or decentralisation) • Working condition • Promotional opportunities • Performance evaluation technique • Pay and remuneration etc.

NSOU • PGCO-I 53 Of these different factors, promotion and pay are considered as most significant factors in different empirical studies. Conversely, it is again said that job is the real satisfier. Stimulating and interesting job can satisfy the workers for long term. Money, on the other hand, can satisfy only those workers whose wages are very low or who belong to the lowest level of Maslow's Need Hierachy. In a comparative study between the richest persons listed in Forbes 500 and the poorest cowboys of East Africa, it was noticed that poor cowboys are more satisfied than the richest ones. 2.7.2 Impact of Job Dissatisfaction Job satisfaction is an attitude. Productivity—absenteeism-turnover are the behaviours. So, Is workers are dis-satisfied, it will necessarily affect the productivity etc. The impact of such dissatisfaction may be narrated as below. Productivity-Job dissatisfaction : The relationship between the two are inverse. Productivity decreases when dissatisfaction increases. Absenteeism-Job dissatisfaction : Job dissatisfaction leads to higher absenteeism. Thus, their relationship is direct. Higher absenteeism in turn heads to lower productivity. Employee turnover-Job dissatisfaction : Here also the relationship is direct and positive. Higher the dissatisfaction, higher is possibility of resignation, i.e., turnover. Higher turnover requires again higher and continuous recruitment. Cost of recruitment means cost of production. Higher cost of production means lower productivity, as productivity means production divided by cost. Theoreticians, however, have built up a model to explain the possible behaviour or responses of workers when they are dissatisfied. Sometimes, their responses are Fig. 5 Constructive Destructive Active Passive Voice Exit Neglect Loyalty

54 NSOU • PGCO-I active, sometimes passive. Sometimes they respond constructively, sometimes destructively. The following figure explain such different responses of dissatisfied workers. Usual four responses as shown in the figure are— Exit — Leaving the organisation. Voice — Raising voice against the causes of dissatisfaction. Loyalty — Hoping still for the best and waiting for better days Neglect —Silently doing harm to the organisation by coming late, remaining absent or making mistakes. Of these four, first two are above the horizontal line and other two are below that. First two are active responses and rest two are passive. First and fourth again are destructive responses, both of them being at the left hand side of the vertical line. Second and third, lying at the right-hand side are, again, constructive, as these responses may help the management to take some positive steps. 2.8 Summary From the above discussion, we could understand the fundamentals of individual behaviour where impact of learned characterises like personality, perception, atti- tude, learning process, etc. have been discussed in detail. 2.9 Questions A. Objective Type : 1. Name two inherited characteristics of individuals. 2. What is the critical test of learning ? 3. In how many ways reinforcement is done ? 4. Who is the pioneer of personality development ? 5. What does MBTI stand for ? 6. Name two characteristics of perceiver that influence perception. 7. Name of moderating variable to cognitive Dissonance Theory.

NSOU • PGCO-I 55 B. Short answer Type : 8. What does 'voice' mean in the context of job satisfaction ? 9. State the factors that influence job satisfaction. 10. What do you mean "halo" effect ? 11. How does situation affect perception ? 12. Distinguish between A and B type persons. 13. Explain ENTP type of person. 14. What do you mean by negative reinforcement ? C. Long answer Type : 15. How is learning reinforced ? Give a brief note on reinforcement schedule. 16. Explain the impact of Big Five Personality traits on work-related behaviour. 17. What do you mean by personality job match ? How did John Holland explain it ? 18. State the usual techniques of speed-reading the other persons. 19. Discuss the theory in relation to attributing causes to one's behaviour. 20. What is the impact of job dissatisfaction ?

56 NSOU • PGCO-I Unit - 3 □ Group Behaviour in Organisation Structure 3.1 Objectives 3.2 Concept of Group 3.3 Definition of Group 3.4 Classification of Group 3.4.1 Why do people join informal groups ? 3.5 Group Formation / Group Development 3.6 Foundation / Properties of Group Behaviour 3.6.1 Size of the Group 3.6.2 Role of Group Members 3.6.3 Status 3.6.4 Norms 3.6.5 Conformity/Group think 3.6.6 Cohesiveness of the Group 3.7 Group Dynamics 3.7.1 Creativity 3.7.2 Power and Politics 3.7.3 Conflict 3.7.4 Negotiation 3.8 Summary 3.9 Questions 56

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**100%**

**MATCHING BLOCK 11/37**

**SA**

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Objectives After studying this unit you will be able to : • know the concept

and foundation of group behaviour • identity the group dynamical • form an idea about its creativity • assess the role of powerplay and politicking in organisations • understand the conflict process and the ways for its resolution

3.2 Concept of Group Concept of group is as old as the human civilisation itself. When the human beings used to live in forest and caves, they were to go out for collection of fruits and hunting of animals. But when they did so, they did it in group. Otherwise ferocious animals could easily kill them. Forming groups, those human beings, our predecessors, were capable to overpower the dangerous animals. Since then, more we are becoming civilised day by day, more we are depending on the power of groups. Concept of group has come up out of the necessity for co-operation. Benefit of division of work and the belief that two brains are better than one brain are the key drivers to the concept of group. At present, need of group is everywhere. In some activities, group activity is indispensable (for examples, football game, or chestra etc), in other cases individuals singly can do the whole job, but this is neither desirable, nor economically viable. Adam Smith proved long ago that instead of doing the whole job alone, if the job is divided into several tasks and each task is allotted to separate person, productivity will go up substantially.

3.3 Definition of Group Group is a collection of people who are interdependent and interacting, and who have a common goal to achieve. Group therefore is different from crowd. A gathering at railway station, bus stop is a crowd, as people there are not interdependent and they do not have a common goal to reach.

58 NSOU • PGCO-I 3.4 Classification of Group Figure 6 depicts clearly how group is classified. Firstly, group can be divided into formal and informal groups. Formal groups are organisationally structured that have some specific jobs to perform. Informal groups are spontaneously developed out of some social needs. It is obligatory on the part of the workers to join the formal group, whereas joining an informal group is voluntary. Informal groups, are known as "grapevines" and sometimes create obstacles to smooth sailing of organisations. But there are also example when informal groups help a lot to the performance of formal groups.

Group Formal Informal Command Task Interest Friendship Fig. 6 Command group is a formal group where some members give command and others are to obey that command. Working group between boss and subordinates is command group. Its structure is usually vertical having a chain of command. Task group is also a formal group that is to accomplish jointly an assigned task. Group among departmental managers is task group and so it is horizontal. Interest group is an informal group that is formed by members with some motive or interest. Workers form trade unions to fight against management. Students form group to get concessions of tuition fees. Friendship group is another informal group where the people of same characteristics come together. Birds of same feather flock together. In the same way, the people with similar likings, dislikings, hobbies form group for social interaction or the fulfilment of psychological needs. Opposite poles also pull each other. Thus, friendship is also possible between two different types of people.

3.4.1 Why do people join informal groups ? In case of formal groups, one has no option. One must join the group. But in case of informal group it is optional. Still people join such groups for usually the following purposes.



NSOU • PGCO-I 59 (a) Security : If you are alone, you are insecure. So people join groups and then he needs not stand alone. (b) Status : Joining the groups like LIONS club, people want to look important in the eyes of others. (c) Self-esteem : To be important is one's own eye is more difficult. Joining the groups like Ramkrishna Mission, we may enhance our self-worth and get a meaning of our lives. (d) Affiliation : Everyone is to have a friend circle. Interaction with friends is needed to meet mental appetite. We need always a shoulder to cry on, hence we need group. (e) Power : United we stand, divided we fall. Unity is strength. What goal you alone cannot achieve, in a group you try. Your goal achievement will be easier. So, to win over we need groups.

3.5 Group Formation / Group Development Groups are formed at different places. Members of different groups are also of different culture, creed and colour. So, the formation of groups can never have a universal pattern. Rather, it will vary from situation to situation. In spite of that in most cases usually we notice the following stages of group development.

Forming : In this stage, members are not yet ready to join the group. They try to taste the water in this stage. They try to know each other and to assess whether it will be justified to come into a group with these people. Once, they take decision that "yes, we will come together, more together", the forming stage is over.

Storming : Once it is decided that a group will be formed, a number of question/self-doubts may start surfacing. Questions are—who will be leader ? What will be the norms ? To what extent the personal goal is to be sacrificed for the sake of the group ? Answers to these question will resolve the storm that so long was disturbing the members.

Norming : Here, we reach normally. Norms for running the group are decided upon. The leader is selected. Everyone is ready to follow the norms and perform group activity.

60 NSOU • PGCO-I Performing : Now, the group start working for which it is formed. A harmonious relationship and a chain of command prevails in the group. Synergy is achieved in the performance wherein the group activity is greater than the sum total of individual activities.

Adjourning : In case of temporary groups, the group is dis-banded when the goal is reached. Wrapping up activities are seen this stage. Even if the group is a permanent one, some kind of re-structuring may be felt necessary. Old relationships are broken and new ones are formed, starting again cycle from the forming stage.

3.6 Foundation / Properties of Group Behaviour Group activity has the synergic effect. That means, group activity is greater than the sum total of the individual activities. But this is possible if and only if the required properties of group are present or the foundation of group behaviour is properly built. The properties as such one discussed in the following sections.

3.6.1 Size of the Group The size of the group must be proper. That is, there must be a limit on the number of members in a group. In decision-making group, the number may be ten to twelve. But in performance group this must not be more than five to six. If the size is too large, the individual contribution to the group cannot be overseen or measured properly. Then, the members may get the chance of suppressing their capacities. As a result, instead of being greater, the group performance may be less than the sum total of individual activities. Such a situation is known as social loafing. Since Ringelmann, a psychologist, identified this effect by his experiment, such situation is known as Ringelmann Effect as well. Ringelmann at first asked one person to pull a rope and he measured that the total force exerted by the person was 63 kgs. Then, he asked three persons to pull the rope together and surprisingly this time the average force came down to 53 kgs. When he asked eight persons to jointly pull the rope, the average force came down to as low as 31 kgs. So, larger the group lower is the performance, mainly due to the social loafing.

3.6.2 Role of Group Members Each and every person has one or more roles to play. So, Shakespeare once told

NSOU • PGC0-I 61 that the world is a stage and we all there are actors. Thus, the group members also play some roles, and their way playing such roles the group efficiency depends. Group members have two types of roles, e.g., Formal Role : that role is assigned to members (chairman, secretary etc.) Informal Role : not assigned by group, still influence group activity. Roles again are divided as follows : 1. Task-oriented Role : Initiator, opinion givers, enterprisers 2. Relation-oriented Role : Harmonisers, Compromisers, Encouragers 3. Self-oriented Role : Blockers, Dominators, Avoiders Task oriented role usually is formal and other two are informal. Whatever role is assigned or played by the members, that should be clear both to assignor and assignee. But in most cases this is not so. As a result, we notice usually a gap between role expectation and role perception. Role expectation means what is expected by other persons about one's role. Role perception means we ourselves think about our role. If the role is clearly understood by all concerned, then the aforesaid two will be the same. Otherwise, the situation i.e. the gap can be termed as Role Ambiguity. My own role preception, again, may not be congruent with role enactment, i.e. actually what I do. Thus, my thinking and doing are different. In such a case, we suffer from what is known as role conflict. Role Expectation Role Perception Role Enactment → Role Ambiguity ← → Role conflict ← Fig. 7

3.6.3 Status Status is the position, grading, title, ranking given to or enjoyed by members. This is determined considering the age, qualification, gender, social position, wealth possession of the members. This status is important in every group because it determines the chain of command and ensures thereby the group performance. However, status and role are co-related. A man with rank must be given the higher role. Otherwise, status equity will be affected, the performance will not also be upto the mark.

W. Whyte, conducting an experiment on the performance of a restaurant noticed that work there was initiated by waiter, a low status employee, and the cook or chef, a relatively high status employee, was to prepare items of food as the waiter instructed. Hence, there was off and on the problem between cook and waiter. For smooth functioning, he suggested for a hook that was to kept has cook and the waiter just would keep the orders there serially. Then, the cook, as if, would initiate the work, status equity will be followed and ultimately the performance will be better.

3.6.4 Norms Norms are standard behaviour or code of conduct that is accepted and shared by the member of the group. Norms are fixed up so that control of members becomes easy and the members themselves know what they ought and ought not to do. Every group may have different norms and in the same group the norms may be different for different situations. On official meet, the norms may be to exchange hand shakes while at dinner party of the same group, hugging each other may be the usual norms. Dress code in an example of norms. For resource allocation also there can be some norms is every group. But the most significant norms perhaps are the performance norms, where the group dictates the members as to what will be there actual performance at different situations. The performance norms of the workers have a tremendous impact on organisational productivity. This was identified first is the Hawthorne Study of Elton Mayo. The study was an eight-year (1924–32) long study at Hawthorne Electrical Plant to identify the reason behind production reduction year after year. Elton Mayo and his team conducted a number of experiments to identify the reasons, and finally came to the conclusion that the performance norms of workers were responsible for low production. As found out by Elton Mayo, the production norms in the plant were— 1. Don't be rate buster, i.e. don't produce too much. 2. Don't be chiseler, i.e. don't produce too less. 3. Don't be sqcator, i.e. don't betray the workers by leaking this information to the management.

NSOU • PGC0-I 63 As a result of this, the production in the plant could never reach the target. Mayo suggested that the Human Relations Approach to management can be a solution of the problem. 3.6.5 Conformity/Group think The Hawthorne Study made it clear how conforming the workers were to the performance norms dictated by their group. Different incentives were provided by Elton Mayo, still they did not produce upto their full capacity. This conformity arises either out of close attachment to the group or out of fear of harassment or punishment that one was to face if he/she did not comply the norms. Such a situation where individual member of the group refrains from giving his/ her own opinion and abides by the opinion of majority of the group, is known as group think, the group is needed to have diversified opinion from different members. But this objective is largely affected by this group think. Solomon Asch, a researcher, conducted a very interesting experiment to prove this group think. He asked his ten assistants to take part in the experiments. He took nine of them into confidence and made them clear before them what he actually wanted to do. But one of them was completely in dark and Asch did not disclose anything to him. Then he took two cards, one card having three lines on it, and the other containing only one line (Fig. 8). Then, he asked one by one the first nine Fig. 8 A B C assistants, "which line of the first card is equal to the line of the second card ?" Everyone of those nine persons answered that 'C' of the first card was equal to the line of the second card. The last person, who was quite in dark of everything, was surprised, because clearly it was seen that 'B' was equal to the line of second card. Actually, Asch told his nine assistants to give such wrong answers. Now, when the

64 NSOU • PGC0-I same question was asked to the tenth assistant, he hesitated for sometime, but finally went by the opinion of other nine assistants, though he could clearly see that 'C' was not the right answer. This is group think where one's own opinion is suppressed in favour of the group decisions. 3.6.6 Cohesiveness of the Group Cohesiveness means degree of attachment among the group members. It is the extent to which the members of the group are attracted to each other. This cohesiveness is essential, otherwise group performance can never be upto the mark. ●●●●● Factors influencing Cohesiveness : Cohesiveness of a group depends on the following factors. (a) Goal Alignment : More the personal goals of the members are aligned with each other and more the personal goals are consistent with common goal of the group, more the group is cohesive. (b) Time spent together : If the members can spend maximum time with each other, the group will be cohesive. (c) Size of the group : If the size is large, firstly some sub-groups may crop up within the group affecting the group cohesiveness; secondly members will then have little chance to spend time together or interact with each other, making the group thus less cohesive. (d) Difficulty in entry : The group where the entry is very difficult, once entered members try to build and maintain good relations with each other. Because once one member is in bad book and is to leave the group it will not be easy to enter again into the group. (f) Success of group : We all want to continue the membership and so good relationship in the group, if the group is successful. So, success brings cohesiveness of the group. (f) External threat : When we face some threat from outside, we forget all our internal conflicts and jointly try to fight against that. Thereby, at least for the time being, all conflicts are resolved and the group becomes cohesive. ●●●●● Cohesiveness and Productivity : Generally we believe that cohesive group is productive group. If the relationship among group members is good, group performance will have the synergic effect. Thus, the group productivity will be greater than the sum-total of the individual productivity. But always this good effect

NSOU • PGC0-I 65 of cohesiveness may not be available. In fact, there is one moderating variable here, that should be considered along with cohesiveness while assessing its impact on productivity. That variable is performance norms. In Hawthorne Study, we have seen how performance norms of "Don't produce too much", affected the productivity. The group there was very cohesive. So, inspite of proposed incentives for higher productivity, the workers complied the group norms of average production. So, when performance norms are low, cohesiveness may have negative impact. Fig. 9 Figure 9 has shown it clearly that high productivity is possible when not only cohesiveness but performance norms must also be high [Quadrant 3]. High cohesiveness may have low productivity if performance norms is low [Quadrant 4]. Where cohesiveness is low, performance norms will be complied by average number of employees not by all. So, performance norms may be high or low, but the productivity will be moderate. 3.7 Group Dynamics A group is consisted of a number of people. Hundreds of relationships are again there among those people of a group. Group performance depends on continuous interface and interaction within those relationship. This interface or interaction within the group is known as group dynamics that sometimes add to organisational efficiency, again sometimes go against it. When relationship is good but stagnant, the organisation will have just the status quo. When that is good and vibrant, open to experience, the organisation will be creative and innovative. Harsh relationship will High Productivity Low Productivity Moderate Productivity Moderate Productivity 1 4 2 3 Cohesiveness → Performance Norms →

66 NSOU • PGCO-I lead to conflict with necessity for negotiation. When some went to manipulate others, gain at the cost of others, powerplay or politicking prevails. Such different dynamics are discussed below.

### 3.7.1 Creativity

The essence of creativity is originality novelty. The process that gives us something novel is creativity. A novel or original idea means the idea that had never occurred before. Creativity always is an essential ingredient for business growth. Without creativity one can survive for sometime, but not for long. Particularly in this age of dynamics everyday we are to change. Amidst the harsh competition of modern time, even a reputed brand of a renowned company cannot beat the market for more than four to five years. So, if one is to survive in the market continuously it is to change its product, process of production, target market etc. But the change can never be in vacuum. Change must follow creativity. Otherwise, the organisations will be stale, stagnant and deadly before it actually extinguished from the market.

●●●●● Organizational Role : Every organisation should create an environment in which creativity is enhanced. The “labour of love” aspect is very important here. If such a culture can be induced in an organisation, creativity can be motivated. The factors that induce creativity are as follows.

- Creative People
- Organisational Support
- Organisational Culture
- Divergent Thinking
- Freedom to employees
- Openness to fresh ideas
- Sufficient Resources
- Long-term Planning

Creative people have some characteristics. While recruiting human resources, the organisation must see whether the people possess the following traits or not.

- Apathy to immediate gain
- A great amount of energy
- Irritation to status quo

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- Perseverance
- Liking day dream
- High intelligence
- Creative mind

Organisations can support creativity— (i) by setting aside certain percentage of money for research (ii) by setting the goal that a certain percentage of revenue must come from new product (iii) by encouraging the employees to take risks (iv) by allowing them to make mistakes (v) by making job intrinsically motivating

Organisational culture must have openness, friendly supervision, team building trend, participative decision making and an atmosphere of trust. Diversity can be ensured if the workforce is staffed with people from diverse age, gender, ethnic and cultural groups. Employees must be free to think unusual. They must be allowed to recommend fresh ideas. Required resources are to be provided to them. Short-term orientation is to be avoided, be it as to planning, performance evaluation or profit of the firm.

Creativity Process : It is very difficult to describe how and when people may come out with creative ideas. In fact, the creative people themselves do not know when exactly and by which process they can develop something unfamiliar. Still, the researchers have identified a model to describe the creativity process. The same sequence may not hold good in all cases. Some of the steps may not all arise in some situations. Nevertheless, usually the following steps in creativity process is noticed.

(a) Preparation : Scientists work in laboratory sometimes for many years before they get a creative idea. Tentative solutions become available at first. Then, experiments are conducted on them. Some are passed, some rejected after the experiments. This is preparation for creativity that involves hard work and concentrated attention to the problem.

(b) Incubation : Concentrated attention is a part of preparation, whereby

68 NSOU • PGCO-I tentative solutions may come up. Whereas in case of incubation the conscious attention is turned away from the problems. It becomes something like “sleeping over” the problem and not thinking about it. Now idea here is the result of completely the “unconscious mind”, and the idea here is truly novel. Conscious mind always moves around the familiar things. So, even if some new ideas come up therefrom that will be just an extension or refinement of old idea, which technically is known as “incremental creativity”. Transformational innovation, i.e. completely new something, is possible only during incubation period which just flashes in mind like lightning. Scientists leave their familiar jobs and go for finding, reading, gardening or taking a nap so that this incubation is facilitated. (c) Persistence : We all know the story of Robert Bruce. Incubation is one way of creativity no doubt, but very rarely we come across such situation. So, persistent effort is perhaps the more viable way where the method adopted is “trial and error”. Go on adding more and more information, observe the problem from different angles. A unique solution will surely be available. This persistence means total involvement in the issue and also the courage to accept repeated failures. Most of the creative ideas are the out comes of such persistence. (d) Insight : It is a kind of “eureka” state, the state of becoming aware of a unique idea. This flash of does not follow any particular schedule. It may come up anytime of the day or night. It can also be lost quickly if not documented then and there. For this, many researchers carry small voice recorders to capture the ideas before they are lost. Diarise, sketch pads are also kept for the purpose. (e) Verification : Idea is abstract. Until it is seen that the idea has an use in practical field, the idea is not viable or feasible. Idea in scientific term is a hypothesis. To varify means to test the usefulness of the idea. Is the hypothesis cannot be proved, idea is not converted into product or the product is not put to market. The proless so far discussed is the process mainly for individual creativity. For group creativity also, more or less the same process is followed. Following two techniques, in addition, may be useful for group creativity. 1. Brainstorming : Here five to ten members of the group sit together in a classroom setting. The chairman clarify the problem and the members are

NSOU • PGCO-I 69 asked to “free wheel” as many options as possible. “Think unusual” is the theme of brainstorming whereby unique idea may come up out of the group discussion. 2. Synectics : This is a process of developing variety of alternatives by way of opposition or cross-arguments to one’s opinion. Synectics depends mainly on two mechanisms—(i) making the familiar things strange and (ii) making the strange things familiar. When one claims that his opinion is a strange one, others will try to establish that it is an old one and vice versa. Ultimately a unique vision comes out, cultivating rigorously its flip as well as the flop side. 3.7.2 Power and Politics These two terms, power and politics are considered as the dirtiest words. We all know the proveb about power. Power corrups, absolute power corrups absolutely. So, we cannot tolerate powerful persons and the persons who work to gain power, do it secretly. Politics is nothing but a powerplay. As such, politics also get hatret from common persons. However, as students of OB, we should not look to the words with the same eye. Nothing in this world is unmixed blessing or curse. Everything has its flip side as well as the flop side. So, how we use it is most important. If you use excessive dose of even a life saving drug, it may be fatal to us. The speed of flood water is dangerous for crop or human life. But if hydroelectricity is produced therefrom, that may save both crop and human life. In the same way, we must know how to use power and politics. Then, desired result may also come therefrom. Definition of Power : Power is the capacity of influence the behaviour of others. When one can make other person do something that otherwise he/she will not do, or refrain some persons from doing something that otherwise he/she will do, then the power is exercited. Dependency Postulate of Power : One person can exert power on others, if those other persons are dependent on the first party for some reason. So, dependency are power are inter-related. If no longer you are dependent on your parents for finance, they will not be so powerful to you. Power depends on dependency again dependency depends the following factors. Importance : If Mr. A can control the supply of something that is important to you, then A is powerful to you, as you are dependent on Mr. A. Suppose Mr. A can control the supply of meat but you are vegetarian, so meat is not important to you. In that case, you are not dependent on A and A cannot be able to exert power on you.

70 NSOU • PGCO-I Scarcity : Something is important to you, and Mr. A can control it. But that thing is not scarce, so from other sources also, you may get that thing. Then, you will not be dependent on Mr. A and A will not be powerful to you. Non-substitutability : Suppose, the thing that is important to you is scarce and only Mr. A control its supply. But that goods has some substitutes. That means, even if you do not get the goods under consideration, you may manage with the substitute goods. Then also, you will not be dependent on Mr. A and hence, Mr. A will not be powerful to you.

Bases/Sources of Power : Figure 10 depicts different sources or bases of power. Formal power means the official power or the power of the position, power of chair. If chair is taken away, you are powerless. This power of position or formal power is also known as authority. Sometimes we try to draw a difference between power and authority. Here, power is a broader term and authority is just one of the bases of power. Personal power on the other hand, power embedded in the person concerned. Personal characteristics give birth to this type of power. One may or may not have the chair or position, still he/she may be personally powerful.

Power Sources || Formal Personal || || || Coercive Reward Legitimate Expert Referent Fig. 10

Coercive Power is an official power which means the power of giving punishment or making others afraid of punishment. If one can dismiss, suspend or demote other persons, then he/she possesses the coercive power. Bosses sometimes use this power to prevent the recurrence of undesirable behaviour on the part of the subordinates. This policy is known as the "stick" policy of management. Reward Power is another formal power which means the ability to provide something to others that they like. If someone can raise the salary, give promotion to some workers, then he/she is said to possess the reward power. Coercive power make others afraid, whereas reward power makes others tempted for getting something. This is just like the "carrot" policy of management. Legitimate Power is the power that one can legitimately exert on others.

NSOU • PGCO-I 71 Parents command respect from their children, teachers want that the student will show respect to them, members will listen attentively when the chairman will speak. These are the examples of legitimate power, the power that is socially given to some persons. Expert Power is one personal power that arises out of one's expertise in a particular field. Dhoni is no longer the captain of Indian cricket team. Still, Kohli obeys his opinion and hence Dhoni is powerful. The office boss sometimes accepts the opinion of his subordinate, because the subordinate has specialised knowledge on his own work. This is expert power and this power is gradually becoming important as the knowledge workers are entering into the workforce. Referent Power arises not out of expertise but out of charisma. Amitav Bachchan is appointed to give advertisement of something, not because others cannot do the same but because he possesses some charismatic appeal to the prospective customers. The customers want to be associated with him and so, it is believed, he will be able to influence customers' buying behaviour. The Best Power : The most effective power among all is the expert power. One possesses it for long time and its influence on others is also long lasting. Coercive power sometimes may backfire, the workers may revolt. Reward power does not last long, because workers want to get more and more reward. Emergence of a new star may reduce the chairman of elder stars. Legitimate power also changes from generation to generation. Expertise, on the other hand, is valued by all in all times.

Definition of Politics : Politics means power in action. When someone use power to gain something, he is doing nothing but politics. Power is the stock and the politics is the flow. Power is a potential and politics is its application. Politics refers to those activities which are not organisationally required, but still

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influence the distribution of advantages and disadvantages within the organisation.

That means, in practice, the politics determines who will get promotion, reward transfer or who will get demotion or punishment. Factors influencing Politics : Both the personal factors of workers and the organisational factors are responsible for organisational politics. Personal factors refer to the personality, value system or attitudes of the workers. Self-monitoring people usually are the political people. Mach type personalities lead to manipulation or gaining at the cost of other, which is also an

72 NSOU • PGCO-I example of politicking. Persons having no values or morality want to gain power by hook or by crook. If one's attitude is to care for his/her own interest, then also the politics will surface. High expectation also leads to politics. Organisational Factors that are responsible for politics are as follows. Low Trust : If workers do not believe each other, politicking starts. Role Ambiguity : When one's role is not clear, there is scope for politics. Subjective Evaluation : If performance evaluation system is not objective. i.e. performance is not clearly measurable, the bosses may play politics. Promotion opportunities are there but everyone will not be promoted. Then the workers will play politics to get promotion. Zero-sum reward system : When reward is given to someone depriving others of such benefits, politics must prevail. Zero sum system always pays one taking the money from others pocket. Democracy means politics. Most of the organisation today is democratically managed. As a result lobbying takes place leading to politics. Political Activities : Following are the usual political activities, some of which are considered legitimate, some illegitimate. • Blaming or attaching others • Selective distribution of information • Leaking confidential information • Blocking the sources of information • Associating with powerful lobby • Forming coalition • Spreading rumours • Whistle blowing • Filing grievances • By passing chain of command • Complaining to supervisors • Developing contacts outside organisation • Impression management

NSOU • PGCO-I 73 Last six political activities are known as legitimate activities, others are illegitimate where the individuals "play hard balls". Impression Management : Impression management (IM) is believed to be a legitimate political behaviour. This is legitimate because it does not directly attack or do harm to others. This is political behaviour because here one tries to remake himself/herself to convince others that he/she is good. Dating, healthclub membership, use of cosmetics, plastic surgery—all we do to get favourable evaluations from others. This is impression management. At workplace also, individuals attempt to control the impression that others form of them with some specific purposes. Sometimes the purpose is to get the jobs, sometimes to promotions or favourable performance evaluations. However, it has been seen that getting jobs may be possible by befooling the interviewers with IM, but favourable performance evaluation is not possible, because in the mean time many things about the workers will be known by the evaluators. Techniques by which impression of others is usually managed at the workplace are as follows. 1. Creating Sympathy : "My mother died in my childhood, so my life is full of hardships". 2. Conformity : "What you have decided, Sir, I fully agree with that". 3. Excuses : "This year the sale is low, but this is because we failed to give ads in the paper on time". 4. Apologies : "I am sorry sir, never again this will happen". 5. Acclaiming : "Since I joined as sales manager, the sales volume has been doubled." 6. Flattery : "Sir, the way you handled the problem, no other could have done it". 7. Favour : "I had two tickets for IPL match sir, I will be obliged if you take it." 3.7.3 Conflict Where there is group activity, there is conflict, because mild disagreement is also an example of conflict which is inevitable in every group activity. Its scope, however, is very broad. It starts with mild difference of opinion and goes upto the

74 NSOU • PGCO-I battle between two or more countries. However, conflict is a perceptual issue. Conflict arises when one person perceives that other persons are affecting negatively something which he/she cares about. Mr. A wants promotion. Mr. B tries so that A does not get promotion. When Mr. A understands what Mr. B is doing, conflict arises. Conflict Process : Conflict surfaces step by step. Before it is culminated, it may recede with the help of some favourable inputs. If unfavourable inputs persist, it may reach to the highest level. Figure 11 shows different stages of such conflict process. Let us discuss the stages one by one. Fig. 11 1. Opposition : The starting point of or pre-condition to conflict is opposition. One must oppose other's opinion or effort, and this opposition is considered as the seeds, if conflict is a plant. Without seeds, no plant can grow. Accordingly, without opposition no conflict will come up. But only seeds are not sufficient for the growing of a plant. Sufficient water and light are also required. In the same way other steps are also necessary for the surfacing of conflict. Opposition usually come up from following three sources. Personal factors : There are some personal characteristics like dogmatism, ever critic type, domination, high expectation, manipulation that automatically lead to conflict. Communication : Majority of conflicts arise due to wrong information or mis-communication. The boss says something but the subordinate does not understand it. So, his performance will not satisfy the boss, and the conflict will come up. Structure : Sometimes structural reasons may lead to conflict. Mr. A is a sales manager. Mr. B is the credit manager. Their personal relationship is very good. But still conflict may arise between them due to their structural positions. Mr. A quite naturally will promise the potential customers that he will try to allow them few month's credit. Otherwise, he will not be able to increase sales volume. But the Stage I Opposition Stage II Cognition Stage III Personalisation Stage IV Intentions Stage V Behaviour Stage VI Outcomes

NSOU • PGCO-I 75 objective of Mr. B, the credit manager, is to reduce the volume of credit. So, he may not agree with Mr. A, and thus the conflict will come up. 2. Cognition/Perception : Cognition means knowledge, knowing or perceiving something. Mr. A may oppose any action of Mr. B. But if Mr. B does not know that Mr. A is opposing him, his behaviour to Mr. A will remain unchanged. So, conflict still is not there. As and when the cognition about Mr. A's opposition takes place in B or B perceives the fact, the conflict arises. However, the conflict still is known as perceived conflict. 3.

Personalisation/Feeling : The conflict may be perceived, that is the affected party may have come to know that other party is opposing him, but until he personalises it, there will be no feeling in his mind about the conflict. That means, the party will be aware of the conflict, but he will not be at all worried or anxious about it. If he is not worried, he will not react or involve himself in the process. For conflict, involvement of two parties is essential. Since one party here is still not involved, this may be perceived conflict, but not the felt conflict. Felt conflict arises when the affected party feels anxiety due to conflict. This felt conflict can make the affected party react. 4. Intentions : The felt conflict leads the affected party to reaction, but before reacting the party will think sometimes as to how he will react. A number of ways may come up to his mind. These possible ways of reactions are known as intentions. He may think that he will co-operate the party so that the conflict is resolved. He may also think that he will assert to his stand and for this, he will go on fighting back. The extent of this co-operativeness or assertiveness that the party wants to exert, gives rise to different types of intentions on his part. The intentions as such are shown in Figure 12. The brief discussion on them is given below. Competing Collaborating Avoiding Accommodating Compromising High High Low Assertiveness Fig. 12 Co-operativeness

76 NSOU • PGCO-I Accommodating : When co-operativeness is very high, but assertiveness is low, the affected party wants to co-operate/accommodate the other party. The intention of affected party here is, "I may lose, still I will let him win." Competing : The intention is opposite to accommodating. Affected party here wants to assert his/her own stand. His/her attitude in this case is, "I will fight back and make him/her lose." Collaborating : Assertiveness and co-operativeness—both are high here. Both the parties work in this case to reach a win-win situation. They try to build up partnership where both will be gainer. To achieve this, is very difficult, but possible. Compromising : Usually, the labour management conflict ends up by compromising. Where both parties are to deviate to some extent from their own stand. Both are to accept some sacrifice. One party claimed Rs 100, other was ready to pay just Rs. 50. So, the conflict is. If first one reduces his/her claim by Rs. 25 and other party becomes ready to give Rs. 25 more, the dispute will be settled at Rs. 75/-. This is compromising. Avoiding : Here, no one wants to assert, no one to co-operate. Both are low. Conflict will go on, but it will never be aggravated, as both will try to avoid each other. 5. Behaviour : So long the affected party was just thinking as to what he/she will do in return. Now, the reaction starts. That means the conflict in true sense begins at this moment. However, no behaviour or reaction reaches its climax at the beginning. Initial does is usually very low and gradually the does is increased. The following continuum scale (from bottom to up) reflects this gradual increase in conflict. Attempt to destroy Physical attack Verbal attack Counter-argument Disagreement Fig. 13

NSOU • PGCO-I 77 6. Outcomes : The last stage in conflict process is "outcomes", or the impact of such conflict. In fact, there are two opposite views on the impact of conflict. Traditional view believes that conflict is always bad. Wrong decisions or mismanagements are responsible for this. So, the management must try to avoid or resolve it. Unless it is done, productivity of the organisation will be gradually lower, and the conflict will have many other negative impacts on the running of the organisation. Interactionists' view, on the other hand, argues that conflict is not only unavoidable, but is desirable. If there is no conflict or interaction in the operation of a business, no new or fresh idea will come up, always the status quo will prevail, change through innovation will be lacking, stagnancy or deadly environment will persist. As such, conflict is good. Two views are opposite, but in one sense both arguments have some truth in them. Actually, conflict is neither completely good nor always bad; rather it is both functional as well as dysfunctional. Functional (good) conflicts include process conflict, task conflict and optimal conflict. Dysfunctional (bad) conflicts, on the other hand, are interpersonal conflict and acute conflict. When the conflict is as to what is to be done (task) or how it is to be done (process), this may lead to diversified opinions and thus the better solution. But interpersonal conflict is personality clash or difference of mind, which is always bad and even suicidal. How mild or low conflict and acute or high conflict work on Level of conflict Low Mild Optimum High/Acute Characteristics No change, status quo, stagnant, stalemate, deadly Fresh idea, change creativity, vibrant Chaos, confusion, disruption, disturbance, sabotage Nature of Conflict Dysfunctional Functional Dysfunctional Performance Low High Low Fig. 14



78 NSOU • PGC0-I performance is shown in Figures 14 and 15. Characteristics of low, optimal and acute conflicts and their impact on performance are clearly shown in Figure 14. Figure 15 shows more or less the same by way of a graph. When conflict is too low Dysfunctional High Conflict Functional Performance High Low Optimal Fig. 15 performance is also low. As conflict increases, performance does also increase. So, here the conflict is functional. At a particular level of conflict, the performance is optimal. If still conflict increases, the performance will come down, because conflict here is dysfunctional. So, conflict is needed, but this is upto a certain level. Beyond it, if conflict is allowed to grow, chaos sabotage etc will bring down the performance. 3.7.4 Negotiation Upto certain level conflict may be allowed to grow, but thereafter attempt is a must to resolve the conflict. The way by which the conflict is resolved is called negotiation or bargaining. Labour management negotiation is a common example in this respect. Negotiation is broadly of two types— (i) Distributive bargaining, and (ii) Integrative bargaining Distributive bargaining believes that the problem is in distribution of advantages. One party is aggrieved because he/she thinks that he/she is deprived and others are getting more advantages. So, here the attempt is how to redistribute the advantages taking them from one's pocket and giving them to others. Nothing additional the

NSOU • PGC0-I 79 parties as a whole will get. So, the negotiation is also known as zero-sum negotiation. Total advantages of the parties will not increase. So, this agreement is called sometimes as Fixed pie agreement. Pie is fixed, only problem is who will get the larger slice. The bargaining by which this is decided is known as distributive bargaining where one's gain is always at the cost of other. That means if one becomes gainer, other must be the loser. Loser cannot be satisfied by this. So, for the time being he/she may accept the bargaining, but very soon again in conflict may surface. Integrative bargaining is one win-win game. Here, the aim is to make both the parties of conflict fully satisfied. Instead of sharing the fixed pie, the attempt is to increase the size of the pie, so that both the slices of the pie can be larger, and both the parties become gainers. The process in this case is known as collaborative process. That means, both will try to accommodate each other. This is very rare no doubt, but in most cases this is possible. We do conflict several times, though we do not exactly what actually we are conflicting for. As we are in conflict we do not listen properly what other is saying, or what his/her actual need is. So, open heart discussion is the precondition for integrative bargaining, by which the parties can know each other correctly. This may lead to a solution where none will feel as deprived. Steps in Negotiation : Whatever type of negotiation, we want to undergo, we are to do it very carefully. Otherwise the success rate of negotiation will be very low. The steps that the parties need follow for the purpose are narrated below.

Preparation : If one goes for negotiation without preparation, he/she must be a failure. The preparation here means asking some questions to himself or herself like— • What do we want from the negotiation ? • What are our goals ? • What can be the possible out comes from negotiations ? • Which of those out comes one will accept ? • What are "most hopeful" outcomes ? • What is minimally acceptable ? • What is other sides BATNA i.e. best alternative to negotiated agreement ?

80 NSOU • PGC0-I More these alternatives options are from both the ends, more is the possibility for successful negotiation. 2. Ground Rules : Some rules are to be decided upon prior to sitting for negotiation. The rules are like— • Which points must not be raised in the meeting ? • Who will do the negotiation ? • Will it be a bi-party or third-party negotiation ? • To what issues, the negotiation will be limited ? • At which place, the meeting will take place ? • What is time frame ? etc. 3. Discussion in the meeting : When both the parties are in front of each other over the table, each party is to explain, amplify and justify his/her original demand. 4. Bargaining : After threadbare discussion, if the parties feel that they may revise their demand for the sake of solution, they may start bargaining. While bargaining, both will have their target points i.e. their goals. But at the same time they will have the resistance points, i.e. beyond which never they are ready to go or to come down. So, the bargaining mainly may be for any place between two resistance points. 5. Problem-solving/Closure : If the bargaining leads to a solution, then okay. Now they are to do some formalities in this regard. But, if there is no solution, discussion is closed amicably, keeping scope for discussion again. Third Party Negotiations : Sometimes one third person is taken help of to initiate the negotiation. Depending upon the role which this third party plays he/she is known as under. Conciliator is a common third party who just provides a communication link between two conflicting parties. Conciliator acts just like a connecting bridge and the conflicting parties communicate between them via him/her. He/she will just stand between two parties and neither he/she convinces the opposing parties nor he/she urges for any solutions. He/she helps in breaking ice, and all other things are to be done by the parties themselves.

NSOU • PGCO-I 81 Mediator is a person trusted by both the conflicting parties, who facilitates by directly taking part in the process. He uses reasoning, suggests solutions and persuades the parties to resolve the conflict. In 60% cases the settlement is done in the process. Arbitrator is an official third party who can dictate an agreement. Firstly, he may allow the conflicting parties to come to an agreement. But if they fail, arbitrator has the authority to impose his opinion on the parties. So, success rate of settlement here is too high. But one party feels that he has been deprived by such dictation, he is to accept it for the time being, but again the conflict may come up.

3.8 Summary From the above discussion, we could understand the concept and fundamentals of foundation group behaviour. We could also identify the group dynamical, form an idea about its creativity, assess the role of power play and politicking in organizations, understand the conflict process and the ways for its resolution, etc.

3.9 Questions A. Objective Type : 1. Is command group a formal group ? 2. Who conducted the experiment on social loafing ? 3. Who was the head of the Hawthorne Study ? 4. State two characteristics of a creative man. 5. Which source of power is considered as the best ? B. Short answer Type : 6. What is role ambiguity ? 7. What do you mean by Perceived conflict ? 8. Define coercive power. 9. State the factors on which dependency depends. 10. What do you mean by groupthink ? 11. How does accommodating differ from competing ?

82 NSOU • PGCO-I 12. What zero-sum agreement ? C. Long answer Type : 13. Why do people join group ? 14. How is group developed ? 15. State the relationship between cohesiveness of group and organisational productivity? 16. Give a brief note on the process of creativity. 17. Narrate the factors that induce politics in organisations. 18. What are the outcomes of conflict ?

NSOU • PGCO-I 83 Structure 4.1 Objectives 4.2 Nature of Group Decisions 4.3 Concept of Group Decisions 4.4 Advantages and Disadvantages of Group Decisions 4.5 Techniques of Group Decision Making 4.5.1 Brain Storming 4.5.2 Delphi Technique 4.5.3 Nominal Group Technique 4.5.4 Electronic Meeting/Video Conferencing 4.6 Communication : Concept 4.7 Communication Process/Model 4.8 Nature of Communication 4.8.1 Means of Communication 4.8.2 Communication Network : Formal and Informal 4.8.3 Downward, Upward and Horizontal Communication 4.9 Communication Effectiveness 4.9.1 Barriers to Effective Communication 4.9.2 Guidelines for Overcoming Communication Barriers 4.9.3 Johari Window 4.10 Summary 4.11 Questions Unit - 4 □ Group Decision Making and Communication 83

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Objectives After studying this unit you will be able to : • Know

what is group decision. • Explain why we need group decision. • Identify the advantages and disadvantages group decisions over individual decisions. • Recollect different techniques of group decisions. • Know about the need of communication. • Examine effectiveness of communication.

4.2 Nature of Group Decisions As the days are advancing. We are depending more and more on group decisions. Decisions becoming too technical and complicated, sometimes the head of department cannot take the decision alone. And sometimes, to be in safe side or to avoid unnecessary blame from different corners, no one tries today to take decisions singly. Every manager is bounded by certain limitations like limitations to collect or interpret information. These limitations constrain managers to determine the optimum decision, and the decisions taken suffer from what is known as bounded rationality. In most cases, instead of optimal decisions, they are to accept "satisfying" decisions. Group decisions are taken help of to overcome such limitations of collecting information and unbiased interpretation. More people involved in group decision making will be able to collect more information and to view the problem from different angles. In view of this, even if he/she can do so alone, the vice-chancellor depends on senate/syndicate decisions, physician depends on different diagnostic centres before prescribing medicines. Office heads also form different committees/ teams for the purpose, which are nothing but the example of group decisions.

4.3 Concept of Group Decisions Decisions refer to making choice among available alternatives. More are the alternatives, more is the possibility of getting the best alternative. More alternatives,

NSOU • PGCO-I 85 again are available when more people are involved in the process. Here is the basis or need for group decisions. There are basically two major criteria that need consideration at the time of decision making. One is quality or suitability of decisions, and other is acceptability. When ten members jointly agree upon a decision, at least the decision is acceptable to these ten persons. In case of individual decision making, that is acceptable initially to one person only. Here lies the importance of group decisions. However, the concept of group decisions needs answer to following few questions. • Whether a single person possesses required expertise to make decision or not? • Whether he/she possesses necessary information or not? • Whether some others possess such quality or information? • Whether the problem is structured? • Whether individual decision is acceptable or not? • Whether the acceptance by others is critical or not? In view of all these questions, Vroom and Yetton have suggested different decision making styles ranging from purely individual decisions to completely group decisions. These styles are as follows. AI — Here single person takes unilateral decisions. All — Individual takes the decision alone, but collect information from others. CI — Here the individual decision maker not only collects information from others, but also consult with them. Though finally he/she alone takes the decision. CII — Here group meeting is convened, still the final decision is taken singly. GII — This is a participative style of decision making.

#### 4.4 Advantages and Disadvantages of Group Decisions

Individual and group decisions, each has its own set of strengths and weaknesses. Neither, is ideal for all situations. However, the following list identifies the major advantages and disadvantages of group decisions over individual ones.

Advantages :

1. More information : Two brains are better than one brain. One of the reasons

86 NSOU • PGCO-I for not having rational decisions is the limitation of human brains to collect and assimilate late complete information. Limitation of one brain can be overcome by clubbing together a number of brains. Group decisions pave the ways in this respect. Thus, better decisions are possible.- 2. More diverse inputs : As different men will supply information for decisions, inputs here will be of different nature. Each one will view the problem from different angles. Thus, a large number of alternative inputs or options can be available. More the options, more is the possibility for selecting the best one therefrom.
- 3. Larger acceptance : When a single individual takes the decisions, others may or may not accept it. If ten persons together take the decisions, at least those ten persons will accept it. Thus, acceptability of the decision will increase. Examples are not few and far between where even the good decisions fail, just due to lack of acceptance. Here, the decisions being their own decisions, motivation and commitment in implementing the decisions also increases.
- 4. Legitimacy : Our society prefers democracy. So, always we blame autocratic or arbitrary decisions, even if they are very good decisions. We always think that decision maker must consult others before taking the decisions and it is legitimate. Thus, group decisions increase legitimacy and society thinks it as ideal.

Disadvantages :

Group decisions have a number of advantages. Still, they are not free from drawbacks. Such drawbacks of group decisions are as follows.

1. Time consuming : Group decisions are time consuming because— • it takes time to assemble. • one's opinion usually is opposed by others, • decision process is characterised by give and take, • the interaction consumes time, and • one meeting may fail to reach solution. So, the speed in decision making is affected and cost becomes also high.
2. Pressure to conform/group think : Theoretically it is believed that all members of the group are free to give their opinion. But practically, the opinion of powerful lobby prevails. Minorities are pressurized to go along that opinion. So, most members either remain silent or accept the majority view, though they may

NSOU • PGCO-I 87 have some different opinion. This kind of forced conformity is termed as groupthink, which is actually a barrier to effective group decision making.

3. Splintered Responsibility/group shift : Here, everyone's responsibility is no one's responsibility. Members, individually need not shoulder the responsibility if and when the decision fails. Group as a whole is responsible and thus the responsibility is splintered. As the members have the scope to buckpass, they easily favour aggressive decisions to make themselves popular. This tendency to shift the decisions towards extreme positions is known as group shift. This is also a disease of group decisions. Due to aforesaid advantages group decisions are said to be effective in terms of accuracy, creativity and acceptability. But they are not efficient due to the disadvantages stated above. In deciding whether to use group for decision making, the primary consideration therefore is to see whether the increase in effectiveness can offset the losses in efficiency.

#### 4.5 Techniques of Group Decision Making

When members of a group confront with each other, they can censor themselves and pressure individuals towards conformity. Thus, both effectiveness and efficiency of decisions are affected. Certain group methods have, however, proven successful in increasing effectiveness and efficiency of group decisions. Those techniques are discussed below.

##### 4.5.1 Brain storming

This technique generally involves

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a half dozen to a dozen people who sit around a table

in a class room setting. The primary focus of this technique is to generate more and more ideas enhancing the scope for finding the unique and best solution. Members here are allowed to “free wheel” as many alternatives as they can, and for thus, they are encouraged to even “think the unusual.” No criticism is allowed. Wild ideas also are welcome. Firstly, quantity is emphasized, not the quality. Finally, quality solution is accepted, incorporating members suggestions for modifications and improvements. Opinion thus becomes the opinion of many people and group think is to some extent avoided.

4.5.2 Delphi Technique This technique is an extension to brainstorming and involves obtaining opinion of persons who are even physically separated. The steps that are followed here are shown diagrammatically in the following figure. The problem is defined by the leader A Sample of experts is selected Questionnaire is developed Modified questionnaire is prepared and sent again Responses are compiled Questionnaire is sent to experts Cycle stops when consensus is reached Solution is developed Here, members work independently at their own place. So one’s opinion is not influenced by other’s. But since the cycle continues for long time and members may also take time to respond, the technique is very much time consuming.

4.5.3 Nominal Group Technique Here, members assemble together as in brainstorming, but still they can work independently as in the case of Delphi technique. The main characteristics of this technique are as follows. Small group sits at table The leader explains the problem Members write down solutions on sheets of papers The leader collects the ranks and records Ideas are given ranks by members Solutions explained by movers independently Solution getting highest number of Rank I is accepted as decision

So, opinions are given in writing. One’s opinion thus is not influenced by other’s. Ranking is also done secretly. Groupthink as a result is avoided. As such, the method is very effective. Still, it is called “nominal”, because normal feature of group is absent here. Discussion and interaction, the usual function of group, is not allowed. So, it is group not by nature, only by name. It view of this, it is called nominal group.

4.5.4 Electronic Meeting/Video conferencing This age is the digital age. Quite naturally, the pen and paper of nominal group technique has been replaced now by mouse and computer. Electronic meeting does not require the presence of members at a single place. Even if they are present, they all will work secretly and independently as in nominal group technique. More effectively the process is done here, because instead of pen and paper, technology is taken help of. When, members conduct the meeting, sitting in their own places, i.e. from long distances, the technique is known as video conferencing. The only limitation of the technique is—the warmth of group interaction and face-to-face discussion lacks here.

4.6 Communication : Concept No group can exist without communication. Group activity needs co-ordination, and co-ordination depends on communication. Probably the most frequently cited source of interpersonal conflict is poor communication. In fact, we spend more than 70% of our working hours in communicating. Still, communication is not effective in most cases. This is because communication is not just the “transference of information”, but it should be the “transmission of meaning”. You may say “go”, but other may listen or understand “no”. Examples of such miscommunication is not few and far between. So, what the sender means, the receiver must understand exactly the same. The best business plan is meaningless unless the executors are aware of it. The best employee welfare scheme is ineffective, if employees do not get the meaning thereof. In Henry Fayol’s concept of Management, the communication was not given so much importance. But Peter Drucker believed that the effectiveness of manager depends upon his or her ability to communicate well with the employees. According to him, good communication is the foundation of good and sound management. It is a basic tool for motivation. Supervision and leadership are impossible without it.

90 NSOU • PGCO-I In late 1960's, C. Barnard highlighted communication as a dynamic force in shaping organisational behaviour. The behaviour of workers depends on the communication skill of supervisor. Actually, the authority of supervisor can lose its meaning, if his or her communication is improper or misunderstood. So, according to Barnard—

1. The line of communication be direct and without blockage.
2. The communication should be highly skilled.
3. The line of communication should be kept open.
4. Proper feedback must be there to know what actually the receiver has understood.
5. The communication should be authenticated.

4.7 Communication Process / Model Communication passes between sender and receiver. This passing of information involves some logical steps so that the sender can send the message what he/she exactly wants to send, and the receiver clearly understands the meaning thereof. The steps as such together is known as communication process which can be depicted by following Model of communication.

1. Source initiates the message by encoding a thought. Encoding means expressing the thought in a particular way. Encoding may be done with the help of some symbols, write up, gestures or some other format, of expression. What way the source will follow for encoding depends mainly on four conditions, e.g., skills, attitude, knowledge and culture. Skills of speaking, reasoning and persuasion are needed for oral communication. If the source does not possess writing skill, written communication will not be effective. Attitude means pre-disposition about something or some person. Thus, the Source Encoding Channel Receiver Decoding Feedback Action

NSOU • PGCO-I 91 attitude of source/sender about receiver and also the subject must affect his/her encoding. We must know first that we want to make other known by communication. So, if the knowledge about the subject of communication is extensive in the source, the receiver may not get the required information and his/her action can be wrong. Culture actually guides our attitude and value system. Our emphasis on a particular portion of the message depends on our value system, our priority. Accordingly, the receiver will get the signal.

2. Receiver receives the message through the channel selected by the source considering its suitability to receiver. Channel may be formal or informal. Formal channels are established by the organisation. Informal channels are personal. Receiver is the object or person to whom the message is directed. Message is received, but it may not be understood. The next step, decoding becomes necessary for the purpose. Symbol or language used by the source needs translation to make it suitable for understanding. This is decoding. Just like encoding by source, decoding also depends on receiver's skill, attitude, knowledge and cultural predispositions. Many a communication fails, just due to failure in proper decoding. More the encoding and decoding match with each other, more effective the communication. Understanding or misunderstanding of message is reflected in action. If the source comes to know by feedback that the receiver has not acted as per his/her intention/message, the source again is to repeat the communication process.

4.8 Nature of Communication Nature of communication can be understood under three dimension as follows.

1. Ways or Means of Communication.
2. Communication Networks, and
3. Direction of Communication.

4.8.1 Means of Communication Broadly, there are three ways or means of communication, such as

- Oral Communication
- Written Communication, and

92 NSOU • PGCO-I • Non-Verbal Communication. The choice of means while communicating depends on—

- (a) Physical presence of receiver
- (b) Urgency of message
- (c) Secrecy to be maintained, and
- (d) Cost involved.

Very often, however, some of the above three means are combined to increase the clarity of effectiveness of communication. These various means of communication and explained below.

Oral Communication : Oral Communication is still the chief and most prevalent form of communication. Group discussion, one-on-one conversation, run our/grapevine etc are mainly done orally. The discovery of telephone, intercom system has extended the scope for oral communication. Earlier, oral communication could be done only with the people who were located side by side. But now oral communication is possible between people of two or more different countries, where earlier written communication was the only way of communication.

Advantages :

1. It is direct communication.
2. It is simple.
3. It avoids delay.
4. It conveys personal warmth.
5. It allows instant feedback.
6. It is convincing as physical gestures accompany it.

Disadvantages :

1. No formal record is maintained, so it is difficult to prove later or store property.
2. Lengthy message cannot be conveyed orally.
3. Noise in channel may distort it.
4. When it passes through different levels, meaning may alter.



NSOU • PGCO-I 95 process, Steps are needed therefore so that rumours are not generated. Rumours are created out of ambiguity. So, every party should be very clear to every person concerned.

#### 4.8.3 Downward, Upward and Horizontal Communication

In view of the direction or movement of communication, it can be divided into following two types— (a) Vertical Communication, and (b) Horizontal Communication. Vertical communication may again be sub-divided as— (a) Downward Communication and (b) Upward Communication. Communication between superiors and subordinates is termed as vertical communication. When such communication is initiated by superiors (source) and aimed at subordinates (target), it is known as “Downward” Communication. Operational instructions by supervisors are given by this and operational feedback given by subordinates (source) to supervisors (target now) is known as “upward” communication. These upward and downward communication follow organisational chain of command. So, it is usually the example of formal communication. Horizontal communication on the other hand, is mostly the informal communication. Horizontal communication is the communication among equals, co-workers or the managers of same level. Co-ordination among different departmental heads is usually done by horizontal/lateral communication. This is informal communication, but is highly necessary in promoting a supportive organisational climate. So, sometimes formally also this type of communication is arranged by the organisations.

#### 4.9 Communication Effectiveness

Effective communication is essential but very difficult to ensure. As two persons between whom the communication takes place are different, their understanding, language, attitude, verbal perception level—all may be different. So, the source may say “no”, but the target may understand “go”. This miscommunication, misunderstanding is actually at the root of most of industrial dispute, conflict and work stress. So, all organisations want to have an effective communication. But due to a number of barriers they cannot do that. First, we are to diagnose that disease, otherwise we can never prescribe for effective communication.

#### 4.9.1 Barriers to Effective Communication

The communication must be understood and interpreted in the same manner as it was meant by the senders. But there are some external road blocks as well as some personal factors of both the sender and the target, due to which the communication does not reach or is understood in the same manner as was intended by the sender. These external and interpersonal factor, act as the barriers to effective communication.

A. External or Noise or Organisational Barriers :

- Poor Timing : When to communicate is an important. If communication is done long before the required action, the target may forget about it. Again, last minute communication poses difficulty for desired action. Message should not also be sent when the target is supposed to remain busy or is psychologically or physically tired. In such a case, the target may misinterpret the sender’s information.
- Improper Channel : The channel to be used for communication should also be appropriate. If the target is not net-literate, message should not be sent via E-mail. If the message is too lengthy, oral communication is not appropriate.
- Physical Distractions : Telephone interruptions, walk-in visitors, attending to other matters simultaneously, etc are the examples of physical distractions that may interfere to effective communication.
- Information Overload : No brain can receive, store or analyse unlimited volume of information. If one’s work design compels him to receive huge information, he/she will suffer from information overload, and some of the information may go out of his/her memory or may not be properly addressed.
- Structure of organisation : Sometimes the structure of organisation itself is responsible for ineffective communication. If the chain of command is not clearly established, communication may be unnecessarily delayed, blocked and sometimes distorted.
- Network breakdown : In this age of on-line communication, most often network breakdown occurs. It may be due to time pressure or information overload, again sometimes it may be intentional. In between source and destination following four types of disturbances may be intentionally created.

NSOU • PGCO-I 97 Source → Interception → Destination Source → Interruption → Destination Source → Fabrication → Destination Source → Modification → Destination Interception refers to picking up all information intended for the destination. Interruption means preventing the sent information from reaching the destination.

Fabrication is done by adding source by adding some new information or deleting a portion of information. Thus, the target get wrong information. Modification is the situation where the attacker can adopt any or a combination of aforesaid three disruptions. B. Inter personal Barriers : Sometimes, more often than external barriers, the personal characteristics of either the sender or the receiver or the both, may stand on the way of effective communication. Some of these characteristics are as below. Filtering refers to purposefully withholding or manipulating the information with the belief that the receiver need not know the full context or the actual information. When the information is not end-to-end information, rather it passes through a number of levels, the chance of filtering becomes wider. Fear of giving bad news or the desire to please the receiver sometimes is responsible for filtering. Fabrication of reports to superior is an example of filtering. Perception is the problem in interpretation. Due to following characteristics of receiver/sender such problems occur. (a) Halo effect : When one person is judged by his/her just one trait. (b) Stereotyping : When group characteries are imposed on individual. (c) Projection : When sender believes that the receiver is just like him/her. Semantic Barriers refer to differences in individual interpretation of words, symbols or language. • The word 'Dr' may be understood at first instance by a physician as "doctor", by an academics as "doctorate" and by an accountant as "debit or debtor".

98 NSOU • PGCO-I • The symbol '8' may be understood by a person knowing only bengali number as 'four', whereas by a person knowing only english number as "eight". So, in most cases we listen the remarks like "you misunderstand my message" or "It was not what I meant". Intonation problems : The same sentence may be meant differently if the tone of sender changes. Following example may explain the point better. "I do not take you to dinner to night". In this sentence if emphasis is given on "you", it will mean either "I will go alone or take someone else, not you". If emphasis is on 'dinner', it may mean "in stead, I will take you to lunch". If emphasis on "to night", the meaning will be that "I will take you to dinner on some other night". Sender Credibility : When in the eyes of reciver, sender has high credibility, the receiver accepts the message at face value, otherwise he filters the same according to his/her own belief. Cultural Differences can and usually do adversely affect the communication effectiveness. In this age of globalisation, such problem has been acute, as communication between the people of different cultures has been now a rule of the day. Some examples in this respect are given below. • People of some cultures show their disagreement by coming late to the meeting. People of other cultures may consider it as lack of puncuality. • Some people prefer to come closer physically to the person they want to communicate. But someone may treat it as bad manner. • People of some countries start watching the wrist watch repeatedly to convince other person that they no longer want to speak. But the concerned people of some other culture may not understand it. • To show two fingers is considered in some cultures as the sign of victory, whereas in some other cultures it is understood as the sign for proposing love. 4.9.2 Guidelines for Overcoming Communication Barriers It is very very important for the management to recognize and overcome the

NSOU • PGCO-I 99 barriers to effective communication. Otherwise, the decisions that depend mostly on effective communication will be ineffective. Some of the guidelines in this respect may be narrated as below. A. Improve Feedback Skills : Feedback helps in reducing misunderstanding. Two-way communication should be ensured, though it is time consuming. Focus must be given on behaviour, not on personal charactristics. Feedback must be impersonal and goal oriented. Feedback should also be well timed. B. Improve listening skills : For this, • Make eye contact • Exhibit affirmative not • Avoid interrupting the speaker • Don't overtalk • Avoid distracting gestures. This is necessary because listening does search meaning. Mere hearing rather is passive, and proper understanding may not be possible thereby. C. Simplify Language : Words should be chosen very carefully, so that the message is easily understood by the receiver. Language that is suitable or understandable by teachers, that may not be understandable by the non-teaching staff. So, always the language should be used considering the audience to whom the message is directed. D. Constrain Emotions : The sender may fail to express and receiver may mis construe the incoming message if they are emotionally upset. So, emotions at both the end should be constrained. E. Watch Non-verbal Cues : Actions speak louder than words. Oral communication may be misunderstood, if associated non-verbal cues are not properly understood. So, one always should make sure that actions, i.e. non-verbval cues align with words, i.e. verbal cues. F. Improve cross-cultural Communication : Communicating with people of different cultures may often lead to mispercptions, misinterpretations or misevaluations. In order to guard against that one should— • Assume differences until similarity is proved. • Treat your interpretations as just a hypothesis.



100 NSOU • PGCO-I • Put yourself in receiver's shoes. • Delay the judgement. 4.9.3 Johari Window The Johari window is a modern technique of communication that helps people to better understand the communication or enhance individual's perception on others. American psychologist Joseph Luft and Harry Ingham developed this model in 1955. The name "Johari" came from joining their first two name. This model is also known as feedback model or model of self-awareness. Each person is represented by the Johari Model through its four quadrants or window pane. Each of four panes signifies personal information, feelings etc, and whether that information is known or unknown to oneself or others in four viewpoints as given below. Hidden area Open area Unknown Blind spot Unknown

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to self Known to self Known to others Unknown to others The

Johari Window Model Open area : Here, information is known to both self and others. So, larger this quadrant, more effective is the communication. Blind spot : Information about someone is not known to himself/herself, but it is known to others. So, feedback from others is very important here to have effective communication. Hidden Area : Information is known to self, but it is unknown to others. Sender here does want to reveal something others. Communication thereby is affected. Unknown Area : When information is neither known by self nor by other, the area is said to be "unknown". Attempt must be there to reduce this area as far as possible.

NSOU • PGCO-I 101 This window is helpful for – • Self-awareness • Personal Development • Improving Communications • Interpersonal Relationship • Group Dynamics • Team Development • Inter group relationship. So, for different purpose, one can use this model. However, for effective communication it is how being used by different organisations. 4.10 Summary From the above discussion, we could understand the concept and fundamentals of group decision process. We could also understand the needs of group decision, identify the advantages and disadvantages of group decisions over individual decisions, recollect different techniques of group decisions. At the end we also understand the needs and effectiveness of communication. 4.11 Questions A. Objective Type : 1. State any two advantages of group decision making. 2. Is group decision efficient ? 3. Name two techniques of group decision making. 4. Name two types of communication networks. 5. Who developed the Johari Window Model ? 6. In which year Johari Window Model was developed ? B. Short answer Type : 7. Write a note on Johari Window.

102 NSOU • PGCO-I 8. What do you mean by 'filtering' in the context of communication ? 9. Define 'grapevine'. 10. Write a short note on "non-verbal communication". 11. Define "Nominal Group Technique" of group decision. 12. Why is "Nominal Group" called as nominal ? 13. What do you mean by All style of decision making ? 14. Define "groupthink". C. Long answer Type : 15. What are the advantages and disadvantages of group decisions ? 16. Discuss the techniques of group decision making. 17. Narrate the communication process. 18. What are the advantages and disadvantages of oral communication ? 19. Critically examine the barriers to effective communication.

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Unit - 5 □ Motivation Structure 5.1 Objectives 5.2 What is Motivation ? 5.3 Importance of Motivation 5.4 Approaches to Motivation 5.5 Theories of Motivation 5.5.1 Early Theories 5.5.2 Contemporary Theories of Motivation 5.6 Motivation and Organisational Effectiveness 5.7 Summary 5.8 Questions 5.1 Objectives

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After going through this unit, you will be able to : • Realise the importance of

motivation • Make managers aware of how they should proceed to motivate workers • Be acquainted with different theories of motivation • Understand how behaviour can be modified by motivation • See how motivation helps organisational effectiveness 5.2 What is Motivation ? Motivation is the willingness to do something on the belief that this action would satisfy some needs. A need means a physiological and/or psychological deficiency that creates tension and stimulates drives within the individual. These 105

106 NSOU • PGCO-I drives generate a search for a particular goal that, if achieved, will reduce the tension and bring satisfaction for the individual concerned. Such motivation may come from within. Then, it is known as self-motivation. For owner/entrepreneur, such self-motivation is important. But the individuals who usually work for others need to be motivated by others. One worker may have the ability, but he/she will not apply it satisfactorily without motivation. Hawthorne study by Elton Mayo and others has shown it very clearly. Thus, to motivate subordinates has been now a big challenge for the managers. Needs of all individuals are not the same. Satisfied needs, again, fail to motivate any more. Newer and newer needs crop up at every moment. Thus, motivation is a must, but it represents a highly complex phenomenon. An understanding of the topic of motivation is therefore essential to be an efficient manager or to get properly the work done by others.

### 5.3 Importance of Motivation

You can drag an unwilling horse to the river side, but you can never compel it to drink water. In the same way, a manager may confine the workers within the factory for eight hours, but desired productivity he/she will not be able to ensure, until or unless the workers are willing to do so. Every organisation requires human resource. In fact, the human resource is the most important of all other resources. But unlike other resources, human resource can suppress its capacity to produce, and sometimes it may go beyond its normal capacity. This depends on whether it is motivated or not. Motivated workers are the productive workers. If motivated, workers may also work with less compensation. Motivated workers are, again, satisfied workers. Satisfaction level being high, there will be a harmonious relationship in the workforce and this will lead the organisation to be a good place to work. Once an organisation becomes a good place to work, it will be easier and less costly to hire and maintain the quality workers. Absenteeism, employee unrest, tardiness, employee turnover, union activity—all can be reduced by motivating the workers. Hence, motivation today has been an important function of the manager. Japanese workers are highly productive. The main reason behind this is that managers there know how to motivate. The secret behind the success of ISRO has also been its employees who are not only capable but also willing to use advanced technology to reach the goal. To state algebraically the principle is—

NSOU • PGCO-I 107 Performance = f (ability × motivation) Einstein once stated, however the genius is 10% inspiration and 90% perspiration. But this volume of perspiration wholly depends on that 10% inspiration.

### 5.4 Approaches to Motivation

Motivation is essential. But how to motivate is still not fully known. The same person is motivated differently at different points of time. Different persons never can be motivated with same kind of incentives. Thus, the approaches to motivation have been different. Broadly, they can be discussed in the following ways.

1. **Need-based Approach** aims at the fulfilment of the needs of persons, workers or the human resources. It is believed here that needs arise out of some deficiency in the human beings. The reaction to that deficiency is known as “drives” of the human beings. This ‘drive’ leads to some kind of dissatisfaction, which can be resolved by providing some “incentives” to the persons concerned. Workers thus will be satisfied and motivated to do the work. In this approach, that need is first identified and attempt is made to cater that need. Need, again, can be internal/ intrinsic or external/extrinsic. So need based approach may also be of following two types. **Intrinsic Approach** tries to take care of internally generated needs or motives. These include feeling of responsibility, achievement, accomplishment, self-esteem etc. Most of us yearn for purpose or meaning. Performing meaningful work is itself a motivator. Winning a competitive situation, completing a challenging job make us internally satisfied. We then become involved or committed to the job. So, here the motive is how to make the job challenging or meaningful so that the worker can find some worthiness in performing that job. **Extrinsic Approach** refers to giving cognizance to pay, benefits or promotions. Removing punishment, providing rewards are the examples of external motivators. This kind of motivators attract people and keep them on the job. They are also often used to inspire the workers to reach a new goal.
2. **Job-based Approach** : Workers want the meaningful work, motivating job. So, Job is to be redesigned at regular intervals so that it does not appear monotonous or boring to the workers. Following are some of the ways in which work redesigning can be done.

108 NSOU • PGCO-I • Job Rotation • Job Enlargement • Job Enrichment • Flexitime • Job Sharing • Autonomous work Teams • Quality Circles etc. Job rotation allows workers to diversify their activities to offset boredom. Horizontal transfers are the ways to achieve it. Job enlargement expands job horizontally, i.e. some extra work is given to concerned worker, work being of same level. Job enrichment expands job vertically, i.e., some work of higher position can be given to the worker. Flexitime allows worker to select a suitable time for him. Job sharing means sharing one job between two or more workers. Autonomous work teams represent job enrichment at group level where the teams are free to take their decisions. Quality circles are recent additions to group redesign where the circles

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meet regularly to discuss quality problems, investigate causes, recommend solutions and take corrective actions.

In addition to above, a Job Characteristics Model (JCM) has been developed where the following dimensions of jobs are taken care of. • Skill Variety—Whether job requires different skills or not. • Task Identity—To what extent workers do an identifiable piece of work • Task significance—The impact of job on workers lives. • Autonomy—The degree to which workers enjoy freedom for work. • Feedback—The extent to which the workers get back information about the quality of their work.

NSOU • PGCO-I 109 Combining all the above, an index called Motivating Potential Score (MPS) has also been developed as follows.  $MPS = SkillVariety \times TaskVariety \times TaskSignificance \times 3 \times Autonomy \times Feedback$  More is the score, more motivating is the job. This kind of motivation is also long lasting one, as it fulfils the intrinsic need of the workers. 5.5 Theories of Motivation Keeping in view the aforesaid approaches to motivation, several researchers have developed different theories on motivation. Four theories among them are considered to be the foundation to managerial practices in respect of motivating their workers. They have now fallen to some extent out of favour in the face of some contemporary theories of motivation. But a good number of practising managers still use them. So, briefly we discuss first those early theories.

5.5.1 Early Theories 1. Hierarchy of Needs Theory (A. Maslow) : According to Maslow, needs of different persons are different. First we are to know the immediate needs of workers, and those need to be satisfied first. One needs esteem, but manager increases his salary. This never will motivate the concerned worker. According to Maslow, following five constitute the hierarchy of needs— • Physiological—hunger, shelter etc • Safety—Protection for physical harm • Affiliation—Affection, friendship, recognition • Esteem—Self-respect, autonomy • Self-actualisation—Happiness, peace, self-fulfilment. 2. Theory X and Theory Y (D. McGregor) : McGregor assumed two different views of human beings. One basically negative, who does not want to work, other positive who gladly accepts, even seeks responsibility. According to McGregor, first type of people needs coercion, punishment, otherwise they will not work. This theory of motivation is X theory. For second type

110 NSOU • PGCO-I of people, Y theory is applicable, who needs praise, recognition etc. McGregor's carrot and stick policy is in the line of X and Y theories. Y people can be motivated by carrot i.e. reward, whereas the X people can be motivated by stick, i.e. the fear of punishment. 3. Two Factor Theory (

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Herzberg) : Two factor theory is also known as 'motivation-hygiene theory'.

According to Herzberg, there are some needs which, if not provided, will lead to dissatisfaction, but even if provided, may not lead to motivation. These are hygiene factors, e.g., pay, promotion, working condition etc. If we want to motivate, some other factors need to be fulfilled. These are actually motivating factors, e.g., recognition, autonomy, responsibility achievement etc. Thus, according to Herzberg, removing dissatisfaction is not sufficient to bring satisfaction or motivation. 4. Needs Theory (McClelland) : McClelland's Need Theory has some similarities with the theory of A. Maslow. Maslow identified five needs whereas McClelland proposed three needs as below. • Need for Achievement (nAch) • Need for Affiliation (nAff) and • Need for Power (nPow) However, the researcher focused most of the attention on nAch. Because he believed that high achievers are strongly motivated. Once the first need is fulfilled, concerned worker gradually feels other two needs. nAff refers to the desire for friendship or social recognition. nPow is the need to make others obey his/her orders. 5.5.2 Contemporary Theories of Motivation 1. ERG Theory (C. Alderfer) : This theory is a refinement of Maslow's needs hierarchy. Maslow identified five needs, whereas Alderfer, having based on the results of his questionnaire served to over 100 employees, proposed three needs as follows. • Existence—It combined physiological and safety needs of Maslow. • Relatedness—It refers to affiliation needs of Maslow. • Growth—It resembles the upper two needs of Maslow.

NSOU • PGCO-I 111 Thus, ERG here means Existence, Relatedness and growth where the concept of hierarchy is retained by the researcher. However, while Maslow proposed a “satisfaction-progression” model, Alderfer came out here with a “frustration regression” hypothesis. In Maslow’s theory, satisfaction of lower needs makes individual progress to upper needs. Alderfer, on the other hand, argued that individual will always try for highest need. If for any reason that need is not fulfilled, out of frustration, individual regress to lower-level needs. This theory is considered as more consistent, as in practical life the driving force is seen to change in the way as is suggested in ERG theory. In some countries, social needs come before physiological needs. From this stand point also the ERG theory is relevant. Most contemporary analysis of motivation tends to support ERG theory over those of Maslow and Herzberg. So, it has got place under the head of contemporary theories. However, in some corners the theory is criticised as paradoxical. As the individual is supposed move downward also, it is not clear in this theory which need is more important than other. Besides, there is no clear cut guideline in this theory for the assessment of a particular individual to know his preference to a particular need.

2. Cognitive Evaluation/Self Determination Theory : Cognitive evaluation theory hypothesises that extrinsic rewards may sometimes reduce intrinsic interest in work. When a worker comes to know (cognition) that he is paid for superior performance, he feels he is doing a good job not because he desires it but because the organisation wants it. If you read a novel because your teacher asked you to read, you will attribute your reading to an external source. This reading will not give you enjoyment or motivation. Rather, if you read it out of your internal urge, this will give you delight. So, how one evaluates extrinsic rewards determines the motivating power of the rewards. Thus, the theory proposes that people prefer to feel they have control over their actions, autonomy in work, and positive connections to others. A large number of studies support this theory as they find that the people who pursue work for intrinsic reasons are more satisfaction, feel they fit better into their organisations, and they perform better. In contrast, people who pursue work for money, status or other benefits are less likely to attain their goal and less happy even when they attain the same.

112 NSOU • PGCO-I Then, are extrinsic rewards always useless or unrelated to motivation ? No, this is not again true. Extrinsic rewards can also improve internal motivation, if those rewards are consistent with worker’s interest and core values. For organisations it means that managers should provide intrinsic and consistent extrinsic rewards. They need to make the work interesting, provide recognition, and support employee growth and development. The authors of cognitive evaluation theory acknowledge that extrinsic rewards such as verbal praise, feedback about competence, “you can” approach of supervisors. So, it is not strange, but fact that you get much fun when you work as a volunteer than when you are hired to do the same work at Rs. 100 per hour.

3. Goal Setting Theory : Edwin Locke is the advocate of this theory that studies the processes by which people set goals and put the efforts to achieve them. According to the theory, the quality of performance depends on how challenging the goal is and how specifically it is defined. General goals such as, “do your best”, “produce as much as possible” do not lead to desired performance, as neither accurate performance appraisals nor suitable rewards are possible in such cases. Clear goal gives clear direction to the performers, they themselves can also know what has been their exact performance or rewards are proportionate to performance or not. So, they cannot be dissatisfied with the rewards that they get. Following figure is thus the essence of goal setting theory.

Goal Specificity Goal Difficulty Performance Satisfaction

Goal Specificity identifies the target in specific terms. For example, the goal of each worker is to produce 60 units per week. This kind of goal allows the workers to know clearly to what extent they have been able to fulfil their target and hence, how much remuneration they can legitimately claim. As the worker can see his/her achievement clearly, a sense of achievement, pride or self satisfaction will automatically generate. Specific goals reduce ambiguity and the worker

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gets a clear idea as to what is expected of him.

Goal difficulty provides more challenge and hence the goals become competitive and highly exciting. Reaching on easy target cannot give so much satisfaction as a difficult goal can do.

NSOU • PGCO-I 113 Management by objectives (MBO) : A logical extension of goal setting theory is Management by objectives which requires a systematic and programmatic goal setting throughout the organisation. Here, the managers and workers work together to identify goals and to make policies in order to achieve those goals. MBO is based on belief that involvement leads to commitment, and when employees take part in goal setting, they are automatically motivated to perform better. When implemented properly, MBO can give therefore a number of benefits as are stated below. • Since MBO is a result-oriented process, better results are easily achieved. • Measurable standards are set here that leads to effective control of performance. • Goals are tailored under this system to the specific abilities of workers leading to matching of job assignment and workers abilities. • Since the goals are set by workers themselves, they accept the goals as their own, not imposed by superiors. • Workers clearly understand what is expected of them, and hence, there is no scope for ambiguity. • Periodic evaluation explores the limitation of the workers and identifies the areas where training is required. • This is an on-the-process control mechanism where the deviations are regularly identified and timely corrected. • Performance evaluation is done objectively and no question on bias or nepotism arises. • Finally, MBO improves the morale and commitment of workers, because they clearly understand here their contributions to the organisational goal and hence they feel proud and highly satisfied. However, nothing in this world is unmixed blessing. It has therefore also some problems or limitations. Those are narrated below : • Top management whole heartedly does not support MBO, as its exclusive right of decision making is curved to some extent. Hence, the performance of MBO is not upto mark.

114 NSOU • PGCO-I • Most of the subordinates also cannot accept MBO completely, as they are still suspicious about the intention of top management. They seriously believed that MBO is just a new tact or ploy in the hands of management. • MBO emphasizes quantity and this may affect quality. • The emphasis also is on short-term goal, and this usually stands on the way of long-range planning. • Decision making here is highly time consuming. • Continuous follow up is needed in MBO, which is mostly lacking in practice. • Integration of MBO system with departmental goals is a difficult task, but without it never MBO can succeed. 4. Equity Theory : One of the most widely assumed source of job dissatisfaction is the feeling of the employees that they are treated fairly, equally or equitably. Thus, equity theory believes that, if equity is ensured, the workers will be motivated to do the work. However, it must be noted that inequity may or may not be real, rather it mostly exists in workers perception. So, the main objective of the management should be to make workers perceive that they are fairly treated, that is the equal or fair approach of the management must be clearly visible and understandable by the workers. Otherwise they cannot be motivated. As Adams advocated— • Perceived inequity creates a feeling of resentment. • Then, the workers take steps to reduce it. • Greater the extent of perceived inequity, greater is the magnitude of tension and higher is the urge to reduce it. The steps that are usually taken by the workers to reduce the tension generated by perceived inequity are as follows. • The workers may reduce their efforts to make it equitable to the compensation they get. • They may alter their outcome to restore equity. • They may demand better pay or better working conditions to satisfy their perceived inequity.

NSOU • PGCO-I 115 • They may change effort-productivity ratio to more favourable levels. • They may resign from their jobs. • On the other hand, some may change their perception and start to believe that inequity does not exist. Other people get better pay because they work harder or belong to some other category. While equity theory mainly focuses on pay inequity, some employees look for equity in the distribution of other organisational rewards also. For this, they compare themselves with others mainly on following four ways. 1. Self-inside : comparison with inside co-workers 2. Self-outside : comparison with outside co-workers 3. Other inside : comparison with inside other gorup 4. Other outside : comparison with outside other group Recent research on equity theory has, however been expanded to organisational justice, where the workers can feel that their organisation is a good place to work in. Organisational justice has, again broadly three componants as follows. 1. Distributive Justice : Where workers feel that they are getting the reward that they deserve. 2. Procedural Justice : Here workers feel that they are getting higher reward as their procedure of work is better. 3. Interactional Justice : While interacting with supervisors, the workers feel that they are given proper respect and dignity. 5. Expectancy Model of Motivation : The expectancy model is based on the belief that

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motivation is determined by the reward the people expect to get out of their job performance.

This theory argues that the strength of one's tendency to work depends on the strength of his/her expectation of an outcome. In simple words, employees will be motivated to exert high effort when they believe it will lead to a worthy performance and that performance in turn will lead to rewards as they desire. The theory therefore focuses on three important elements of the model. These are as follows. • Expectancy—likelihood that a particular outcome will result from particular effort.

116 NSOU • PGCO-I • Instrumentality—likelihood that the said outcome will bring a particular reward. • Valence—Value that the workers assign to such reward. Thus, a worker must be confident that his/her efforts will result in better productivity. He/she must also be confident that such better productivity will be instrumental in getting the rewards that he/she values most. Motivation as such can be explained by following equation—  $M = E \times I \times V$ , where M is motivational force, E stands for expectancy, I for instrumentality and V for Valence. Three kinds of relationship that are significant therefore are as follows. 1. Effort—Performance relationship. 2. Performance—reward relationship. 3. Reward—Personal goal relationship. Before exerting maximum effort for a work, workers generally ask as such three questions that themselves as follows — 1. If we give maximum effort, shall our performance get good appraisal ? 2. If we get good appraisal, shall we get rewards ? 3. If we are rewarded, are the rewards attractive or valuable to us ? Answer 'yes' to the questions will motivate the workers, otherwise there will be no motivation for the work. 6. Behaviour Modification (Reinforcement Theory) : Workers behaviour may not be always as the manager wants it to be. So, their behaviour needs to be modified and channelised to desired goal. This modification refers to the set of techniques that are prescribed in reinforcement theory. So, reinforcement through proper use of immediate rewards and/or punishment is the only way, to modify the behaviour of workers. Other motivation theories assert that workers purposes direct their actions/behaviour. In contrast, reinforcement theory proposes that the consequences or outcomes one's behaviour. It ignores the inner state of individuals and concentrates solely on what happens after the action or behaviour.

NSOU • PGCO-I 117 Operant Conditioning Theory of B. F. Skinner thus is the most relevant component reinforcement theory. Unlike reflexive or unlearned behaviour, operant behaviour is influenced by the consequences and the reinforcement of those consequences. If we get favourable reinforcement to one behaviour, we will try to repeat it and vice versa. The reinforcement again is of our types as follows. 1. Positive Reinforcement 2. Negative Reinforcement 3. Punishment 4. Extinction First two are favourable and last two are unfavourable reinforcement. Positive reinforcement provides something that the workers like. Negative reinforcement withdraws or stops something that workers dislike. Punishment refers to the provision of something that workers do not like. Extinction, on the other hand, means withdrawing some benefits that so long the workers were enjoying. So, this is in one way the carrot and stick policy, where workers are either tempted to repeat desired behaviour on expectation of carrot (reward) or refrain from repeating unfavourable behaviour being afraid of stick (punishment). Individuals can learn about this reward or punishment by observation or direct experience and accordingly repeat or stop certain type behaviour. Learning by observation or direct experience is known again as Social Learning Theory. So, reinforcement theory to an extent is indebted to this social learning theory as well. Social learning is done by watching directly the behaviour of parents, teachers, peers, film/television stars. In case of work-related behaviour, experience is drawn observing other workers, bosses or the subordinates. This learning process passes through following four stages. • Attention : one must be attentive. • Retention : One must remember or retain in memory what one wants to learn. • Reproduction : One must possess the capacity of reproducing others behaviour. • Reinforcement : Positive incentives or rewards are needed if you expect that behaviour.

118 NSOU • PGC0-I Illustrations of the impact reinforcement and consequent modification of behaviour are everywhere. Workers expect bonus, so they produce more than their target. A commissioned salesperson work hard in the expectation of more earning as commission. One boss promises higher pay for overtime work, but does not keep his promise at the end of work. Then, the workers will not do the overtime next time. So the most practical theory of motivation is this reinforcement theory no doubt. But the theory has some limitations as well. In its pure form, this theory ignores feelings, attitudes and other variables of the workers. Same reinforcement may not motivate each worker in the same degree. Some reinforcement may also be counter productive.

5.6 Motivation and Organisational Effectiveness It is often said that happy workers are productive workers. So, if we want organisational effectiveness, the employees must be made satisfied with the work and the work place. Unlike, machines, men at work possess willingness or unwillingness to work. If they are unwilling, they may suppress their productive capacity, neglect their duties by coming late or remaining absent. Percentage of errors in the work will also be high. Thus, the organisational effectiveness will be largely affected. Hawthorne study by Elton Mayo was an eye-opener in this respect. In this age of harsh competition the only way to have long term competitive advantage is to have a motivated workforce. New generation machines or technology can give one the competitive advantage. But this is only for short-term. Competitors may also acquire the same technology and no longer you will enjoy any advantage. But the commitment, loyalty or motivation that your workers possess can never be easily copied by your competitors. So, is motivation important? Lack of motivation will make the workers dissatisfied, monotonous and fatigued. Their morale to work will also come down resulting in the following consequences. 1. Employee unrest 2. Absenteeism 3. Tardiness 4. Employee turnover 5. Union activity etc.

NSOU • PGC0-I 119 So, motivation is a must to accomplish task, to produce quality goods and for other related purposes. Motivation refers to a set of forces that energise people to behave in certain ways. For an organisation to be effective, it must make people go beyond the normal

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role performance and engage in some form of creative, spontaneous and innovative behaviour at work.

A motivated employee generally possesses that quality. Besides, once the workers are motivated, committed to the organisation they make the organisation a good place to work in. Then, to hire the quality workers and to keep them in the organisation will also be easier and less costly. However, all the motivation theories are not applicable in all cases. Before implementing a motivation process, the following factors should be taken into consideration. • Work environmental factors • Factors related to work itself, and • Personal factors of the workers Where the work itself is structured or quantifiable, goal setting theory of motivation can be easily applicable. When the needs are different from worker to worker, Maslow's theory is appropriate. If this is not done, motivation will not be effective and organisational efficiency may not be achieved.

5.7 Summary From the above discussion, we could understand the concept and fundamentals of motivation. We also understand the importance of motivation. How manager should proceed to motivate workers, different theories of motivation, how behaviour can be modified by motivation, how motivation helps organizational effectiveness, etc. have also been discussed here in detail.

5.8 Questions A. Objective Type : 1. What are two factors under Herzberg's theory of motivation? 2. State the topmost need of the need-hierarchy of A. Maslow. 120 NSOU • PGC0-I 3. Give the equation for Motivation Potential Force. 4. What does 'E' stand for in ERG theory? 5. Who is the advocate of Theory X & Y? B. Short answer Type : 6. Define "goal specificity". 7. What does cognitive evaluation hypothesize? 8. How is ERG theory different from Need theory? 9. What does 'valence' indicate? C. Long answer Type : 10. State the advantages and disadvantages of MBO. 11. Critically examine the Equity theory of Motivation. 12. Discuss how the behaviour of workers can be modified?

NSOU • PGC0-I 121 Unit - 6 □ Leadership Structure 6.1 Objectives 6.2 Leadership Concept 6.3 Theories of Leadership 6.3.1 Trait Theory 6.3.2 Behavioural Theories 6.3.3 Situational/Contingency Theories of Leadership 6.3.4 System Approach to Leadership 6.4 Leadership Style 6.5 Leadership Effectiveness 6.6 Contemporary Theories/Issues in Leadership 6.6.1 Leader-Member Exchange (LMX) Theory 6.6.2 Charismatic Leadership 6.6.3 Transformational Leadership 6.6.4 Authentic Leadership 6.6.5 Servant Leadership 6.6.6 Some other Theories 6.7 Summary 6.8 Questions 6.1 Objectives

After going through this unit, you will be able to : • Know the

concept

and different theories of leadership • Examine various styles of leadership 121

122 NSOU • PGCO-I • Recommend how leadership can be effective • Highlight contemporary issues in leadership 6.2

Leadership Concept Leadership is a very important part of management and plays a very vital role in managerial functions. Whether one organisation is successful or not, depends largely on how dynamic and effective is the leadership there. In fact, if a single factor is to be blamed for business failures, this is undoubtedly the ineffective leadership. In the governments, in universities, in hospitals or in business houses, where ever people work in groups, there must be somebody to guide the group. He or she is the leader. Leadership is the art of influencing and inspiring the subordinates to perform their duties willingly, enthusiastically and competently. Leadership is that translates vision into reality. Leadership is both a process and a property. As a process, it uses non-coercive influence to direct and co-ordinate activities of a group towards the achievement of group goal. As a property, it is a set of qualities of those persons who are perceived to employ their influence on others. Management and leadership, these two terms are very closely related, but they are not synonymous. Their functions are more or less same. But leadership is something more than the management. Management is a position. It may or may not possess the quality of leadership. Management is an authority, whereas leadership is an interpersonal influence. Managers plan, leaders set direction. Managers do staffing, leaders align people to the vision of the organisation. Managers control, whereas leaders motivate the workers. Manager exercise positional power, leaders have emotional appeal. Leaders can do the functions of managers, but the managers may not be able to that. So, all leaders are managers, but all managers are not leaders. Based on the discussion above, leadership may be defined as—  $(L = F(f, g, w, s))$ , where L = Leadership, F = function, f = followers, g = goal, w = willingness of followers, S = a given situation. Followers and their willingness to follow are the basic differences of leaders NSOU • PGCO-I 123 from managers. Subordinates are compelled to obey managers, whereas followers willingly follow the leaders. In leadership, the influence is also mutual. Leaders influence followers, followers do also influence the leaders. So, organisation without a leader is just like a herd of cattle without a keeper, a country without a king. 6.3 Theories of Leadership From the beginning of 20 th century, many distinguished researchers have contributed a lot to the knowledge on leadership. While examining the earlier contributions is not altogether unnecessary, we will mainly focus on more relevant ones. Earlier it was believed that leadership is a personality trait, that means it is in born. But as the years went by the focus shifted from the personal characteristics of leader to his/her behaviour in communicating and dealing with the followers. More recently the researchers have started to believe that the leadership is also a contingent variable that depends on situational factors. Thus, we have now a number of different theories on motivation. We discuss them one by one in following sections. 6.3.1 Trait Theory The trait theory of leadership focuses on the personal characteristics of leaders which make them distinct from the non-leaders. A number of early researchers have attempted such traits that can be termed as leadership traits. For example R. Stogdill conducted a survey on more than 5000 studies. But still he failed to give an exhaustive list of leadership traits. However, he identified the following traits which are common almost in all studies. • Desire for accomplishment • Persistent pursuit of goal • Creativity • Initiative • Courage to accept consequences • Emotional intelligence • Tolerance of ambiguity • Ability to influence



124 NSOU • PGCO-I • Charismatic approach However, when the researchers began organising leadership traits around Big Five Personality Model, a break through on trait theory has started to emerge. While associating Big Five traits to leadership it was found that almost all of Big Five can be considered effectively as the required traits for leadership. Extraversion was such to be strongly related to leadership quality. Conscientiousness and openness to experience also showed strong relationship though not quite as strong as extraversion. But being able to assert the people (extravert), being disciplined in every activity (conscientious) or being creative (open). One person can have apparent advantages while performing the role of leadership. Emotional intelligence has also a very significant impact on leadership effectiveness. Empathy is a core component of emotional intelligence, and it is believed that empathetic leaders only can sense others' needs, listen to others (not just say) and read the reactions of followers. A leader who effectively displays and manages emotions can move up in an organisation. Thus, before such attempt to recognise Big Five, trait theory to an extent was directionless. Now, thanks to Big Five, traits can now predict leadership to a large extent. Still, the trait theory suffers from some limitations. They are as follows. Limitations : 1. The list of assumed leadership traits is too long. Although hundreds of traits have been identified, no consistent pattern has yet emerged. 2. The contemporary tinkers do not accept that leaders are born, not made. 3. This theory does not take into account other variables that may have their impact on leadership efficiency. 4. Same traits can be possessed by successful as well as unsuccessful leaders. 5. One useful trait to leadership may appear to be detrimental in some different situation.

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With all its limitations the theory is still relevant because of certain merits.

Those are as below. Merits : 1. Environment changes person. The person also changes environment. So, it cannot be denied that some persons possess some qualities that make him/ her the leader by birth. NSOU • PGCO-I 125 2. That heredity has its influence on personality development is well accepted. So, it born qualities can never be ignored. 3. Traits are inner philosophy. Behaviour is what surfaces. Only 1 / 8 th of iceberg surfaces, we know. So, traits perhaps are more pervasive than behaviour. 6.3.2 Behavioural Theories Trait theory provides a basis for selecting the right people for leadership, whereas behavioral theories emphasize on right behaviour of leadership. When the trait theory failed to explain fully the leadership, the researchers during 1940s to 1960s moved towards required behaviour of leaders. The most comprehensive theory among them resulted from the Ohio State Studies in the late 1940s, which sought to identify the desired dimensions of leaders behaviour. The studies began with more than thousand dimensions, but finally narrowed the list to just two as follows. (i) Initiating structure, and (ii) Consideration Initiating structure refers to leader behaviour that attempts to organise work, work relationships, group tasks, assignment of duties and

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expects workers to maintain definite standards of performance and emphasizes the meeting of deadlines

for the achievement of goals. Consideration on the other hand, refers to the leadership that is characterised by friendliness, mutual trust, respect to followers ideas, regard for their feelings, trust and concern for the welfare of employees, and appreciation of their performance. In a recent survey, 66% of employees mentioned that appreciation makes them motivated at work. While identifying these two dimensions, the researchers, however, did not like to say that being high in one dimension the leader is to be low in other dimension, Rather, the fact is that the leader can be high in both dimensions, low in both, high in one and low in other. This can be shown as in the following figure. Democratic Autocratic Human Relations Laissez faire High Low Initiating structure High Consideration

126 NSOU • PGCO-I Consideration and initiating structures-both are high in Democratic quadrant. Here, the performance and satisfaction both are upto mark. When both are low, the workers are in "Go-as-you-like" situation (Laissez faire). High consideration—Low initiating structure is an example of charitable institutions, the firm cannot run at profit. Opposite is known as autocratic, where only performance is emphasized, where satisfaction is all time low. The University of Michigan Studies resulted in more or less the identical conclusions. Here, the leadership has been divided into following two categories. (i) Production-centred, and (ii) Employee-centred The production-oriented leadership refers to the initiating structure leadership of Ohio State University studies. The Employees-centred one resembles the consideration dimension of those studies. So, in both these studies the leadership is two dimensional—Production or Employee. Blake and Mouton have given a graphic depiction of possible alternatives within this two dimensional leadership, which is known popularly as Managerial Grid. The same as shown below.

5-5	1-9	9-9	1-1	9-1
Concern for Production	High	Low	High	Low
Concern for People	High	Low	High	Low

The grid identifies five basic styles of leadership. The 9.1 leader is concerned with production and not at all careful for employee welfare. The 1.9 leadership, known as club management, again, careful basically for employee well being, with least interest to task management. 1.1 leaders are wothless leader, where the management is called as impoverished management. On the other hand, 9.9 leadership NSOU • PGCO-I 127 looks towards highly both of production and people, though in most cases it is not possible. The 5.5 is the middle of the road management where leaders are moderately concerned to both.

### 6.3.3 Situational/Contingency Theories of Leadership

Behavioural theories came up out of the limitations of trait theory of leadership. In behavioural theory also it has been seen that a universal theory can never be developed to identify the preferable behaviour. Every theory speaks of more than one kind of behaviour, and none is claimed to be preferred universally. Here arises the need of situational or contingency theories of leadership, that propose that effective behaviour of leaders is contingent on some conditions and it varies from situation to situation. A number of researchers have worked on this situational theory and they have developed different contingency models. We discuss them below one by one.

#### ●●●●● Fiedler's Theory

Fiedler advocated that different leaders possess different motivational traits. Some leaders are originally task-oriented, some are again relation-oriented. According to Fiedler, the relation-oriented leaders want to have warm personal relations with their co-workers and followers. What the leader actually will do, it depends on the situational factors. According to Fiedler, the situation is favourable to the leader when he/she has control over his/her subordinates performance. Three factors are taken into consideration to determine whether the situation is favourable or not. These factors are as follows.

**Leader-Member Relations :** When relationship is good, the leader can count on the loyalty of the subordinates, while the poor relation will naturally affect his/ her influence.

**Task Structure :** Where the task of the subordinates is structured, i.e., well- defined, it contributes to a favourable situation for leader to exert his/her influence on the subordinates.

**Position Power :** Greater the power of the leader to reward or punish his/her subordinates, more favourable the situation is to the leader. However, overall situational favourableness depends on the combination of the aforesaid three factors. When all the three are favourable, the situation is called as High-Control Situation. When all the three are unfavourable, the situation is known as Low-Control Situation. Moderate Control Situation prevails when one or two is/are favourable, but others is/are not.

128 NSOU • PGCO-I Both in High-Control and Low-Control situations, task-oriented leadership works well, whereas in case of Moderate-Control Situation relation-oriented leadership performs the best. The main advantage of contingency model is that it takes into account all the three components : the leader, the situation and the followers. In trait theory only the leader is given importance. As demerits of contingency model, some however argue that the acceptance of situational theory negates the universality of leadership theory. It suggests that there cannot be a theory at all to explain leadership. Leaders can do whatever they think fit to address the need of the situation. ●●●● Path Goal Theory Robert House advocated this theory. The term "Path-Goal" of this theory implies that the leaders are to clarify the desired path of followers to achieve the pre- fixed goal and their journey easier by reducing the road-blocks. That means, the leaders job is to provide the followers with information support and other-resource necessary to reach their target. The path-goal theory is to some extent similar to the expectancy theory of motivation. As in expectancy theory, here also the leaders will strengthen the expectations of subordinates by increasing the availability and attractiveness of rewards or outcomes. However, the path-goal theory as a sub-set of contingency model, asserts that the leaders are to provide the rewards depending on the situational characteristics and the characteristics of the subordinates. This situational consideration will influence the leader behaviour, which according to situation, may be directive, supportive, task-oriented or participative. Directive leadership gives greater satisfaction when tasks are unclear and stressful, whereas supportive leadership gives better result when the tasks are stereotype or routine-type. Task-oriented or participative leadership, on the other hand, depends on the willingness or otherwise of the subordinates to do the work. ●●●● Situational Leader Model This theory requires that successful leadership depends on the selection of proper style contingent on the rediness of the subordinates. The readiness of the followers can be of the following types :  
NSOU • PGCO-I 129 ● Unable and unwilling ● Able but unwilling ● Unable but willing, and ● Able and willing  
Unable and unwilling followers need specific directions. Unable but willing needs task orientation. Able but unwilling workers needs supportive leadership in order to effective workers. For able and willing workers, leaders need not do much. Hersey and Blanchard added "maturity" of followers as a contingent variable. They believed the subordinates have also a life-cycle. When the workers enter into an organisation, the need specific directions from leaders. So, the required style here is directing or telling approach. Gradually, when the workers learn about their tasks, the leaders then are to create willingness among them. So, "selling" or "coaching" approach then is essential. As the willingness of workers increases, the leaders needs to be participative or supportive. The final stage of the life cycle come when the workers can work "on their own". Now, the leader can easily follow the "delegating" style and spend his valuable time for again the new-comers. ●●●● Leader participation Model (Vroom-Yetton) This model emphasizes on decision making process of the leader and how far he/she allows participation of subordinates in the decision-making process. According to Vroom-Yetton, this role or behaviour of leader is very significant, because on it depends the job satisfaction of workers which ultimately can influence their task performance. If the leader does not allow the subordinates in decision-making process, it may have negative impact on productivity and lead to turnover or stress. Vroom-Yetton suggessted that there can be five decision-making styles, ranging from highly autocratic to highly participative one. The styles as such are as follows. ● Autocratic I (AI) — Leader solely takes decision ● Autocratic II (AII) — Leader seeks information from subordinates, but takes decision alone. ● Consultative I (CI) — Leader consults the subordinates individually about the problem, but takes decision singly. ● Consultative II (CII) — Leader consults the subordinates in a group but his/ her opinion is final.

130 NSOU • PGCO-I • Group (G) — Subordinates participation is allowed. Different styles are suitable in different situations and are contingent on different factors. So, this is also a part of contingency theory. Leader will be effective if he/ she can choose the appropriate style suitable to particular situation. ●●●● Theory X and Theory Y (McGregor) This theory has already been discussed under head "motivation". We again just mention the theory here, as it is equally relevant to the leadership theory. McGregor argued that the behaviour of leader or manager to subordinates should not be same for all employees. Like different situations, employees are also different types. So, leadership style is to be based on the type of employees, which actually here is the contingent variable. McGregor classified the employees broadly in two categories—X and Y. X employees are inherently lazy and they always try to avoid work. Y employees, on the other hand, seek responsibility and find the work as natural. Accordingly, the treatment of these two types of workers must be different. The former needs "stick" and the latter are motivated by "carrot". Leaders will be effective if they can identify the nature of employees properly and can treat them accordingly.

6.3.4 System Approach to Leadership System approach and contingency approach are two inter-related approaches. Contingency theory is based on the situational variables. System actually is one of such situations. A system is defined as the assemblage of things connected or inter- dependent, so as to form a complex unity. Every system has a number of sub- systems, and the system is not only the sum-totoal of sub-system, but something more than that. Under system approach to leadership, leadership is considered as a system that depends on the broader system on the one hand, and on a number of sub-systems on the other. So, how the leaders will work depends on the characteristics of the system or sub-systems, and as a result their style will vary from system to system. System approach in one way an eclectic approach as well, which is a combination of traits of leaders and the situational factors. Different combinations of trait and situation result in different systems. Leadership is therefore multi-dimensional, multi-variable, adaptive and dynamic. Leadership system is also an open system, which means that leadership always interacts with its environment and accordingly it gets its shape.

NSOU • PGCO-I 131 6.4 Leadership Style Leadership styles are different under different theories of leadership. Discussion on styles have already been made along with the theories concerned. However, at a glance they can be shown as below. As per behavioural theories, leaders may adopt any of the following styles. 1. High consideration — Low structure (Human Relation) 2. High structure — Low consideration (Autocratic) 3. High structure — High consideration (Democratic) 4. Low structure — Low consideration (Laissez faire) The Managerial Grid advocated by Blake and Mouton suggested the following five styles. 1. Country club (People-oriented) 2. Team (High concern for both people and production) 3. Task (Production oriented) 4. Impoverished (Low concern for both) As per Situation Theories, leadership styles can be of following types. Fiedler stated that the leadership can be task-oriented or relation-oriented. As per Path-goal theory leaders may have the styles like directive, supportive, task-oriented and participative. Vroom-Yetton, again, recommended five styles as below. 1. Autocratic I 2. Autocratic II 3. Consultative I 4. Consultative II 5. Group As all have been discussed earlier, we do not repeat them.

132 NSOU • PGCO-I 6.5 Leadership Effectiveness It is now accepted that there is no best leadership style for all situation. Rather, the leadership effectiveness depends on the use of a style appropriate to the situation. So, this situation-style match is actually key to the leadership effectiveness. Along with this matching, the leader must work as follows to develop his/her effectiveness.

- Raising Competence of the group : Competence includes the understanding, based on knowledge and skills, required to perform a job. If the leader cannot raise this competence of his/her team, effectiveness can never be achieved which style he/ she will adopt for this competence building, he/she is to understand it, plan the strategy and implement it effectively.
- Raising Commitment Level of the members : Competence is needed, but if the members are not committed/motivated to do the job, they may not exert their full competence. They may suppress some of their capacity. What are needed therefore are willingness, eagerness and the involvement of the members. This is the big challenge to the leaders of modern times. In most cases, the workers can do, but they do not do. In Hawthorne study also it was found. So, raising commitment level is an important pre-condition to effective leadership.
- Raising Teamwork Level : To work alone and to work in a team are not the same things. Team work today is a must, but to be a team worker is not an easy task. Present-day work environment therefore requires cohesion and collaboration along with competence and commitment. If instead, there is confrontation and conflict among the team members, due to anti-synergic effect, the group productivity will be less than proportionate to individual competence level. Thus, raising team spirit is the first step to leadership effectiveness. This can be done by— 1. recognising the importance of team. 2. making workers aware of the benefits of team. 3. allocating resources to team, not to individual. 4. making performance appraisal objective and unbiased. 5. arranging programmes/for reducing conflicts or increasing collaborations.
- Raising Development Level : Ultimate objective of leaders or the measure of leadership effectiveness is “development”. Competence, commitment, team spirit—

NSOU • PGCO-I 133 all are to be channelised towards the development of organisation. Development is possible when all the relevant factors are compatible with each other, and a leader is called successful when he/she achieves desired development. Leadership style may be good, then the leader is effective or efficient. But until and unless that style gets compatible response from his/her followers, desired development is not possible, and leader is not a successful leader. Thus, there is difference between effective leadership and successful leadership. Effective leadership is measured by the adopted process or style, whereas successful leadership is measured by the result.

### 6.6 Contemporary Theories/Issues in Leadership

Recently, some other theories of leadership we have come across. In an attempt to address the contemporary issues in leadership, these theories have been developed. We discuss a few of such theories below.

#### 6.6.1 Leader Member Exchange (LMX) Theory

This theory was advocated by G. Graen and his associates, which emphasizes the social exchange taking place between the leader and his/her followers. The leadership style will depend on the nature of such exchange. When the exchange is perceived by the leader as favourable, the followers become close to leader, and where it unfavourable the leader does not trust the followers. Thus, leader, as per this theory, implicitly classifies the followers into two groups—in group and out-group. In group followers get greater responsibilities, more attention and more rewards, whereas the out group members are usually neglected and get maximum punishment or unfavourable performance appraisal. So, according to this theory, leadership style is never the ‘average’ or “common” for all followers. However, how the leader chooses the “ins” or “outs” out of his/her followers, is not clear. But there are some evidences which show that in-group members usually belong to the demographic, attitudinal and personality characteristics similar to the leader, though in some cases it has been seen that leader-follower relation has been closer when they are of different genders or personality characteristics. If personality of both are strong, usually bonding does not build up. Two lions can never stay in the same forest. So, still there is no logical explanation to how in-groups and out-groups are classified. However, different studies have shown that, when leaders differentiated strongly among their followers, employees responded with more negative work attitudes and higher levels of withdrawal

134 NSOU • PGCO-I behaviour. So, in short run the leader can have some benefits if he/she follows this theory, but ultimately the categorisation among followers fires back. 6.6.2 Charismatic Leadership Charismatic leadership is such a quality or combination of qualities by which one person may be viewed as supernatural, superhuman or at least an exceptional one. Ordinary persons can never dream of such quality which is regarded as "divine origin" or as an exemplary. Robert House was the first researcher on charismatic leadership. According to him, followers attribute someone this kind of leadership when they observe certain behaviours of the leader. Such key characteristics of a charismatic leader are as follows. 1. Vision 2. Personal Risk 3. Sensitivity to followers needs 4. Unconventional behaviour Most experts believe that individuals can be trained to be charismatic leaders. According to some, a three-step process can be followed for the purpose. First, develop charisma using passion and body language along with optimistic view. Second draw others in inspiring them to follow. Third, bring out the inner potential in followers. Business students are asked to play charismatic having followed the aforesaid process. However, charisma can never be fully learned. This is to a large extent hereditary as well. So, there can never be straight way answer to the charismatic leaders are born or made. Actually, favourable inputs of both can make an individual a charismatic leader. Positive Impact of charismatic leadership is no doubt there. High satisfaction and performance of followers are usually seen in charismatic leadership. People working under such leaders are motivated to work extra and to work with enthusiasm. One study in Israel showed that charismatic leaders were more effective because their employees personally identified with them. A study of 115 government

NSOU • PGCO-I 135 employees also found that they had a stronger sense of personal belonging at work when they had charismatic leaders. However, the dark side of charismatic leadership is not completely absent. Firstly, charismatic leaders who are larger than life, don't necessarily act in the best interest of their organisations. In most cases, they allow their personal goals to override the goals of the organisations, use organisational resources for their personal benefits. Some charismatic leaders, like Hitler, are too successful at convincing their followers to pursue something which is but disastrous. Secondly, charismatic leadership usually surfaces to face a war-like crisis, be it in politics, religion or in a business firm. But when the crisis subsides, the charismatic leadership may become a liability. P. F. Drucker observed that charisma makes a leader inflexible, as he/she strongly believes in his/her infallibility. Stalin, Hitler, Mao—all were the victims of such belief. So, they rather inflicted as much evil and suffering on humanity as have never been done again. Leaders like J. F. Kennedy, Martin Luther, Mahatma Gandhi, were also there who could use their charisma in positive way. 6.6.3 Transformational Leadership Transformational leaders are those who can change followers' awareness, their ways of thinking by helping them look at the old problems in new ways. On the contrary, the leaders who just guide the followers toward established goal, try to analyse what are already existing are called as transactional leaders. The characteristics of these two types of leaders can be given as below. However, these two styles of leadership are never the opposing approaches, rather they are complementary to each other. Actually, the transformational leadership is built on transactional leadership. One is to start as a transactional and slowly proceed to the transformational leadership. ●●●●● Effectiveness of Transformational Leadership Transformational leaders are more effective, because they are creative and try to make their followers innovative. They increase followers' self efficacy, by giving them a "can do" spirit. They can also engender commitment on the part of followers and instill greater trust in leaders. Unlike charismatic leaders, they can ensure longterm results ensuring sustainable performance of the organisations. They have inclination to greater decentralisation and strong feeling for positive personal control among workers. They usually exert their leadership with following four "I"—

136 NSOU • PGCO-I • Idealised influence • Inspirational motivation • Intellectual stimulation, and • Individualized consideration. All these actually facilitate corporate entrepreneurship, that consequently help the corporates to grow, not only to survive. Empirically it has also been seen that transformation leadership is strongly correlated with lower turnover rates, higher productivity, lower employee stress and higher job satisfaction. Still, the transformation leadership theory cannot be termed as perfect. Rather, it is also situational. It has been seen in studies that transformational leadership is effective in small and private firms only where the leaders can directly interact with the followers. In the countries where collectivism is higher, this kind of leadership is such to be more effective. Effect of this leadership on team performance and individual performance again is different. Thus, all elements of transformational leadership are not universal and in some cases transactional leadership may work better than transformational ones.

#### 6.6.4 Authentic Leadership

Leadership is usually discussed to see its effectiveness. Role of ethics or trust or values is not so important there. But very recently it is felt that the values or ethics that the leaders possess are also important to judge their performance. Authentic leadership is one which is true to itself and also to its followers. When the followers consider some leader as a person of values and ethics, then the leader is an authentic leader. An authentic leader is a man of integrity, honesty, selflessness and humbleness. Always such leader sticks to him/her ideals, and as a result his/her followers easily Group Productivity & Effectiveness Leader's Integrity, Benevolence, ability Trust can have faith or trust in his/her. Trust development is a process as is shown in the figure. The effect of trust has also been given in the last column. This leadership is considered today essential as otherwise the effective leaders may do more harm than good for the people or the society.

#### 6.6.5 Servant Leadership

When the leaders behave like a servant, servant to the organisation or servant to the followers, the leadership is called as servant leadership. This is actually an extension to authentic or ethical leadership. Leaders here go beyond their self-interest and help the followers to grow and develop. They prefer persuasion to power, listening to directing and accepting to imposing. As they focus on serving the needs of others, higher level of commitment on the part of followers is ensured. Secondly, the servant leadership increases team potential showing faith to its abilities, which in turn leads to higher level of group performance. Servant leadership, however is not prevalent in all types of cultures. In US for example, leaders are more comfortable in giving orders, i.e., they behave mostly as masters, not the servants. In Singapore again the scenario is different. Leaders there gather the opinion of the followers and then unify them from the back. They do not go ahead of followers, rather go with and sometimes follow the followers.

#### 6.6.6 Some other Theories

- Level 5 Leadership :** Collins proposed this theory who believed gradually the leadership attains its abilities. Ultimate aim is to reach Level 5 which according to Collins, is a combination of professional will and personal humility. Five levels of this leadership are as follows. Level 1 — The leader here is just a capable person. Level 2 — The leader can contribute to team members. Level 3 — The leader is competent. Level 4 — The leader is effective. Level 5 — He is an executive.
- Era Theory :** Bennis and Thomas, proposers of this theory, stated that leadership is the product of a particular era or age. For their study, they identified two contrasting eras and showed how these varying cultures of different eras create different types of leaders. For example 1945-54 : The era of limits, i.e., the era for organisational hierarchy and chain of command. 1991–2000 : The era of options where the style is now-linear, completely flexible.

138 NSOU • PGCO-I 3. Financial Theory : Two financial points, according to this theory, are value addition and reserve allocation. Leadership styles depend on the emphasis of leaders on these points. Emphasis on value addition creates the leadership known as “buccaneer”. Emphasis on allocation gives birth to “mercantilist” leadership. Leaders who can emphasize both are called “venture capitalist” and leaders who cannot look after any of the two are known as “discounters”. 4. Nurturant Task Theory requires attention to both of the task and nurturing/ well being of the subordinates. Here, leader needs play a paternal role that accepts authority and simultaneously shows cares and affection toward the followers. Advocates of this theory believe that our society is not yet ready for participative leadership. Rather, this mid-way style is both possible and acceptable. 5. B–C–D Theory has classified the leadership into three different styles, e.g., Benevolent (B), Critical (C) and Development (D). Benevolent style believed that employees always should be treated with affection as parents do for their children. Leaders here are constantly guide and protect their subordinates. Leaders may impose some code of conduct on the followers, but usually will not punish them even if the followers fail to follow them. Critical Style is closer to Theory X where leaders are to be dominating, critical of performance of the subordinates. Workers are not doing persons, as is believed here, so, they are to be controlled by strict rules and regulations. Development Style believes in empowering and thereby developing the inner potential of the subordinates. So, delegation or decentralisation is the basic component of this style. This style is very difficult to implement, but once this is achieved, this becomes the best style. 6. Performance–Maintenance Theory (PM) resembles the nurturant–task theory where task accomplishment is given equal importance with the maintenance of good working relations. According to Misumi, the advocate of this theory, emphasis on P or M may vary from situation to situation, but both are essential each time, P and M are not contradictory to each other but one always complements the other. 7. Role Theory of leadership asserts that almost every employee is a potential leader. If he or she is given the leadership role, he/she is likely to become a leader soon. The theory states that the era of “great leaders” is over. Only in extreme NSOU • PGCO-I 139 distressed situation the great leaders again may come up. So, role first is to be assigned, then by “trial and error” one will be a good and experienced leader. Of course, the condition is that the person who is given the role must also accept it sincerely. Role giver has also some responsibility to elicit desired performance from the leader so made. What are needed for the purpose are—positive pressure, Value orientation, support, appreciation and trust. 6.7 Summary From the above discussion, we could understand the concept and fundamentals of leadership. In addition, we could understand different theories and various styles of leadership. Finally, we could understand how leadership can be effective and the contemporary issues faced by the managers in taking leadership. 6.8 Questions A. Objective Type : 1. Are leaders born or made ? 2. Name the leadership theory that came out from Ohio state studies. 3. Who are the contributors to the concept of Managerial Grid ? 4. Who is the principal advocate of Path-Goal Theory ? 5. What does AI style of leadership stand for ? 6. Give the full form of LMX Theory. 7. What do you mean by “B” of B–C–D Theory of Leadership ? B. Short answer Type : 8. Define Servant Leadership. 9. Mention the characteristics of Authentic Leadership. 10. Distinguish between Transactional and Transformational Leadership. 11. What do you mean by “Country Club” management style ? 12. What does high control situation indicate in Situational Theory of Leadership? 140 NSOU • PGCO-I 13. Which theory of leadership assume that leaders are born ? 14. How do we differentiate between leadership and management ? C. Long answer Type : 15. Critically examine the Trait Theory of Leadership. 16. How can we enhance the leadership effectiveness ? 17. Is charismatic leadership universally effective ? 18. State the bright side as well as the dark side of Fiedler’s Theory of Leadership. NSOU • PGCO-I 141 Unit - 7 □ Organisational Culture and Stress Management Structure 7.1 Objectives 7.2 Meaning and Concept of Culture 7.3 Important Characteristics of Culture 7.4 Creating and Maintaining Culture 7.4.1 Creating Ethical Culture 7.4.2 Creating Spiritual Culture 7.4.3 Creating Positive Culture 7.5 Changing Organisational Culture 7.6 Learning Culture 7.7 Job Stress—The Concept 7.7.1 General Adaptation Syndrome (GAS) 7.7.2 Different Forms of Stress 7.8 Source of Stress 7.8.1 Organisational Source/Factors 7.8.2 Personal Factors 7.9 Consequences of Stress 7.9.1 Consequences of Stress on Individual 7.9.2 Impact of Stress on Organisation 7.10 Managing Stress 7.10.1 Organisational Strategies 7.10.2 Personal Strategies 7.11 Summary 7.12 Questions 141 142 NSOU • PGCO-I 7.1 Objectives

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After going through this unit, you will be able to : ●



Form an idea as to the concept of culture • Know the determinants of organisational culture • Highlight on the pros and cons of organisational culture • Take stock of job stress • Identify the causes and impact of stress • Know how the stress can be managed

7.2 Meaning and Concept of Culture Culture to individuals is just like the water to fish. The fish always live within water but does not know exactly what is water. Individuals are also always surrounded by culture, but it is very difficult for them to define what is culture. The relationship between workers and the organisational culture is the same, as culture everywhere is actually a descriptive term. It is quite complex too. Thus, conceptualisation of the term “organisational culture” is no doubt difficult, and a number of disagreements prevail as to its characteristics. However, all recognise the importance of shared norms and values that display to an extent the essence of culture. That is why organisational culture is usually defined as— “

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a system of shared meaning held by members that distinguishes the organisation from other

organisations”. Edgar Schein, who was closely associated with the study of organisational culture,

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defined it as— “a pattern of basic assumptions invented, discovered or developed by a given group....

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that has worked well enough to be considered valuable and, therefore to be taught to new members as the correct way to perceive, think and feel”.

NSOU • PGCO-I 143 More recently, J. Martin emphasized the differing perspectives of cultures and she noted— “As individuals come into contact with organisations, they come into contact with dress norms, stories people tell, formal rules and procedures, codes of behaviour, rituals, tasks, pay systems, jargon and jokes as understood by insiders, and so on. These elements are the manifestations of organisational culture. When members interpret these manifestations, their perceptions, memories, beliefs, experiences and values will vary, so interpretations will differ—even of the same phenomenon. The pattern of configurations of these interpretation and the ways they are enacted, constitute culture”.

Uniformity of Cultures : What comes out from Martin’s observation is that an organisational culture is a common perception held by organisation’s members. But all may not have so to the same degree. Thus, to expect a uniform culture throughout the organisation is rather a common misconception. There can be a dominant culture, no doubt but simultaneously there will be a number of sub-cultures. Dominant Culture is a set of core values shared by a majority of the members and it can have a positive impact on desirable outcomes of the organisations. Important, but often overlooked, are the sub-cultures, that are usually shared by small minority or small groups at different corners of the organisations. These sub- cultures are also very important because they can weaken or undermine an organisation if they are in conflict with the dominant culture of the organisation. So, the big challenge is how to bring in that unity in diversity. Departmental cultures, for example, are the sub-cultures. If they are not in line with the culture or values of the organisation as a whole, there will be chaos. In this context, reference can be given of strong versus weak cultures. When most of the employees agree with a culture, this is strong; if the opinions vary widely, the culture is weak. Tata steel has a strong ethical culture. So, most of the other sub-cultures are sub dued to it. If dominant culture of the organisation is weak, the sub-cultures will surface more and the uniformity of culture will be affected thereby. So, the core values are to be widely shared and intensely held, that in turn may create a climate of high behavioural control. Make the dominant culture strong, then the sub-cultures will be channelised toward dominant one, and the uniformity of culture can be ensured. Cohesiveness, loyalty, commitment—all are the result of

144 NSOU • PGC0-I this strong dominant culture. Weak culture leads to disagreement among the members of the group, and as a result, the group performance becomes lower. Higher the agreement or unanimity in the purpose or mission, higher is the productivity. High agreement creates also a harmony leading to reduced employee turnover or withdrawal behaviour.

### 7.3 Important Characteristics of Culture

Organisational culture has different types of characteristics or components. Different researchers also vary widely in identifying the characteristics of culture. The important among them are mentioned below, though in no way they are all inclusive or exhaustive.

1. Behavioural Regularities which can be ensured if the members use common language, terminology or rituals.
2. Norms : Norms refer to standard to desired behaviour, a guideline or code of conduct for the members.
3. Dominant Values : These are the stable belief as to what the members think as important.
4. Philosophy, the psychological structure of the members that governs the concept as to what should and what should not be done.
5. Rules, strict and expressed guidelines as to how one will work.
6. Climate : the overall environment in the organisation which actually is the foundation of organisational culture. Some researchers, however, have identified the characteristics in some different way as follows.

1. Innovation : attempt to bring in something new
2. Risk taking : the organisation is venture some
3. Attention to detail : employees are careful to everything
4. Outcome orientation : focuses on results
5. People orientation : focuses on workers
6. Team orientation : prefers team work
7. Aggressiveness : refers to competitiveness
8. Stability : maintains status quo.

One organisation differs from others because its orientation and focus as mentioned above vary from other organisations. Culture, therefore, is said to be a distinguishing mark by which one can separately recognise a particular organisation.

### 7.4 Creating and Maintaining Culture

#### Creating Culture

Creation or development of culture is done in different ways in different organisations. However, generally the steps for culture development are as follows.

1. The founder's idea that he/she brought in for the enterprise.
2. The founder brought in some key persons creating a core group.
3. The group acted in a concert
4. The group hired some employees
5. The group's way of thinking is disseminated among the employees, leading to an organisation wide culture.

Most of the successful corporates followed the aforesaid steps while developing or creating their cultures. However, the importance of the steps varies from organisation to organisation. In some cases, the founders just created a weak culture, and the core group there played the dominant role in this respect. In some organisations again, core group also failed to develop the acceptable culture and the top manager there played the vital role. Besides, one type of culture that was developed by the founder or the core group may not be suitable later due to change of socio-economic environment. In that case, the men in the top management then is to revise the culture and the new culture becomes the culture of the organisation henceforth.

#### Maintaining the culture

Once a culture is in place, then it is to be kept alive. Actually, whether the existing culture, the custom, general way doing things will sustain or not that depends on how successful it is for which it is meant. If one fails other types of cultures are developed. So maintaining culture is a "trial and error"

146 NSOU • PGC0-I process. However, the forces that play a significant role in sustaining existing culture may be discussed as below.

1. Selection of employees : Ability to perform is one significant criterion for selection no doubt but what is more important is to see how well the candidates will fit into the organisation and whether their personal values are consistent with those of organisation or not. Knowing the way of working of the organisation candidates also choose where to apply. Selection thus a two-way traffic, allowing employer and the candidates to avoid mismatch, and this ultimately, if properly followed can help in sustaining organisational culture. The process therefore should have following steps.

- Draw up a clear Vision and Mission for the organisation.
- Prepare a Realistic Job Preview (RJP) indicating organisation's commitment and expectations from employees.
- Select as far as possible, the local people as they are supposed to know the organisation's policies better and their values usually match with organisation's.

2. Placement and performance Appraisal : Next important step for maintaining existing culture is ensuring job-person fit by placing right persons to right job. Commitment to the organisation, loyalty to employer can be fostered thereby, and employees then on their own will try to uphold organisation's culture. Otherwise, there will be deviant workplace behaviour which will stand on way of sustainable organisational culture. The placement must fulfill one more objective as well. The new-entrants are to be placed in such way that they can easily go closer to the experienced colleagues where they can easily learn about existing culture of the organisation. Objective performance appraisal, unbiased promotion policy or merit pay are considered to be the other milestones toward sustenance of organisational culture. Employees will know then clearly the effect of violating cultural norms and will usually refrain from doing so. By promoting right persons, management develop some role models for the new workers, and if the new comers follow suit, automatically the culture is maintained.

3. Role of Top Management : We know all the proverb "examples are better than precept", and such examples can be set by the top management. If the new

NSOU • PGCO-I 147 comers observe that top-level managers strictly adhere to the existing culture, they will never dare to deviate. If the top management engages itself around the corner- stones of trust, transparency and transformation, the new entrants will behave accordingly. Besides, it should initiate different strategies to instil organisational culture among new recruits. 24 x 7 counseling programs, Employees First initiative, Women First Council are some of the examples of the line. 4. Socialisation : Recruitment of fit-candidates is precondition, it is fact, but this is not all. At the beginning and throughout the working life, the workers are to be kept updated to the prevailing organisational culture. The process for doing so is known as "socialisation". Orientation and training programmes are arranged for the purpose of this socialisation, i.e. to make new entrants acquainted and to help them remember always the culture of the organisation. In this age of Web-Net, different organisations provide for Web Portals to help the workers learn the culture. New workers are being linked with experienced members so that the culture is transmitted to the new ones from the established workers. In fact, the socialisation takes place in broadly three stages— (i) Pre-arrival Stage (ii) Encounter Stage, and (iii) Metamorphosis Stage

Pre-arrival Stage : When the new recruits join or are to join an organisation, they bring with them a lot of expectations, their own personality, values and attitude. If their personal values etc widely vary from those of the organisation, a very careful socialisation process is to be initiated. Business schools to some extent socialise their students and teach not to have high expectation about any organisation. Side by side, the selection process must give proper information to the prospective employees about the organisation as a whole. Instead of window dressing, the organisation rather should follow the conservative policy while showing the scope and prospects of the employees in the organisation. Actually, the performance of employees depends largely to the degree to which the aspiring members correctly anticipate the expectations. At pre-arrival stage, workers are to be socialised in this line.

Encounter Stage : Within few days after entry, the new workers enter into the encounter stage where the encounter takes place about the job, with the co-workers, the boss and more frequently within themselves as the expectation differs from reality. Sometimes, the workers become so disillusioned that they cannot but resign.

148 NSOU • PGCO-I Proper recruiting may reduce this outcome to an extent no doubt, but most often nobody can "learn the ropes" until he/she enters and personally experiences everything. People very strong in their personal values/culture are largely affected by varying organisational culture. Encouraging friendship ties only can make the new comers adopt with the organisational culture. That means if the scope for socialisation is properly built up, the problem to an extent can be resolved.

Metamorphosis Stage : Some entrants cannot sacrifice their personal culture in favour of the organisational one. Either they resign or become the deviant workers. Majority, however, go through the metamorphosis stage i.e., change themselves and accept the organisational culture. This stage thus is the main stage of socialisation process where the changes take place either very slowly or very abruptly. Both of the practices that play dominant role in this metamorphosis process are as follows : • Institutional Practices, and • Individual Practices

The institutional practices rely on formal, collective, fixed and sequential programmes that aim at "iron out" the newcomers' differences by standardised predictive behaviour. Individual practices, on the other hand, are mostly informal flexible and sometimes disturbing with which they try to come out of the "honeymoon" or "hang over" phase and accept a mid-point between their expectation and the real phenomenon. Their job satisfaction sometime decreases, again increases and the process becomes complete when the members can fully internalise the norms of the organisation. Now they understand the system and accept it. They know what is expected of them and what best they can expect from the organisation. The following diagram may explain the whole process better.

Turnover Commitment Productivity Metamorphosis No change  
Encounter Pre-arrival Socialisation Process

7.4.1 Creating Ethical Culture If the culture is strong and supports high ethical standards, it would have very powerful and positive influence on employee behaviour. In absence of ethical culture, some may deceive customers, some produce harmful products, management

NSOU • PGCO-I 149 can discriminate employees. The impact of all these can be severe in the long run. So, every organisation should thrive towards ethical culture. Steps to create such culture are as follows. • Be or develop a visible role model • Communicate ethical expectation • Provide ethical training • Reward ethical acts • Punish unethical behaviour

7.4.2 Creating Spiritual Culture Workplace spirituality does not refer to God or theology. Rather, it asserts that people have an inner life and this inner life should be understood and nourished if positive behaviour from employees is to be ensured. If you are not aware of this spirituality of employees, you can never understand their behaviour. An organisation can be termed spiritual, if it possesses the following characteristics. • Benevolence • Trust and respect • Strong sense of values • Open-mindedness

7.4.3 Creating Positive Culture Ethical or spiritual culture leads to positive culture. So they are in one way the components of positive culture. Over and above them, the managers must practise and inculcate the positive attitude to everyone or everything. This will lead to positive culture in the organisation, that means the culture that will have positive impact on organisational performance. What the top management is to do for the purpose are as follows. • Building on employee strength : From Vivekanda to Peter Drucker—all revered personalities believe that people themselves do not know their own strength. So, help them to discover their strength, then they can do the miracles. The same is true to employees as well. By relying on employee strength, managers can help employees to arouse their strength. • Praising employees doing something right : Praising has no cost, but the

150 NSOU • PGCO-I benefit is immense. But many managers withhold praise for many a reason. Managers must understand that failing to praise rather is very costly and praise like intrinsic reward pays much more than extrinsic one. • Emphasizing Growth : Emphasize on growth, not just survival. So, always try to make the employees more and more effective. Providing scope for fresh ideas, innovation or creativity is necessary for this.

7.5 Changing Organisational Culture Sometimes an organisation may feel it necessary to change the existing culture. Such a necessity arises when the related environment is changed drastically. Need for new product development, advanced information technology, changed socio-economic conditions are some of the reasons for which change in organisational culture may be warranted. But moving from an old culture and replacing it by a new culture is not at all an easy task. Obstacles that may stand on the way of such changing are as follows. • Resistance to change or craze for status quo • Mental set up of existing staff • Existing formal and informal relationship • Members' Roles • Organisational structure Everywhere the management is to face the aforesaid "rough necks" while adopting some programme to change. Some powerful stakeholders like unions, management itself at any level, the customers may impede the change. The problems are more acute in case of following situations. • Mergers & Acquisitions • Emerging Relationship Enterprises • Economic crisis etc. In these case organisational culture has no alternative but to change. On the other hand, the culture clash is the rule rather than the exception in such cases. Despite the complexity and significant barriers, the organisational culture can be managed and changed over time. However, the persons favouring change shall have

NSOU • PGCO-I 151 to take very cautions and careful steps. The suggested steps or guidelines are as follows. 1. Assess the current culture 2. Set clear objectives for change 3. Bring change at the top first 4. Slowly inculcate the change downward 5. Get employees involved in the process 6. Take the employees into confidence 7. Be prepared to tackle the problems sympathetically 8. Set out the course with persistence 9. Wipe out all messages that may remind old culture 10. Recruit some new personnel who easily will accept the suggested culture 11. Move quickly and decisively to build momentum 12. Difuse resistance at the beginning

7.6 Learning Culture Employees learn the culture from different sources. The most significant among those sources can be discussed as below. Stories : Even today, Tata employees are told often the story of J. N. Tata, the founder of the Tata group, and how he from a priest became a businessman. Thus, his priestly behaviour, the charity, benevolence, justice—all constitute the culture of Tata industries even today. Sometimes, stories can be created not by the founders, but by some senior managers, and sometimes even by an ordinary worker. These stories demonstrate the meritocracy. Commitment, rags-to-riches success of some persons of the organisation or other organisations that the future employees will go on repeating. The stories may also include the rule violation reactions to past mistakes and the after math thereof, so that the employees will refrain from that. Accordingly the employees form and learn about the culture of the organisation. Rituals : Rituals are the repetitive activities that reinforce the key values of the organisation. As practice is better than precept, the behaviour of old employees very

152 NSOU • PGCO-I successfully is instilled among the new ones and on a sequential basis the culture is transmitted, learnt and practised by the employees year after year. Material Symbols are the presence or absence of somethings that are important to the workers to influence their behaviour. Some examples of such symbols are size of the office, elegance of furnishing of executive offices, perks given to them, types of cars the executives are given etc. other workers will learn therefrom what are there the rewards for risk taking and commitment. Whether the organisation is conservative or proactive, authoritarian or participation—these can also be known from these symbols. Language : What kind of language the existing employees more particularly, the top executives use is also an indicator to the culture followed in the organisation. If the top executives use the language unfamiliar to general workers, this may pertain to their desire to keep reasonable distance from the common fellow. Thus, language is a common denominator to unite or otherwise the members of the organisation.

7.7 Job stress—The Concept Organisational life today is highly stressful. World-wide the job stress is now widespread as an epidemic. More than 80% workers now suffer from stress. Around 45% workers are the victims of acute stress or burn out. Workload, tight work schedule, unrealistic goal or target, unhelpful colleagues critical bosses, incompetent subordinates and a host of other factors have today an additive effective on making our life stressful. Stress, however, is a highly personal factor. What is stressful to Mr. X may not be so to Mr. Y. It is again the fact that almost all people now suffer now a certain degree of stress. Only the dead one is free from stress. Stress may be defined as a state of tension that an individual faces from some extraordinary demand, constraint or opportunity. When one feels some demand but cannot meet it, when one faces some constraints to his/her attempt to do something again when one comes accross some unexpected opportunity—he/she will be perturbed or feel disturbed or tensed. This is stress. As this impact is not always the same, it is said to be an unspecified response of human body and mind to any event, object or person. Stress is explained by some researchers (Karasek et.al) a consequence of unique relationship between one's psychological demand and the power of controlling the situation.

NSOU • PGCO-I 153 • If you demand that noise pollution should be stopped and you have power to control it, there will be no stress. • You have no power no control noise pollution and you have no demand also to control it, then also there will be no stress. • When you have demand to control noise pollution, but you have no capacity to control it, you will be stressed. Next theory as to stress explains it as a relationship between the person and the environment. When there is a match between one's personality and the environment, stress will not arise. If you fail to change yourself along with the change of environment, you will feel stress. Whatever may the explanation to stress, it is certainly wrong to conclude that stress is always bad. Rather, sometimes stress is viewed as a necessary part of life. So, in fact there two faces of stress or two different types of stressors. According to Robbins, some stressors are challenge stressors and some are hindrance stressors. The hindrance stressors are bad as they stand on the way of your achievement or performance. Challenge stressors, on the other hand, make a person more active, excited to move towards the goal. Moreover, as stress-free persons are deadly ones, mild stress is always essential that will force people to focus on the problem and get the solution, These two faces of stress can be depicted as below.

Destructive Distress Burnout Eustress Rustout Constructive  
Low stress Moderate stress High stress Good Bad  
When the stress is too low, the life will be dull, monotonous and spiritless. So, this is bad. So, stress upto a certain level is good that provides the spice in life, keeps the rust of the body and mind out, stimulates energy and creativity. This kind of stress is called so as constructive stress or eustress.

154 NSOU • PGCO-I But when the stress becomes excessive, it may come out as destructive and will cause distress to the people. Stress is just like the electricity. Without a certain level of electricity, you can never light up a bulb. Again, if the voltage becomes high, the bulb will burn out. Stress can equally break down a person's physical and mental system, when it crosses the limit. So, it is the duty of the person concerned and also the organisation to keep always the stress within the limit. To create and sustain this optimum level of stress among the subordinates is the key to the success of a manager.

7.7.1 General Adaptation Syndrome (GAS) Selye, a researcher on stress, stated that there are broadly three phases in the development process of stress as follows. • Alarm : the first sign of or warning against stress • Resistance : adaptation or balancing by immunity system • Exhaustion : high stress due to failure of adaptation. Alarm of stress is surfaced in different ways. Some of them can be mentioned as below. • The respiration rate increases • Blood pressure soars • Digestion ceases • Bowel loosens • Pupils dilate • Muscles become tensed • Saliva increases • Production hormones increases • Blood sugar increases At the resistance stage, the body is energized to resist the stress so that the psychological and physical equilibrium is maintained. The alarm responses as mentioned above actually are the reaction of the body so that the body gets extra strength to fight against the stress. The respiration rate increases to provide more oxygen. Red blood cells flood in order to carry more oxygen to the muscles. Bodily

NSOU • PGCO-I 155 sugar and fat are converted to glucose to generate quick energy. Blood clotting mechanisms are activated to guard against possible bleeding. The pupils dilate so that more light enters the eyes. All these in fact a “fight or flight” response. If these responses succeed, stress disappears; but if they fail, the exhaustion starts. At the exhaustion stage, the symptoms of alarm stage are aggravated. The person then becomes unable to cope with the stress and experiences a number of psychological and physical imbalances which present the greatest threat to the person’s life. So firstly everyone should try so that they do not face the stressors. If still they fall victim to stress, they must have the capacity or a strong immune system to nip the same in the bud.

### 7.7.2 Different Forms of Stress

Stress is a non-specific response to outside or inward stimuli. So, it can have different forms or shapes having different degrees of impact. Following are some of such responses or forms.

**Frustration** : It occurs when a person wishes to do or achieve something but is prevented to do or to achieve that. It refers to an obstruction or impediment which may be created by —

- Willful act against the person by someone else
- Ineffective system or working environment
- Lack of resources etc.

**Anxiety** is another form of stress which is a feeling of inability or helplessness in tackling some negative outcomes. Anxiety usually comes up due to following factors.

- Difference in power at workplace
- Frequent changes in organisations
- Job Ambiguity
- Job related or family/social pressure
- Unrealistic goals
- Physical illness
- Failure in controlling anything.

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**Burn out** is the extreme form of stress that refers to the total depletion or exhaustion of physical or mental strength to bounce back. At this stage —

- One feels always too tired
- One gets down on himself/herself
- He/she often feels that he/she is going nowhere
- He/she feels it difficult to laugh even at a joke
- One withdraws himself/herself from everything
- Zeal for life is totally lost.

### 7.8 Source of Stress

There are broadly two major factors or sources for stress. One is work-related or organisational, other is personal or non-work factors. For the sake of discussion, this kind of classification may be necessary. But the fact is that there is no water tight compartment between these two sources. Rather, the personal or family stressors may have spill-over effect on work-place stress or vice-versa. And, the ultimate stress is a cumulative effect of all these stressful events.

#### 7.8.1 Organisational Sources/Factors

Almost every aspect of work is a stressor, though the effect of same stressor may not be same on each worker. Besides, in different types of jobs, degree and types of stressors are also different. One person may very comfortably tackle a problem, while other may feel highly stressed being confronted with the same problem. Jobs of police officers, firemen, nurses, entrepreneurs are more stressful, whereas those of a teacher, clerk, teller are not so stressful. However, the factors that usually lead to stress at workplace can be discussed as below.

- **Role Ambiguity** : Role ambiguity is the difference between role perception and role expectation. What one worker thinks about his/her job is role perception. What the organisation expects from him/her is role expectation. When the job is not clear to both worker and the boss, such a phenomenon takes place. According to Kahn, if the work is ill-defined, the worker will not behave as is expected by others. When others are not satisfied, the worker will not get the reward that he/she deserves. Ultimately, the stress occurs.

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- **Role Conflict** : Role conflict is the gap between the perceived role and the enacted role. Workers sometimes have to do something that they do not like to do. This is stressful. Role conflict also occurs when two persons have opposing expectations from the person. One expects that you do the quality work, other expects you do it within a very short time. Automatically, you will be stressed. Sometimes one is to play more than one role at a time and involving in one role may result in ignoring the other role. But both the roles may be important to a person. Conflict then leads to stress.
- **Role Overload** : When the work requirements are excessive target is very difficult to achieve, deadline to complete the job is too short, a number of work one is to do at the same time, work overload prevails. In such situation, the worker cannot complete any work successfully. Failure to do the desired work, fear of punishment, disappointment, guilty-feeling etc then lead to stress.
- **Role Underload** : No work is equally stressful like excessive work. If one worker is given less work than what he/she can actually perform, the ability remains unutilised. Worker may feel that he/she is not given importance in organisation’s work. This sense of unwantedness makes him/her disappointed and stressed. Gradually, the person begins to show little interest in the work. Absentecism or other kind of withdrawal behaviour the person then starts to expose. Job satisfaction being slowly decreased, stress related problems the worker starts to experience.
- **Ineffective Communication** : If right information is not given in right time, misunderstanding prevails. Trust is lost and it breeds stress. Lack of proper communication provides scope for rumour, and rumour always creates uncertainty about what actually is going to happen. And, that uncertainty is strong stressor is wellknown. If communication fails to explain the job requirements properly, role ambiguity comes in and this is also a cause of stress.
- **Job Change** : Any kind of change is always stressful. So, generally we are resistant to change. But at present change has been the only constant thing. Type and design of product is changing. Technology is changing fast.

158 NSOU • PGCO-I Interpersonal relationship is also changing, as most of the workers today are casual workers. Most of the workers fail to cope with these changes and hence feel stressed. • Responsibility : Very few people feel comfortable to work with responsibility. To the majority, responsibility is a burden and so stressful. Responsibility of things however is manageable, but responsibility of people is full of troubles. In a study, it was seen that 80% of managerial problems are the people's problems—problems relating to boss, subordinates, co-workers or customers. Thus, the workers with responsibility are always more stressed than the ordinary workers. • Working Condition and Interpersonal Relationship : If working condition is not congenial or does not ensure harmonious relationship among workers, the organisation will never be a good place to work in. As a result, the job satisfaction will be reduced. Physical settings like safety hazards, air pollution, shift work, lighting and ventilation may be the cause of such dissatisfaction. Again, the unfriendly, hostile or indifferent attitude of workers at the work place may affect job satisfaction largely. More the satisfaction decreases more is the possibility of work stress. • Job Itself : Job itself sometimes is stressful. In this age of division of work and specialisation workers mainly do the repetitive jobs. Repetitive jobs are mostly boring, monotonous and uninteresting. Doing such jobs day after day is stressful. So, at present, managers are mainly concerned with job re-design, job enrichment etc. so that jobs become interesting to the workers.

### 7.8.2 Personal Factors

A worker spends at best forty hours per week at his/her workplace. Remaining 128 hours per week he/she is to lead his/her personal life with family members and social friends. So, if your family is a sweet home and the society is cohesive, most of your work stress can be automatically resolved. If instead your personal/family factors are also stressors, they will have a multiplier effect on your overall stress level. Personal/social factors that are responsible to generate stress can be outlined as below. • Life Events : Everyday every one experienced a number of life events, some of which are positive and some are negative. That negative events are

NSOU • PGCO-I 159 stressful, can be easily inferred. But the good events also demand some adjustments, some deviations from one's daily routine or habit. Sometimes, comprises are also to be done that a person cannot happily accept. Marriage is an example in this respect. Thus, it cannot be said with certainty that positive life events are not stressful. T. H. Holmes and R. H. Rahe of the University of Washington listed forty- three such life events and rated them for the volume of stress they typically create. For the purpose, they developed a scale called "The Social Readjustment Rating Scale", where scale value 100 denoted the maximum amount of stress. Few of such life events having maximum scale value, i.e., maximum stress potential are mentioned below. The Social Readjustment Rating Scale Life Event Scale Value Death of Spouse 100 Divorce 73 Material Separation 65 Jail Term 63 Death of close Family Member 63 Personal injury of illness 53 Marriage 50 Fired from work 47 Retirement 45 Sex difficulties 43 Taking leave from the work of Holmes and Rahe, Sam Batliwala, a consultant physician analysed the opinion of 330 senior executives of India. According to him, the most stressful family or social events in India are as follows. • Health of family members • Arguing with spouse • Noise pollution in the neighbourhood • Wife constantly comparing with others • Poor performance of children in examinations

160 NSOU • PGCO-I • Arranging dowry for daughter's marriage • Getting children admitted to schools • Personality Traits : Friedman and Roseman have identified several personality characteristics which are prone to stress. Some of such characteristics are stated below. 1. Type A Personality : That always feels impatient with the pace of things, feels guilty when relaxing, feels frustrated failing to complete the job satisfactorily, gets no time to enjoy life, and thus invites stress. 2. Internal locus of control : While self evaluating the persons possessing this trait believe that they are the architect of their fate, they are self-confident, they think no adverse force can undo them. Thus, they always are less stressed than the externals. 3. Extraversion : Extravert people jump into risky jobs, set unrealistic goal, are not at all disciplined. So, ultimately they suffer disappointment and stress.

### 7.9 Consequences of Stress

Behavioural scientists opine that stress has behavioural, cognitive and physiological consequences which in turn are negatively related to organisational performances. So, the impact of stress can be discussed under following two heads— • Impact on Individual • Impact on Organisation.

#### 7.9.1 Consequences of Stress on Individual

High degrees of stress are typically accompanied by severe anxiety, frustration, depression and sometimes burn out. All these are expressed in individuals behaviour mind and physique. • Physiological impact : As soon as stress appears, the brain reacts, biochemical changes take place, heart beat increases heightening practically all the senses. If the stress continued for long time, serious health problems occur as the immune system of the body breaks down. Some of such problems are insomnia, rapid breathing, high heart rate, skin problems, sex problems, ulcers, high blood pressure or heart attack.

NSOU • PGCO-I 161 • Psychological Impact : Stressed people become psychologically upset. They tend to be depressed and to have lack of confidence and self-esteem. They feel helplessness, hopelessness and worthlessness. They have increased sense of futility and guilt. They suffer from excessive tension and neurotic tendencies. • Behavioural Responses : According to Cohen, people under stress behave differently as compared to people who are well balanced. These different behaviours include excessive eating and /or smoking, increased use of alcohol, irritation, withdrawal from social situations, social isolation, change in appetite and/or weight, difficulty in concentrating, introversion, aggressiveness, and sometimes the suicidal thoughts.

### 7.9.2 Impact of Stress on Organisation

One of the major concerns of management is the negative impact that the stress has on job performance. Poor performance as such is due to number of stress-related reasons as below. • Antagonism at work and job dissatisfaction • Poor industrial relations • Absenteeism and Turnover • High rate of mistakes and accidents • Poor productivity • In extreme case, the sabotage

However all kinds of stress may not have the equal impact on job performance. Challenge stressor, unlike the hindrance stressors, may sometimes enhance productivity. It is also fact that mild stress works as inspiration to work. When the stress is nil, the life may be dull, stagnant, deadly and unworthy for living. Mild stress in such case provides some oxygen to move forward, to keep one's rust out or to sharpen one's zeal and skill to work. However, for this, one must keep his/her stress level within a limit. If the stress level goes beyond that level, the negative impact will surface.

### 7.10 Managing of Stress

We know about eustress or constructive stress. If stress can be managed

162 NSOU • PGCO-I properly to keep it at a certain level, it can be highly productive. Again, if it goes beyond that limit, it may be dysfunctional. So, it is necessary for individual as well as for the organisation to adopt strategies to control stress. The steps that the individuals and the organisational should take for the purpose can be discussed as below.

#### 7.10.1 Organisational Strategies

1. Selection and Placement : From the very beginning, the organisation should begin its strategies to guard against or prevent the undesirable stress. Some personal characteristics are very prove to stress. So, while selecting the employees, the management must see that the right persons are selected. Proper personality test is necessary for the purpose. Proper placement has also an important role to play in this respect. While placing the employees, care should be given so that personal skills and job requirements are properly matched. If the worker cannot do the work that is given to him, he will be stressed. So, right person at the right place must be made the aim of the personal department of any organisation.
2. Setting Realistic Target : If the target imposed is unrealistic or unachievable, it is not good either for the organisation or for the employees. Employees will try and fail. This failure may give rise to stress.
3. Role Clarity : Employees must know clearly what is expected of them. If they misunderstand, desired work is not possible. Boss at the end may be dissatisfied with their performance. Workers then will be disappointed or frustrated. So, objective and unambiguous role assignment is essential.
4. Job Enrichment : Job continuously is to be enriched, so that always it remains challenging and interesting to the workers. Redesigning the job every now and then, the management must see whether there is work overload or underload for any worker or not. With proper feedback, supervisors should see whether the workers are feeling monotony or boredom with any work or not. If in this way, the jobs can be enriched at regular intervals, the job will be motivating and meaningful to workers. Then, there will be delight with their duty, and the stress will not come up.
5. Participative Management : If workers are allowed to take part in decision making process, to fix up their own target, the workers will readily accept



NSOU • PGCO-I 163 to fulfil the target and treat the jobs as the jobs of their own. Thus, the job involvement or commitment will increase. The organisation will be benefited in terms of higher productivity. And, the job satisfaction on the part of workers being high, the work stress can be reduced.

6. Performance Appraisal and Reward System : In most cases, the workers feel that their performance is not rightly appraised and rewarding system is not fair. This feeling is a source of stress. So, the appraisal and reward system must be made visibly objective and unbiased. Otherwise, the perceived inequity may force the workers to withdraw themselves from the process. They will lose enthusiasm to work, and gradually push themselves towards stress. So, by equitable system, the management must instil a sense of belonging and the bonds of interpersonal relationship among the managers and managed. This in itself is a stress fighting phenomenon.

7. Workers Health Maintenance : Health means here both physical and psychological health of the workers. Week-end get together, yearly picnics, different cultural programmes the organisation should arrange, so that the workers can come closer to themselves psychologically. As a result, the organisation will be a good place to work in, and workers mental health will be automatically sound. This good mental health will in turn help the workers to have strong physical health. Additionally, the organisation must arrange for health club, gym, wellness programmes etc. so that the workers remain physically fit. Physical fitness will enhance the immunity power and thus, by adaptation workers will be able to address and redress this stress level.

7.10.2 Personal Strategies We are the best safeguard of ourselves. Others may help you. But what ultimately is your duty, you yourself is to do that. Either by avoiding stressors or by learning to manage them. One can keep the stress level under control. There are a number of ways by which an individual can manage the stress. Some of such stress managing strategies are stated in the following sections.

1. Time Management : Inability to keep pace with available time is a significant stressor at present. All running after more and more success. They start a number of work at a time and always suffer for urgency of time. So, time management is the first and foremost way of stress management. Some tips for time management are as follows.

164 NSOU • PGCO-I • Prepare and carry always a "to do" list • Delegate the "not to do" tasks or defer them • Ask yourself, "Is it important?" • Do it now. • Do the most difficult part first • Provide action plans • Learn to say "no" to somebody • Don't attempt too much • Set deadlines and review regularly • Do prioritising • Don't try to please everyone

2. Re-adjust Life Goals : Goals must be reachable. Vision without mission is dangerous. High aspiration leads to desperation. So, cut your coat according to your cloth. If your ability you yourself do not know, you are to suffer stress. The goal that fixed up yesterday, today it may come as unrealistic due to change of situation. So, always you re-adjust the goal according to your capacity in the present-day environment. Otherwise, you will be stressed.

3. Social Networking : Stress is aggravated if you suppress it or do not get any one to express your problem. Social networking helps ones to get sympathetic and supportive friends you can lend their shoulders to cry on or give patient hearing to your problems. Loneliness is a significant stressor. So, try to be always amidst friends or call them on phones. This will help you to gain back self-confidence or release your stress.

4. Plan for the Best and Prepare for the Worst : Always plan beforehand to avoid unexpected difficulties. Still, future is always uncertain. You may not get what you expected. So, you must prepare yourself to accept the worst. Failures are usual, success rather is rare. So, if we learn to accept failures, and try always to bounce back, stress will never defeat you.

5. Physical Fitness : If you are physically fit, you are less likely to be the victims of stress. So, proper and regular physical exercise is the must that will enhance your immunity system and adaptive capacity. Overweight and

NSOU • PGCO-I 165 unhealthy people usually do not have strong mental health, and thus may easily suffer from depression or frustration. 6. Concentration of Mind : Concentration of a particular thing can keep you away from disturbing thoughts and thus, from stress. So, during last few decades, there has been a growing interest in concentration of mind as a stress-reduction strategy. The ways by which one can keep himself/herself away from daily nitty-gritty are as follows. • Yoga • Meditation • Biofeedback Yoga means union with the ultimate thing where every desire comes to an end and thus, frustration or stress is non-existent. Yoga consists of some postural habits known as "Asanas" that emphasize controlled breathing that integrates body with mind, co-ordinates nervous with muscular system and thus, ensures physical as well as mental health. Meditation involves mainly the silent repetition of a single syllable, known as "mantras", that shuts out other distractions and results in a mental relaxation at its peak. The place of meditation should be calm and quiet, the person is to sit in a comfortable position with closed eyes. To counter life stresses, this meditation is considered to be a panacea, if this can be properly practised. Biofeedback is a methodology that alters undesirable physical responses through psychological strategics. Sophisticated instruments are taken help of here, by which human beings can bring some of the bodily functions under voluntary control. These functions include heart rates, brain waves, muscle tension, blood pressure and stomach acidity. Stress usually causes these bodily disorders. Thus, by controlling these functions one can effectively manage stress. A few more tips to manage stress individually may be mentioned as under. • Keep a pet to tackle your loneliness • Practice religious prayers to seek consolation • Sing aloud to express your mind singly • Burst into laughter as it is a good stress-releaser.

166 NSOU • PGCO-I • Have sound sleep as it can help you relax and refresh • Spend time with children to get happiness with their purity • Cultivate hobbies to get fresh energy • Dare to dream that will help you not to give up hope. 7.11

Summary From the above discussion, we could understand the concept and fundamentals of organizational culture. In addition, we could understand the determinants of organizational culture, the pros and cons of organizational culture. Finally, we could also understand the concept of job stress and how the stress can be managed. 7.12 Questions A. Objective Type : 1. Name two characteristics of culture. 2. What are the stages of socialisation ? 3. Mention one situation that forces to change culture. 4. Name two source of learning culture. 5. What are three stages of GAS in the context of stress ? 6. Name two stress including organisational factors. 7. Mention the most stressful life event as was stated by Holmes and Rahe. 8. Name one way of concentration of mind. B. Short answer Type : 9. Define organisational Culture. 10. How can you define stress ? 11. What do you mean by weak culture ? 12. Narrate briefly the metamorphosis stage of socialisation. 13. How does role conflict generate stress ?

NSOU • PGCO-I 167 14. What kinds of jobs are stressful ? 15. Write note on Social Readjustment Rating Scale. 16. How does stress influence one's behaviour ? C. Long answer Type : 17. Discuss the ways and means for creating and maintaining culture. 18. Why and how is the organisational culture changed ? 19. Can there be uniformity of culture throughout the organisation ? Give reasons to your answer. 20. "Stress is destructive"—critically examine the statement. 21. Discuss the organisational sources of stress. 22. How can one get the alarm of stress ? What are the ultimate impacts of stress ? 23. Explain the ways that an individual can adopt to control stress.

168 NSOU • PGCO-I Unit - 8 □ Organisational Development Structure 8.1 Objectives 8.2 Background of Organisational Development 8.3 Concept of Organisational Development (OD) 8.3.1 Objectives of OD 8.3.2 Pre-requisites for OD 8.4 Interventions for OD 8.4.1 HR Management or People-focused Interventions 8.4.2 Structural Interventions 8.4.3 Task-Technology Interventions 8.4.4 Strategic Interventions 8.5 Emerging Challenges to OD/OB 8.5.1 Globalisation 8.5.2 Managing Diversity 8.5.3 Technology Transformation 8.5.4 Promoting Ethical Behaviour 8.6 Summary 8.7 Questions 8.1 Objectives

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After going through this unit you will be able to

describe • Why we need develop the organisation ? • What is the concept of organisational development ? 194

NSOU • PGCO-I 169 • What kinds of internations are required ? • What kinds of challenges we are to face for this ? • What new can be thought about for development ?

8.2 Background of Organisational Development If an organisation is to survive, it must respond to changes in its environment when competitors introduce new products or services, governments enact new laws, important sources of supply dry out of similar other changes take place, the organisation needs to adopt. But to adapt to changes is not at all an easy task. The most documented finding from studies of individual and organisation is that the both the organisations and their members resist changes. This resistance to change provides stability and predictability to the organisation, it is fact, but simultaneously it can be source of functional conflict or chaotic randomness. It also hinders fresh ideas and progress. Resistance again may come from different corners and may take different forms. It may be overt, implicit, differred or immediate. Overt and immediate resistance is visible, predictable and thus easy to manage. But the greater challenge is to manage resistance that is implict or deferred. As this is invisible for the time being, no preventive or remedial measures will be adopted. Taking this opportunity, the reations to change will gradually build up which one fine morning may explode. Resistance again may come from individual level which is mainly due to security and economic factors. Organisation itself sometimes create resistance due to limited focus and structural inertia. For survival and growth, every organisation is to overcome such resistance to change. Proper education, facilitation, negotiation and sometimes coercion are needed to win over the resistance to change. Thereafter, what do you do to implement or materalise the change, is known as organisational development.

8.3 Concept of Organisational Development (OD) Change is essential. In this turbulent age it is a must. But never the change can 170 NSOU • PGCO-I be unplanned or chaotic. Then it may do more harm than good. OD means this planned change. According to H. Rush, OD is

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a planned, managed and systematic process to change in order to improve the organisation's effectiveness			

to survive and grow even in changed environment. In fact, every managerial process faces a basic dilemma. Dilemma is how to draw a balance between apparently confronting two horns of organisational activities—One, the concern for organisational growth by production, other, the concern for people along with their needs for satisfaction and self-worth. To fulfil this challenge, OD theorists prefer organic structure, of an organisation to mechanistic one. Because, they believe that mechanistic structure is suitable for stable and structured environment where change itself is meaningless. Development by change is warranted then only in turbulent situations. That we are passing through now a highly "white-water rapids" metaphor is well-known to all. So, organic structure, that is flexible in nature, is the precondition to successful organisational development. Richard Beckhard, therefore, has defined OD as an effort that is

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planned. Organisation wide and managed from the top, in order to increase orgaisational effectiveness and health through planned intervention in the organisation's processes.			

In the definition, effectiveness, means establishing and attaining realistic organisational goals. Health refers to the motivation, integration and utilisation of human resources within the organisation. Of these two, human element is considered to be the most important element in the success of the organisation. So, it is believed that the underlying values in the OD efforts are —

- Respect for people
- Trust and support
- Power equalisation de-emphasizing authority
- Open confrontation avoiding secrecy
- Participation and collaboration

8.3.1 Objectives of OD From the underlying values in OD, we can easily identify the objectives of OD as follows. 1. To build up interpersonal communication, support and trust at all levels of the organisation.

NSOU • PGCO-I 171 2. To develop team spirit, not the individual achievement. 3. To discuss everything in an open manner instead of “sweeping problems under the rug”. 4. To encourage participative management, where decision making will be left the persons closer to operations. 5. To foster organisational commitment, a love or passion or organisational activities. 6. To ensure personal accountability in group activity so that social loafing or buck passing cannot take place. 7. To help organisation to keep pace with outside environment. 8. To provide congenial environmental for creativity or innovation. 9. To help the organisation stand in front of harsh competition. 10. To achieve finally the sustainability of the organisations. 8.3.2 Pre-requisites for OD 1. Most individuals have drives towards personal development. 2. Individuals goals are well integrated with organisational goal. 3. Members prefer co-operation to conflict. 4. Mere agreement is not sufficient, commitment must be there. 5. Internal resources and skills are to be developed. 6. Members must be ready to accept change 7. Initially top level involvement is the must 8. Organisational problems must be pinpointed and the process must be directed to them 9. Whole the OD programme must be reinforced with organisations total human resource system 10. The existing process is to be monitored regularly and the results to be measured.

172 NSOU • PGCO-I 8.4 Interventions for OD Several OD interventions also called techniques, have evolved over time. The most of these techniques or interventions are human-resources or people-oriented. But the number and variety of such techniques have increased substantially over the past few decades. Those are discussed one by one in the following sections. 8.4.1 HR Management or People-focused Interventions Majority of OD interventions have been directed at changing the attitudes and behaviours of organisation members, i.e., at improving their interpersonal skills in the organisation. Since hiring of employees the action research starts to this end. Training of employees, appraisal system, reward system and workforce diversity programmes are some of the actions as such where the ultimate objective is to create and sustain the employee commitment, motivation and productivity. Actions that in particular are taken for the purpose are as follows. Sensitivity or T-group Training : In sensitivity training, which is also known as laboratory training ten-to-fifteen employees are brought together in a free and open environment, away from workplaces, in which the participants can discuss themselves freely with the guidance of a facilitator. No formal agenda is provided, an unstructured group inter-action is ensured where members are supposed to learn through observing and participating rather than being told. The objective of the T-group (Training group) is mainly to have greater sensitivity to others’ behaviour, and hence, the training is known as sensitivity training. The emphasis is put therefore on the improved listening skills, greater openness, increased tolerance, enhanced conflict-resolution skills and the empathy to others. Subjects are given in the training so that the workers can be aware of how others perceive them, of their own behaviour and of group processes. If the T-group succeeds in this way, it will effect reduction in dysfunctional interpersonal conflicts, and will ideally result in a better integration between the individual and the organisation. Survey Feedback : This is a tool for assessing members’ attitude and for identifying the discrepancies if any, between members’ and organisational attitude. A questionnaire is usually completed by all the members and data from questionnaire are tabulated.

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These data then become the springboard for identifying problems and clarifying issues

that may be creating difficulties for people. In some cases, group  
NSOU • PGCO-I 173 discussion is arranged on

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the survey feedback that usually results in members identifying possible implications of the questionnaires findings.

Some attitudinal change on the part of the members may also takes place as a result of this discussion some may suggest some guidelines also for the betterment in the approach. Process Consultation (PC) : PC is similar to sensitivity training, as here also the emphasis is on interpersonal relationship and involvement. An outside consultant however, is appointed here who works with the client jointly in diagnosing which process needs improvement. Consultants directly do not solve the problems, but acts as a guide or coach who advises on the organisational problems and helps the client solve his/her own problems. As guides, they are to give the clients insight into what is going on around them, within them, and between them and other people. If the specific problems uncovered requires technical knowledge that the clients do not possess, the consultants may also help that clients to locate and appoint an expert who will prescribe an appropriate remedy to the problems. The PC thus is more task oriented than sensitivity training, by which the manager develops necessary skills for analysing processes under his/her unit that can be continually called on long after the consultant is gone. Team Building : Organisations are made up of people working together in a group. So, considerable attention is needed in OD or team building. This team building is a must both at intra-group and inter-group level. Discussion on each of such team building is given in the following sections. 1. Intra-group : Intra-group team building is applied to command group, committees, project teams and task groups. Team building becomes important where group activity depends on interdependence. In football game such interdependence is the critical factor, whereas in relay-group this inter-dependence is not prominent, though results are subject to the individual performance of all. Intra-group team building is like football where the team members are to improve their co-ordinated efforts to increase

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the group's performance. The activities that form such team building include — • goal setting • interpersonal relations • role analysis 174 NSOU • PGCO-I • team process analysis •

trust and openness Role analysis, both individual and team, is the vital part of these activities, because

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for some individuals it may offer one of the few opportunities they have had to thank through what their

job and where actually they need put more emphasis. Training on grid concept as developed by Blake and Mouton, known as grid training is an extension to this goal setting or role analysis. Grid seminar can be arranged for the purpose, so that the members can analyse the existing management style with respect to the dimensions—concern for production and concern for people. The style 1.1 refers to impoverished management where the managers have neither any concern for people nor for production. The style 9.1 means task management where managers are worried about production only, and they do not care for the employee welfare. The 1.9 style is opposite, known as country club management, where people are at the priority. Knowing well as to where actually the style stands, training begins to reach 9.9 style which is considered to be the ideal state for

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the organisation. 2. Inter-group : A major area of concern in OD is the dysfunctional conflict that exists between groups.

So, change efforts need to be directed towards improving intergroup relations. Intra-group members are structurally cohesive, but inter group conflicts are embedded in the system itself. Engineering department cannot tolerate accounting department as the latter always opposes additional requirement of money by the former. Accounting department feels that personnel department members just sit around and plan for picnics. All these cannot but have an obvious negative impact on the co-ordinated efforts of all departments. For improving relations, the answers to the following questions need to be found out. ● Are the groups' goals at odds ? ● Are the perceptions about other departments distorted ? ● On what basis are the stereotyped belief about other department formulated ? ● Are the differences caused due to just misunderstandings ? ● Have the words or concepts used by one department mean differently to other departments ? Answers to these questions can clarify the exact nature of the conflict. Once the NSOU ● PGC0-I 175 causes of differences are identified, the groups can be channelised to the integration phase that will lead gradually to improve relations between the groups.

#### 8.4.2 Structural Interventions

Structural OD interventions emphasize making organisational more organic and egalitarian. Structure that was proper in the year 1982, can never put the organisation at a competitive advantage in 2022. The contemporary views on division of labour, authority and responsibility, span of control or departmentation are widely different from classical views on them. Re-organisation of structure is therefore the must. Besides, the needs for change today are more frequent, more abrupt and more intensive. Mechanistic structure of organisation is therefore almost useless or obsolete. Interventions that are needed as a result in the structure of the organisations are as follows.

1. Larger Span/Flatter Structure : Subordinates today are more expert and knowledgeable. So managers need not always hover over their heads. Subordinates, moreover, prefer autonomy today to control. So, there will be no problem if span of control is enlarged and thereby, the structure of organisation is made flatter. Rather, there can be the following benefits out of it. ● It would provide economic benefit by reducing the number of levels as well as the administrative overhead costs. ● Fewer vertical levels will improve communication and avoid distortion of information. ● As the bosses here do not have the scope to breathe always on the neck of the subordinates, job satisfaction of employees increases.
2. Decentralisation : Decentralised decision making is a popular intervention favoured by OD change agents. By decentralisation, authority is pushed downward, which in turn will create power equalisation. It allows employees to be more informative about the issue and to have greater control on their work. Employees thus feel themselves worthy in the organisation which leads to their organisational commitment.
3. Organic Structure : OD change agents always try to make organisation less bureaucratic so that they can respond more quickly to changes in the environment. For the purpose, the steps that the change agents should adopt are as follows.

176 NSOU ● PGC0-I ● Simple structure that is low in complexity, has little formalisation, has a loose body of employees with flat structure. The strength of simple structure is obvious. It is flexible, inexpensive and the accountability is clear. It has also some limitations no doubt, but in present-day situation, its benefits outweigh the limitations. ● Matrix Structure : The matrix structure combines functional and product departmentation in order to gain the advantages and minimize disadvantages of each. The matrix structure is created by superimposing products over functions. Functional units gain economics from specialisation, but face the problem of co-ordination. Product departmentation facilitates co-ordination, but due to duplication of office duties, costs increase. It is however, the matrix's ability that is adaptive and flexible that places the organisation in organic category. The matrix is a complex structure no doubt, but its benefits are immense. ● The Task-force Structure : It is actually an organic appendage added to a mechanistic structure to gain flexibility along with accountability. The task-force is a temporary structure created to accomplish a specific well defined task that involves personnel from various organisational sub-units. Members serve on the task until it is completed. They then disband to move on a new task-force or to return to their permanent functional department. Organisation's mechanistic structure is not disturbed to that extent, as the taskforce is temporary. Again here the force so formed cuts across the functional lines ensuring flexibility and efficiency. ● The Network Structure : The search by managers for high flexibility has resulted in the creation of a new organisational design called as network structure. It has been, possible as a result of recent advancement in communication technology, computers, internet and websites. The essence of network structure is a small central organisation that relies on other organisations to perform manufacturing, marketing or other ancillary activities on a contract basis. It is a viable option both for large and small organisations in which parts of the products can be manufactured in different parts of the globe by establishing just the organisational relationships, which at present is popularly known as "outstanding".

NSOU • PGCO-I 177 The network stands in sharp contrast to divisional structures, In divisional structures all the activities are done in houses by their own employees. So, the management has to employ a number of extra personnel creating problems as to cost and communication. In the network structures, on the other hand, most of those functions are bought from outside and co-ordinated through computer or web networks. This gives the management high degree of flexibility and allows it to concentrate on what it does best. Almost all the MNCs world-wide concentrate today on such network structure, because this has been actually the necessity to address continuous change and creativity. The control on operations and certainty of supply following deadline sometimes may be a problem, as we depend in this structure heavily on outsiders. The secrecy of innovation may not also be maintained under this structure. However, it is not impossible, though very difficult, to closely guard the innovations or keep track of supply with timely communication with the management of other organisations. As change is the only constant thing today, there is no alternative also today for the sake of required flexibility and organic nature of organisation structure.

4. New Reward System : OD change agents always endorse operant conditioning notion which states that behaviour is a function of its consequences. For employee behaviour, the consequence means the reward that the employees expect to get. Here, rewards do not refer to only the extrinsic reward like pay or the promotion. In classical management thought era also, the reward was linked with performance. But that time reward was only the extrinsic reward, and so the organisations could not do any better jobs. Change agents suggest therefore a new reward system where firstly the emphasis will be given on the intrinsic satisfaction of the employees, and secondly, on the team spirit and hermonious relationship of the workers. For the second purpose perticularly, a significant portion of employees reward is proposed to be calculated on the production of the team, not of the individual. The provision for year-end bonus on the overall productivity of the company, is an example to this end. Such a scientific and equitable reward system is the most significant part of structural intervention, as this can bring in a positive and effective change in the behaviour of the workers.

5. Changing Organisational Culture : Culture in fact, is the nervous system of one organisation that has the invisible but inseparable linkage throughout the body of the organisation. So, until and unless the culture supports the proposed change in

178 NSOU • PGCO-I any wing of your organisation, that change can never be effective. Historically, it has also been scen, the culture bring very strong and enduring, creates in most cases a serious impediments for responding to a changing environment. Therefore, the organisational culture is to be changed or it is to be made flexible, if one is to implement an effective OD programme. It is not at all an easy task. Culture, as is mentioned above, is usually stable and enduring and historically is resistant to change. So, to change a culture is a long-drawn process, on the one hand and a strenuous job on the other. From the selection of employees, the process must start and the effective socialisation is the end thereof. New stories, symbols or rituals are to be created so that the new culture can go down to the ground-level employees of the organisation. The basic theme of such change being making the culture more responsive and more focussed on customers needs, service and quality. What ever and whenever the change is required, is actually known as changing organisational culture.

8.4.3 Task-Technology Interventions Task technology intervention emphasizes changing the acutal jobs to make them challenging, stimulating and interesting; and also changing the processes and tools that the employees use to perform such jobs. Ultimate aim is towards quality of work life and included in this category are job analysis, job design and redesign, socio- technical system in the concerned organisation.

1. Job Redesing : No design today is permanent. Very effective design today may become obsolete tomorrow. Workers may also feel monotony doing same work day by day and as a result, their productivity will come down. So, redesigning of job is inevitable, and this is a continuous process. Pre-requisite of job redesign is job analysis. By job analysis we can come to know where the change is warranted, and how that can be brought in. Interventions that are needed as a part of job redesign are—

- Job Rotation
- Job Enlargement, and
- Job Enrichment

Job rotation refers to transfer of employees from one job to other. Job enlargement gives additional job of same level to the workers. Job enrichment means providing

NSOU • PGCO-I 179 jobs of higher level to the workers. The intervention will be successful if it follows the Job Characteristic Model, that means it supports employee autonomy and participation, or ensures low formalisation and flexibility. OD change agents always promote redesigning that follows the lines of such job characteristics model.

2. Socio-technical System : Matching technology adopted with the social system is the aim of change agents here. The technology consists of tools and devices and the social system comprises the people in the organisation and their inter-relationships. The proponents of this system argue that any successful intervention must optimise the social and the technological demands of the job. Technology usually constrains the social system of free interactions by shaping the behaviour as per its needs. High-tech in most cases ignores the importance of human touch. OD change agents take care of this dilemma and promote ultimately a suitable socio- technical system.

3. Quality of Work life : Quality of work life refers to enhancement of employees motivation, satisfaction and commitment. OD parctioners in the pursuit of this quality of work life create such a work situation that removes drudgery associated with the job and attempts to humanise the workplace. The quality of work life (QWL) Programmes involve mainly two approches. • Work Restructuring, and • Quality Circles (QCs)

Work re-structuring is a process of changing the way jobs are done, in order to make them interesting to the workers. Quality circles, on the other hand, are the small groups of employeess who meet regularly on a voluntary basis to identify and solve problems related to the quality of the work they perform. An organisation may have a number of QCs operating at the same time, each dealing with a particular work area. With these two approches, the QWL encompasses actually a large number of interventions, a comprehensive list of which can be given as below.

- Adequate and fair compensation
- A safe and healthy environment
- Jobs that develop human capacities
- A chance for personal growth and security

180 NSOU • PGCO-I • Provision for personal identity, freedom from prejudice, a sense of community, and upward mobility • Rights of personal privacy, dissent and due process • Work-life Balance • Socially responsible organisational actions. QWL programmes as such benefit organisations at least in three ways. The most direct benefit is increased job satisfaction leading to reduced absenteeism and turnover among workers. Secondly, it increases productivity. Finally, the organisations stand to gain sustainability. However, easily these benefits cannot be achieved. At least two hurdles are to be crossed for the purpose. Firstly, both management and labour must work in unison. Secondly, the plans so agreed to, must be implemented properly. OD change agents must not forget this amidst heatic daily activities.

4. Total Quality Management (TQM) : QWL aims at mainly the people, whereas TQM, as developed by Edward Demming, is a process that envisages continuous improvement of overall quality reducing waste and cost. This is a rational technique driven by statistical data on the need for change in four key components, e.g. • System • Process • People, and • Management System : By statistical process control the accurate and continuous measurement is done of the quality of system and the frequency of its failures. It identifies how often and where the failures are concentrated and what are the causes thereof. By benchmarking with the achievements of some successful organisations, necessary change is then suggested. After the change takes place in the system, TQM ensures quality of operations through quality assurance and control.

Process : TQM regards every activity as a point of process that is constantly reviewed through project by project improvement, waste elimination and process chain re-engineering. The statistical process control measures the defective products, number of customer complaints or other key constituents requiring improvement.



NSOU • PGCO-I 181 Remedial measures are implemented accordingly to combat the causes of substandard performance. People : People are the most significant component of TQM. TQM values the employees both as individuals and as members of work teams. Through QWL and QC, it always aims to impress upon workers to feel how important they are to the organisation. Then, by hiring best employees, enabling life-long learning to them and providing continuous feedback, it ensures quality and quantity of production. Emphasizing on diversification, instead of specialisation, it ensures motivation and job satisfaction as well. Management : TQM believes that bottleneck remains near the head of the bottle. So, it looks carefully to top management, and its vision and mission. OD change agents want to see how top management is committed to its vision or mission, and for this, it empowers employees, assists them who fail and appreciates the achievers. TQM wants the management to go with, not to go ahead of, the workers.

8.4.4 Strategic Interventions There have been constant additions to the basket of OD techniques. The latest addition is the strategic intervention. This approach consists of four steps as follows. • Analysing existing strategy and job design • Selecting desired strategy and design replacing the old ones • Designing a change plan that is strategic in nature • Implementing such change plan, keeping resistance to change under control. The intervention as such is known as "strategic", firstly because the proposed change plan is supposed have long term effect. Secondly, in this case the pros and cons of both the existing and proposed strategy are scientifically analysed with SOWT matrix. That no method is all good, is accepted here, and considering relatively higher strength and opportunity one is replaced by other.

8.5 Emerging Challenges to OD/OB Change through organisational development has become the norm in almost all organisations. Business failures, plant closure and obsolescence, mergers and

182 NSOU • PGCO-I acquisitions, downsizing, re-engineering, productivity improvement, changed outlook to workers are the common efforts to bring in such change. The need for these types of changes has been aggravated or has become inevitable due to a number of emerging challenges that the modern businesses are facing at present. These challenges to OD are in way the challenges to OB (Organisational Behaviour) as a whole. Because as a guide to the managers, OB itself is to deal with these issues to make the discipline more relevant.

8.5.1 Globalisation Globalisation has made organisations to re-think

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the boundaries of their markets and to encourage their employees to think globally.

Globalising an organisation has been now a rule of the day. So, OD change agents have accepted it as a critical facts OD. Globalising an organisation means re-thinking the most effective ways to gather resources from global markets and to use them globally, resources here mean the monetary, physical as well as human resources. To develop human resources capable of responding to globalisation is the big challenge to the OD agents, as the world has become now a global village, and in the process, the managers' jobs have changed drastically. Changed expectations from the managers today, who are the managers of MNCs mainly, are as follows.

1. Increased Foreign Assignments : Where the manager is to manage a workforce very different in needs, aspirations and attitude from those whom he/she manages at home.
2. Working with people of different cultures : For which a managers needs know how the culture, geography and religion of those people have shaped them and how adopt management styles to those differences.
3. Identifying the countries having low-cost labour/capital : Courtesy to globalisation, the labour and capital now can easily move from one country to another. Managers need therefore in which countries labour and capital are less costly, and accordingly they need hire/borrow labour and/or capital, so that the cost reduction is ensured. Local labour sometimes can, however, resist hiring labour from other place or country. Managers are to be very careful in balancing the interest of the local people and that of the organisations where they work.
4. Managing Joint Ventures : Every company seeks entry in other countries mainly through the process of joint ventures. But the point to be noted is that the

NSOU • PGCO-I 183 joint venture ushers in several structural changes in the alliance partners that the OD change agents must look after. The two merged companies usually exhibit a considerable amount of sensitivity to cultural differences between them. OD change agents have a very important role to play here, failing which the productivity as well as the interpersonal relationship of the joint company may be badly affected. 8.5.2 Managing Diversity Related to globalisation is the resultant diversity which is a powerful external force invoking change. In national or small companies also diversity is gradually increasing, and it is the top priority of the managers to manage such diversity effectively. However, in MNCs the problem is more acute. Managing diversity is a philosophy about how differences among individuals are accepted and respected, and how they are made to work in cohesion. Firms are realising that utilising diversity in all aspects, makes not only a strong moral sense, but also a business sense. So, the diversity should be celebrated, rather than ignored.

Numerous empirical studies have demonstrated that heterogeneous teams outperform homogeneous ones. However, managing diversity is not an easy task. Managers or change agents have to confront a number of obstacles or barriers to do so. 1. Barriers to managing diversity : • Prejudice : Unjustified apathy to a person, race or gender • Ethnocentrism : a tendency to regard oneself, one's group. Culture, nation or language as superior to that of others. • Stereotypes : belief that the characteristics of a group as a whole are applicable to all members of the group. • Discrimination : belief that some jobs are suitable to certain group of people, and thus barring other people. • Harassment : Knowingly abusing an individual because of his/her one limitation, or belonging to a particular group. Sexual harassment is a glaring example to this effect. • Backlash : negative reaction to gaining power by some members, leading to fear, resentment and reverse discrimination. 2. How to manage diversity effectively ? Managing diversity involves the following actions by change agents.

184 NSOU • PGCO-I • Increasing awareness : means providing members with accurate information on diversity, uncovering personal biases and stereotypes, assessing personal beliefs, attitudes and values, learning about others point of view, removing inaccurate beliefs about different groups, developing an atmosphere in which people will freely share differing points of view, and understanding others. • Increasing diversity skills : Focusing or improving the skills of managers and subordinates so that they can work and interact easily with people of different kinds. Educating managers and subordinates about why and how people differ in their way of thinking, approach, communication etc so that the employees develop a healthy respect for diversity and at the same time facilitate mutual understanding. Showing films and/or printed materials supplemented by experiential exercise that will unravel hidden biases and stereotypes. If necessary, hiring consultants to provide diversity training or appointing in house experts for the purpose. • Managing Cultural Diversity : Individuals are to be strategically asked to— (i) live and work outside home country (ii) travel outside extensively (iii) adapt to the customs of foreign countries (iv) develop friendship with people of different nationalities (v) learn foreign languages (vi) subscribe newspapers/periodicals of other countries. Companies or organisations have also to— (i) offer language training (ii) encourage foreign assignments (iii) provide cross-cultural training (iv) give transition counselling

NSOU • PGCO-I 185 (v) ensure that they are not discriminating anyone due to his or her religion or ethnicity. • Utilising Gender Diversity : Gender diversity is a wealth to the organisation. The OD change agents therefore thrive for utilising this diversity towards enhancement of inter personal relationship and improvement of quality in production. The ways of managing gender diversity may be as follows. 1. One way is to recognise that there are strengths in both the genders. 2. It is equally important to learn and accept that there are perceived differences between male and female both at the society and at workplace. 3. It is also necessary to be aware that in way situations gender might play a role to know one's ability. 4. It is finally necessary to avoid actions including lawguages that perpetuate negative or hindering views. • Committing Top Management to Diversity : If the managers at the top can be made committed to diversity, the managers down the line will easily embrace the same. Otherwise, a reluctant, if not resisting, message will spread over the organisation, and diversity management efforts may backfire. managers must be very careful while dealing with the diversified groups. None is to be given an extra sympathy or apathy because of his/her belonging to a particular group. Managers need recognise and reward talents regardless of the group they belong to. This will help break down the barriers to managing diversity effectively. 8.5.3 Technology Transformation Technology is being developed and transformed at a dramatic way. OD change agents are truly in trouble to keep pace with that. Technology usually has two dimensions, e.g., automation and information technology. Automation works when a task performed by a worker is mechanised and the worker is replaced by machine. As a result, workers are always afraid of loosing the job. Thus, their job satisfaction comes down. While machine works, the men do not have the direct role in production. They will just get the switch on and off. The role being passive, a sense of alienation prevails with resultant decrease in effeciency. To compensate the same, further automation becomes necessary. Thus, instead of 186 NSOU • PGCO-I supplementing, it supplants employee skills. OD change agents need attention to the fact. Information Technology in the same way is shaking up organisations in the light of revolutionary changes in it. Thus, it has forced the OB scholars or OD change agents to re-examine the existing system and to bring in change in it to keep pace with changed technology. These days are the days of dot coms, internets, intranet, e-mail, mobile phones and the like. So, communication and surveillance have got a new dimension. Resultant effects of such transformation in technology are as follows. • Leaner organisation : Through automation and information technology, the organisations today are becoming leaner. Downsizing, also called as rightsizing, is enabling organisations to produce greater volumes by using just a Randful of employees. Outsourcing has added fuel to that flame. So, only the primary activities are done by own employees. All these mean lost jobs for many people. Those who are still in the organisation are always afraid of loosing the job on any day. Days were when at the blowing of a siren, thousands of employees gushed out of the factory gates. But those days are gone, and the situation is being aggarated day by day. So, the main challenge today is to keep the workers satisfied, and thus motivated. • Wired Organisations : Organisations are now totally wired. People need not come office. Still office work is done. Employees can get direction from the boss even when they are loitering on sea beach in a vacation. Web conferencing has replaced the need for face-to-face meeting, and the people across the globe can contact with others simultaneously. Groups being dispersed world-wide without any necessity or scope for personal contact, members remain unknown to each other. Structure of organisation and whom to report is not exactly clear in wired organisation. Privacy of employees in also lost, firstly due to wiring, and secondly due to close circuit TV and others. Leadership quality, motivation, effective control—all have thus got new dimensions. To accept them OD agents must bring in an unique change from top to the bottom. • Virtual Offices : Extension to wired organisation is virtual office, wherein the people can work anytime, any where and with anyone. Virtual offices have generated a new term "VIHAG" i.e., virtual human agents, who actually are the

NSOU • PGCO-I 187 online workers working in call centres or from homes. In such offices connectivity. Collaboration or communication—all are easy and just-in-time. Services requiring personal touch and care are, however, very difficult to be performed effectively in these offices. • Gold-Collar Employees : Until very recently, we had broadly two types of workers—white collar and blue collar. The technology transformation has added to the list a new type of worker, gold-collar workers. They are actually the knowledge workers possessing both business skills and technological expertise. They are quality workers no doubt, but as they feel themselves more qualified than the bosses, to control them is difficult. Some changed approach is needed to deal with them. • E-Business : e-business is doing business electronically or digitally. Every business is approaching to this by integrating information technology (IT) with business processes. Traditional business deals with — Physical product—physical agent and physical process. Step by step we are moving towards complete digitalisation. However, in this age of transition, the business are any where of following phases of business operation. Physical product — physical agent — digital process Physical product — digital agent — physical process Physical product — digital agent — digital process Digital product — physical agent — physical process Digital product — digital agent — physical process Digital product — physical agent — digital process Digital product — digital agent — digital process The e-everything is complete digitalisation. We are still far away from that. But what has been achieved in the mean time is praiseworthy on the one hand, and alarming on the other. Switching over to e-business is praiseworthy because of its following benefits. 1. Market place has no boundary 2. Transaction cost is low 188 NSOU • PGCO-I 3. Customer interaction is round the clock each day as indicated by  $24 \times 7 \times 365$  4. Quick delivery 5. Special kind of product 6. Extensive customisation etc. This is simultaneously alarming because of a number of reasons. 1. Customer-business relationship is lacking here. 2. High tech replaces human touch 3. Neither the customer nor seller is accustomed in that way with click and cursor system that replaces brick and mortar system. 4. Pre-requisites for e-business are the infrastructural changes at different field. This is still not there. 5. Digital literacy is mostly absent. 6. Different types of threats are linked with e-business e.g., espionage, piracy, viruses, hacking fabrication, interception etc. 7. Privacy is at stake In spite of all these, e-business today is the rule, not an exception. Few years back, e-business was just a trend like “nice to have”. But today the trend is “need to have”. From the stand point of nature of transaction, e-business has taken the following forms. C2A : Consumer to Administration B2B : Business to Business B2C : Business to Customers C2C : Customer to Customer C2B : Customer to Business B2G : Business to Government Models that the e-business is running through by different national and international business houses are as follows. NSOU • PGCO-I 189 1. e-shop : selling the goods through internet. 2. e-procurement : tender and procuring goods electronically 3. e-Auction : electronic mechanism for auction 4. e-Mall : collection of e-shops under single umbrella 5. Value chain Integrator : Integrating multiple steps in value chain electronically 6. Information Brokers : Selling business information through consultancy 7. e-Governance : Having public services digitally 8. e-Banking : Getting banking facilities 9. e-Share Trading : Selling and Buying of shares electronically If the firms are to get benefits of aforesaid different nature of e-transactions or e-business models, the change agents are to do a lot. Along with the legal, infrastructural or environmental change, structural and psychological change they must bring into. e-security is another vital issue which the change agents must ensure. It may take time to have a complete or pure e-business, but time is ripe now to begin with beginning. If one does not do that he/she will lag behind, others will easily throw him/her out. 8.5.4 Promoting Ethical Behaviour Ethics refers to a system of moral principles, a sense of right and wrong, fair and unfair, good or bad. Organisational ethics or business ethics does not differ from general ethics. If dishonestly is unethical in the society, then it is also same in the business. The fundamental values that form ethics are values of 1920 or 2019; these are values of New York as well as of New Market in Kolkata. So, the businessmen must not evolve their own principles to justify what is right or wrong. Values or ethics promoted to suit oneself is known as values of convenience or opportunists’ values. Employees or employers may apply such values for their own convenience, but the society will not condone such deviations. Ethics are important for many a reason. A few of them are mentioned below. • Ethics is inherent, unethical behaviour is artificial : Very easily one can be habituated with ethical behaviour, because this is ingrained in them. You ask anyone to speak the truth at a stretch for five minutes, he will easily do the same. But you ask the same person to continuously telling lie, he will fail.

190 NSOU • PGC0-I • Ethical behaviour increased the self-worth or self esteem : The employees in particular and the organisation as a whole will gain an extra power, the strength of honesty; whereas if you do something immoral, the guilty feeling will make you stressed and depressed. Thus, the organisational effectiveness will be affected if ethics does not prevail there. • Credibility to Public increases : The employees and the organisation will be honoured or respected by the government, suppliers, financiers or customers, if their behaviour is ethical. Unethical persons are viewed with suspicious eyes. • Credibility of management to workers increases : If the managers are men of values, employees will behave with them respectfully. The immoral managers can never command dignity from their subordinates, and hence their directions are not properly obeyed. • Ethics and Profit go together : Moral values have economic sense as well. An ethical organisation can easily hire the quality workers, creditors provide it with loan without hesitation, cost of capital in such organisation may be low, customers will not question while buying its goods. Ultimately, the profit becomes higher and sustains for long time. Ethical Dilemma : Ethical dilemma occurs when distinction cannot be made between what is ethical and what is unethical. Day by day this dilemma is growing in volume, particularly in case of managing people. A few examples of such dilemma may be outlined as below. • Monitoring of employees by close circuit TV : If it is not done surveillance may be lacking. But doing so means entering into the private zone of employees. • Drug testing conflicts the fundamental rights of employees, particularly when the employees suffer from the disease like HIV. Gender harassment is another controversial issue where doing something or not doing, both will invite problems. • Whistle-blowing is an equally important ethical dilemma, as on the one hand, the employees are not expected to speak against others; again on the other hand, it is necessary to disclose any illegal, unmoral or illegitimate practice, whoever is involved in such case company information is generally considered as private, and to make it public is not welcome. Particularly, to speak against bosses may lead to

NSOU • PGC0-I 191 insubordination, and resultant chaos. Again, as society's interest overrides that of organisation, whistle-blowing may be appreciated. • Performance appraisal leads itself to ethical issues. To keep eyes shut to poor performance of any employee is the suppression of fact, and not it is good for organisation. Again if proper reporting leads to firing of employees, it may be criticised on humanitarian ground. So, a clear viewpoint is highly essential in case of all the aforesaid cases. For greater cause unpopular stands should be given the justifications. If this is known clearly to all the employees, from CEO to ground-level workers dilemma may be reduced, if not removed as a whole.

Managing/Promoting Ethics 1. Role of Top Management : Top management should send right signals reiterating the need to observe ethical practices. It should avoid strategies that will create unbearable pressure on employees. Huge amount of fine or punishment is to be charged/given so that it can set an example. However, arbitrary use of such provision must be avoided so that it does not backfire. 2. Pre-employment Screening : If right persons can be selected, major part of the problem is over. So, along with personality test, the test of morale must be a component of selection process. 3. Whistle-blowing System : This system is now being successfully used by many companies like Enron, Kellogg India, LG India, Modern Food etc. It has some inherent problems. Rules should be framed to guard against that. 4. Code of Ethics : Nearly 95% of the Fortune 500 companies have their code of ethics, that describes the general value system of the organisation and provides specific guidelines for each and every area of action. Going beyond that will be treated as unethical. 5. Ethics Committee : Many companies have ethics committees comprising high-level executives. This helps the firms to establish code of ethics, examines the practices in the scale of that standard code and oversees the enforcement of the code. 6. Ethics Hot line : Sometimes the employees may feel it embarrassing to report face-to-face to a supervisor. Ethics Hot line can be an effective alternative in that case.

192 NSOU • PGCO-I 7. Ethics Training : Many companies provide training in ethics to their managers and other employees. In such training programmes, employees are made familiar with official policies on ethics. Sometimes, actual unethical events in the company are used to illustrate how it happens and what are its consequences. To make training effective, it must focus on specific cases, rather than on philosophical discussion. It is to be given by company managers, not by outside experts. 8.6 Summary From the above discussion, we could understand the concept and fundamentals of organizational Development. In addition, what kind of interventions are required; what kind of challenges faced by the managers and the thoughts for the organiza- tional development have also been discussed in detail. 8.7 Questions A. Objective Type : 1. What stands for T-group in OD intervention ? 2. How is 1.9 style of management known under grid concept ? 3. How is the combination of functional and product structure called ? 4. What does QWL stand for ? 5. Name any two key components of TQM. 6. Mention any two barriers to managing diversity. 7. Give full form of B2B. 8. Name two means of promoting ethics. B. Short answer Type : 9. Define OD. 10. What do you mean by organic structure ? 11. Distinguish between job enlargement and job enrichment. 12. Define "quality circle". 13. Who are gold-collar employees ?

NSOU • PGCO-I 193 14. Write a note on e-governance. 15. How does performance appraisal lead to ethical dilemma ? C. Long answer Type : 16. What are the objectives and requisites of OD ? 17. Give a brief discussion on OD interventions. 18. Discuss the Task-Technology interventions to OD. 19. Discuss the role of OD change agents in the context of technology transformation. 20. Narrate the ways and means of promoting ethical behaviour.

194 NSOU • PGCO-I Suggested Readings 1. Aswathappa, K. (2012), Organisational Behaviour, 10th ed., Himalaya Publishing, New Delhi. 2. Chandan, J. S (1998) Organisational Behaviour, Vikash Publishing House, Delhi. 3. Luthens, F. Organisational Behaviour., McGraw Hill, New Delhi, 12th ed. 4. Pareek, U (2009), Understanding Organisational Behaviour, Oxford University Press. 5. Prasad, L. M (1980), Principles and Practice of Management, Sultan Chand & Sons, New Delhi, 2nd ed. 6. Robbins, Judge & Vohra (2016), Organisational Behaviour, Pearson, 15th ed. 7. Robbins, S. P (1994), Essentials of Organisational Behaviour, Prentice-Hall, New Delhi, 3rd ed. 8. Rao, V.S.P (2009), Organisational Behaviour, Excel Books, Delhi

### Hit and source - focused comparison, Side by Side

**Submitted text** As student entered the text in the submitted document.

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1/37	SUBMITTED TEXT	21 WORDS	59% MATCHING TEXT	21 WORDS
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	SA organizational behaviour.pdf (D164494171)			
2/37	SUBMITTED TEXT	14 WORDS	71% MATCHING TEXT	14 WORDS
	According to Barnard, organisation is a consciously created activities of two or more persons,			
	SA 04646-2-SS.doc (D28290207)			

<b>3/37</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>71% MATCHING TEXT</b>	15 WORDS
<p>as follows. "OB is a discipline that investigates the impact that individuals, groups and 22</p> <p><b>SA</b> Organizational Behaviour.pdf (D142229754)</p>				
<b>4/37</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>learning is a relatively permanent change in behaviour that occurs</p> <p><b>SA</b> 118E2430-Organisational Behaviour.pdf (D165201925)</p>				
<b>5/37</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>97% MATCHING TEXT</b>	22 WORDS
<p>The heredity approach argues that the ultimate explanation of individual's personality is the molecular structure of the genes, located in the chromosomes,</p> <p>The heredity approach argues that the ultimate explanation of individual's personality is the molecular structure of the genes, located in the chromosomes.</p> <p><b>W</b> <a href="https://ddceutkal.ac.in/Syllabus/MA_Economics/Organisational_Behaviour.pdf">https://ddceutkal.ac.in/Syllabus/MA_Economics/Organisational_Behaviour.pdf</a></p>				
<b>6/37</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>84% MATCHING TEXT</b>	15 WORDS
<p>one set of twins who were separated for 39 years and raised 45 miles apart.</p> <p><b>SA</b> ORGANISATIONAL BEHAVIOUR - consolidated.docx (D113801548)</p>				
<b>7/37</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>78% MATCHING TEXT</b>	26 WORDS
<p>Anal Stage : During second to third year of life focus shifts from mouth to anal region. So, toilet training given to the child by parents</p> <p><b>SA</b> M.B.A. Organizational Behaviour all unit.pdf (D142212435)</p>				
<b>8/37</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>65% MATCHING TEXT</b>	21 WORDS
<p>personality. The characteristics as such are given below.            Immaturity Maturity Passivity → Activity Dependence → Independence Limited behaviour → Diverse behaviour            Shallow interest → Deep interest</p> <p><b>SA</b> M.B.A. Organizational Behaviour all unit.pdf (D142212435)</p>				

<b>9/37</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>92% MATCHING TEXT</b>	14 WORDS
<p>theory are concerned with— (i) determining the traits that provide a meaningful description of</p> <p><b>SA</b> Organizational Behaviour.pdf (D142229754)</p>				
<b>10/37</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>100% MATCHING TEXT</b>	9 WORDS
<p>on man’s potential for self-direction and freedom of choice.</p> <p><b>SA</b> Organizational Behaviour.pdf (D142229754)</p>				
<b>11/37</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Objectives After studying this unit you will be able to : • know the concept</p> <p><b>SA</b> M.B.A. Organizational Behaviour all unit.pdf (D142212435)</p>				
<b>12/37</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>influence the distribution of advantages and disadvantages within the organisation.</p> <p><b>SA</b> 04646-2-SS.doc (D28290207)</p>				
<b>13/37</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Objectives After studying this unit you will be able to : • Know</p> <p><b>SA</b> M.B.A. Organizational Behaviour all unit.pdf (D142212435)</p>				
<b>14/37</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>a half dozen to a dozen people who sit around a table      a half dozen to a dozen people sit around a table. •</p> <p><b>W</b> <a href="https://archive.org/stream/MGT401FinancialAccountingIHandoutsLectureNo.1To45/MGT502Organizationa...">https://archive.org/stream/MGT401FinancialAccountingIHandoutsLectureNo.1To45/MGT502Organizationa ...</a></p>				



<b>15/37</b>	<b>SUBMITTED TEXT</b>	8 WORDS	<b>87% MATCHING TEXT</b>	8 WORDS
<p>to self Known to self Known to others Unknown to others The</p> <p><b>SA</b> M.B.A. Organizational Behaviour all unit.pdf (D142212435)</p>				
<b>16/37</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>78% MATCHING TEXT</b>	16 WORDS
<p>After going through this unit, you will be able to : ● Realise the importance of</p> <p><b>SA</b> mangal 3.docx (D15922640)</p>				
<b>17/37</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>96% MATCHING TEXT</b>	12 WORDS
<p>meet regularly to discuss quality problems, investigate causes, recommend solutions and take corrective actions.</p> <p><b>SA</b> mangal 3.docx (D15922640)</p>				
<b>18/37</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>90% MATCHING TEXT</b>	11 WORDS
<p>Herzberg) : Two factor theory is also known as 'motivation-hygiene theory'.</p> <p><b>SA</b> Organizational Behaviour.pdf (D142229754)</p>				
<b>19/37</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>95% MATCHING TEXT</b>	10 WORDS
<p>gets a clear idea as to what is expected of him.</p> <p><b>SA</b> 118E2430-Organisational Behaviour.pdf (D165201925)</p>				
<b>20/37</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>68% MATCHING TEXT</b>	16 WORDS
<p>motivation is determined by the reward the people expect to get out of their job performance.</p> <p><b>SA</b> ORGANISATIONAL BEHAVIOUR - consolidated.docx (D113801548)</p>				

<b>21/37</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>role performance and engage in some form of creative, spontaneous and innovative behaviour at work.</p> <p><b>SA</b> Organizational Behaviour.pdf (D142229754)</p>				
<b>22/37</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>87% MATCHING TEXT</b>	14 WORDS
<p>After going through this unit, you will be able to : • Know the</p> <p><b>SA</b> mangal 3.docx (D15922640)</p>				
<b>23/37</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>89% MATCHING TEXT</b>	13 WORDS
<p>expects workers to maintain definite standards of performance and emphasizes the meeting of deadlines</p> <p>expects workers to maintain definite standards of performance," and "emphasizes the meeting of deadlines." •</p> <p><b>W</b> <a href="https://archive.org/stream/MGT401FinancialAccountingIIHandoutsLectureNo.1To45/MGT502Organizationa...">https://archive.org/stream/MGT401FinancialAccountingIIHandoutsLectureNo.1To45/MGT502Organizationa ...</a></p>				
<b>24/37</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>With all its limitations the theory is still relevant because of certain merits.</p> <p><b>SA</b> Organizational Behaviour.pdf (D142229754)</p>				
<b>25/37</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>89% MATCHING TEXT</b>	14 WORDS
<p>a system of shared meaning held by members that distinguishes the organisation from other</p> <p>a system of shared meaning held by members that distinguishes the organization from other</p> <p><b>W</b> <a href="https://ddceutkal.ac.in/Syllabus/MA_Economics/Organisational_Behaviour.pdf">https://ddceutkal.ac.in/Syllabus/MA_Economics/Organisational_Behaviour.pdf</a></p>				
<b>26/37</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>After going through this unit, you will be able to : •</p> <p><b>SA</b> mangal 3.docx (D15922640)</p>				











<b>27/37</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>90% MATCHING TEXT</b>	14 WORDS
<p>defined it as— “a pattern of basic assumptions invented, discovered or developed by a given group....</p> <p><b>SA</b> Bombined Buelens.pdf (D8136257)</p>				
<b>28/37</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>100% MATCHING TEXT</b>	25 WORDS
<p>that has worked well enough to be considered valuable and, therefore to be taught to new members as the correct way to perceive, think and feel”.</p> <p><b>SA</b> M.B.A. Organizational Behaviour all unit.pdf (D142212435)</p>				
<b>29/37</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>After going through this unit you will be able to</p> <p><b>SA</b> mangal 3.docx (D15922640)</p>				
<b>30/37</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>65% MATCHING TEXT</b>	15 WORDS
<p>a planned, managed and systematic process to change in order to improve the organisation’s effectiveness</p> <p><b>SA</b> ORGANISATIONAL BEHAVIOUR - consolidated.docx (D113801548)</p>				
<b>31/37</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>These data then become the springboard for identifying problems and clarifying issues</p> <p><b>W</b> <a href="https://archive.org/stream/MGT401FinancialAccountingIHandoutsLectureNo.1To45/MGT502Organizational...">https://archive.org/stream/MGT401FinancialAccountingIHandoutsLectureNo.1To45/MGT502Organizational...</a></p>				
<b>32/37</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>66% MATCHING TEXT</b>	15 WORDS
<p>the survey feedback that usually results in members identifying possible implications of the questionnaires findings.</p> <p><b>W</b> <a href="https://archive.org/stream/MGT401FinancialAccountingIHandoutsLectureNo.1To45/MGT502Organizational...">https://archive.org/stream/MGT401FinancialAccountingIHandoutsLectureNo.1To45/MGT502Organizational...</a></p>				














<b>33/37</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>62% MATCHING TEXT</b>	21 WORDS
<p>planned. Organisation wide and managed from the top, in order to increase organisational effectiveness and health through planned intervention in the organisation's processes.</p> <p><b>SA</b> ORGANISATIONAL BEHAVIOUR - consolidated.docx (D113801548)</p>				
<b>34/37</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>47% MATCHING TEXT</b>	26 WORDS
<p>the group's performance. The activities that form such team building include — ● goal setting ● interpersonal relations ● role analysis 174 NSOU ● PGCO-I ● team process analysis ●</p> <p>the team's performance. ■ The activities considered in team building typically include goal setting, development of interpersonal relations among team members, role analysis, and team analysis. ■</p> <p><b>W</b> <a href="https://archive.org/stream/MGT401FinancialAccountingIIHandoutsLectureNo.1To45/MGT502Organizational...">https://archive.org/stream/MGT401FinancialAccountingIIHandoutsLectureNo.1To45/MGT502Organizational...</a></p>				
<b>35/37</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>89% MATCHING TEXT</b>	18 WORDS
<p>the organisation. 2. Inter-group : A major area of concern in OD is the dysfunctional conflict that exists between groups.</p> <p>the team. Inter-group development ■ A major area of concern in OD is the dysfunctional conflict that exists between groups.</p> <p><b>W</b> <a href="https://archive.org/stream/MGT401FinancialAccountingIIHandoutsLectureNo.1To45/MGT502Organizational...">https://archive.org/stream/MGT401FinancialAccountingIIHandoutsLectureNo.1To45/MGT502Organizational...</a></p>				
<b>36/37</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>89% MATCHING TEXT</b>	19 WORDS
<p>for some individuals it may offer one of the few opportunities they have had to thank through what their</p> <p><b>SA</b> mangal 3.docx (D15922640)</p>				
<b>37/37</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>the boundaries of their markets and to encourage their employees to think globally.</p> <p><b>SA</b> M.B.A. Organizational Behaviour all unit.pdf (D142212435)</p>				

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PREFACE In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in a subject is introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. I am happy to note that university has been recently accredited by National Assessment and Accreditation Council of India (NAAC) with grade 'A'. Keeping this in view, the study materials of the Post Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing, and devising of a proper layout of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials, the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great deal of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Subha Sankar Sarkar Vice-Chancellor

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International Trade-Material I semester.docx (D146751176)

Unit 1 International Business Structure 1.1. Objectives 1.2. Introduction 1.3. Concept of international business 1.4. Salient features of international business 1.5. Composition of international business 1.6. Importance of international business 1.7. Motivation for conducting international business 1.8. Risk in international business 1.9. International versus domestic business 1.10. Trends in international business 1.10.1 Present trends in international business 1.10.2

Future trends

in

international business 1.11.

Summary 1.12. Self assessment

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International Business.pdf (D142236558)

Objectives After studying this unit, you will be able to: ? understand the meaning and features of international business ?

know the composition and importance of international business ? analyze the

motives of international business ? assess the risk in international business ? distinguish between international business and domestic business ? comprehend the trends in international business

8 ?

NSOU ? PGCO-III 1.2 Introduction By the term, international business, we mean the cross border business activities of individual firms, while economists use international trade to refer to aggregate cross-border flows of products and services between nations. While international business describes an enterprise-level phenomenon, international trade describes the macro phenomenon of aggregate flows between nations. Now a days international business refers to the exchange not only of physical goods but also services, capital, technology and human resources. It covers a very broad spectrum of activities. Many aspects of domestic business are also found in international business, but they are treated differently because international business lays emphasis on cross-border aspects. Similarly, international business covers most, if not all, of the same topics of international management but it goes much further. Where international management focuses mainly on decisions made by individuals operating within a corporate setting, international business also incorporates the broader political, economic, social, technological, philosophical and environmental contexts within which firms operate. In this unit you will come across different facets of international business. 1.3 Cconcept of International Business The concept of international business is very simple and it is nothing but "cross-border economic activity" or cross-border business. Thus, international business refers to any business activity conducted in a foreign country by crossing of national boundary. Any business firm has to perform various activities such as marketing, sales, production, finance etc. When any one or more of such activities or the complete business is conducted in abroad, the business firm is said to have the characteristics of international business. Now a days, international business refers to the exchange not only of physical goods but also of services, knowledge, skills and information and it covers a very broad spectrum of activities. Thus, by international business we mean business activities that involve

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the transfer of resources, goods, services, knowledge, skills or information across national boundaries.



The resources include raw materials, capital and people. Goods consist of semi finished and finished assemblies and products. Services may be accounting, legal counsel, banking, insurance, management consulting, trade service, education, healthcare, tourism etc. Knowledge and skill may include technology and innovation, organizational and managerial skill, intellectual property rights such as copyrights, trademarks and brand names. Information flows may be database and information networks.

NSOU ? PGCO-III ? 9 The different participants involved in the international business may be individuals (e.g., tourists and individual investors buying foreign stocks and bonds), companies (private or public), company clusters (e.g., alliances), government bodies (e.g., central banks), and international institutions (e.g., the World Bank, the International Monetary Fund). However, among these participants, companies are the dominant players. They are the primary economic agent facilitating and gaining (or suffering) from international business. Since the transactions of these companies arise from the foreign activities, these transactions are often called international transactions which are manifested mainly in international trade and international investment. International trade takes place when a company exports goods or services to buyers (importers) in another country. International investment takes place when the company invests resources in business activities outside its home country. Any firm, regardless of its size, engaged in international business, is known as an international firm. A firm that invests abroad and has at least one working affiliate in a foreign country (e.g., a factory, a branch office) over which it maintains effective control, is called multinational enterprise or MNE. Thus, multinational enterprises have regular dealings outside their home country and MNE is a more general term to describe the broad category of firms, ranging from huge firms to small and medium sized enterprises (SMEs) to micro firms, engaged in international business.

1.4 Salient Features of International Business The following are the salient features of international business: 1) Immobility of factors: Some degree of immobility of factors generally in terms of capital and labour is observed in international business. The international mobility of capital is restricted due to political uncertainty, legal requirement, instability of values foreign currencies etc. The reasons for international immobility of labour are differences in languages, custom, occupational skills, family ties, high travelling expenses to the foreign country etc. 2) Heterogeneous markets: The participants of international business have to consider the different heterogeneous markets across the world. It is so because international markets lack homogeneity due to differences in climate, language, preferences, habits, customs etc.

10 ? NSOU ? PGCO-III 3) Different currencies: Different types of currencies are involved in international business. So each country has its own policy with regard to exchange rates and foreign exchanges. 4) Geographical and climate differences: Every country cannot produce all commodities due to geographical and climatic conditions.

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So countries having climatic and geographical advantages specialize in the international business and trade them with others. 5)

Natural resources: Natural resource also plays a vital role in international business.

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Different countries are endowed with different types of natural resources. Hence they tend to specialize in

the international business for

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those commodities in which they are richly endowed and trade them with others where such resources are scarce. 6)

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Balance of payments: The problem of balance of payments is perpetual in international

business.

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The policies which a country chooses to correct its disequilibrium in the balance of payments may give rise to a number of other problems. 7)

Different national policies and government intervention: Economic and political policies are different from one country to another. Policies pertaining to international business differ widely among countries. Tariff policy, import quota system and other controls adopted by government interfere with the cause of international business. 1.5 Composition of International Business International business transactions are broadly composed of international trade and international investment. By international trade we mean exchange of products (merchandise) and services (intangibles) across national boundaries. Exchange can be done through exporting (an outbound activity) or importing (an inbound activity) or global sourcing ("The procurement of product or services from suppliers located abroad for consumption in the home country or a third country"). Both finished products and intermediate goods (e.g., raw materials, components etc.) are included in import and export activities. By international investment we mean the transfer of assets to another country, or the acquisition of assets in that country. These assets include capital, technology, managerial talent and manufacturing infrastructure. With trade, products and services cross national

boundaries; while in investment, the firm itself crosses border to secure ownership of assets located abroad. There are two types of international investment- foreign direct investment (FDI) and foreign portfolio investment (FPI). When the firm establishes a physical presence abroad through acquisition of productive asset such as capital, technology, labour, land, plant and equipment, it is known as foreign direct investment. It is an internationalization strategy that gives investors partial or full ownership of a productive enterprise which performs manufacturing, marketing or research and development activities. On the other hand, by foreign portfolio investment we mean the passive ownership of foreign securities such as stocks and bonds for the purpose of generating financial return and it does not entail active management or control over the assets. 1.6 Importance of International Business The importance of international business can be discussed from the perspectives of the global economy, the national economy, the firm, global corporate citizenship and career standpoint. These are also the reasons to study international business. 1) Facilitator of the global economy and interconnectedness: International business transforms the world into a global village. An unprecedented growth in international trade and investment is observed during the post decade of GATT. Emerging markets provide new impetus to worldwide economic interconnectedness since the 1980s. The fast growing emerging markets have also been experiencing substantial market liberalization, privatization and industrialization which are also fueling global economic transformation. Along with market globalization, the internet and e-commerce make international business increasingly essential for firms of all sizes and resource levels. Actually, the growth of international business activity coincides with the broader concept of globalization of markets which refers to the ongoing economic integration and growing interdependency of countries world-wide. Globalization allows many firms to internationalize and has substantially increased the

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volume and variety of cross-border transactions in goods, services and capital flows. 2)

Contributor of national economic well being: International business contributes to economic prosperity and standard of living and helps countries to use their resources more efficiently. International trade and investment can also

12 ? NSOU ? PGC0-III help to reduce poor economic conditions in developing economies. The rapid economic growth of emerging countries is stimulating solid gains in living standards. International trade and investment help to promote freedom and democracy and may reduce the likelihood of cross border conflict and to limit international tension by reducing world poverty (World Bank, 2004). 3) A competitive advantage for the firms: Firm must participate in the international business and acquire the necessary skills, knowledge and competence to sustain a competitive advantage in the global economy. Foreign markets are likely to generate favourable outcomes for the firms in term of sales, profit margin, growth and new knowledge. Besides, firms can maximize the efficiency of their operations through international business. International business allows firms to access critical resources that may not be available in the home market. It broadens the options for dealing with competitors and offers opportunities to make global strategic moves and counter moves that help the firms to compete more effectively with domestic and foreign rivals. 4) An opportunity for global corporate citizenship: As firms venture into international market, they need to learn how to become global citizen. Beyond delivering value added products, technology and other benefits to their customer, they need to be responsive to the needs of other stakeholder groups, including the media, local communities, academics and the non-profit sector. In foreign markets, firms must try to meet local expectations with respect to labour and environment standards, accepted codes of conduct and the overall welfare of the society that hosts them. International firms must embed corporate citizenship into their strategic decisions as well as their ongoing processes and practices. 5) Career standpoint: Managers of the world's leading corporations honed their managerial skills in international business. Managers of these corporations are exposed to range of enlightening experiences, new knowledge, novel ways of seeing the world and various unusual challenges. Managers with international exposure are generally more confident, cosmopolitan and better suited to meet the variety of challenges they may encounter through their careers. Thus, acquiring knowledge and managerial skills in international business is not only exciting, challenging and fun, but it is also a unique professional development opportunity.

NSOU ? PGC0-III ? 13 1.7 Why Do Firms Expand Internationally? Or Why Do Firms Pursue Internationalization Strategies ? Or Why Do Companies Go Global? The motivations for conducting international business include a variety of reasons. Firms often have more than one motive for international expansion. The motives will vary from one business activity to another. Generally companies go "global" for the following reasons: (1) To seek opportunities for growth through market diversification: When the companies diversify into foreign markets, they can generate sales and profit opportunities that cannot be matched with the domestic markets. Besides, when a company has reached its maturity in the home country, growth opportunities are available better in foreign markets. Thus, many companies, namely, Coca- cola, McDonald's, Gillette, Sony, are aggressively expanding their businesses into overseas markets. (2) To earn higher margins and profits: Sluggish market growth is observed for many types of products and services in mature economies. As a result, firms operating in these economies are able to get slim profit margins. On the other hand, high-growth emerging foreign markets may be underserved or not served at all (developing economies). In these foreign markets companies can earn higher profit margins due to less intense competition, combined with strong market demands. For example, as compared to their respective home markets, bathroom fixture manufacturer's American Standard and Toto of Japan have found more favourable markets in Indonesia, Mexico and Vietnam. (3) To gain new ideas about products, services and business methods: Firms get new ideas for products, processes and business methods from foreign environments. The experience of doing business abroad helps firms to acquire new knowledge for improving organizational effectiveness and efficiency. For example, just-in-time inventory techniques were refined by Toyota and then adopted by other manufacturers all over the world. (4) To serve key customers that have relocated abroad: In a global economy, many firms go to international markets to serve clients over there. For example, when Toyota opened its first factory in the UK, many Japanese auto parts suppliers followed to establish their own operations there.

14 ? NSOU ? PGCO-III (5) To seek raw materials: Many companies in extractive industries have major subsidiaries around the world to ensure access to the basic resources needed to sustain the company's primary business line. (6) To get factors of production at lower costs: Internationalization enables the firms to access capital, technology, managerial talent, labour and land at lower costs, higher-quality at different locations worldwide. For example, the Japanese firm, Canon, relocated much of its production to China to profit from that country's inexpensive and productive work force. (7) To seek production efficiency: Companies in high-cost countries are shifting production to low-cost regions. For example, BMW, in response to high production costs in Germany, has built assembly plants in the United States of America. (8) To develop economies of scale: Economies of scale refer to the reduction of the per-unit cost of manufacturing and marketing due to operating at high volume. By expanding internationally, the firm increases the size of its customer base, thereby increasing the volume of products and lowering the total cost. (9) To confront international competitors more effectively: The firm can enhance its competitive positioning by confronting competitors in international markets or entering a competitor's home markets to destabilize and curb its growth. (10) To build rewarding relationship with a foreign partner: Firms often have long term strategic reasons for venturing abroad. Joint ventures or project-based alliances with key foreign players can lead to the development of new products, early positioning in future key markets on profit making opportunities. For example, Black and Decker entered a joint venture with Bajaj, an Indian retailer, to position itself for expected long-term sales in the huge Indian market. (11) To avoid political and regulatory hurdles: Companies go global in order to avoid political and regulatory hurdles in the home country. The primary reason that Japanese auto companies moved production to the United States, was to get US import quotas. (12) To diversify risk: Spreading risk is generally seen as a safe business principle because it helps to avoid over-dependence on a single location of the market. Thus, the multinational firms want to spread risk by working in more than one country at a time.

NSOU ? PGCO-III ? 15 1.8 Risks in International Business Broadly, international business faces four types of risks: cross-cultural risk, country risk, currency risk and commercial risk which are to be managed to avoid financial loss or product failure. These risks are discussed below:

Cross-cultural risk: Cross cultural risk is defined as "a situation or event where a culture miscommunication puts some human values at stake". It arises in international business because of the diverse cultural heritage of the participants. "Culture refers to the learned, shared and enduring orientation pattern in a society". People show their culture through values, ideas, attitudes, behaviours and symbols. Thus, in the context of international business, cross-cultural risk is composed of differences in language, lifestyle, mindsets, customs and / or religion. Values unique to a culture tend to be long-lasting and are transmitted from one generation to the next. These values influence the mindset and work style of employees and the shopping patterns of buyers. Language is also a critical dimension of culture. Miscommunication due to cultural differences gives rise to inappropriate business strategies and ineffective relations with customers.

Country risk: Country risk refers to the potentially adverse effects on company's operations and profitability due to political, legal and economic environment in a foreign country. It is also known as political risk. Country risk includes the possibility of foreign government intervention in firms' business activities, laws and regulation of foreign countries etc.

Currency risk: Currency risk refers to the risk of adverse fluctuation in exchange rates. Currency risk arises because of international transactions being after conducted in more than one national currency. Inflation and other harmful economic conditions experienced in one country may have immediate consequences for exchange rates due to growing interconnectedness of national economies.

Commercial risk: By commercial risk we mean the firm's potential loss or failure from poorly developed or executed business strategies, tactics or procedures. Managers may make poor choices in respect of selection of business partners, timing of market entry, pricing, creation of product failures and promotional themes. The consequences of such failure are usually most costly in international business as compound to domestic business. All the firms engaged in international business face these four types of international business risks. These risks cannot be avoided, but they can be anticipated and managed.

16 ? NSOU ? PGC0-III Experienced international firms conduct research to anticipate potential risks, understand their implications and take proactive action to reduce their effect. 1.9 International Versus Domestic Business International business is the outgrowth of domestic business. Most of the major firms that are actively participating in the international business at present, started their operation in the domestic business earlier. Leading Japanese automaker such as Toyota, Honda started their operations in their domestic market before exploring into foreign markets. As the magnitude of their operations grow, they found it profitable or otherwise necessary to build their plants and facilities in other foreign countries. Although international business is often considered as an extension of domestic business, it is significantly different from the latter due to the following reasons: 1) Different currency denomination: In case of domestic business, a single currency is used. For example, India has the rupee, USA has the dollar, Japan has the Yen etc. But in the case of international business, different currencies are involved. Cash flows of a multinational firm in various parts of the world are denominated in different currencies. Hence, an analysis of exchange rates must be considered in the international business transactions. Besides the possibility of variations in the exchange rates between different currencies increases the currency risk in the international business. The domestic business generally does not consider these factors. 2) Economic and legal ramifications: In case of domestic business, each country has its own unique economic and legal system. The firms engaged in the international business face different types of economic and legal system worldwide. These differences can cause significant problem to international entrepreneurs. For example, differences in tax laws among countries can cause different after tax consequences to the multinational enterprises. Similarly, differences in legal systems of host nations, such as the Common Law of Great Britain versus the French Civil Law, complicate the matter in the international business transactions. 3) Language differences: The ability to communicate is critical in all business transactions. In domestic business generally different regional and national languages are used along with international language, i.e., English. However, the managers of international firms need to know several international languages to operate their businesses abroad. For example, European and Japanese business- NSOU ? PGC0-III ? 17 people are usually fluent in several language, including English. Thus, they can invade different international market more easily than the US citizens. 4) Culture differences: In domestic business, every country has unique cultural heritages that shape values and influence the conduct of business. However, culture differences exist in international business. Multinational firms vary dramatically from one country to other with respect to dealing with employees, attitudes towards risk, the ability to curtail unprofitable operations etc. 5) Role of government: The role of government is generally minimal in the domestic business of United States and Western Europe, but it is not the situation in most of the world. In international business, the different terms under which companies compete, the actions that must be taken or avoided and the terms of trade on various transactions, are determined not in the market place but by direct negotiation between the host government and the multinational firms. 6) Risk: International business firms generally encounter four types of risks; namely cross-cultural risk, political risk, currency risk and commercial risk. These risks cannot be avoided but they can be anticipated and managed by the experienced international firms. However, the domestic business firms generally do not come across these types of risks in conducting their business operations. 1.10 Trends in International Business In this section, the present trends and the probable future trends in international business have been discussed: 1.10.1 Present Trends in International Business In this sub-section, the present trends in international business are discussed from the perspectives of international trade and international investment. International trade International trade can be broadly divided between trade in goods (merchandise) and trade in services. World trade in goods has increased dramatically over the last decade, rising from about \$10 trillion in 2005 to more than \$18.5 trillion in 2014 but, then fell to about \$16 trillion in 2015. Trade in services greatly increased between 2005 and 2015 (from about \$2.5 trillion to almost \$5 trillion). Although increasing, trade in services accounts for a much lower share. However, growth has slowed down significantly

18 ? NSOU ? PGO-III in the last few years and virtually stalled in 2015. In particular, while export volumes from developing countries had been growing at rates of more than 10 per cent per year between 2003 and 2008, the figure for 2015 was about one per cent. Moreover, volumes of trade fell for many countries both in terms of imports and exports, including China. In spite of the financial crisis of 2009, developing countries as a group have almost doubled the volumes of trade in goods since 2009. While import volumes have been growing relatively more than export volumes for developing countries, the opposite has happened in regard to developed countries. The relatively larger increase in the volumes of imports can be explained by the increase in consumer demand in developing countries. Growth in trade volumes has slowed down substantially in the last few years, especially in comparison to developing countries. Developed countries' trade volumes continued to increase, while trade volumes for developing countries stalled, both in regard to imports and exports. The value of trade in goods is virtually equal in developing and developed countries. On the other hand, about two thirds of trade in services originated from developed countries. BRICS account for an important share of trade in goods and services. LDCs continue to account for a very small share in overall trade. In 2015 the value of world trade has declined both for developed and developing countries. Developed countries' relative importance as suppliers in international markets is declining. Still, they account for about half of the value of exports of goods and about two thirds of exports of services. In 2015 developed countries' exports of goods were about \$8 trillion, while that of services added up to about \$3 trillion. In 2015, developing countries' trade summed up to about \$8 trillion in regard to goods and about \$2 trillion in regard to services. In 2015 BRICS exported about \$3 trillion in goods and about \$500 billion in services. LDCs' contribution to world trade remained minimal, although some increases in exports and imports of these countries have been recorded over the past decade. A very large part of world trade is clustered around three regions: North America, Europe and East Asia. Other regions' contribution to world trade is much lower. During 2015 trade declined in all regions across all trade flows, however with some differences. Trade flows declined the most in relation to the transition economies. Trade from and to North America was relatively more resilient. The increase in world trade between 2004 and 2014 was largely driven by the rise of trade between developing countries (South–South). By 2014, the value of South–

NSOU ? PGO-III ? 19 South trade had reached almost \$5.5 trillion, a magnitude close to that of trade between developed countries (North–North). The substantial decline in trade in 2015 was evenly spread between the trade flows of developing and developed countries. The significance of South–South trade flows for developing countries is evident when considering that in recent years, they represent more than half the trade of developing country regions (imports and exports). South–South trade share varies by region, from about 40 per cent in Latin America to almost 70 per cent in South Asia and East Asia. Although a certain proportion of South–South trade encompasses intraregional flows, an important part involves trade with China. Since 2005, China has become an increasingly important partner for all other developing country regions. Trade with China was more resilient in 2015, while a large part of the trade downturn was related to other South–South flows. International trade in goods can be differentiated by stage of processing, depending on their intended use along the production chain. Goods are, therefore, classified as primary, intermediates, consumer and capital (the latter comprising of machinery used for the production of other goods). Goods can also be differentiated by broad category, including natural resources, agriculture and manufacturing. With regard to the stage of processing, although there was a substantial contraction in 2015, intermediate products continued to make up the bulk of world trade. Trade in consumer and capital products represents another important share of world trade. In 2015, the value of trade in these two categories declined, but only marginally. Trade in primary products was greatly affected by the 2015 trade downturn, as in 2015 their value was at about \$2.6 trillion. With a value of over \$12 trillion in 2015, trade in manufacturing goods held a dominant position over trade in natural resources and agricultural products. Trade in agriculture was somewhat more resilient than the rest of the world trade. Trade related to developed countries remains an important part of international trade, especially in relation to imports. Participation in international trade varies significantly among developing regions. BRICS countries account for an important part of developing countries' trade, especially with respect to trade in intermediates and exports of consumer products. The participation of other developing country regions in world trade, both as importers and exporters, is more limited. In terms of value, a large amount of world trade relates to energy products (oil, gas, coal and petroleum products), chemicals, machinery, communication equipments and motor vehicles. In contrast, light manufacturing sectors, including textiles, apparel and tanning, comprised of a much smaller share of world trade. Agricultural sectors – which include food, vegetable and animal products, as well as oils and fats, tobacco and beverages –

20 ? NSOU ? PGC0-III accounted for a total of over \$1.5 trillion of trade flows, or less than 10 per cent of international trade. While the value of trade increased in all sectors between 2005 and 2014, it sharply fell in 2015, especially in energy products and basic metals. During the last decade, developing countries' presence in international markets has increased substantially as compared with developed countries. Their export market share has increased across all sectors and in particular in machinery, non-metallic minerals and communication equipments. With regard to services, travel and other business services represent the largest sectors, amounting to more than \$1 trillion each in 2015. Other important sectors include transport, telecommunications, computing and finance- related services. With exception of transport and other business services, trade in most of the other categories of services has been resilient to the trade downturn of 2015. The share of global exports of different service categories pertains to developed and developing countries. Although developed countries still account for the largest part of exports of services, the export market share has been shifting to the advantage of developing countries in most sectors. Two exceptions are intellectual property and goods-related services, the latter still originating on the whole from developed countries. Developing countries are also becoming important suppliers to international markets with regard to travel and transportation as well as computer and information services. (Source: Key Statistics and Trends in International Trade 2016, United Nations, Geneva, 2017)

International investment FDI inflows In 2016, FDI inflows to developed economies increased, after significant growth in the previous year. Inflows rose by 5 per cent to \$1 trillion. Developed economies' share in global FDI inflows grew to 59 per cent, the highest share since 2007. The increase of FDI in developed economies was mainly driven by equity investment flows in terms of cross-border M&As targeting developed countries. Large deals included the \$101 billion acquisition of SABMiller PLC (United Kingdom) by Anheuser-Busch Inbev (Belgium), the \$39 billion purchase of the generic drugs unit of Allergan PLC (United States) by Teva Pharmaceutical Industries Ltd (Israel) and the acquisition of ARM Holdings (United Kingdom) by SoftBank Group (Japan) for \$32 billion. Developing economies, in contrast, lost ground in 2016. Weak commodity prices and slowing economic growth affected foreign investment inflows, which fell by 14 per cent to \$646 billion – a level last observed in 2010. Cross-border M&A activity suffered a widespread downturn across developing regions during the year, falling by 18 per cent in aggregate value. In contrast, the value of announced greenfield projects rose by 12 per cent to \$516 billion, pulled by the announcement of a few very large investments in a small number of countries, while the majority of countries recorded declines. In developing Asia, the decline in inflows (-15 per cent to \$443 billion) was relatively widespread, with every major subregion registering reductions, except South Asia. Economic recession in Latin America and the Caribbean, coupled with weak commodity prices for the region's principal exports, factored heavily in the decline in FDI flows to the region (down 14 per cent to \$142 billion). Flows to Africa also registered a decline (-3 per cent to \$59 billion), with the region suffering external vulnerabilities similar to those in Latin America. The United States remained the largest recipient of FDI, attracting \$391 billion in inflows, followed by the United Kingdom with \$254 billion, vaulting from its 14th position in 2015 on the back of large cross-border M&A deals. China was in third position with inflows of \$134 billion – a 1 per cent decrease from the previous year. FDI outflows The flow of outward FDI from developed economies declined in 2016, falling 11 per cent to \$1 trillion. Nevertheless, their share in global outward FDI flows was roughly stable – dipping to 72 per cent from 74 per cent in 2015 – as outflows from developing economies slipped 1 per cent to \$383 billion and those from transition economies contracted 22 per cent to \$25 billion. Investment by European MNEs, which had surged in 2015, retreated significantly in 2016, falling 23 per cent to \$515 billion. This was driven by sharp reductions in outflows in Ireland (down 73 per cent to \$45 billion), Switzerland (down 71 per cent to \$31 billion) and Germany (down 63 per cent to \$35 billion). While the prolonged slump in corporate profits in Europe crimped investment, it provided renewed impetus to some corporations to seek transformative deals providing access to new markets and to generate cost savings. As a result, the value of cross-border M&As concluded by the continent's MNEs continuously increased, rising 40 per cent to \$435 billion. Investment by North American MNEs held roughly steady in 2016, despite a significant reduction in the value of their cross-border M&A purchases. The United States remained the world's largest outward-investing country, although flows declined marginally (-1 per cent) to \$299 billion. Net purchases through cross-border M&As by MNEs, in contrast, fell sharply (-39 per cent to \$78 billion), reflecting in part a slowdown in tax inversion

22 ? NSOU ? PGC0-III deals. FDI outflows from Canada posted a similar decline (-1 per cent to \$66 billion), despite the value of Canadian MNEs' acquisitions abroad falling 33 per cent to \$57 billion. A relatively small number of megadeals bolstered FDI flows by MNEs from other developed countries, which rose 20 per cent to \$164 billion. The ARM – SoftBank deal lifted outflows from Japan (13 per cent to \$145 billion). Investment by Israeli MNEs increased 26 per cent to \$13 billion, thanks in part to a series of acquisitions by Teva Pharmaceutical Industries. Outflows from other developed countries were also boosted by a significant swing from net divestment to net investment by Australian MNEs (from - \$2 billion in 2015 to \$6 billion in 2016). The year was marked by significant variation in outward investment by MNEs from developing and transition economies. Chinese outward FDI surged, rising 44 per cent to \$183 billion, propelling the country to the position of second largest home country for FDI for the first time. This coincided with the country becoming a net outward direct investor during the year. Chinese MNEs invested abroad to gain access to new markets and to acquire assets that generated revenue streams in foreign currencies. The rise in outward investment by Chinese MNEs was not without controversy, as a number of deals were scrutinized by policymakers both in China and abroad. Outward investment by African MNEs rose slightly (1 per cent to \$18 billion), largely reflecting a rise in outflows in Angola (35 per cent to \$11 billion) that more than offset a sharp reduction in flows from South Africa (-41 per cent to \$3 billion). In contrast, outward investment by MNEs from Latin America and the Caribbean collapsed (-98 per cent to \$751 million), falling to its lowest point since 1988, as outflows from Brazil and Mexico both swung to net divestment of foreign assets. FDI outflows from the transition economies registered a 22 per cent decline, falling to \$25 billion, as intracompany loans by MNEs from Kazakhstan turned negative. FDI by selected groups FDI flows to and from large economic groups such as the G20 and Asia Pacific Economic Cooperation (APEC), continued to dominate the global FDI landscape in 2016. These groups accounted for more than 50 per cent of global FDI inflows and outflows. Inflows to most groups (G20, APEC, NAFTA and BRICS) and country associations, such as the Commonwealth of Nations, rose for various economic and corporate reasons. Corporate reconfiguration, economic growth and improved business sentiments contributed NSOU ? PGC0-III ? 23 to the rise in these groups. The share of the largest groups in world FDI inflows (G20 and APEC) remained proportionately small relative to their weight in the global economy. Inward FDI stock exceeded outward stock in the Commonwealth, BRICS and ACP members, while the G20, APEC and NAFTA members continued to be significant capital exporters. The former groups are predominantly developing economies and are net recipients of FDI inflows, while the latter consist of comparatively more developed countries and emerging economies with increasing numbers of MNEs. Companies in the G20, APEC and NAFTA remained active investors. With the exception of NAFTA, outward FDI flows from all selected groups rose in 2016. Intragroup connectivity through FDI remained strong in the G20 and APEC, and growing in BRICS and ACP. In most groups, M&A activity significantly contributes to intragroup connectivity. FDI by sector, industry and mode of entry By 2015, the latest year for which data are available, about two thirds of global FDI stock was concentrated in the services sector, in line with its share in the world economy. Manufacturing and the primary sector accounted for 26 per cent and 6 per cent, respectively. Among services industries, the largest recipients of inward FDI stock were finance, business activities, trade and telecommunication. Within the manufacturing sector, five major industries, namely chemical products, food and beverages, electronics, motor vehicles and petroleum products, accounted for more than 70 per cent of all FDI stock in specified manufacturing activities. Within the primary sector, FDI in extractive industries, including oil and gas and metal mining, dominates, while investment stock in agriculture remains low. Low commodity prices have significantly affected FDI inflows to the primary sector over the last few years, which is weighing on the share of the primary sector in FDI stock, especially in Africa, Latin America and West Asia. Extractive industries play a dominant role in these developing regions' economies and they account for 20 to 30 per cent of their FDI stock. The amount of announced greenfield investment increased significantly as well. The total value of cross-border M&A sales rose by about 18 per cent to \$869 billion, the highest level since the outbreak of the global financial crisis. Cross-border M&A sales picked up across all three sectors, but particularly in major industries such as electronics, food and beverages, oil and gas, trading activities and utilities. In contrast to the rapidly rising value of cross-border M&As over the 2014–2016 period, the value of announced greenfield investments increased only modestly, suggesting



24 ? NSOU ? PGCO-III a relatively slow pace of international production expansion by MNEs. In 2016, the value of greenfield FDI announcements increased by 7 per cent to \$828 billion, pulled by some very large announced investments in a small number of countries while the rest of the world experienced a widespread slump. At the sectoral level, all manufacturing industries recorded a decline, with the total amount of greenfield FDI announced in the sector down by about 9 per cent to \$292 billion. Greenfield FDI in services registered an increase as well, rising by 15 per cent to \$481 billion, driven by a concentrated surge in construction investment in a small number of countries. (Source: World Investment Report 2017: Investment and The Digital Economy, United Nations) 1.10.2 Future Trends in International Business Multinational enterprises always have one eye to the future, by employing qualified staff to detect and plan for political, economic, social, technological and/ or ecological trends that might have a significant impact on future operations. The objectives of this 'watch' function or competitive intelligence is to help the company to position itself so as to take advantage of any opportunities and/ or protect itself from future rivals and adverse conditions. However, it is very difficult for MNEs to detect the event that are likely to bring them future success or failure in the context of complications inherent in today's rapidly shifting and increasing globalized markets. Since the year 2000 the international managers have focused on two of the main trends in international business- firstly, the rise of new economic powerhouses and secondly, the growing ecological constraint. The shifting geography of international business: McKinsey consultancy group (2008) stated that international executives' main concerns are: emerging economies, ecological sustainability, technological innovation, the globalization of labour, ethical business, powerful capital markets, advances in knowledge management and socio-economic or demographic changes. But every MNE is not affected to the same extent by each of the trends. However, there is a strong consensus among the experts that all the MNEs can expect to experience a 'global remix' due to the rise of the BRICs (Brazil, Russia, India and China) especially the last two. Though OECD economies and Middle Eastern OPEC states are holding important positions in the international business, the BRICs' rise constitutes an important change in the geographic centre of international business. Statistics reveal a clear rise in the proportion of international business conducted by the developing world, particularly the BRICs, in spite of industrialized countries ongoing dominance of world trade and investment.

NSOU ? PGCO-III ? 25 The business conditions in the BRICs are that: Firstly, Brazil, Russia, India and China do have several characteristics in common. Since the 1990s each country in BRICs has placed the greater emphasis on market economies. Secondly, growth in the BRICs can be divided between 'exogenous' drivers like exports and 'endogenous' internal dynamics which is mainly composed of domestic demand and investment including FDI by foreign firms. The foreign firms use these countries (BRICs) as manufacturing platforms for products and services that may be re-exported elsewhere. One driver for FDI is that the enormous number of young engineers and scientists are currently being trained in Chinese, Russian and particularly Indian Universities. Thirdly, rising wages in the BRICs have led to a rapid expansion in their middle classes. These expansion of the BRICs' middle classes is also significant because of the kinds of products that households purchase when they shift out of poverty. As income rises, people spend in areas (entertainment, consumer durables, leisure) that were once beyond their reach. This is a great opportunity for firms in the sector concerned. For mid-scale fast-moving consumer goods, rising demand from the BRICs' new middle classes has been a great opportunity for global retailers such as Wal-Mart, Carrefour and Tesco. Fourthly, the BRICs have provided a much needed boost for global car makers and their component manufacturer. For example, General Motors built corporate campus near Shanghai to develop environment friendly technologies targeting the local market. The southern Indian city of Chennai has recently hosted new factories built by leading carmakers like Nissan, Toyota, BMW and Ford. Companies originating in the BRICs are more accustomed to environments characterized by low costs, low prices and (sometimes) lower quality. The rise of MNEs in the 'global south' is a significant trend and is likely to have a strong impact on the future of international business. However, it is too early to predict whether international business, under the influence of BRICs and in reaction to the 2008 crisis, is about to go through a full-scale paradigm shift similar to the ones that were experienced in the 1930s and 1970s. The ecological constraint on international business: There is an almost unanimous opinion among governments, business leaders and academicians that the future will be characterised by an ever-tightening ecological constraint because of two reasons. Firstly, there is the damage caused by the pollution that is generated by the business firms. Secondly, there is resource depletion (i.e., consumption of raw material that cannot be replaced) or the exhaustion of the global stocks of the physical commodities that companies need for their production processes. Historically,

26 ? NSOU ? PGC0-III the business world has given insufficient recognition to the ecological constraint, but this is no longer the case. Now sustainability has become a mainstream concern. Accordingly, environmentalism (i.e., attitude that ecological sustainability should be priority factor in personal and organizational decision making) will be viewed not as a marginal concern but as an integral aspect of international business. In the future, MNEs will need to manage resources more efficiently and promote alternative energy sources through technological innovations. These changes will affect all international managers. Cross border supply chains will affect the global transportation of goods. Renewed localization will affect product definition and marketing. Logistics constraints will change human dynamics by increasing the use of video-conferencing and promoting long-term overseas assignments as opposed to short-term travel. International managers who integrate these ecological constraints into their business planning will have a competitive advantage over everyone else.

1.11 Summary ? International business refers to any business activity conducted in a foreign country by crossing of national boundary. Any business firm has to perform various activities such as marketing, sales, production, finance etc. When any one or more of such activities or the complete business is conducted abroad, the business firm is said to have the characteristics of international business. ? Now a days, international business refers to the exchange not only of physical goods but also of services, knowledge, skills and information and it covers a very broad spectrum of activities. Thus, by international business we mean business activities that involve

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the transfer of resources, goods, services, knowledge, skills or information across national boundaries.

The resources include raw materials, capital and people. Goods consist of semi finished and finished assemblies and products. Services may be accounting, legal counsel, banking, insurance, management consulting, trade service, education, healthcare, tourism etc. Knowledge and skill may include technology and innovation, organizational and managerial skill, intellectual property rights such as copyrights, trademarks and brand names. Information flows may be database and information networks. ? The following are the salient features of international business: immobility of factors, heterogeneous markets, different currencies, geographical and climatic differences, NSOU ? PGC0-III ? 27 natural resources, balance of payments, different national policies and government intervention. ? International business transactions are broadly composed of international trade and international investment. By international trade we mean exchange of products (merchandise) and services (intangible) across national boundaries. By international investment we mean the transfer of assets to another country, or the acquisition of assets in that country. These assets include capital, technology, managerial talent and manufacturing infrastructure. With trade, products and services cross national boundaries; while in investment, the firm itself crosses border to secure ownership of assets located abroad. ? There are two types of international investment- foreign direct investment (FDI) and foreign portfolio investment (FPI). When the firm establishes a physical presence abroad through acquisition of productive assets such as capital, technology, labour, land, plant and equipment, it is known as foreign direct investment. On the other hand, by foreign portfolio investment we mean the passive ownership of foreign securities such as stocks and bonds for the purpose of generating financial returns and it does not entail active management on control over the assets. ? The importance of international business can be discussed from the perspectives of the global economy, the national economy, the firm, global corporate citizenship and career standpoint. These are also the reasons to study international business. ? The motivations for conducting international business include a variety of reasons. Firms often have more than one motive for international expansion. The motives will vary from one business activity to another. Generally companies go "global" for the following reasons: to seek opportunities for growth through market diversification; to earn higher margins and profits; to gain new ideas about product, services and business methods; to serve key customers that have been relocated abroad; to seek raw materials; to get factors of production at lower costs; to seek production efficiency; to develop economies of scale; to confront international competitors more effectively; to build rewarding relationship with a foreign partner; to avoid political and regulatory hurdles in order to diversify risk. ? Broadly international business faces four types of risks: cross-cultural risk, country risk, currency risk and commercial risk which are to be managed to avoid financial loss or product failure.

28 ? NSOU ? PGC0-III ? International business is the outgrowth of domestic business. As the magnitude of their operations grows, they find it profitable or otherwise necessary to build their plants and facilities in other foreign countries. Although international business is often considered as an extension of domestic business, it is significantly different from the latter due to the following reasons: different currency denomination; economic and legal ramifications; language differences; cultural differences; role of government; risk etc. ? World trade in goods had increased dramatically over the last decade, rising from about \$10 trillion in 2005 to more than \$18.5 trillion in 2014 and then fell to about \$16 trillion in 2015. Trade in services greatly increased between 2005 and 2015 (from about \$2.5 trillion to almost \$5 trillion). Although increasing, trade in services accounts for a much lower share. ? In spite of the financial crisis of 2009, developing countries as a group have almost doubled the volumes of trade in goods since 2009. While import volumes have been growing relatively more than export volumes for developing countries, the opposite has happened in regard to developed countries. The relatively larger increase in the volumes of imports can be explained by the increase in consumer demand in developing countries. Growth in trade volumes has slowed down substantially in the last few years, especially with regard to developing countries. Developed countries' trade volumes continued to increase, while trade volumes for developing countries stalled, both in regard to imports and exports. ? A very large part of world trade is clustered around three regions: North America, Europe and East Asia. Other regions' contribution to world trade is much lower. During 2015 trade declined in all regions across all trade flows, however with some differences. Trade flows declined the most in relation to the transition economies. Trade from and to North America was relatively more resilient. ? The increase in world trade between 2004 and 2014 was largely driven by the rise of trade between developing countries (South–South). By 2014, the value of South–South trade had reached almost \$5.5 trillion, a magnitude close to that of trade between developed countries (North–North). South–South trade share varies by region, from about 40 per cent in Latin America to almost 70 per cent in South Asia and East Asia. Although a certain proportion of South–South trade encompasses intraregional flows, an important part involves trade with China. Since 2005, China has become an increasingly important partner for all other NSOU ? PGC0-III ? 29 developing country regions. Trade with China was more resilient in 2015, while a large part of the trade downturn was related to other South–South flows. ? In 2016, FDI inflows to developed economies increased, after significant growth in the previous year. Inflows rose by 5 per cent to \$1 trillion. Developed economies' share in global FDI inflows grew to 59 per cent – the highest share since 2007. The increase of FDI in developed economies was mainly driven by equity investment flows in terms of cross-border M&As targeting developed countries. Large deals included the \$101 billion acquisition of SABMiller PLC (United Kingdom) by Anheuser-Busch Inbev (Belgium), the \$39 billion purchase of the generic drugs unit of Allergan PLC (United States) by Teva Pharmaceutical Industries Ltd (Israel) and the acquisition of ARM Holdings (United Kingdom) by SoftBank Group (Japan) for \$32 billion. ? The flow of outward FDI from developed economies declined in 2016, falling 11 per cent to \$1 trillion. Nevertheless, their share in global outward FDI flows remained roughly stable – dipping to 72 per cent from 74 per cent in 2015 – as outflows from developing economies slipped 1 per cent to \$383 billion and those from transition economies contracted 22 per cent to \$25 billion. ? FDI flows to and from large economic groups such as the G20 and Asia Pacific Economic Cooperation (APEC), continued to dominate the global FDI landscape in 2016. These groups accounted for more than 50 per cent of global FDI inflows and outflows. Inflows to most groups (G20, APEC, NAFTA and BRICS) and country associations, such as the Commonwealth of Nations, rose for various economic and corporate reasons. Corporate reconfiguration, economic growth and improved business sentiments contributed to the rise in these groups. The share of the largest groups in world FDI inflows (G20 and APEC) remained proportionately small relative to their weight in the global economy. ? By 2015, the latest year for which data are available, about two thirds of global FDI stock was concentrated in the services sector, in line with its share in the world economy. Manufacturing and the primary sector accounted for 26 per cent and 6 per cent, respectively. Among services industries, the largest recipients of inward FDI stock were finance, business activities, trade and telecommunication. Within the manufacturing sector, five major industries, namely chemical products, food and beverages, electronics, motor vehicles and petroleum products, accounted for more than 70 per cent of all FDI stock in specified

30 ? NSOU ? PGC0-III manufacturing activities. Within the primary sector, FDI in extractive industries, including oil and gas and metal mining, dominates, while investment stock in agriculture remains low. ? Multinational enterprises always have one eye to the future, by employing qualified staff to detect and plan for political, economic, social, technological and/ or ecological trends that may have a significant impact on future operations. The objectives of this 'watch' function or competitive intelligence is to help the company to position itself so as to take advantage of any opportunities and/ or protect itself from future rivals and adverse conditions. However, it is very difficult for MNEs to detect the event that are likely to bring them future success or failure in the context of complications inherent in today's rapidly shifting and increasing globalized markets. Since the year 2000 the international managers have given focus on two of the main trends in international business- firstly, the rise of new economic powerhouses and secondly, the growing ecological constraint. ? The shifting geography of international business: McKinsey consultancy group (2008) stated that international executives' main concerns are: emerging economics, ecological sustainability, technological innovation, the globalization of labour, ethical business, powerful capital markets, advances in knowledge management and socio-economic or demographic changes. But every MNE is not affected to the same extent by each of the trends. However, there is a strong consensus among the experts that all the MNEs can expect to experience a 'global remix ' due to the rise of the BRICs (Brazil, Russia, India and China ) especially the last two. Though OECD economics and Middle Eastern OPEC states are holding important positions in the international business, the BRICs' rise constitutes an important change in the geographic centre of international business. Statistics reveal a clear rise in the proportion of international business conducted by the developing world, particularly the BRICs, in spite of industrialized countries ongoing dominance of world trade and investment. ? The ecological constraint on international business: There is an almost unanimous opinion among governments, business leaders and academics that the future will be characterised by an ever-tightening ecological constraint because of two reasons. Firstly, there is the damage caused by the pollution that is generated by the business firms. Secondly, there is resource depletion (i.e., consumption of raw materials that cannot be replaced) or the exhaustion of the global stocks of the physical commodities that companies need for their production process. NSOU ? PGC0-III ? 31 Historically, the business world has given insufficient recognition to the ecological constraint, but this is no longer the case. Now sustainability has become a mainstream concern. Accordingly, environmentalism (i.e., attitude that ecological sustainability should be priority factor in personal and organizational decision making) will be viewed not as a marginal concern but as an integral aspect of international business. 1.12 Self Assessment Questions A. Objective type questions: Choose the correct answer from the given four alternatives. 1. International business refers to any business activity conducted in a foreign country by crossing of a) national boundary. b) regional boundary. c) state boundary. d) local boundary. 2. International business involves a)

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the transfer of resources, goods, skills or information across national boundaries.

b)

**88%      MATCHING BLOCK 11/173**

**W**

the transfer of resources, goods, services, knowledge, skills or information across state boundaries.

c)

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the transfer of resources, goods, services, knowledge, skills or information across national boundaries.

d) the transfer of skills or information across national boundaries. 3. Which one is not a salient feature of international business: a) heterogeneous markets b) different currencies c) geographical and climate differences, d) mobility of factors

32 ? NSOU ? PGCO-III 4. When the firm establishes a ..... through acquisition of productive asset such as capital, technology, labour, land, plant and equipment, it is known as foreign direct investment. a) Virtual presence b) physical absence c) physical presence abroad d) physical presence in home country 5. Foreign portfolio investment refers to the ..... of foreign securities such as stocks and bonds for the purpose of generating financial return and it does not entail active management on control over the assets. a) Active ownership b) passive ownership c) no ownership d) passive leadership 6. ————— is defined as “a situation or event where a culture miscommunication puts some human value at stake”. a) Country risk b) Business risk c) Financial risk d) Cross culture risk 7. Country risk is also known as a) Political risk. b) Legal risk c) Cross culture risk d) Business risk 8. Currency risk refers to the risk of adverse fluctuation in a) Interest rates b) Exchange rates NSOU ? PGCO-III ? 33 c) Stock price d) Bond price 9. .... refers to firm’s potential loss or failure from poorly developed or executed business strategies, tactics or procedures. a) Currency risk b) Country risk c) Commercial risk d) Cross culture risk 10. Environmentalism (i.e., attitude that ecological sustainability should be priority factor in personal and organizational decision making) will be viewed not as .....of international business. a) a marginal concern but as an integral aspect b) an integral aspect but as a marginal concern c) an integral aspect d) None of the above Answer: 1 a); 2 c); 3 d); 4 c); 5 b); 6 d); 7 a); 8 b); 9 c); 10 a); B. Short answer type questions: 1. What is international business? 2. What is MNE? 3. Who participates in international business? 4. What do you mean by international trade? 5. What do you mean by global sourcing? 6. What is meant by international investment? 7. What is FDI? 8. What is FPI? 9. What is cross-culture risk? 10. What do you mean by country risk? 34 ? NSOU ? PGCO-III 11. What is currency risk? 12. What is commercial risk? 13. What are the international executives’ main concerns according to McKinsey consultancy group? 14. State the business conditions in BRICs. 15. State the two future main trends in international business. 16. Why will future be characterised by an ever-tightening ecological constraint? 17. What is environmentalism? C. Long answer type questions: 1. What is international business? Discuss its salient features. 2. Narrate the composition of international business. 3. Explain the importance of international business. 4. Why should you study international business? 5. Why do firms expand internationally? 6. Why do firm pursue international strategies? 7. Why do companies go global? 8. Discuss different types of risk in international business. 9. How does international business differ from domestic business? 10. Write a short note on the present trends in international business. 11. Discuss future trends in international business. 12. What are the various types of risks that firms face when they conduct international business? 13. What are some of the key motivations for firms to engage in international business? NSOU ? PGCO-III ? 35 Unit 2 The Foreign Exchange Market Structure 2.1 Objectives 2.2 Introduction 2.3 Concept of foreign exchange market 2.4 Features of a foreign exchange market 2.5 Participants in the foreign exchange market 2.6 Structure of the foreign exchange market or Market Segments of the foreign exchange market 2.7 Functions of the foreign exchange market 2.8 Exchange Rates 2.9 Foreign Exchange Quotation 2.9.1 Principles of Exchange Rate Quotes 2.9.2 Direct and Indirect quotations 2.9.3 European terms and American terms 2.9.4 Spread 2.9.5 Cross Rates 2.9.6 Spot exchange rate and Forward exchange rate 2.9.7 Illustrations 2.10 Concept of Devaluation and Revaluation of Domestic Currency 2.11 Devaluation as a Policy For Correcting Deficit in the Balance Of Payments 2.11.1 Elasticity Approach 2.11.2 Absorption Approach 2.12 Different Exchange Rate Regimes and their Mechanisms 2.12.1 Optimum Currency Areas 36 ? NSOU ? PGCO-III 2.12.2 Currency Board Arrangements 2.12.3 Dollarization 2.12.4 Hybrid Exchange Rate Systems 2.13 Summary 2.14 Self assessment questions 2.1

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Objectives After studying this unit, you will be able to: ? understand the meaning and

features of  
foreign

exchange market ?

know the structure and functions of foreign

exchange market ? get an idea of different facets of foreign exchange quotation ? comprehend the concepts of devaluation and revaluation of domestic currency ? realize the concept of devaluation as a policy for correcting deficit in the balance of payments ? grasp the different exchange rate regimes and their mechanisms

2.2 Introduction There are more than 164 different types of currencies circulating among the 193 countries in the world. Individuals, companies and governments of these countries deal with trade and financial transactions with the help of their currencies. Liberalization, privatization and globalization create a need for a mechanism to convert one currency into another. Without such a mechanism, it would be difficult for companies to import and export foreign goods or for individuals to travel, spend and invest money in other countries. In this backdrop, the present unit provides an overview of the foreign exchange market and its different facets. It describes the different ways in which exchange rates are quoted and calculated. This unit also explains devaluation and revaluation of domestic currency and the different exchange rate regimes and their mechanisms.

NSOU ? PGCO-III ? 37 2.3 Concept of Foreign Exchange Market One currency is exchanged for another currency in the foreign exchange market. According to Kindleberger, "

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the foreign exchange market is a place where foreign moneys are bought and sold". Foreign exchange market

or the forex market or FX

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market is an institutional arrangement for buying and selling of foreign currencies. Exporters sell the foreign currencies and importers buy them. Until the 1970

s, the foreign exchange market was small and specialized. The market changed fundamentally when the post-war Bretton Woods system broke down. Under the Bretton Woods system, the U.S. dollar was convertible into gold and other currencies were convertible to U.S. dollars at fixed exchange rates. In 1971, the US suspended the convertibility of the dollar into gold, and by 1973 the U.S. and other nations had accepted floating exchange rate. The change to floating exchange rates, the growth in the international trade, and the increase in the capital flows around the world led to the rapid growth of the foreign exchange market. The forex market is not located in the physical space and does not have a central exchange. Rather, it is an electronically linked network of a large number of individual foreign exchange trading centers, in which the market participants deal directly with each other. Thus, the foreign exchange market provides a single, cohesive, integrated and worldwide market by linking various individual foreign exchange trading centers spread all over the globe. There are a large number of foreign exchange trading centers in the world and each country has its own center(s). The functioning of each trading center is governed by the respective countries' laws, tax code, banking regulation, accounting rules and financial systems. Unlike the trading and stock exchange or commodity exchanges, foreign exchange trading is not governed by any unified body. Foreign exchange traders carry out their business through a network of communications. Although market participants are geographically far away from each other, they communicate with others with the help of high speed communication networks provided by the Society for World wide Interbank Financial Telecommunication (SWIFT). The Clearing House Interbank Payment System (CHIPS) links several banks and dealers involved in the forex transactions. In the past, forex transactions were conducted primarily by telegram, telephone or telex. But in recent times a lot of progress has been observed. The latest development in

38 ? NSOU ? PGCO-III foreign exchange trading is electronic trading. The electronic trading is a method of trading in which the market participants can see the bid- ask rates quoted by potential counter parties on their computer screens, match orders, and make deals electronically. With the advent of high speed digital data lines and satellites based communication systems, foreign exchange transactions are now carried out very rapidly. In most cases of currency trading, there is no physical transfer of paper notes and coins, but a series of digital entries exist in the account of the two parties. In view of developments in international communication networks, foreign exchange markets all over the world have eventually become one sophisticated global market. 2.4 Features of a Foreign Exchange Market The features of a

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foreign exchange market are discussed below: i. Location: Foreign exchange market is considered as an over the counter (OTC) market as there is no

physical place the participants meet to execute the deals of foreign exchange transactions. It has no fixed trading floor and no single governing authority. It is more an informal arrangement among the banks and brokers operating in a financial center to buy and sell currencies and it is connected to each other by tele-communications and satellite communication network. In the wholesale segment of the foreign exchange market, the dealings take place among the banks. However, in the retail segment of this market, the dealings take place between banks and their customers. The retail segment is located at different places of large cities. They cannot be considered as foreign exchange markets, but as the counters of such markets. ii. Size: Foreign exchange market is the largest financial market with a daily turnover of over USD 3 Trillion. Although forex markets were primarily developed to facilitate settlement of debts arising out of international trade, presently the turnover of this market is equivalent to the magnitude of world trade in goods and services. The largest foreign exchange market is London, followed by New York, Tokyo, Zurich and Frankfurt. iii. 24 hours market: The global foreign exchange market is a twenty-four-hour, non-stop market. Currency trading is carried out around the clock, around the globe. As foreign exchange centres are spread throughout the world, at any given point of time, some centers are closed while others are open for trade.

NSOU ? PGCO-III ? 39 For example, Europe's morning hours overlap with the late hours in Asia, and Europe's afternoon hours correspond to the morning hours in North America. The different time zones make the global foreign exchange market a real-time market. iv. Heavy trading during overlapping hours: Some centers are characterized by very heavy trading during certain times when their business hours overlap with those of many other trading centers. For example the morning business hours of New York and the afternoon business hours of London overlap and therefore, very heavy trading takes place during these hours in these two centers. This happens because participants can have access to the maximum number of potential buyers and sellers when many trading centers are open. v. Vehicle currency: The US dollar is sometimes called a vehicle currency because of its pivotal role in so many foreign exchange deals. A vehicle currency is one that is widely used to denominate international contracts made by parties who do not reside in the country that issues the vehicle currency. The Euro, which was introduced at the start of 1999, will evolve into a vehicle currency on a par with the dollar. Japanese yen is the third most important currency. The pound sterling, once second position to the dollar as a key international currency, has declined greatly in importance after the emergence of Euro. vi. Settlement of transactions: Forex markets make extensive use of the latest developments in telecommunications for transmitting as well as settling foreign exchange transactions. Banks use the exclusive network SWIFT to communicate messages and settle the transactions at electronic clearing houses such as CHIPS at New York. 2.5 Participants in the Foreign Exchange Market The participants in the foreign exchange market comprise of the following: i. Individuals: At the primary level, individuals who get remittances denominated in a foreign currency may sell their foreign currency for domestic currency, and those who travel abroad may buy foreign currency. ii. Corporates: The business houses, international investors and multinational corporations engaged in international business, may buy or sell foreign currency.

40 ? NSOU ? PGCO-III They operate by placing orders with the commercial banks. The deals between banks and their clients form the retail segment of foreign exchange market. iii. Commercial banks: Commercial banks are the major players in the market. They buy and sell currencies for their clients. They may also operate on their own. iv. Investors: Investors, including institutional investors may also require foreign currency for their direct investment or portfolio investment purposes. v. Dealers and Brokers: Dealers and brokers play a major role to buy and sell foreign currencies. Dealers act as a principal in a transaction and conduct business in their own account by committing their own funds, while brokers act as agents for an actual buyer/seller of foreign exchange and do not commit their own funds. Brokers do not take positions and, therefore, are not exposed to foreign exchange risks. They rely on the brokerage commission or fees that they receive from their clients. Dealers, on the other hand, rely on their bid-ask spread. There are different types of dealers. For example, in India an authorized dealer (AD) is an entity that is authorized by the RBI, to buy and sell foreign exchange. ADs are usually commercial banks, but non-bank entities may also be given this privilege. A money changer is an entity (which is not an AD) that is authorized by the RBI to trade in foreign exchange with non-banking clients (such as individuals), but has to surrender all foreign exchange received, to an AD. A market maker is an entity (usually a commercial bank) that offers two-way quotes (bid and ask) in the foreign exchange market. vi. Central Bank: The central bank of a country buys and sells foreign exchange with the view to stabilizing exchange rates and maintaining them within a range that it considers appropriate. The above individuals and institutions that participate in the forex market may also be classified as hedgers, arbitragers and speculators. Hedgers participate in the forex market to reduce the foreign exchange risk. They try to insure themselves against adverse foreign exchange rate movements while benefiting from favorable movements. Arbitragers attempt to make risk-less profits by entering into foreign exchange transactions simultaneously in two or more market centers. Speculators take positions in the forex market by anticipating whether the exchange rate will go up or down. They take positions to profit from exchange rate fluctuations.

NSOU ? PGCO-III ? 41 2.6 Structure of the Foreign Exchange Market or Market Segments of the Foreign Exchange Market The foreign exchange market is divided into wholesale market and retail market. The wholesale market is also known as the interbank market. The participants in this market consist of commercial banks, investment banks, central banks, corporations and high-net- worth individuals. These entities are discussed briefly: ? Commercial banks buy and sell foreign currencies for their customers and trade large volumes of foreign exchange with each other. ? Investment banks and other financial institutions (e.g. insurance companies, mutual funds, hedge funds etc.) also enter the forex market and become direct competitors to commercial banks. ? Domestic and multinational corporations participate in the forex market for their business purposes. Some high-net-worth individuals also participate in this market to meet their investment needs. ? The central banks of different countries may also participate in the forex market in order to control money supply, inflation and interest rates by influencing exchange rate movements in a particular direction. Among these participants, primary price makers or professional dealers make a two- way quotation to each other and to their clients. This group includes mainly commercial banks but some large investment dealers and a few large corporations also play the role of primary dealers. Three-tier system is observed among the professional dealers. In the first tier, a few giant multinational banks deal in a large number of currencies, in large amounts and often deal directly with each other without using brokers. In the second tier, there are large banks who deal in a smaller number of currencies and use the services of brokers more often. The last tier includes local institutions which make the market in a very small number of major currencies against their home currency. In the interbank market, currency notes rarely change hands. The buying/selling of a particular currency is actually the buying/selling of a demand deposit denominated in their currency. The retail market segment consists of trades between commercial banks and their corporate and non-corporate clients. Such trades are called merchant trades. Companies

42 ? NSOU ? PGCO-III need to buy/sell foreign exchange due to exports/imports, overseas loans, foreign exchange remittances (inward and outward) and inter-subsidiary transfers. Individuals need foreign exchange to meet the needs of education, medical treatment, tourism and travels. They may also wish to convert gifts of foreign currency into domestic currency. Currency notes, traveler's cheques and bank drafts are the common instruments in the retail market. Authorized restaurants, hotels, shops, banks and other entities deal with these instruments to provide easy access to foreign exchange for individual customers and also to convert their foreign currency into their home currency. The bid-ask spreads in the retail market are much wider than those of primary price makers. The transaction costs are also higher in this segment as compared to wholesale segment because of the small fraction of the turnover in the foreign exchange market. 2.7 Functions of the Foreign Exchange



Market The foreign exchange market serves the following important functions: i. To effect transfer of purchasing power between countries which is known as transfer function; ii. To provide credit for foreign trade which is called credit function; and iii. To minimize exposure to the risks of exchange rate changes that is known as hedging function. These functions are explained below: Transfer function Each country has a currency in which the prices of goods and services are quoted. In the United States, it is dollar (\$); in Great Britain, it is pound (£); in Japan, it is the Yen (¥) and so on. In general, within the borders of a particular country, one must use the national currency. This is not true for outside of a particular country. For example, a U.S tourist cannot use U.S dollars in Scotland to buy a bottle of Scotch whisky. Dollars are not recognized as legal currency in Scotland, the tourist must use British pounds. Fortunately, the tourist can go to a bank and exchange his/her dollars for pounds. Then he/she can buy the whisky. Thus, the basic function of the foreign exchange market is to facilitate the conversion of one currency into another, i.e., to accomplish transfers of purchasing powers between two countries. Transfer of purchasing power is necessary because international trade and NSOU ? PGCO-III ? 43 capital transactions normally involve parties living in countries with different national currencies. Usually participants in the forex market want to deal in its own currency, but the trade on capital transactions can be taken place outside the domestic market. Hence, they must deal in a foreign currency. When a tourist goes from one country to another, he/she is participating in the foreign exchange market. However, tourists are minor participants in the forex market; companies engaged in international trade and investment are major ones. International businesses have four main uses of foreign exchange markets. First, the payments a company receives for its exports, the income it receives from foreign investments, or the income it receives from licensing agreements with foreign firms may be in foreign currencies. To use those funds in its home country, the company must convert them to its home country's currency. For example, a company in Scotland exports its whisky to the United States. For this purpose, the Scotch company receives dollars, but since those dollars cannot be spent in Great Britain, they must be converted into British pounds. Second, international businesses use foreign exchange markets when they must pay a foreign company for its products or services in its country's currency. For example, a large British travel company arranges vacations for British school children and their teachers in France. French hotel proprietors demand payment in Euros, so British company must convert large sums of money from pounds into Euros to pay them. Third, international businesses use foreign exchange markets when they have additional cash that they wish to invest for short terms in money markets. For example, consider a U.S company that has \$100 million it wants to invest for six months. The maximum interest in US market may be 7 percent. However, the company may earn 13 percent if it invests in South Korean money market. Thus, the company may change its \$100 million into Korean won and invest it in South Korea. Note that the actual rate of return it earns on this investment depends not only on the Korean interest rate, but also on the charges in exchange rate between won and dollar during the intervening period. Finally, currency speculation is another use of foreign exchange markets. Currency speculation involves the short-term movement of funds from one currency to another in the hope of earning profits from shifts in exchange rates. For example, consider a U.S. company with \$10 million to invest for three months. Suppose the company suspects that the U.S. dollar is overvalued against the Japanese yen. In other words, the company expects the value of the dollar to depreciate against that of the yen. Suppose the current 44 ? NSOU ? PGCO-III dollar/yen exchange rate is \$1 = ¥120. The company exchanges its \$10 million into yen, receiving ¥1.2 billion. Over the next three months, the value of the dollar depreciates until \$1 = ¥100. Now the company exchanges its ¥1.2 billion back into dollars and finds that it has \$12 million. The company has made a \$2 million profit on currency speculation in three months on an initial investment of \$10 million.

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Credit function Another function of the foreign exchange market is to provide credit, both national and international, to promote foreign trade.

Because the movement of goods between countries takes time, inventory in transit must be financed. Specialized instruments, such as bankers' acceptances and letters of credit are available to finance international trade. Hedging function A third function of the foreign exchange market is to hedge foreign exchange risk. In

the context of forex market, hedging means covering risk arising from changes in the exchange rate. In a free exchange market when exchange rates

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change, there may be a gain or loss to the party concerned. Under this condition, a person or a firm undertakes a great exchange risk if there are huge amounts of net claims or net liabilities which are to be met in foreign money. Exchange risk as such should be avoided. For this the exchange market provides facilities for hedging anticipated or actual claims or liabilities through forward or futures contracts in exchange.

For instance, suppose an Indian importer imports goods from the USA for \$10 million and he needs this amount for making payments to the exporter. For this purpose, he will purchase US dollar futures contract which would lock in the price to be paid to the exporter in terms of US dollar at a future settlement date. By holding a futures contract, the importer does not have to worry about any change in the spot rate of the US dollar over time. On the other hand, if the Indian exporter exports goods to a US firm and has to receive US dollar for the exports, the exporter would sell a US dollar futures contract. This way the exporter will be locking in the price of the export to be received in terms of US dollar. Thus, the forex market provides 'hedging' facilities for transferring foreign exchange risk. 2.8 Exchange Rates An

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exchange rate is the rate at which one currency can be exchanged for another. It is the price of one currency

expressed in terms of another currency.

In this context you

NSOU ? PGCO-III ? 45 keep in mind basic pricing, say the price of an apple. If the price is Rs 50/apple, the price is Rs 50, the unit is the apple. Just as a product has a price in a store, a unit of currency has a price. For example, a book in a British airport can cost 13.25 British pounds or 30 US dollars. Likewise, a euro can cost either £0.72 or \$1.17. £13.25 £0.72 \$30.00 \$1.17 Focusing on the US dollar price for the book and the euro, these are the two ways to look at a transaction- from the customer perspective and from the store perspective. In the case of the book, from the customer perspective, the customer gets a book in exchange for 30 dollars. 30 USD Book This relationship can be written in terms of an 'exchange rate': 1book 1 30 USD 30 ? book/USD = 0.03 book/USD

46 ? NSOU ? PGCO-III This ratio says that the customer gets one book per 30 US dollars. Or, we put another way; one-thirtieth of a book per 1 US dollar. From the store perspective, it gets 30 US dollars per book, or: 30 USD 30 1book 1 ? USD/Book =30 USD/Book This rate says that the store gets 30 U.S. dollars per one book. You note that the exchange rates above-1/30 book/USD and 30/1 USD/Book- are simply inverse ratios of one another. In the case of the euro, from the customer perspective, the customer gets one euro in exchange for 1.17 US dollars. 1.17 USD 1 euro The exchange rate then is: 1euro 1 1.17 USD 1.17 ? Euro/USD = 0.85 euros/USD This ratio 0.85 Euros/USD says that the customer gets 1 euro per 1.17 U.S. dollars. Or, put another way 0.85 Euros per 1 US dollar. The inverse of that ratio gives the store perspective: 1.17 USD 1Euro = 1.17 USD/Euro This ratio says that the store gets 1.17 U.S. dollars per 1 euro.

NSOU ? PGCO-III ? 47 It is no matter which form the exchange rate takes—the ratio or inverse ratio—the relationship between the currencies is the same. Getting 1.17 US dollars per 1 euro is the same as getting 1 U.S. dollar per 0.85 Euros.

2.9 Foreign Exchange Quotation A foreign exchange quotation (or quote) is a statement of willingness to buy or sell at an announced rate for the two currencies. Quotations may be designated by traditional currency symbols or by ISO (International Standards Organization) codes. Actually ISO developed three-letter codes for all the currencies which abbreviate the name of the country as well as the currency. The codes were developed for use in electronic communications. Some of the major codes are given in the following table:

Currency	Traditional Symbol	ISO code
US Dollar	\$	USD
European Euro	•	EUR
Great British Pound	£	GBP
Japanese Yen	¥	JPY
Australian Dollar	A\$	AUD
Hong Kong Dollar	HK\$	HKG
Indian Rupee	₹	INR
South Korean Won	₩	KRW
Russian Ruble	Р	RUB
Switzerland Franc	Fr	CHF

Today, all wholesale trading, that is, the trading of currencies between major banks in the global market place, uses the ISO codes. Although there are no hard and fast rules in the retail markets and in business periodicals. European and American periodicals have a tendency to use the traditional currency symbols, while many publications in Asia and the Middle East have embraced the use of ISO codes. The paper currencies (bank notes) of most countries continue to use the country's traditional currency symbol.

48 ? NSOU ? PGCO-III 2.9.1 Principles of Exchange Rate Quotes Foreign exchange quotations follow a number of principles/conventions. The inter- bank market uses quotation conventions adopted by ACI (Association Cambiste Internationale). These conventions are explained below:

- Every currency exchange involves two currencies, currency 1 (CUR 1) and currency (CUR2): CUR1/CUR2 a currency pair is denoted by the three letter ISO codes for the two currencies, separated by an oblique or a hyphen. For example USD/INR : US dollar-Indian rupee GBP/JPY : Great Britain Pound-Japanese Yen EUR/USD : European euro-US dollar

ii. The currency to left of the slash is called the base currency or the unit currency. The currency to the right of the slash is called the

price currency or quoted currency. Thus, in USD/INR, US dollar is the base currency and Indian rupee is the quoted currency. iii. The quotation always indicates the number of units of the quoted currency, CUR2, required in exchange for receiving one unit of the base currency, CUR1. For example a USD/INR quotation will be given as number of rupees per dollar. Thus, a quotation of USD/INR 68 designates the US dollar (USD) as the base currency and Indian rupee (INR) as the quoted currency and the exchange rate is INR 68.00 = USD 1.00. If you can remember that

the currency quoted on the left of the slash is always the base currency and

always a single unit, you can avoid confusion. iv. Although a newspaper or magazine article will state an exchange rate as a single value, the retail or wholesale market for buying and selling currencies, uses two different rates, one for buying and one for selling. Thus, a quotation consists of two prices- bid price and ask price. This way of quoting exchange rate is known as two-way quotations. A two-way quotation gives

the exchange rate at which an authorized dealer (AD) is ready to buy a currency in the currency pair, and the exchange rate at which the AD is ready to sell a currency

in the currency pairs. A bid is the price (i.e., exchange rate) in one currency at which a dealer will buy another currency.

An ask price is the price (i.e., exchange rate) at which a

NSOU ? PGC0-III ? 49 dealer will sell the other currency. The price shown on the left of the oblique is the bid price and the price on the right is the ask price. For example, GBP/EUR 1.4015/1.4025 The dealer will buy 1 GBP and pay EUR 1.4015 in return. His bid rate for GBP is EUR 1.4015. He will sell one GBP and would want to be paid EUR 1.4025 in return. His ask rate for one GBP is EUR 1.4025. v. Quotations in inter-bank markets are usually given upto five or six significant digits and for decimal places. The last two digits have a value of 0.0001 if the currencies are quoted to four decimal places. The last two digits are called 'points' or 'pips' which represents the smallest price increment a currency can make against another currency in foreign exchange trading. vi. The quotations are usually shortened as follows: GBP/JPY: 1.5660/1.5670 will be given as 1.5660/70. When two dealers are conversing with each other, this may be further shortened to 60/70. The first three digits viz. 1.56 are known as the 'big figure' and professional dealers are supposed to know what the big figure is at all times. The quotations are always with respect to the dealers. For example, EUR/USD 1.2170/1.2178 Or 1.2170/78 EUR-Base currency You can sell 1 euro for 78 - Traders may quote \$1.2170-Bid price only the last two digits USD - Quoted currency You can buy 1 euro for on a rate. \$1.2178-Ask price However, according to Eiteman et al., the order of currencies in quotations used by traders is quite confusing. As noted by one major international banking publication: The notation EUR/USD is the system used by traders, although mathematically it would be more correct to express the exchange rate the other way around, as it shows how many USD have to be paid to obtain EUR 1. This is why the following currency quotes are also expressed as: EUR/USD 1 .2170 → \$1.2170/• USD/JPY 83.16 → ¥83.16/\$ GBP/USD 1.5552 → \$1.5552/£

50 ? NSOU ? PGC0-III and so on. vii. For every quote (A/B) between two currencies, there exist an inverse quote (B/ A), where currency A is being bought and sold with its price expressed in terms of B. Thus, a (B/A) quote is ask bid 1 1 A A B B ? ? ? ? ? ? ? ? ? ? 2.9.2 Direct and Indirect Quotations A direct quote is the price of a foreign currency in domestic currency units. In direct quote, the home currency fluctuates and the foreign currency against which it is quoted remains constant. Thus, a direct quote is a quote where the exchange rate is expressed in terms of number of units of the home currency of that country per unit of foreign currency. For example, if we say that \$1 = Rs. 68, we are expressing one unit of dollar (a foreign currency for an Indian) in terms of some units of domestic currency. Therefore, it is a dollar direct quote for an Indian in India and it is also expressed as USD/INR 68 or INR 68 per USD. Let us take another example. A woman might see the following quote in Paris: EUR 0.8415 = USD 1.00 In France, the home currency is the euro and the foreign currency is the dollar. This quotation in France is termed as a direct quote on the dollar or a price quote on the dollar. Verbally, she might say to herself "0.8415 euro per dollar" or "it will cost me 0.8415 euros to get one dollar". At the same time a man in New York City may see the following quote in a bank window: USD 1.1883 = EUR 1.00 In New York, the home currency is the dollar and the foreign currency is the euro. Thus, this would be a direct quote on the euro in the New York (the home currency price of one unit of foreign currency). An indirect quote is the price of the domestic currency in foreign currency units. In indirect quote, the foreign currency fluctuates and the home currency remains constant. Thus, an indirect quote is a quote where the exchange rate is expressed in terms of units of the foreign currency per fixed number of units of home currency. For example, if we say that ₹ 1 = \$0.0147, we are expressing a standard unit of rupee (domestic currency for an Indian) in terms of some units of foreign currency (\$). Thus, in this type of quote,

NSOU ? PGCO-III ? 51 the foreign currency fluctuates and the home currency remains constant. In ISO code the above indirect quotation is expressed as INR/USD 0.0147 or USD1.4705 per INR100 where unit for rupees is 100s. In the previous France-New York example of direct quotes, the corresponding indirect quotations for the two countries will be as follows: In France : USD1.1883 = EUR 1.00 In New York : EUR0.8415 = USD 1.00 The two quotes are obviously equivalent, one being the reciprocal of the other:  $1 \text{ EUR} \times 0.8415 / \text{USD} = \text{USD } 1.1883 / \text{EUR}$  As the indirect quotation is the reciprocal of the direct quote, one can obtain an indirect quote, given a direct quote and vice versa.

2.9.3 European terms and American terms European terms have been market practice for quotations in most of the countries of the past 60 years or more where the base currency is the US dollar. It refers to the quoting of the quantity of a specific currency per one US dollar. It means that whenever a currency's value is quoted, it is quoted in terms of number of units of currency to equal one US dollar. The result is that most currencies are quoted per U.S. dollar— Japanese yen per U.S. dollar, Brazilian real per U.S. dollar, Chinese renminbi per U.S. dollar and so on. There are two major exceptions to this rule of using European terms: the euro and the U.K pound sterling. Both are normally quoted in American terms; the U.S. dollar price of one euro and the US dollar price of one pound sterling. Additionally, Australian dollars and New Zealand dollars are normally quoted on American terms. Thus in American terms, USD becomes the quoted currency against these currencies (i.e., euro, U.K pound, etc.). American terms are used in quoting rates for most foreign currency options and futures, as well as in retail markets that deal with tourists and personal remittances. However, this is largely a result of established practices which have been perpetuated, not based on some basic laws of nature or finance. For instance, GBP 0.6210/USD, read as "0.6210 British pounds per US dollar" is a quotation in European terms (i.e., the foreign currency price of one US dollar). The USD1.6103/GBP, read as "1.6103 US dollars per British pound" is a quotation in American terms (i.e., the US dollar price of one unit of the foreign currency).

52 ? NSOU ? PGCO-III Let us take another example of currency quotations in European terms and American terms. Let us also assume that we are having two currencies-U.S. dollar (USD) and euro (EUR). European terms American terms ? ? Foreign currency price of one dollar (USD) US dollar price of one euro (EUR) ? ? USD/EUR 0.7125 EUR/USD 1.4035 Or Or USD 1.00 = EUR 0.7125 EUR 1.00 = USD 1.4035 ? ? USD is the base or unit currency EUR is the base or unit currency EUR is the quoted or price currency USD is the quoted or price currency Thus,  $1 \text{ EUR} \times 0.7125 / \text{USD} = \text{USD } 1.4035 / \text{EUR}$  It indicates that American terms and European terms are reciprocals. Foreign exchange traders may also use nicknames for major currencies. Some of the nicknames are as follows: Nick names Currency/ Currency pair Cable Exchange rate between U.S. dollars and U.K. pounds sterling Loonie Canadian dollar Kiwi New Zealand dollar Aussie Australian dollar Swissie Swiss francs Sing dollar Singapore dollar and so on.

NSOU ? PGCO-III ? 53 2.9.1 Spread

Spread is the difference between the ask price and the bid price

in a two-way quotation. The rate at which the dealer buys the foreign currency is known as bid rate/ price and another rate for selling the foreign currency is referred to as ask rate/price. Since dealers expect profit in foreign exchange operations, the two prices cannot be the same. The dealer will buy the foreign currency at a lower rate and sell the foreign currency at a higher rate and will make their profit from the spread. The spread is affected by a number of factors-such as currency involved, the volume of business, the market sentiments etc. The bid-ask spread may be quite large for currencies that are traded infrequently, in small volumes or both. In percentage terms, spread can be expressed in terms of the following:  $\text{Spread (percentage)} = \frac{\text{Ask price} - \text{Bid price}}{\text{Bid price}} \times 100$   $\text{Ask price} = \text{Bid price} \times \left(1 + \frac{\text{Spread (percentage)}}{100}\right)$   $\text{Bid price} = \frac{\text{Ask price}}{1 + \frac{\text{Spread (percentage)}}{100}}$

2.9.2 Cross rates Many currencies pairs are inactively traded, so their exchange rate is determined through their relationship to a widely traded third currency. A cross rate is the exchange rate between two currencies that are each expressed in terms of a third currency. The third currency is called the vehicle currency. A cross rate can be obtained by multiplying two exchange rates so as to eliminate a third currency that is common to both rates. The most common use of cross rate calculations is to determine the exchange rate between two currencies that are quoted against the US dollar but not against each other. Suppose there are three currencies A, B and C. Currency B is expressed in terms of A and currency C is also expressed in terms of A. Therefore, currency A is the vehicle currency. But currency B and C are not expressed in terms of each other. A cross rate is the exchange rate between currency B and C, using the exchange rates between currencies A and B, and currencies A and C. That is:  $B = \frac{B}{A} \times A = \frac{B}{A} \times \frac{A}{C} \times C$  ? ?

54 ? NSOU ? PGCO-III Accordingly, bid bid bid B B A , C A C ? where bid ask A 1 C C A ? ?  
? ? ? ? ? ? ? ? ? ? ? ? ? ? ask ask ask B B A C A C ? , where ask bid A 1 C C A ? ? ? ? ? ? ? ? ? ? ? ? ? ?

2.9.3 Spot exchange rate and Forward exchange rate Spot exchange rates are applicable to the purchase and sale of foreign exchange on an immediate delivery basis. Spot rate refers to the rate of exchange of the day on which the transaction has taken place for delivery within two business days. The forward exchange rate is the rate at which the actual exchange of currencies takes place at a specified date in the future. In general, spot rate and forward rates have two-way quotations, i.e. the quotation contains both the bid rate and the ask rate. If a forward rate in home currency is more than the spot rate, the

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foreign currency is said to be at a forward premium			

and if it is less than the spot rate, the foreign currency is at a forward discount. If the forward rate is equal to the spot rate, the foreign currency is said to be flat. The forward premium or discount can be expressed as an annualized percentage as follows: Annualized percentage forward premium/discount Forward rate Spot rate 360 100 Spot rate n ? ? ? Where n refers to the number of days for which the forward contract has been made. 2.9.4 Illustrations Problem 1 Identify whether the following is a direct quote in the USA. If not, find it.

NSOU ? PGCO-III ? 55 a) ≠ 69 = 1\$ b) GBP 1 = \$0.748 Solution A direct quote is one where one unit of foreign currency is expressed as some units of domestic currency. In the USA, \$ is the home currency. a) No. this is indirect quote in the USA. Direct quote in the USA would be ≠ 1 = \$ 1 69 = \$0.0144 b) This is a direct quote in the USA. Problem 2 From a Japanese point of view, which of the following is direct quote? Which is the indirect quote? a) JPY/GBP 310 b) GBP/JPY 0.00322 c) JPY/USD 230 d) USD/JPY 0.00434 Solution A direct quote is one where one unit of foreign currency is expressed as some units of domestic currency. For Japan, JPY is the home currency. a) Direct quote b) Indirect quote c) Direct quote d) Indirect quote Problem 3 A quotation is given as USD/CHF 1.6370/75 a) What are the two currencies involved? b) Is the rate being stated as USD per CHF or CHF per USD?

56 ? NSOU ? PGCO-III c) At what rate will the bank give the quote to buy USD? d) At what rate will it sell USD? e) How much is the bid-offer spread in points? Solution a) The two currencies are US dollar and Swiss franc b) The rate is being stated as CHF per USD or CHF price of 1 USD c) The bank will buy 1 USD for 1.6370 CHF d) The bank will sell 1 USD for 1.6375 CHF e) The bid-offer spread is 5 points. Problem 4 Given the bid-ask quotes for JPY/GBP 320-330, at what rate will: a) Mr. A purchase GBP? b) Mr. B sell GBP? c) Mr. C purchase JPY? d) Mr. D sell JPY? Solution a) Mr. A will purchase GBP at 330 b) Mr. B will sell GBP at 320 c) Here JPY/GBP 320 i.e., GBP/JPY 1/320 = 0.00312 Therefore, Mr. C will purchase JPY at 0.00312 d) Here JPY/GBP 330 i.e., GBP/JPY 1/330 = 0.00303 Therefore, Mr. D will sell JPY at 0.00303.

Problem 5 From the data given below, calculate forward premium or discount, as the case may be, of the dollar in relation to the rupee. Spot 1month forward 3monthsforward /\$ 67.8441/ 68.0144 68.1235/3000 67.5045/ 6456 ?

NSOU ? PGCO-III ? 57 Solution Since 1 month forward rate is higher than the spot rate, the U.S. \$ is at premium. The premium amount is determined separately both for bid price and ask price. Premium with respect to bid price = 68.1235 67.8441 360 100 67.8441 30 ? ? ? = 4.94 per cent per annum Premium with respect to ask price = 68.3000 68.0144 360 100 68.0144 30 ? ? ? = 5.04 per cent per annum In the case of 3 months forward, since spot rates are higher than the forward rates, the U.S. \$ is at a discount. Discount with respect to bid price = 67.5045 67.8441 360 100 67.8441 90 ? ? ? = - 2.00 per cent p.a Discount with respect to ask price = 67.6456 68.0144 360 100 68.0144 90 ? ? ? = - 2.17 per cent p.a

Problem 6 Calculate the cross rates for: a) Dinar/US dollar (ID/USD) b) /shekel (INR/NIS) c) Maltese lira/rupee (LM/INR) from the direct exchange rates provided by an AD. USD 1.1710/1• ≠ 17.10/AUD ≠ 44.20/USD Dinar 7.71/1• Shekel 6.40/AUD Maltese Lira 57.50/USD Solution Step 1: Identify the vehicle currency from two currency pairs.

58 ? NSOU ? PGCO-III Step 2: Calculate the appropriate exchange rates needed for the cross rate. Step 3: Apply the formula for the cross rate. Exchange rate Vehicle Cross rate required currency Dinar/USD(IS/USD) Euro(•) Dinar Dinar Euro USD Euro USD ? ? Dinar Euro = Dinar 7.71/euro Euro 1 1 USD USD/ Euro 1.1710 ? ? = Euro 0.8539 / USD Therefore ID/USD = (7.71) x (0.8539) = Dinar 6.5836/USD Rs/Shekel(INR/NIS) AUD (Rs/Shekel) = (Rupee/AUD) (AUD/Shekel) Rupee/AUD = Rs 17.10/AUD AUD/Shekel = 1 / (shekel/AUD) = 1/6.40 = 0.1563 Therefore, INR/NIS = (17.10)(0.1563) = Rs 2.6727/Shekel Maltese Lira/Rs USD (LM/INR) = (LM/USD) x (USD/INR) (LM/INR) (LM/USD) = LM 57.50/USD (USD/INR) = ? ? INR USD 1 1 44.20 ? = USD 0.0226/INR Therefore, (LM/INR) = (57.50)(0.0226) = LM 1.2995/INR 2.10 Concept of Devaluation and Revaluation of Domestic Currency In a fixed

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exchange rate regime, reduction in the value of a currency relative to another currency is called devaluation of a currency. In

other words, devaluation refers to NSOU ? PGCO-III ? 59 any increase in

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the exchange rate of the domestic currency relative to a foreign currency. The opposite

phenomenon is known as revaluation or up-valuation of currency. Thus, revaluation refers to an increase in the value of the currency relative to another currency.

For example, if the Government of India changes its official exchange rate from USD/ INR 68 to USD/INR 70, it implies that the Indian rupee has been devalued against the US dollar. On the other hand, if the Government of India changes its official exchange rate from USD/INR 70 to USD/INR 66, it implies that the Indian rupee has been revalued or up-valued against the US dollar. However, in the floating exchange rate regime, a fall in a currency value relative to another currency is known as depreciation of currency and any increase in a currency value relative to another currency is known as appreciation of currency. It should be noted that the difference between devaluation and depreciation is that while devaluation is reduction of the external value of a currency as arbitrarily decided upon by the Government, depreciation stands for automatic reduction in the external value of a country's currency by market forces. However, both imply the same thing, i.e., lower value of the local currency in terms of foreign currencies. Similarly, both devaluation and depreciation produce similar effects-increase exports (by making local goods cheaper to foreigners), curtail imports (by making foreign goods expensive) and ultimately correct an adverse balance of payments and make it a favorable one.

2.11 Devaluation as a Policy for Correcting Deficit in the Balance of Payments In this section, the method of correcting a deficit in the balance of payments has been examined by depreciation or devaluation of the nation's currency. The term, depreciation, is related to flexible exchange rate system and devaluation is related to fixed exchange rate system. Devaluation refers to the deliberate (policy) increase in the exchange rate by the nation's monetary authorities from one fixed or pegged level to another. If a country devalues its currency, its import prices rise and this leads to a fall in the demand for imports. At the same time, prices of exports of the devaluing country will decrease in the world market. So as a result of devaluation, imports will fall on the one hand and exports will rise on the other. Hence, the balance of payments of the devaluing country is likely to improve. Since both depreciation and devaluation operate on prices to bring about adjustment in the nation's balance of payments, they are both referred to as the

60 ? NSOU ? PGCO-III price adjustment mechanism. This is to be distinguished from the income adjustment mechanism, which relies on income changes in the nation and abroad. However, there is no guarantee that devaluation will always lead to an improvement in the balance of payments. There are two approaches to consider the effectiveness of devaluation as a policy for correcting deficit in the balance of payments. The first approach is known as the elasticity approach, developed by Marshall and Lerner and the second approach is known as the absorption approach, developed by Sidney Alexander. These two approaches are discussed below: [The following discussion has been adopted from International Economics, written by Salvatore, D. For a better understanding of the present section you are advised to go through the above reference] 2.11.1 Elasticity Approach When a country suffers from deficit in the balance of payments, it wants to correct that deficit by raising the rate of exchange i.e., by devaluing its home currency. The condition under which devaluation will be successful has been discussed by Marshall and Lerner. The condition states that devaluation will be successful if

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the sum of absolute values of elasticities of demand for exports and imports is greater than unity.			

This condition is called the Marshall – Lerner condition. It is also known as elasticity approach as it is based on

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elasticities of demand for exports and imports. We now derive mathematically the Marshall–Lerner condition that the sum of the elasticities of the demand for imports and			

the demand for exports must exceed 1 for the foreign exchange market to be stable. This is valid when the supply curves of imports and exports (i.e.,  $S_M$  and  $S_X$ ) are both infinitely elastic, or horizontal and initially there is equilibrium in the balance of payments. To derive the Marshall–Lerner condition mathematically, let:  $X$  = quantity of exports  $M$  = quantity of imports  $P_X$  and  $P_M$  = prices of exports and imports in foreign currency  $q_X$  and  $q_M$  = prices of exports and imports in terms of domestic currency  $r$  = rate of exchange defined as units of domestic currency per unit of foreign currency i.e., 1 unit of foreign currency =  $r$  units of domestic currency

NSOU ? PGCO-III ? 61 Price elasticity of the demand for exports  $\epsilon_X = \frac{X}{P_X} \frac{dP_X}{dX}$  and  $\epsilon_M = \frac{M}{P_M} \frac{dP_M}{dM}$ . Therefore,  $\epsilon_X = \frac{X}{P_X} \frac{dP_X}{dX}$  and  $\epsilon_M = \frac{M}{P_M} \frac{dP_M}{dM}$ . Price elasticity of the demand for imports  $\epsilon_M = \frac{M}{P_M} \frac{dP_M}{dM}$ . Therefore,  $\epsilon_X = \frac{X}{P_X} \frac{dP_X}{dX}$  and  $\epsilon_M = \frac{M}{P_M} \frac{dP_M}{dM}$ . By definition  $P_X \cdot r = q_X$  and  $P_M \cdot r = q_M$ . Balance of trade in foreign currency It is assumed that demand for exports depends on foreign price of exports  $X = X(P_X) = X(q_X/r)$  and demand for imports is a function of domestic price of imports  $M = M(q_M) = M(P_M \cdot r)$ . Now  $B = X \cdot P_X - M \cdot P_M = X \cdot q_X/r - M \cdot P_M \cdot r$ . Since supply of exports is infinitely elastic,  $q_X$  is constant. Similarly since the supply of imports is infinitely elastic  $P_M$  is also constant. Then  $B$  is a function of  $r$  only. When devaluation takes place,  $r$  increases. Now devaluation will be successful if  $dB > 0$  when  $dr > 0$ .

Differentiating  $B$  with respect to  $r$  we get  $\frac{dB}{dr} = \frac{d}{dr} \left( \frac{X \cdot q_X}{r} - M \cdot P_M \cdot r \right) = -\frac{X \cdot q_X}{r^2} - M \cdot P_M$ . For devaluation to be successful,  $\frac{dB}{dr} > 0$  when  $dr > 0$ . This implies  $-\frac{X \cdot q_X}{r^2} - M \cdot P_M > 0$  or  $\frac{X \cdot q_X}{r^2} < -M \cdot P_M$ .

62 ? NSOU ? PGCO-III ?  $\frac{X \cdot q_X}{r^2} < -M \cdot P_M$  or  $\frac{X}{M} < \frac{r^2 \cdot P_M}{q_X}$ . Since  $\frac{X}{M} = \frac{P_M \cdot r}{q_X}$  (from  $B = 0$  in initial position), we have  $\frac{P_M \cdot r}{q_X} < \frac{r^2 \cdot P_M}{q_X}$  or  $1 < r$ . This is the Marshall – Lerner condition for successful devaluation. The condition states that for successful devaluation, the sum of absolute values of demand elasticities for exports and imports should be greater than unity. 2.11.2 Absorption approach A nation can correct a deficit in its balance of payments by devaluation. Because the improvement in the nation's trade balance depends on the price elasticity of demand for its exports and imports, this method of correcting a deficit is referred to as the elasticity approach. The improvement in the deficit nation's trade balance arises because devaluation stimulates the nation's exports and discourages its imports. However, the elasticity approach has been criticized on several grounds. Firstly, when



NSOU ? PGCO-III ? 63 devaluation takes place, it is difficult to measure real-world values of elasticities of demand for exports and imports. Different studies confirm that the sum of the elasticities of the demand for imports and the demand for exports is either below or very close to 1 in absolute value and the pre-war elasticity optimism was replaced by post-war elasticity pessimism. Secondly, the regression technique used to estimate elasticities leads to gross underestimation of the true elasticities in international trade which results from the identification problem in estimation (Orcutt, 1950). Thirdly, when the nation's net balance of trade is plotted on the vertical axis and time is plotted on the horizontal axis, the response of the balance of trade to a devaluation looks like the curve of a J and the figure assumes that the original trade balance was zero. This tendency of a nation's balance of trade to deteriorate first before improving as a result of devaluation in the nation's currency is called the J-curve effect. Several studies [e.g., Harberger (1957), Houthakker and Magee (1969), Stern, Francis, and Schumacher (1976), Spitaeller (1980), Artus and Knight (1984) (summarized and reviewed by Goldstein and Khan, 1985), Marquez (1990), and Hooper, Johnson, and Marquez (1998) etc.] have also confirmed the existence of a J-curve effect. Fourthly, there are not only lags in the response of a nation's trade and current account balances to a devaluation of its currency, but also the increase in the domestic price of the imported commodity may be smaller than the amount of the devaluation. Thus, the pass-through from devaluation to domestic prices may be less than complete i.e., less than one. The exchange-rate pass-through is the elasticity of local-currency import prices with respect to the local-currency price of foreign currency, often measured as the percentage change, in the local currency, of import prices resulting from a one percent change in the exchange rate between the exporting and importing countries. For example, a 20 percent depreciation in the nation's currency may result in a less than 20 percent increase in the domestic-currency price of the imported commodity in the nation. The reason is that foreign firms may be reluctant to increase in the price of its exports and are usually willing to absorb at least some of the price increase that they could charge out of their profits. Specifically, a foreign firm may only increase the price of its export commodity by 8 percent and accept a 12 percent reduction in its profits when the other nation's currency depreciates by 20 percent for fear of losing market share. That is, the pass-through is less than 1.

64 ? NSOU ? PGCO-III Sidney Alexander in 1952 developed an alternative approach in this respect which is called Absorption Approach. Alexander explained the Absorption Approach with the help of an identity that production or income (Y) is equal to consumption (C) plus domestic investment (I) plus foreign investment or the balance of trade (X - M), all in real terms where X is the export and M is the import. That is,  $Y = C + I + (X - M)$  Suppose A is equal to domestic absorption (C + I) and B is equal to balance of trade (X - M), we have  $Y = A + B$  By subtracting A from both sides, we get  $Y - A = B$  That is, domestic production or income minus domestic absorption equals the balance of trade. To improve the balance of trade (B) as a result of devaluation, Y must rise and/ or A must fall. If the nation is at full employment, production or real income (Y) will not rise, and the devaluation can be effective only if domestic absorption (A) falls, either automatically or as a result of contractionary fiscal and monetary policies. A devaluation of the deficit nation's currency automatically reduces domestic absorption if it redistributes income from wages to profits (since profits earners usually have a higher marginal propensity to save than wage earners). In addition, the increase in domestic prices resulting from the devaluation reduces the value of the real cash balances that the public wants to hold. To restore the value of real cash balances, the public must reduce consumption expenditures. Finally, rising domestic prices push people into higher tax brackets and also reduce consumption. Since we cannot be certain as to the speed and size of these automatic effects, contractionary fiscal and monetary policies may have to be used to cut domestic absorption adequately. Thus, while the elasticity approach stresses the demand side and implicitly assumes that slack exists in the economy that will allow it to satisfy the additional demand for exports and import substitutes, the absorption approach stresses the supply side and implicitly assumes an adequate demand for the nation's exports and import substitutes. It is clear, however, that both the elasticity approach and the absorption approach are important and both must be considered simultaneously.

NSOU ? PGCO-III ? 65 2.12 Different Exchange Rate Regimes and Their Mechanisms "An exchange-rate regime is the way an authority manages its currency in relation to other currencies and the foreign exchange market"(Wikipedia). One must have an idea in foreign exchange rate regimes to understand foreign exchange rate behaviour better, since the choice of foreign exchange rate regimes can influence how the exchange rate between two currencies moves and fluctuates on foreign exchange markets. The exchange rate can be totally flexible or completely free to float on the foreign exchange market on the one hand, and fixed or pegged to one of the major currencies or a basket of currencies on the other hand. Between these two extremes, there can be a few types of exchange rate arrangements and combinations. The different prevailing exchange rate regimes are explained below: [The following discussion has been adopted solely from International Economics, written by Salvatore, D. For a better understanding of the present section you are advised to go through the above reference, Pp. 656-673]

### 2.12.1 Optimum Currency Areas

An optimum currency area represents a group of nations whose national currencies are linked through permanently fixed exchange rates and the conditions that would make such an area optimum. The currencies of member nations could then float jointly with respect to the currencies of non-member nations. The formation of an optimum currency area also encourages producers to view the entire area as a single market and to benefit from greater economies of scale in production. With permanently fixed exchange rates, an optimum currency area is likely to experience greater price stability than if exchange rates could change between the various member nations. This greater price stability encourages the use of money as a store of value and as a medium of exchange, and discourages inefficient barter deals arising under more inflationary circumstances. An optimum currency area also saves the cost of official interventions in foreign exchange markets involving the currencies of member nations, the cost of hedging, and the cost of exchanging one currency for another to pay for imports of goods and services and when citizens travel between member nations (if the optimum currency area also adopts a common currency). The greatest disadvantage of an optimum currency area is that each member nation cannot pursue its own independent stabilization and growth policies in tune to its particular preferences and circumstances. For example, a depressed region or nation within an optimum currency area might require expansionary fiscal and monetary policies to reduce an excessive unemployment rate, while the more prosperous region or nation might require contractionary policies to curb inflationary pressures. The formation of an optimum currency area is more likely to be beneficial on balance under the following conditions: (1) the greater the mobility of resources among the various member nations, (2) the greater their structural similarities, and (3) the more willing they are closely to coordinate their fiscal, monetary, and other policies. An optimum currency area should aim at maximizing the benefits from permanently fixed exchange rates and minimizing the costs. It is not easy, however, to actually measure the net benefits accruing to each member nation or region from joining an optimum currency area. The case for the formation of an optimum currency area is to some extent also a case for fixed as opposed to flexible exchange rates. In the context of an optimum currency area, in March 1979, the European Union or EU (then called the European Economic Community or EEC) announced the formation of the European Monetary System (EMS) as part of its aim toward greater monetary integration among its members, including the ultimate goal of creating a common currency and a Community-wide central bank. The main features of the EMS were (1) the European Currency Unit (ECU), defined as the weighted average of the currencies of the member nations, was created. (2) The currency of each EU member was allowed to fluctuate by a maximum of 2.25 percent on either side of its central rate or parity. The EMS was thus created as a fixed but adjustable exchange rate system and with the currencies of member countries floating jointly against the dollar. Starting in September 1992, however, the system came under attack, and in August 1993 the range of allowed fluctuation was increased from 2.25 percent to 15 percent. (3) The European Monetary Cooperation Fund (EMCF) was established to provide short and medium-term balance-of-payments assistance to its members. In June 1989, a committee headed by Jacques Delors, the president of the European Commission, recommended a three-stage transition to the goal of monetary union. The first stage, which started in July 1990, called for convergence of economic performance and cooperation in monetary and fiscal policy, as well as the removal of all restrictions to intra-Community capital movements. The second stage, approved at a meeting in the Dutch city of Maastricht in December 1991, called for the creation of a European Monetary Institute (EMI) as the forerunner of a European Central Bank (ECB) to further centralize members' macroeconomic policies and reduce exchange rate margins by January

NSOU ? PGCO-III ? 67 1994. The third stage was to involve the completion of the monetary union by either 1997 or 1999 with the establishment of a single currency and a European Central Bank that would engage in foreign exchange market interventions and open market operations. At the beginning of 1999, the European Monetary System became the European Monetary Union (EMU) with the introduction of the euro and a common monetary policy by the European Central Bank. On January 1, 1999, the euro came into existence as the common currency of 11 countries of the euro area or Euroland (Austria, Belgium, Germany, Finland, France, Ireland, Italy, Luxembourg, Spain, Portugal, and the Netherlands). The creation of the euro is one of the most important events in postwar monetary history: Never before had a large group of sovereign nations voluntarily given up their own currency for a common currency. The European Commission, however, ruled that all countries (except Greece) had made sufficient progress for all to participate in the single currency. The United Kingdom, Denmark, and Sweden chose not to participate because of their unwillingness to lose complete control over their money supply and monetary policy, but they reserved the right to join later. Greece was admitted on January 1, 2001, Slovenia in 2007, Cyprus and Malta in 2008, Slovakia in 2009, and Estonia in 2011—thus increasing the number of members of the Eurozone countries to 17. As of the beginning of 2012, the 17 members of the Eurozone were

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Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia,

and

Spain. (see Figure 1). From January 1, 1999, euros were traded in financial markets, new issues of securities were denominated in euros, and official statistics in the euro area were quoted in euros, but euro bank notes and coins were not introduced until the beginning of 2002. That is, until that date, the euro was only a unit of account and not an actual physical circulating currency. From January 1 until July 1, 2002, euros and national currencies circulated together for nations that so chose, but by July 1, 2002, all national currencies were phased out (taken out of circulation), and euro paper currency and coins became the sole legal tender in the participating members of the euro area. 2.12.2 Currency Board Arrangements Currency board arrangements (CBAs) are the most severe form of exchange rate peg (fixed exchange rate system), short of adopting a common currency or dollarizing (i.e., adopting the dollar as the nation's currency). Under CBAs, the nation rigidly fixes (often by law) the exchange rate of its currency to a foreign currency and its central bank

68 ? NSOU ? PGCO-III ceases to operate as such. CBAs are similar to the gold standard in that they require 100 percent international-reserve backing of the nation's money supply. A nation usually makes this extreme arrangement when it is in deep financial crisis and as a way to effectively combat inflation. CBAs have been in operation in several countries or economies, such as Hong Kong (since 1983), Argentina (from 1991 to the end of 2001), Estonia (from 1992 to the end of 2010), Lithuania (since 1994), Bulgaria (since 1997), and Bosnia and Herzegovina (since 1997). The main advantage of CBAs is the credibility of the economic policy regime which results in lower interest rates and lower inflation in the nation. The cost of CBAs is the inability of the nation's central bank to (1) conduct its own monetary policy, (2) act as a lender of last resort, etc. 2.12.3 Dollarization Under dollarization, a foreign currency acts as legal tender. Besides the Commonwealth of Puerto Rico and the U.S. Virgin Islands, Panama has had full or official dollarization FIGURE 1: The Eurozone Countries as of the Beginning of 2012 (Adopted from Salvatore)

NSOU ? PGCO-III ? 69 since 1904. Ecuador fully dollarized in 2000 and El Salvador in 2001. Since 2001, Nicaragua has nearly fully dollarized and Costa Rica has considered it. The benefits of dollarization arise from the nation (1) avoiding the cost of exchanging the domestic currency for dollars and the need to hedge foreign exchange risks; (2) facing a rate of inflation as a result of commodity arbitrage, and interest rates; (3) avoiding foreign exchange crises and the need for foreign exchange and trade controls, fostering budgetary discipline; and (4) encouraging more rapid and full international financial integration. Dollarization also imposes some costs on the dollarizing country: (1) the cost of replacing the domestic currency with the dollar; (2) the loss of independence of monetary and exchange rate policies; and (3) the loss of its central bank as a lender of last resort to bail out domestic banks and other financial institutions facing a crisis.

2.12.4 Hybrid Exchange Rate Systems Hybrid exchange rate systems combine some of the characteristics of fixed and flexible exchange rates in various degrees. These involve different exchange rate bands of fluctuation about a par value, adjustable peg systems, crawling pegs, and managed floating. These are explained below: Exchange rate bands Most fixed exchange rate systems usually allow the exchange rate to fluctuate within narrowly defined limits. That is, nations decide on the exchange rate, or par value, of their currencies and then allow a narrow band of fluctuation above and below the par value. For example, under the Bretton Woods system, which operated during the postwar period until 1971, the exchange rate was allowed to fluctuate within 1 percent above and below the established par value, or fixed exchange rate. The actual exchange rate under a fixed exchange rate system is then determined by the forces of demand and supply within the band of fluctuation. The advantage of the small band of fluctuation under a fixed exchange rate system is that monetary authorities will not have to intervene constantly in foreign exchange markets to maintain the established par value, but only to prevent the exchange rate from moving outside the allowed limits of fluctuation.

70 ? NSOU ? PGCO-III Adjustable peg systems An adjustable peg system requires defining the par value and the allowed band of fluctuation, with the stipulation that the par value will be changed periodically and the currency devalued to correct a balance-of-payments deficit or revalued to correct a surplus. The Bretton Woods system was originally set up as an adjustable peg system, with nations allowed to change the par value of their currencies when faced with a "fundamental" disequilibrium. A truly adjustable peg system would be one under which nations with balance of-payments disequilibrium would in fact take advantage (or be required to take advantage) of the flexibility provided by the system and change their par values without waiting for the pressure for such a change to become unbearable. For an adjustable peg system to operate as intended, however, some objective rule would have to be agreed upon and enforced to determine when the nation must change its par value. Any such rule would to some extent be arbitrary and would also be known to speculators, who could then predict a change in the par value and profitably engage in destabilizing speculation. Crawling pegs Under crawling peg system or system of "sliding or gliding parities", par values are changed by small preannounced amounts or percentages at frequent and clearly specified intervals, say every month, until the equilibrium exchange rate is reached. The nation could prevent destabilizing speculation by manipulating its short-term interest rate so as to neutralize any profit that would result from the scheduled change in the exchange rate. For example, an announced 2 percent devaluation of the currency would be accompanied by a 2 percent increase in the nation's short-term interest rate. However, this would interfere with the conduct of monetary policy in the nation. Nevertheless, a crawling peg system can eliminate the political stigma attached to a large devaluation and prevent destabilizing speculation. The crawling peg system can achieve even greater flexibility if it is combined with wide bands of fluctuation. Nations wanting to use a crawling peg must decide the frequency and amount of the changes in their par values and the width of the allowed band of fluctuation. A crawling peg seems best suited for a developing country that faces real shocks and differential inflation rates.

NSOU ? PGCO-III ? 71 Managed floating Under a managed floating exchange rate system, the nation's monetary authorities are entrusted with the responsibility of intervening

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in foreign exchange markets to smooth out short-run fluctuations in exchange rates

without attempting to affect the long-run trend in exchange rates. To the extent that they are successful, the nation receives most of the benefits that result from fixed exchange rates while at the same time retaining flexibility in adjusting balance-of-payments disequilibria. Under a managed float there is still a need for international reserves, whereas under a freely floating exchange rate system, balance-of-payments disequilibria are immediately and automatically corrected by exchange rate changes (with stable foreign exchange markets) without any official intervention and need for reserves. However, the freely floating exchange rate system will experience exchange rate fluctuations that the managed float attempts to moderate. What proportion of the short-run fluctuation in exchange rates monetary authorities succeed in moderating under a managed floating system depends on what proportion of the short-run excess demand for or supply of foreign exchange they absorb. This, in turn, depends on their willingness to intervene in foreign exchange markets for stabilization purposes and on the size of the nation's international reserves. The larger the nation's stock of international reserves, the greater is the exchange rate stabilization that it can achieve. The present system thus exhibits a large degree of flexibility and more or less allows each nation to choose the exchange rate regime that best suits its preferences and circumstances. In general, large industrial nations and nations suffering from greater inflationary pressures than the rest of the world have opted for greater exchange rate flexibility than smaller developing nations or highly specialized open economies. Under the 1976 Jamaica Accords (which more or less formally recognized the de facto managed floating system in operation since 1973), a nation may change its exchange rate regime as conditions change, as long as this does not prove disruptive to trade partners and the world economy. In recent years a near consensus seems to be emerging that nations should only consider and choose between rigidly fixed exchange rates or fairly flexible ones. Intermediate systems are considered less attractive because they are more likely to lead to destabilizing speculation and thus become more easily unsustainable.

72 ? NSOU ? PGC0-III 2.13 Summary ? Foreign exchange market or the forex market or FX

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market is an institutional arrangement for buying and selling of foreign currencies. Exporters sell the foreign currencies and importers buy them. ? The

features

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of foreign exchange market are: (i) Foreign exchange market is considered as an over the counter (OTC) market as there is no

physical place the participants meet to execute the deals of foreign exchange transactions. (ii) Foreign exchange market is the largest financial market with a daily turnover of over USD 3 Trillion. (iii) The global foreign exchange market is a twenty-four- hour, non-stop market. (iv) Some centers are characterized by very heavy trading during certain times when their business hours overlap with those of many other trading centers. (v) The US dollar is sometimes called a vehicle currency because of its pivotal role in so many foreign exchange deals. (vi) Forex markets make extensive use of the latest developments in telecommunications for transmitting as well as setting foreign exchange transactions. ? The participants in the foreign exchange market comprise of individuals, corporates, commercial banks, investors, dealers and brokers and central bank. ? The foreign exchange market is divided into wholesale market and retail market. The wholesale market is also known as the interbank market. The participants in this market consist of commercial banks, investment banks, central banks, corporations and high-net-worth individuals. The retail market segment consists of trades between commercial banks and their corporate and non-corporate clients. Such trades are called merchant trades. ?

The foreign exchange market serves the following important functions: (i) To effect transfer of purchasing power between countries

which is known as transfer function; (ii) To provide credit for foreign trade which is called credit function; and (iii) To minimize exposure to the risks of exchange rate charges that is known as hedging function. · ? An

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exchange rate is the rate at which one currency can be exchanged for another. It is the price of one currency

expressed in terms of another currency. . ?

A foreign exchange quotation (or quote) is a statement of willingness to buy or sell at an announced rate for the two currencies. Quotations may be designated

NSOU ? PGCO-III ? 73 by traditional currency symbols or by ISO (International Standards Organization) codes. Actually ISO developed three-letter codes for all the currencies which abbreviate the name of the country as well as the currency.

? A bid is the price (i.e., exchange rate) in one currency at which a dealer will buy another currency. An ask price is the price (i.e., exchange rate) at which a dealer will sell the other currency. ? A direct quote is the price of a foreign currency in domestic currency units. In direct quote, the home currency fluctuates and the foreign currency against which it is quoted remains constant. ? An indirect quote is the price of the domestic currency in foreign currency units. In indirect quote, the foreign currency fluctuates and the home currency remains constant. Thus, an indirect quote is a quote where the exchange rate is expressed in terms of units of the foreign currency per fixed number of units of home currency. ?

European term refers to the quoting of the quantity of a specific currency per one US dollar. It means that whenever a currency's value is quoted, it is quoted in terms of number of units of currency to equal one US dollar. In American terms, USD becomes the quoted currency against these currencies (i.e., euro, U.K pound, etc.). American terms are used in quoting rates for most foreign currency options and futures, as well as in retail markets that deal with tourists and personal remittances. ?

Spread is the difference between the ask price and the bid price

in a two-way quotation. The rate at which the dealer buys the foreign currency is known as bid rate/price and another rate for selling the foreign currency is referred to as ask rate/price. ? A cross rate is the exchange rate between two currencies that are each expressed in terms of a third currency. The third currency is called the vehicle currency. A cross rate can be obtained by multiplying two exchange rates by each other so as to eliminate a third currency that is common to both rates. ? Spot rate refers to the rate of exchange of the day on which the transaction has taken place for delivery within two business days. The forward exchange rate is the rate at which the actual exchange of currencies takes place at a specified date in the future.

74 ? NSOU ? PGCO-III ? Devaluation refers to any increase in

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the exchange rate of the domestic currency relative to a foreign currency. The opposite

phenomenon is known as revaluation or up-valuation of currency. ? There is no guarantee that devaluation will always lead to an improvement in the balance of payments. There are two approaches to consider the effectiveness of devaluation as a policy for correcting deficit in the balance of payments. The first approach is known as the elasticity approach, developed by Marshall and Lerner and the second approach is known as the absorption approach, developed by Sidney Alexander. ? The Marshall and Lerner condition states that devaluation will be successful if

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the sum of absolute values of elasticities of demand for exports and imports is greater than unity. ?

Alexander explained the Absorption Approach with the help of an identity that production or income (Y) is equal to consumption (C) plus domestic investment (I) plus foreign investment or the balance of trade (X - M), all in real terms where X is the export and M is the import. That is,  $Y = C + I + (X - M)$ . Suppose A is equal to domestic absorption (C + I) and B is equal to balance of trade (X - M), we have  $Y = A + B$ . By subtracting A from both sides, we get  $Y - A = B$ . That is, domestic production or income minus domestic absorption equals the balance of trade. To improve the balance of trade (B) as a result of devaluation, Y must rise and/or A must fall. If the nation is at full employment, production or real income (Y) will not rise, and the devaluation can be effective only if domestic absorption (A) falls, either automatically or as a result of contractionary fiscal and monetary policies. ? "An exchange-rate regime is the way an authority manages its currency in relation to other currencies and the foreign exchange market". ? An optimum currency area represents a group of nations whose national currencies are linked through permanently fixed exchange rates and the conditions that would make such an area optimum. The currencies of member nations could then float jointly with respect to the currencies of non-member nations. The formation of an optimum currency area also encourages producers to view the entire area as a single market and to benefit from greater economies of scale in production.

NSOU ? PGCO-III ? 75 ? Currency board arrangements (CBAs) are the most severe form of exchange rate peg (fixed exchange rate system), short of adopting a common currency or dollarizing (i.e., adopting the dollar as the nation's currency). Under CBAs, the nation rigidly fixes (often by law) the exchange rate of its currency to a foreign currency and its central bank ceases to operate as such. CBAs are similar to the gold standard in that they require 100 percent international-reserve backing of the nation's money supply. ? Under dollarization, a foreign currency acts as legal tender. Besides the Commonwealth of Puerto Rico and the U.S. Virgin Islands, Panama has had full or official dollarization since 1904. Ecuador fully dollarized in 2000 and El Salvador in 2001. Since 2001, Nicaragua has nearly fully dollarized and Costa Rica has considered it. ? Hybrid exchange rate systems combine some of the characteristics of fixed and flexible exchange rates in various degrees. These involve different exchange rate bands of fluctuation about a par value, adjustable peg systems, crawling pegs, and managed floating. ? Most fixed exchange rate systems usually allow the exchange rate to fluctuate within narrowly defined limits. That is, nations decide on the exchange rate, or par value, of their currencies and then allow a narrow band of fluctuation above and below the par value. ? An adjustable peg system requires defining the par value and the allowed band of fluctuation, with the stipulation that the par value will be changed periodically and the currency devalued to correct a balance-of-payments deficit or revalued to correct a surplus. ? Under crawling peg system or system of "sliding or gliding parities", par values are changed by small preannounced amounts or percentages at frequent and clearly specified intervals, say every month, until the equilibrium exchange rate is reached. ? Under a managed floating exchange rate system, the nation's monetary authorities are entrusted with the responsibility of intervening

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in foreign exchange markets to smooth out short-run fluctuations in exchange rates

without attempting to affect the long-run trend in exchange rates.

76 ? NSOU ? PGCO-III 2.14 Self Assessment Questions A. Objective type questions: Choose the correct answer from the given four alternatives. 1. The forex market a) is not located in a physical space and does not have a central exchange. b) is located in a physical space and does not have a central exchange. c) is not located in a physical space and has a central exchange d) is located in a physical space and has a central exchange. 2. Foreign exchange market is considered as an a) Exchange traded market b) OTC market c) Spot market d) Futures market 3. The global foreign exchange market is a a) mid-night market b) option market c) twenty – four hour, non-stop market d) perfect market 4. Foreign exchange market serves the a) transfer function b) credit function c) hedging function d) all of the above functions 5. A bid is the price in one currency at which a dealer will a) buy another currency b) sell another currency

NSOU ? PGCO-III ? 77 c) hold another currency d) do nothing 6. An ask is the price in one currency at which a dealer will a) buy another currency b) sell another currency c) hold another currency d) do nothing 7. A direct quote is a) the price of a domestic currency in foreign currency units b) not the price of a domestic currency in foreign currency units c) the price of a foreign currency in domestic currency units d) similar to indirect quote 8. European term refers to the quoting of the quantity of a specific currency per one a) Indian rupee b) Russian ruble c) Japanese yen d) U. S. dollar 9. Spread is the difference between a) the ask price and the bid price

in a two-way quotation b) spot price and futures price c) futures price and option price d) high price and low price 10. Hybrid exchange rate systems combine some of the characteristics of a) fixed exchange rates b) fixed and flexible exchange rates in various degrees.

78 ? NSOU ? PGCO-III c) flexible exchange rates d) peg system Answer: 1 a); 2 b); 3 c); 4 d); 5 a); 6 b); 7 c); 8 d); 9 a); 10 b); B. Short answer type questions: 1. What do you mean by foreign exchange market? 2. What is vehicle currency? 3. Who participates in the foreign exchange market? 4. What do you mean by authorized dealer? 5. What do you mean by hedgers? 6. What is meant by arbitrageurs? 7. What is exchange rate? 8. What is foreign exchange quotation? 9. What is bid price? 10. What do you mean by ask price? 11. What is direct quote? 12. What is indirect quote? 13. Distinguish between European terms and American terms. 14. What is spread? 15. What do you mean by cross rate? 16. Distinguish between spot exchange rate and forward exchange rate. 17. What is devaluation? 18. What is revaluation? 19. What is Marshall-Lerner condition for successful devaluation? 20. What do you mean by managed floating exchange rate system? 21. What is crawling peg system? 22. What do you mean by dollarization?

NSOU ? PGCO-III ? 79 23. What is optimum currency area? 24. What is Currency board arrangements? C. Long answer type questions: 1. What is foreign exchange market? Discuss its salient features. 2. Discuss the different participants in the foreign exchange market. 3. Narrate the structure of foreign exchange market. 4. Explain the market segments of foreign exchange market. 5. Explain the functions of foreign exchange market. 6. How does international business use foreign exchange market? 7. Briefly discuss the principles of exchange rate quotes. 8. Explain direct and indirect quotations with examples. 9. Narrate European terms and American terms with illustrations. 10. Write a short note on cross rate. 11. Deduce the Marshall – Lerner condition for successful devaluation. 12. Discuss the absorption approach to the problem of correcting deficits in the balance of payments by means of devaluation. 13. Explain different exchange rate regimes and their mechanisms. 14. Write short notes on optimum currency area, currency board arrangements and dollarization. 15. Discuss different types of hybrid exchange rate system.

80 ? NSOU ? PGCO-III Unit 3 BALANCE OF PAYMENTS Structure 3.1 Objectives 3.2 Introduction 3.3 Definition of the Balance of Payments 3.4 Reasons for studying Balance of Payments 3.5 Fundamentals of Balance of Payments Accounting 3.5.1 Defining International Economic Transaction 3.5.2 The BOP as Flow Statement 3.5.3 Book keeping Procedure for BOP Accounting 3.6 Computation of Balance of Payments 3.6.1 The Current Account 3.6.2 The Capital Account 3.6.3 Errors and Omission 3.6.4 Reserve Account 3.6.5 Illustrations 3.6.6 Structure of India's BOP 3.7 The Balance of Payments Identity 3.8 Equilibrium and Disequilibrium

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in the Balance of Payments 3.9 Types of Disequilibrium in the Balance of Payments 3.10 Reasons for Disequilibrium in the Balance of Payments 3.11

Measures for Correcting Disequilibrium 3.11.1 Monetary Measures 3.11.2 Non-Monetary Measures 3.12

Summary 3.13

Self Assessment Questions

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Objectives After studying this unit, you will be able to: ? know the meaning and

reasons for studying balance of payments ? understanding debit-credit rules for recording transactions in the BOP ? get an idea of different components of the balance of payments ? prepare the balance of payments statements ? know the balance of payments identity ? understand the different factors affecting equilibrium and disequilibrium of balance of payments 3.2 Introduction In the era of globalization, the economies of the world are interdependent and companies operate within a global market place. Accordingly, international business transactions take place in many different forms over

the course of a year. The statement of all international



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economic transactions between the residents of the reporting country and foreign residents

are called the balance of payments (BOP). Politicians and the business houses realize the importance of this trade and capital flows. They pay attention to the balance of payments account in which these flows are recorded. This unit provides a type of navigational map to the understanding of balance of payments and identifies the basic factors underlying the flows of the goods, services and capital between countries. Besides, this unit also considers the identity, equilibrium and disequilibrium in the balance of payments. 3.3 Definition of

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The Balance of Payments According to the Balance of Payments Manual of the International Monetary Fund (IMF), the balance of payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy with the rest of the world.

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Transactions between the residents of a country and rest of the world

consist of: (i) those involving goods, services and income; (ii) those involving financial claims on the rest of the world and liabilities to the rest of the world and (iii) those (such as gifts) classified as transfers. 82 ? NSOU ? PGCO-III Thus, the balance of payments is a statistical

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record of a country's international transactions with the rest of the world during a given period. A county's balance of payments

keep records of both its payments to and its receipts from foreigners. Any transaction resulting in a receipt from foreigners is entered in the balance of payments accounts as a credit. Any transaction resulting in a payment to foreigners is entered as a debit. Three types of international transactions are recorded in the balance of payments: (i) Transactions that arise from the export or imports of goods as services (ii) Transactions that arise from the purchases or sale of financial assets and (iii) certain other activities that result in transfers of wealth between countries.

### 3.4 Reasons for Studying Balance of Payments

Business managers, investors, consumers and government officials require balance of payments data because the data influences and is influenced by other key macroeconomic variables such as gross domestic product, employment levels, price levels, exchange rates, and interests rates. To determine monetary and fiscal policy of any country BOP data are required. Besides, balance of payments is worth studying for a few reasons: Firstly, balance of payments provides detail information concerning the demand and supply of country's currency. For example, if India imports more than its exports, then this means that the supply of rupee is likely to exceed the demand in the foreign exchange market, *ceteris paribus*. One can thus infer that the Indian rupee would be under pressure to depreciate against other currencies. On the other hand, if India exports more than it imports, then the rupee would be likely to appreciate. Thus, the BOP is an important indicator on a country's foreign exchange rate. Changes in the BOP may predict the imposition or removal of foreign exchange controls. Secondly, a country's balance of payments data may signal as a potential business partner for the rest of the world. If a country is facing a major balance of payments difficulty, it may not be able to expand imports from the outside world. Instead, the country may be tempted to impose measures to restrict imports and discourage capital outflows in order to improve the balance of payments situation. On the other hand, a country experiencing a significant balance of payments surplus would be more likely to expand imports, offering marketing opportunities for foreign enterprises, and less likely to impose foreign exchange restrictions.

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Thirdly, balance of payments data can be used to evaluate the performance of the country in international economic competition. Suppose a country is experiencing trade deficits year after year. This trade data may then signal that the country's domestic industries lack international competitiveness. Fourthly, changes in a country's BOP may signal the imposition or removal of control over payments of dividends and interests, license fees, royalty fees, and other cash disbursements to foreign firms or investors.

### 3.5 Fundamentals of Balance of Payments Accounting

There are three main elements of the actual process of measuring international economic activity: (i) identifying what is and is not an international economic transaction; (ii) understanding how the flows of goods, services, assets and money debits and credits to overall BOP; and (iii) understanding the bookkeeping procedures for BOP accounting.

#### 3.5.1 Define International Economic Transactions

Transactions in BOP sense consist of those involving goods, services and income; those involving financial claims and liabilities; and those classified as transfers between an economy and the rest of the world. However, the determination of what constitutes a transaction must not be made strictly on the basis of logic but through adoption of general agreed-upon conventions.

#### 3.5.2 The BOP as a Flow Statement

The balance of payments is concerned with transactions and thus, deals with flows rather than with stocks. That is, the balance of payments deals with economic events that take place during a reference period and not with outstanding totals of economic assets and liabilities that exist at particular moments in time. Thus, the BOP tracks the continuing flows of purchases and payments between a country and all other countries. It does not add up the value of all assets and liabilities of a country on a specific date. Two types of business transactions dominate the balance of payments: 1. Exchange of real assets: The exchange of goods (e.g.; automobiles, computers, textiles etc) and services (e.g.; banking, consulting, travel services etc) for other goods and services (barter) or for money.

84 ? NSOU ? PGCO-III 2. Exchange of financial assets: The exchange of financial claims (e.g.; stocks, bonds, loans and purchase or sales of companies) for other financial claims or money. 3.5.3 Bookkeeping Procedures for BOP Accounting

The balance of payments is a statistical statement structured in a systematic fashion and data in the statement are recorded according to specific accounting rules. The basic accounting convention for a BOP statement is that every recorded transaction is represented by two entries with exactly equal values. One of these entries is designated a credit with a positive arithmetic sign; the other is designated a debit with a negative sign. In principle, the sum of all credit entries is identical to the sum of all debit entries, and the net balance of all entries in the statement is zero. In BOP statements, the two entries are used to recognize the giving and receiving sides of every transaction. Therefore, the BOP statement is similar to a typical financial statement prepared in accordance with the double entry system regularly used for recording business transaction. Accordingly, every credit in the account is balanced by a matching debit and vice versa. In practice, however, the accounts frequently do not balance. Data for balance of payments estimates often are derived independently from different sources; as a result, there may be summary net credit or net debit (i.e.; net errors and omission in the accounts). A separate entry, equal to that amount with the sign reversed, is then made to balance of accounts. The following are the rules for debit and credit entries in the balance of payments: 1. A country earns foreign exchange on some transactions and expends foreign exchange on others when it deals with the rest of the world. Credit transactions are those that earn foreign exchange (i.e., currency inflows are recorded as credits) and are recorded in the balance of payments with a plus (+) sign. For example, the export of Indian made goods earns foreign exchange for us, and is hence, a credit transaction. Borrowing abroad also brings in foreign exchange and is recorded as a credit. The sale of a service to a foreign resident, such as an airline trip on Indigo or 'hotel booking' in an Indian hotel, also earns foreign exchange and is a credit transaction. The following are some of the important credit transactions: (a) Export of goods or services, (b) Unilateral transfers (gifts) received from foreigners, (c) capital inflows. Capital inflows appear as credits because the nation is selling (exporting) valuable assets to foreigners. The capital inflows can take either of the two forms: (a) an increase in foreign assets of the nation, (b) a reduction in the nation's assets abroad. For example, when a UK resident acquires a stock in an NSOU ? PGCO-III ? 85 Indian company, foreign assets in India go up. This is a capital inflow to India because it involves the receipt of a payment from a foreigner. Similarly, when an Indian resident sells a foreign stock, Indian assets abroad decrease. This transaction is a capital inflow to India because it involves receipt of a payment from a foreigner. 2. Transactions that lead to outflow of foreign exchange are recorded as debits (i.e., currency outflows are recorded as debits) and are entered with a minus (-) sign. For example, when residents of India buy machinery from Japan or perfumes from France, foreign exchange is spent and the import is recorded as a debit. Similarly, when Indian residents purchase foreign services, foreign exchange is used and the entry is recorded as a debit. Thus the following are some of the important debit transactions: (a) Import of goods and services, (b) Unilateral transfer (or gifts) made to foreigners, (c) Capital outflows. Capital outflows show up as debits because they represent purchase (imports) of foreign assets. Capital outflows can also take any of the following forms: (a) An increase in the nation's assets abroad (b) A reduction in the foreign assets of the nation. Both the above transactions involve a payment to foreigners and are capital outflows. For example, an Indian resident purchases a US treasury bill. The transaction results in an increase in the Indian assets abroad and is a debit transaction since it involves a payment to foreigners. Similarly, the sale of an Indian subsidiary by a UK firm reduces foreign assets in India and is entered as a debit transaction. The IMF has suggested the application of uniform principle of valuation to all transactions recorded in the balance of payments. It is necessary for three reasons: (1) As each transaction has two sides, the double entry accounting rule would be violated if credit and debit entries did not possess the same values. (2) The absence of a uniform valuation principle would make it impossible to compare the BOP statement of one country with the BOP statements of other countries. 86 ? NSOU ? PGCO-III (3) If a uniform valuation system is not used, items recorded in balance of payments cannot be compared with one another, and serious problem of interpretation would be created for data users. 3.6 Composition of Balance of Payments Since

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the balance of payments records all types of international transactions of a country over a certain period of time, it

contains a wide variety of items. However, a country's international transactions recorded in BOP can be grouped into the following four components: 1.

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The current account 2. The capital account 3. The errors and omissions 4. The reserve account The current account records the

exports and imports of goods, services and unilateral transfer between residents and non-residents. The capital account shows the transactions that involve changes in the foreign financial assets and liabilities of a country. The reserve account, on the other hand, records purchases and sales of international reserve assets such as dollars, foreign exchanges, goods and special drawings rights (SDRs). Let us now explain these accounts in a detailed manner. 3.6.1 The Current Account The current account measures the transfer of real resources (

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goods, services, income, and transfer) between an economy and the rest of the world.

The current account is further subdivided into merchandise account and invisibles account. The merchandise account consists of transactions relating to exports and imports of goods. In the invisible account, there are three broad categories, namely: (a) Non-factor services such as travel, transportation, insurances and miscellaneous services, (b) transfer which do not involve any value in exchange (e.g., gift or grant) and (c) income which includes compensation of employees and investment income. Thus, all commercial transactions (export and import of goods and services), private remittances, incomes and transfers of goods and services from the government of the home country to foreign governments constitute currents account of a country.

NSOU ? PGCO-III ? 87 The current account is divided into four categories: merchandise trade, services, factor income and unilateral transfers. Merchandise trade consists of imports and exports of tangible goods, such as oil, wheat, cloths, automobile, computers and so on. Services include payments and receipts for legal, consulting, and engineering services, royalties for patents and intellectual properties, insurances premises, shipping fees and tourist expenditures. All exports of goods and services are credited to the current account and all imports of goods and services are debited to the current account. Factor income consists largely of payments and receipts of interests, dividends and other incomes on foreign investments that were previously made. The interests, dividends and other income received on assets held abroad are credited to current account, while the interests, dividends and other payments made on foreign assets held in the country are debited to the current account. Unilateral transfer involves "unrequited" payments. Examples include foreign aid, reparations, official and private grants and gifts. Unlike other accounts in the balance of payments, unilateral transfers have only one-directional flows, without offsetting flows. In the case of merchandise trade, for example, goods flow in one direction and payments flow in the opposite direction. For the purpose of the double entry bookkeeping rule, unilateral transfers are regarded as an act of buying goodwill from the recipients. So a country that gives foreign aid to another country can be viewed as importing goodwill from the latter. The remittances received and gifts or grants received under unilateral transfers, are credited to the current account, and the remittances made to other countries or unilateral transfers to foreigners are debited to the current account. In short, the rules for recording a transaction as debit and credit in the current account are: Debit (outflows) Credit(inflows) Goods Buy Sell Services Buy Sell Investment income Pay Receive Unilateral transfers Give Receive The balance of trade measures whether a country is a net exporter or net importer of goods. It is the differences between the value of visible export goods and the value of

88 ? NSOU ? PGCO-III visible import goods. A trade surplus indicates that the country's exports are greater than its imports and a trade deficit indicates that the country's imports are greater than its exports. The invisible items (services, incomes and transfer) along with the merchandise determine the actual current account position (i.e., surplus and deficit). The balance of current account represents the difference between the value of visible and invisible export items and the value of visible and invisible import items. When the country earns more than it spends or gives away to abroad, it is said to have a current account surplus. On the contrary, when the country gives away more than it earns from abroad, it has a current account deficit.

3.6.2 The Capital Account The capital account records the capital flows (or capital movements) into and out of the reporting country. Capital flows include both outflows and inflows. By capital outflow we mean all transactions which tend to enhance the net-claims position of the reporting country and capital inflow is defined as all transactions which tend to deteriorate it. Accordingly, capital outflows (or capital exports) refer to transactions giving rise to debit entries in the capital account of the balance of payments and capital inflows (or capital imports) refer to transactions giving rise to credit entries. It should be kept in mind that the term 'capital' in this context does not refer to real capital goods such as machinery, building etc. It merely refers to the stock of reporting country's claims against foreigners and the stock of foreign claims against the reporting country. Accordingly, capital flows (inflows and outflows) refer to changes in these stocks of claims. However, the capital account does not record the gross flows or movements. It rather records the net changes in the reporting country's foreign claims and liabilities. The net-claims portion is defined as the stock of all claims held by reporting country against foreigners minus the stock of all claims held by foreigners against the reporting country. The difference between capital inflow and capital outflows is called the balance of capital account. The sum of the current account and capital account indicates the balance of payments which could be in surplus or in deficit. The capital account can be divided into three categories: direct investment, portfolio investment and other investment. Direct investment occurs when the investors acquire a measure of control of the foreign business. Portfolio investment mostly represents sales NSOU ? PGCO-III ? 89 and purchases of foreign financial assets that are purely profit motivated return and do not involve a transfer of control. Portfolio investment comprises equity securities and debt securities which include corporate shares, bonds and notes, money market instruments, financial derivatives etc. Other investments include transactions in currency, bank deposits, short & long term trade credit, cross border loans from all types of financial institutions and so forth. All purchases of domestic assets by foreigners and all sales of foreign assets by Indians are credited to the capital account. All purchases of foreign assets made by the residents of India and all sales of domestic asset by foreigners are debited to the capital account. Increases in loans to foreigners by residents and decreases in loans to residents by foreigners are debited to the capital account. Increases in loans to residents by foreigners and decreases in loans to foreigners by residents are credited to the capital account. In short, the rules for double entry recording here are as follow: Debit(Outflows) Credit(Inflows) Portfolio ? Receiving a payment from ? Making a payment to a investment a foreigner foreigner ? Buying a foreign asset ? Selling a domestic asset to a ? Buying back domestic foreigner asset from its foreign ? Selling a foreign asset acquired owner. previously Foreign direct ? Buying a foreign asset for ? Selling a long term foreign investment purpose of control asset acquired previously ? Buying back from its foreign (not for purpose of control) owner a domestic asset ? Selling a foreign asset previously acquired for previously acquired for purpose purpose of control of control Other ? Enhancing the net claims ? Deteriorating the net claims investment portion in terms of bank position in terms of bank deposits, short term and long deposits, short term and long term trade credits etc. term trade credits etc.

90 ? NSOU ? PGCO-III The above classification of BOP has been in use for a long time and almost all textbooks provide the same classification. However, in the recent past, the IMF [BOP Manual, 5 th Ed., IMF] has switched to a different classification. Accordingly, all transactions are grouped into two categories: (a) The current account, and (b) The capital and financial account. The capital account is made up of transfers of financial assets and acquisition and disposal of non produced/ non financial assets. This account has been introduced as a separate component in the IMF's balance of payments only recently. The magnitude of capital transactions covered is relatively minor. The financial account consists of four components: direct investment, portfolio investment, net financial derivatives, and other assets investment.

3.6.3 Errors and Omissions The balance of payments is theoretically constructed on the basis of double entry book keeping which implies that the sum of total debits must necessarily be equal to the sum of total credits. In practice, however, the collection of statistical data for the construction of the balance of payments is inherently imperfect due to many reasons, e.g., unrecorded short term capital movements, cross- border financial transactions conducted electronically etc. Accordingly, in practice the sum of debits is unequal to the sum of credits. Thus, an additional entry is made in the balance of payments to restore the equality between the two sides- total debit and total credit. In the US it is called "errors and omissions". Recently the US Department of Commerce changed its name to "statistical discrepancy" in order to identify it clearly as a residual. The British call it "Balancing item".

3.6.4 Reserve Account The official reserve account includes transactions undertaken by the authorities to finance the overall balance and intervene in the foreign exchange market. When a country makes a net payment to foreigners because of a balance-of-payments deficit, the central bank of the country should either reduce its official reserve assets (such as gold, foreign exchange, SDRs etc.) or borrow funds from central banks. On the other hand, if a country has a balance-of-payments surplus, its central bank will either retire some of its foreign debts or acquire additional reserve assets from foreigners. The official reserve account is the total reserve held by official monetary authorities within a country. These reserves are normally composed of the major currencies used in

NSOU ? PGCO-III ? 91 international trade and financial transactions (so- called "hard currencies" like the US dollar, European euro and Japanese yen, gold, SDRs etc). While an increase in the holdings of foreign currency reserves by the country's central bank is debited to the official reserve account, a decrease in the holding of foreign currency reserves by the country's central bank is credited to the reserve account.

3.6.5 Illustrations Problem 1 Write down the BOP entries for the following transactions: (i) An Indian company sells Rs 2,00,000 worth of machinery to a UK Company. The UK Company pays for the machinery in 30 days. (ii) An Indian woman visits her husband in Japan. She cashes Rs. 6,00,000 worth of her Indian traveller's cheque at a Japan hotel. Before she returns to India, she spends Rs. 6,00,000 in Japan. (iii) The US Red Cross sends \$20,000 worth of flood relief goods in India. (iv) A Japanese purchases yen 40,000 worth of UK bonds and pays for it with a cheque drawn on an account. (v) A US bank lends \$60,000 to a Canadian firm. (vi) An Indian firm exports Rs 60,000 worth of goods to be paid in three months. (vii) An Indian resident visits USA and spends Rs 2,00,000 on hotel and meals and so on. (viii) A resident purchases foreign stock for Rs 1,00,000 and pays for it by increasing the foreign bank balances in India. (ix) A foreign investor purchases Rs 50000 worth of Indian treasury bills and pays by drawing down his bank balances in India by an equal amount. (x) US government gives a US bank balance of \$ 200000 to the government of a developing nation as part of the US aid programme.

92 ? NSOU ? PGCO-III Solution The BOP entries for these transactions are shown below:

Particulars	Debit	Credit
(i) Liquid short term capital	(-)Rs.200000	(+)Rs.200000
Exports [Explanation: In this transaction, merchandise exports are credited because they provide India with an increase in its claims on foreigners. At the same time, the Indian exporter should increase its short-term investment abroad; i.e., an increase in its account receivable.]		(+)Rs.600000
(ii) Total expenditure	(-)Rs.600000	(+)Rs.600000
Liquid short- term capital [Explanation: In this case, India received travel services from Japan to the extent of Rs. 600000. In return for these tourist services, the bank of Japan now has Rs. 600000 worth of rupees. The services provided by Japan are clearly a use of funds. The resulting increases in deposits of bank Japan represent a source of funds.]		(+)Rs.600000
(iii) Transfer payments [Explanation: The US sends its goods to India, this transaction reduces the real assets of the US. Thus, these transfers should be debited. The unilateral transfer of products by the US represents exports and these exports are credited.]	(-) \$20000	(+) \$20000
Exports		(+) Yen40000
(iv) Portfolio investments	(-) Yen40000	(+) Yen40000
Liquid short-term capital [Explanation: The Japanese now owes a UK bond, while UK owns Japanese Yen deposits.]		(+) Yen40000

NSOU ? PGCO-III ? 93 Since the acquisition of the UK bond increases Japan's portfolio of bank investments in foreign countries, the portfolio investments must be debited. At the same time, the Yen balance owned by UK, represents an increase in Japanese liabilities to foreigners. Hence, Japan's short term capital should be credited.] (v) Non-Liquid short-term capital (-)\$60000 (+)\$60000 Liquid short-term capital [Explanation: Since this loan reduces US purchasing power, the US non-liquid short-term liabilities must be debited. At the same the bank creates an increase a deposit balance for the foreign firm through its loan. Because this loan increases US short-term liabilities to foreigners, the liquid short-term liabilities should be credited.] (vi) Short-term capital outflow (-)Rs. 60000 (+)Rs. 60000 Merchandise exports [Explanation: Short-term capital outflow is debited because it represents an increase in Indian asset abroad while merchandise export is credited since this will lead to a receipt of payment from foreigners.] (vii) Travel services (-)Rs.200000 (+)Rs.200000 Short-term capital inflow [Explanation: Travel services are debited for Rs 200000 because the transaction here is similar to an Indian export. The payment itself is then entered as a short-term credit because it represents an increase in foreign assets in India.] (viii) Long term capital outflow (-)Rs100,000 (+)Rs100,000 Short term capital inflow [Explanation: Purchase of foreign stock increases

94 ? NSOU ? PGCO-III Indian assets abroad and thus long-term capital outflow is debited. Short term capital inflow is credited because the increase in foreign bank balance in India represents an increase in foreign assets in India.] (ix) Short term capital outflow (-)Rs 50 000 (+)Rs 50 000 Short term capital inflow [Explanation: Short-term capital outflow is debited because it represents a reduction in foreign bank balances in India while short-term inflow is credited since it represents a purchase of Indian treasury bills by a foreigner.] (x) Unilateral transfers (-) \$ 20 000 (+) \$20 000 Short term capital inflow [Explanation: Unilateral transfers are debited since extending aid involves a US payment to foreigners. Short- term capital inflow is credited because it represents an increase in foreign claims of foreign assets in the U.S.]

Problem 2 Record the following transactions and prepare the balance of payment statement. i. A U.K firm exports \$2000 worth of goods to be paid in six months. ii. A U.K resident visits USA and spends \$800 on hotel, meals and so on. iii. U.K government gives a UK bank balance of \$400 to the government of a developing nation as part of the UK aid program. iv. A UK resident purchases foreign stock for \$1600 and pays for it by increasing the foreign bank balance in the UK. v. A foreign investor purchases \$1200 of UK treasury bills and pays by drawing down his bank balance in the UK by an equal amount.

NSOU ? PGCO-III ? 95 Solution Particulars Debit (-) Credit (+) (in \$) (in \$) (i) Short term capital outflows Merchandise 2000 2000 exports (ii) Travel services purchased from foreigners 800 800 Short term capital inflow (iii) Unilateral transfer made Short term capital 400 400 inflow (iv) Long term capital outflow Short term capital 1600 1600 inflow (v) Short term capital outflow Short term capital 1200 1200 inflow If we assume that these five transactions are all the international transactions of UK during the year, the UK balance of payments is as follows: Particulars Debit (-) Credit (+) (in \$) (in \$) Merchandise 2000 Service 800 Unilateral transfers 400 Long term capital 1600 Short term Capital, net (-\$2000+\$800+\$400+\$1600+\$1200-\$1200) 800 2800 2800

96 ? NSOU ? PGCO-III 3.6.6. Structure of India's BOP The structure of India's BOP is represented below: Balance of payment I.

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Current Account 1. Exports 2. Imports 3. Trade Balance (1-2) 4. Invisibles (net) A. Services B. Income C. Transfers 5. Current Account Balance (3+4) II. Capital Account i. External assistance (net) ii. External Commercial Borrowing (net) iii. Short term credit iv. Banking Capital (

net) of which : Non-Residents Deposits (net) v. Foreign Investment (net) of which: A. FDI (net) B. Portfolios (net) vi. Other Flows (net) 6. Capital Account Balance [(i+ii+iii+iv+v+vi)] III. Errors and Omissions IV. Overall Balance (5+6+III) V. Reserve Charge [increase (-)/ decrease (+)] Source: RBI

NSOU ? PGCO-III ? 97 3.7 The Balance-of-Payments Identity Since the balance of payments statement is prepared in terms of debits and credits based on double-entry system of book-keeping, total of debit entries must be equal to total of credit entries, if all the entries are recorded correctly. This is because two aspects (debit and credit) of each transaction recorded are equal in amount but appear on the opposite sides of the different account. In this accounting sense, the balance of payment of a country must always balance. In other words, the debit entries represent the total of all the uses made out of the total foreign exchange acquired by the country during a given period, while the credit entries represent the sources from which this foreign exchange is acquired by this country in the same period. The two sides as such necessarily balance. When the balance-of-payment accounts are recorded correctly, the combined balance of the current account, the capital account and the reserve account must be zero, i.e.,  $BCA + BKA + BRA = 0$  where  $BCA$  = Balance on the Current Account,  $BKA$  = Balance on the Capital Account  $BRA$  = Balance on the Reserve Account The balance on the reserve account,  $BRA$  represents the change in the official reserves. The above equation is the Balance-of-Payment Identity (BOPI) that must necessarily hold. The BOPI equation indicates that country can run a balance-of-payment surplus or deficit by increasing or decreasing its official reserves. However, it is not necessary that each account should individually balance. But these accounts taken together must balance each other. Thus, if there is a surplus in the current account, there must be a deficit in the

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capital account and vice-versa. The fact that the balance of payments always balances

does not mean that there is no problem of surplus or deficit in the balance of payments. In fact, it is difficult to tell from

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the balance of payments of a country whether there exists any surplus or deficit in the balance of payments

or not. Even if there is a surplus or deficit, the balance of payments must always balance. This equality of balance of payments account is an identity and is the results of the double entry system of accounts. It has no economic significance. It does not also represent any equilibrium condition.

98 ? NSOU ? PGCO-III 3.8 Equilibrium and Disequilibrium

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in the Balance of Payments If a country has a deficit in its balance of

current account,



there will always be an off-setting transaction on the capital account to bring the balance of payments into equilibrium. For example, if a country's importers have imported \$100 more than the exporters have exported, they might have to borrow \$100 from the foreign exporters to pay for their purchases, and this would be registered as an inflow of capital on the capital account. There are, however, other capital flows which have no connection with the country's balance of payments situation. It may be, for instance, that a foreign exporter buys an advertising agency in the country at the cost of \$100, to be able to better market his products. This would also be registered as a capital inflow of \$100. The significance of these two transactions for the country's balance of payments is very different. We, therefore, have to distinguish between two types of transactions. The transactions recorded in the balance of payments account can be divided into two major categories: autonomous transactions and accommodating transactions. Autonomous transactions are those which are undertaken for their own sake, usually in response to business considerations and incentives but sometimes in response to a political consideration as well. Their main distinguishing feature is that they take place independently of the balance-of-payments position of the reporting country. All other transactions are called accommodating transactions. Thus, accommodating transactions do not take place for their own sake. Rather, they occur because other (autonomous) transactions are such as to leave a gap to be filled. Accommodating transactions may be automatic (i.e.; unplanned and unforeseen) or discretionary (i.e., planned and foreseen). In addition, accommodating transactions may be made by private persons or public authorities. Examples of autonomous transactions are: all exports of goods and services undertaken for profit, unilateral transactions, long term capital movements, short term capital movements etc. On the other hand, examples of accommodating transactions are: the sale of gold or foreign currencies by the central bank in order to fill the gap between the receipts and payments of foreign exchange by the private residents of the country, a gift or loan received by the authorities of a country from foreign governments for the purpose of filling a gap in the autonomous receipts and payments and so on. In order to know whether equilibrium exists in the balance of payments or not, we have to take into account only the autonomous transactions. If the autonomous receipts NSOU ? PGCO-III ? 99 and autonomous payments are equal,

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the balance of payments is said to be in equilibrium

and no accommodating transactions will take place. If the autonomous receipts and autonomous payments are not equal, the balance of payments is said to be in disequilibrium. If a country's autonomous receipts are larger than its autonomous payments, it will have a surplus in its balance of payments. This will then be settled by an accommodating transaction (which is equal to surplus) and it thereby brings the balance of payments into equilibrium.

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A country has a deficit in its balance of payments

if its autonomous receipts are smaller than its autonomous payments. This deficit will have to be settled by an accommodating transaction which brings the balance of payment into equilibrium. 3.9 Types of Disequilibrium in the Balance of Payments The following are the main types of disequilibrium in

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the balance-of-payments: Cyclical Disequilibrium It takes place on account of trade cycles. Trade cycles follow different paths and pattern in different countries. There are no identical timings and periodicity of occurrences of cycles in different countries.

Cyclical fluctuations cause disequilibrium in the balance of payments because of cyclical change in income, employment, output and price variables. When prices rise during prosperity in the foreign country a country which has a highly elastic demand for imports experiences a decline in the value of imports and if it continues its exports further, it will show a surplus

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in the balance of payments. Structural Disequilibrium It emerges on account of structural changes occurring in some sectors of the economy at home or abroad which may alter the demand or supply relations of exports or imports or both. For example, if foreign demand for India's jute products decline because of some substitutes then the resources employed by India in the production of jute goods will have to be shifted to some other commodities of export.

If this is not easily possible, India's exports may decline, whereas imports remain the same. Disequilibrium in the balance of payments will arise.

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Moreover, a shift in demand takes place with the changes in tastes, fashion, habits, income etc. Propensity to import may change as a result. Demand for some imported goods may increase, while that for certain goods may decline leading to a structural change. 100 ? NSOU ? PGC0-III Short-run Disequilibrium A short-run disequilibrium in a country's balance of payment will be a temporary one, lasting for a short period, which may take place once in a while. When a country borrows or lends internationally, it will have short-run disequilibrium in its balance of payments as these loans are usually for a short period or even if they are for a long duration, they are repayable later on. Hence, the position will be automatically corrected and poses no serious problem.

When such disequilibrium (arising from the imports exceeding exports or even vice-versa) takes place year after year over a long period, it becomes chronic and seriously affects the country's economy and its international economic relations. Long-run Disequilibrium It

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refers to a deep-rooted, persistent deficit or surplus in the balance of payments of a country. It is secular disequilibrium emerging on account of the chronologically accumulated short-term disequilibria - deficits or surpluses. A long-term deficit in the balance of payments of a country tends to deplete its foreign exchange reserves and the country may also not be able to raise any more loans from foreigners during such a period of persistent deficits.

In short, true disequilibrium is a long-term phenomenon. It is caused by persistent deep rooted dynamic changes which slowly take place in the economy over a long period of time. It is caused by changes in dynamic forces/factors such as capital formation, population growth, territorial expansion, technological advancement, innovation etc. Concept of Fundamental Disequilibrium The International Monetary Fund (IMF) uses the term 'Fundamental Disequilibrium' to describe a persistent, long-run disequilibrium, especially deficits which exist continuously for a long period of time in a country's balance of payments. Unchecked series of short- run disequilibria in a country's balance of payments ultimately lead to the 'fundamental disequilibrium' in the long-run. There are deep-rooted causes and factors in a country's economy which are responsible for the emergence of fundamental disequilibrium in its balance of payments. The main objective of macro-economic policy of a country is to correct this fundamental disequilibrium. To correct this, various measures are required to be undertaken. IMF insists that member country facing a 'fundamental disequilibrium' in its balance of payments should consult the Fund, so that the Fund can advice for and assist in taking some appropriate measures like devaluation in overcoming the grave situation.

NSOU ? PGCO-III ? 101 3.10 Reasons for Disequilibrium in the Balance of Payments Any disequilibrium in the balance-of-payments arises due to a large number of causes or factors operating simultaneously. Types of disequilibrium differ from country to country, while the different kinds of disequilibrium and their causes in the same country will differ at different times. The following are the important causes producing disequilibrium in the balance of payment of a country: i. Cyclical fluctuations, their phases and amplitudes, differences in different countries, generally produce cyclical disequilibrium. ii. Huge development and investment programs in the developing economies are the root causes of the disequilibrium in the balance of payments of these countries. Their propensity to import goes on increasing for want of capital for rapid industrialization, while exports may not be boosted up to that extent as these are the primary producing countries. iii. One important cause of disequilibrium

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in the balance of payments is inflation in the domestic economy. If there is inflation in the country, prices of exports rise. As a result, exports fall.

On the other hand, importable goods become relatively cheaper. So imports rise. All these result in adverse balance of payments. iv. High population growth in poor countries also has adversely affected their balance of payments position. It is easy to see that an increase in population increases the need of these countries for imports and decreases the capacity to export. v. Disequilibrium in the balance of payments also arises as a result of international borrowing and investment. For example, a country may tend to have an adverse balance of payments when it borrows heavily from another country. vi. Changes in the production technique in domestic economy or in abroad may bring disequilibrium in the balance of payments. Technological changes in production will change quality, cost and prices of the products. vii. Disequilibrium in the balance of payments may arise due to changes in tastes and preferences of the domestic or foreign consumers. Then the exports or imports of the country will change. This may cause fundamental disequilibrium in the balance of payments.

102 ? NSOU ? PGCO-III viii. Demonstration effect is another most important factor causing deficit in the balance of payments of a country - especially of an underdeveloped country. When people of underdeveloped nation come into contact with those of advanced countries through economic, political or social relations, there will be a demonstration effect on the consumption pattern of those people and they will desire to have western style goods and pattern of consumption so that their propensity to import increases, whereas their exports quantum may remain the same or may even decline with the increase in income, thus causing an adverse balance of payments for the country. 3.11 Measures for Correcting Disequilibrium Various measures that may be used for correcting an adverse balance of payments are of two types: a) Monetary measures, and b) Non-monetary measures 3.11.1 Monetary Measures Monetary measures usually have two-edged effects in improving the balance of payments position. They boost up exports as well as check or curtail imports. The following monetary measures are usually employed so as to correct the adverse balance of payments: 1. Deflation: A traditionally suggested method of correcting disequilibrium is to deflate the home currency. Deflation means contraction of the home currency through dear money and credit policy and fall in the cost and prices of domestic goods. Naturally, domestic goods and exporting items of the country in the foreign market become relatively cheaper and demand for them will rise so that exports will increase. Moreover, deflation attempts to restrict home consumption through reduction of incomes; demand for goods at home will be reduced and more surpluses may become available for export purposes so that exports may be increased. However, deflation is forcefully employed when countries are on a gold standard or fixed exchange rates, because its workability assumes that exchange rates are unchanged during its course. 2. Exchange Depreciation: Another important method of correcting an adverse balance of payments is to depreciate the external (exchange) value of the home currency. This device obviously assumes that the country has adopted flexible exchange rate policy. Thus, exchange depreciation is feasible. By exchange depreciation is meant a decline in the rate of exchange of one country in terms of another's.

NSOU ? PGCO-III ? 103 Exchange depreciation of a country will tend to cheapen its domestic goods for the foreigners so that its exports will be boosted up, while its imports will be costlier so that they will tend to decline. Thus, imports will be checked and exports will be stimulated by a fall in exchange rate as the external value of the currency of a country. The country may thus, achieve a favourable balance to pay off an earlier deficit. 3. Devaluation: A mostly commonly adopted method consists of devaluation of the currency of a country faced with an adverse balance of payments. Devaluation simply means the lowering of the external value (i.e., exchange rate) of a country's currency by an official order. It should be noted that the difference between devaluation and depreciation of exchange rate is that while devaluation is reduction of the external value of a currency as arbitrarily decided upon by the Government, depreciation stands for automatic reduction in the external value of a country's currency by market forces. However, both imply the same thing, i.e., lower value of the local currency in terms of foreign currencies. Both devaluation and depreciation produce similar effects-increase exports (by making local goods cheaper to foreigners), curtail imports (by making foreign good expensive) and ultimately correct an adverse balance of payments and make it favorable one. 4. Exchange control: Restrictions on the use of foreign exchange by the central bank are called exchange controls. When an exchange control is adopted, all the exporters have to surrender their foreign exchange earnings to the central bank. Under exchange control, the central bank releases foreign exchanges only for essential imports and ensures the rest of the balance. This is the most direct method of curbing imports. An exchange control can prevent a complete breakdown, but it cannot eliminate the condition of disequilibrium. Thus, an exchange control offers no permanent solution to the problem of persistent disequilibrium. It can, at best, be justified only as a temporary measure, while other more fundamental adjustments are made to restore equilibrium in the balance of payments. 3.11.2 Non-monetary Measures Non-monetary measures are directly effective measures. But they work one way only. Tariffs and quotas, for instance, tend to restrict only imports. Export promotion measures, on the other hand, enhance exports only. The measures are explained below:

104 ? NSOU ? PGCO-III 1. Tariff (Import duties): Tariff is a fiscal device which may be used for correcting an unfavorable balance of payments position. It refers to custom duties levied on importers.

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A country having a deficit balance of payments position can restore and maintain equilibrium by means of

imposing tariff restrictions upon imports. 2. Imports Quotas: Fixing of imports quotas is another and better device used for correcting an adverse balance of payments. Under

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the quota system, the government may fix and permit the maximum quantity or value of a commodity to be imported during a given period. By restricting imports through the quota system, deficit is reduced

or eliminated and thereby

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the balance of payments position is improved. 3. Exports promotion: To correct disequilibrium in the balance of

payment, it is necessary that exports should be increased. Government may adopt export promotion program which includes subsidies, tax concession to exporters, incentive for exports etc. Export or perish should be the slogan for any country facing the problem of fundamental disequilibrium in its balance of payments. All these non-monetary measures are, however, considered more effective, significant and are normally applicable than monetary measures in correcting the adverse

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balance of payments. 3.12 Summary ? According to the Balance of Payments Manual of the International Monetary Fund (IMF), the balance of payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transaction of an economy with the rest of the world. ? Transactions between the residents of a country and the rest of the world

consist of: (i) those involving goods, services and income; (ii) those involving financial claims on the rest of the world and liabilities to the rest of the world and (iii) those (such as gifts) classified as transfers. ? Balance of payments is worth studying for a few reasons: Firstly, balance of payments provides detail information concerning the demand and supply of a country's currency. Secondly, a country's balance of payments data may signal as a potential business partner for the rest of the world. Thirdly, balance of payment data can be used to evaluate the performance of the country in NSOU ? PGCO-III ? 105 international economic competition. Fourthly, changes in a country's BOP may signal the imposition or removal of control over payments of dividends and interests, license fees, royalty fees, and other cash disbursements to foreign firms or investors. ? There are three main elements of the actual process of measuring international economic activity: (i) identifying what is and is not an international economic transaction; (ii) understanding how the flows of goods, services, assets and money debit and credit to overall BOP; and (iii) understanding the bookkeeping procedures for BOP accounting. ? The basic accounting convention for a BOP statement is that every recorded transaction is represented by two entries with exactly equal values. One of these entries is designated a credit with a positive arithmetic sign; the other is designated a debit with a negative sign. In principle, the sum of all credit entries is identical with the sum of all debit entries, and the net balance of all entries in the statement is zero. ? A country earns foreign exchange on some transactions and expends foreign exchange on others when it deals with the rest of the world. Credit transactions are those that earn foreign exchange (i.e., currency inflows are recorded as credits) and are recorded in the balance of payments with a plus (+) sign. ? Transactions that use foreign exchange are recorded as debits (i.e., currency outflows are recorded as debits) and are entered with a minus (-) sign. ? A country's international transaction recorded in BOP can be grouped into the following four components:

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The current account, The capital account, The errors and omissions, The reserve account. ? The current account measures the transfer of

real resources (

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goods, services, income, and transfer) between an economy and the rest of the world.

The current account is further subdivided into merchandise account and invisibles account. ? The capital accounts records the capital flows (or capital movements) into and out of the reporting country. Capital flows include both outflows and inflows. By capital outflow we mean all transactions which tend to enhance the net-claims position of the reporting country and capital inflow is defined as all transactions which tend to deteriorate it. Accordingly, capital outflows (or capital exports) refer to transactions giving rise to debit entries in the capital account of the

106 ? NSOU ? PGCO-III balance of payments and capital inflows (or capital imports) refer to transactions giving rise to credit entries. ? The balance of payments is theoretically constructed on the basis of double entry book keeping system which implies that the sum of total debits must necessarily be equal to the sum of total credits. In practice, however, the collection of statistical data for the construction of the balance of payments is inherently imperfect due to many reasons, e.g., unrecorded short term capital movements, cross- border financial transactions conducted electronically etc. Accordingly, in practice the sum of debits is unequal to the sum of credits. Thus, an additional entry is made in the balance of payments to restore the equality between the two sides- total debit and total credit. In the US it is called "errors and omissions". Recently the US Department of Commerce changed its name to "statistical discrepancy" in order to identify it clearly as a residual. The British call it "Balancing item". ? The official reserve account includes transactions undertaken by the authorities to finance the overall balance and intervene in the foreign exchange market. When a country makes a net payment to foreigners because of a balance-of- payments deficit, the central bank of the country should either reduce its official reserve assets (such as gold, foreign exchange, SDRs etc.) or borrow funds from foreign central banks. On the other hand, if a country has a balance-of- payments surplus, its central bank will either retire some of its foreign debts or acquire additional reserve assets from foreigners. ? Since the balance of payments statement is prepared in terms of debits and credits based on double-entry system of book-keeping, total of debit entries must be equal to total of credit entries, if all the entries are recorded correctly. This is because two aspects (debit and credit) of each transaction recorded are equal in amount but appear on the opposite sides of the different account. In this accounting sense, the balance of payments of a country must always balance. ? The transactions recorded in the balance of payments account can be divided into two major categories: autonomous transactions and accommodating transactions. Autonomous transactions are those which are undertaken for their own sake, usually in response to business considerations and incentives but sometimes in response to a political consideration as well. Their main distinguishing feature is that they take place independently of the balance-of-payment positions of the reporting country. All other transactions are called accommodating NSOU ? PGCO-III ? 107 transactions. Thus, accommodating transactions do not take place for their own sake. ? The following are the main

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types of disequilibrium in the balance-of-payments: Cyclical Disequilibrium, Structural Disequilibrium,

Short-run Disequilibrium,

Long- run Disequilibrium ? The

International Monetary Fund (IMF) uses the term 'Fundamental Disequilibrium' to describe a persistent, long-run disequilibrium, especially deficits which exist continuously for a long period of time in a country's balance of payments. Unchecked series of short-run disequilibria in a country's balance of payments ultimately lead to the 'fundamental disequilibrium' in the long-run. There are deep-rooted causes and factors in a country's economy which are responsible for the emergence of fundamental disequilibrium in its balance of payments. ? Any disequilibrium in the balance-of-payments arises due to a large number of causes or factors operating simultaneously. Types of disequilibrium differ from country to country, while the different kinds of disequilibrium and their causes in the same country will differ at different times. ? The various measures that may be used for correcting an adverse balance of payments are two types: a) Monetary measures, and b) Non-monetary measures. 3.13 Self Assessment Questions A. Objective type questions: Choose the correct answer from the given four alternatives. 1. The balance of payments is prepared in accordance with the a) single entry system of book-keeping b) double entry system of book-keeping c) cash basis accounting d) accrual basis of accounting 2. All exports of goods and services are credited to a) The current account b) The capital account 108 ? NSOU ? PGCO-III c) The reserve account d) The errors and omission account 3. All imports of goods and services are debited to the a) The current account b) The capital account c) The reserve account d) The errors and omission account 4. When a country earns foreign exchange, it is redeemed as a\_\_\_\_\_in BOP. a) debit entry b) credit entry c) capital entry d) none of these 5. Transactions that lead to outflow of foreign exchange are recorded as \_\_\_\_\_ in BOP. a) credit entry b) capital entry c) debit entry d) none of these 6. The

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balance of trade is the difference between a) The value of visible exports of goods and the value of

visible imports of goods. b) The value of invisible exports of goods and the value of invisible imports of goods. c) The value of visible exports of goods and the value of invisible imports of goods. d) None of these.  
 NSOU ? PGCO-III ? 109 7. The balance of current account represents the difference between a) The value of visible and invisible export items and value of visible and invisible import items. b) The value of invisible and invisible export items and invisible import items. c) The value of visible and invisible export items and invisible import items. d) None of these. 8. Autonomous transactions are those which are undertaken for a) their own sake b) other's sake c) balancing sake d) none

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of these. 9. The balance of payments is said to be in equilibrium when

a) autonomous receipts and autonomous payments are not equal b) autonomous receipts and autonomous payments are equal c) there exist only Autonomous receipts d) there exist only autonomous payments 10. Cyclical disequilibrium takes place on account of: a) life cycle b) industry life cycle c) trade cycles d) none of these  
 Answers: 1 a); 2 a); 3 a); 4 b); 5 c); 6 a); 7 a); 8 a); 9 b); 10 c).  
 B. Short answer type questions: 1. What is balance of payments? 2. What is meant by fundamental disequilibrium in the balance of payments? 3. What do you mean by credit transaction and debit transaction in the context of balance of payments?  
 110 ? NSOU ? PGCO-III 4. What do you mean by autonomous transactions and accommodating transactions? 5. What is balance of trade? 6. What do you mean by equilibrium in the balance of payments? 7. What is meant by equality of

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balance of payments? 8. What are the different types of disequilibrium in the balance of payments? 9. What is cyclical disequilibrium? 10. What is structural disequilibrium? 11. When does deficit in the balance of payments

of a country arise? 12. State the monetary measures for correcting disequilibrium in the balance of payments.  
 C. Long answer type questions: 1. Explain the concept of balance of payments. 2. Why would it be useful to examine a country's balance of payments data? 3. Describe the balance of payments identity. 4. What are the implications and uses of the balance of payments statement? 5. Explain the major components of the

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balance of payments. 6. Discuss the methods of correcting disequilibrium in the balance of payments. 7. Discuss the causes of disequilibrium in the balance of payments

of a country. 8. "The

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balance of payments always balance."-Explain the statement. 9. Explain the different types of disequilibrium in the balance of payments. 10. Explain monetary measures and non-monetary measures for correcting disequilibrium in the balance of payments.

NSOU ? PGCO-III ? 111 Unit 4 Multinational Companies Structure 4.1 Objectives 4.2 Basic Concepts 4.2.1 Types of MNCs 4.3 Reasons for the Growth of MNCs 4.4 How Multinational Corporations Enter a Foreign Market 4.5 Advantages and Disadvantages of MNCs 4.5.1 Advantages of MNC's for the host country 4.5.2 Disadvantages of MNC's for the host country 4.5.3 Advantages of MNCs for the home country 4.5.4 Disadvantages of MNCs for the home country 4.6 Multinational Companies in Emerging Economies 4.7 Summary 4.8 Self Assessment Questions 4.1 Objective After learning this chapter you will know the basic concepts relating to Multinational Companies, their growth, different forms and advantages and disadvantages. 4.2 Basic Concepts Multinational companies (also known as multinational enterprises) have been the most important type of firm operating in the economy. According to Sitkin and Bowen (2010), a firm that owns facilities in a single country but carries out transactions regularly outside its borders may qualify as multinational enterprises. According to Vernon and Wells Jr. (1986), MNCs represent a cluster of affiliated firms located in different countries that: 1. Are linked through common ownership, 2. Draw upon a common pool of resources, and 3. Respond to a common strategy, and respond to a common strategy.

112 ? NSOU ? PGCO-III Cavusgil, S. T et al.(2009) defines it as a large company with substantial resources that performs various business activities through a network of subsidiaries and affiliates located in multiple countries. The term affiliates signify a numerous number of independent business partners of an MNC situated in different parts of the globe. Normally, MNCs carry out R&D, procurement, manufacturing, and marketing activities in those countries, where they enjoy cost advantage. MNC is also known as Global Companies, International Companies or Transnational Companies, however, these terms theoretically have different meanings. 4.2.1 Types of MNCs Global Corporations: These companies produce in the home country and market these products internationally or vice versa (Punnett and Ricks,1997). Hence, certain operations are centralized and others are decentralized.

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Global Corporations develop knowledge in various countries, but their units do not share such knowledge across

the globe. International Companies: International Companies conducts the operations in one or more foreign countries, but with domestic orientation.

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These companies extend the domestic product, price, promotion and other business practices to the foreign markets.

Transnational Companies : Transnational Companies produces, markets, invests and operates in different countries. Based on the strategic features, MNCs are grouped as ethnocentric, polycentric and geocentric. Ethnocentric firms are those that adopt home market-oriented policy and seldom distinguish between the domestic operation and global operation policies. Polycentric firms operate in a foreign country just to cater to the demand in those countries. On the other hand, the geocentric firms maintain a balance between home market and host market- oriented policies. 4.3 Reasons for the Growth of MNCS Robert J. Carbaugh lists some factors responsible behind the growth of the MNC. [https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html]

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Economies of Scale Converting a small manufacturer to a multinational may give the business an opportunity to achieve increased production efficiency. Because each manufactured unit shares fixed costs that are unrelated to the number of goods produced, the average cost per unit goes down as the number of units manufactured

enhances. ii) Non-Transferable Knowledge Occasionally, MNCs sell its knowledge in the form of patent rights to earn royalty from others. This relieves the MNC of the need to make a foreign direct investment. On the contrary, MNC that has a Production Process or Product Patent can make a larger profit by carrying out the production in a foreign country itself. iii)



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Market Growth Becoming a multinational helps a small business to expand, which enables the company to exploit new growth markets. This opportunity is especially beneficial if the domestic demand for the company's products or services has saturated. In the article "Dealing With the New World of Multinational Competition" on the PricewaterhouseCoopers website, Harry G. Broadman and Sunita Saligram write that multinationals seek opportunities in emerging markets in particular because the average growth rate of

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gross domestic product in these markets is twice that in developed countries, such as the United States. [

[https://www.pwc.com/gx/en/governance-risk-compliance-consulting-services/resilience/publications/pdfs/issue1/dealing\\_with\\_new\\_world\\_multinational\\_competition.pdf](https://www.pwc.com/gx/en/governance-risk-compliance-consulting-services/resilience/publications/pdfs/issue1/dealing_with_new_world_multinational_competition.pdf)] iv)

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Product Sourcing Operating as a multinational provides small business with the option of conducting some of the company's offshore sourcing through subsidiaries, rather than independent contractors. This provides the business with a better opportunity to control the quality of its products or its product's components. Relying on its own subsidiaries as a source of supply also provides a business with the opportunity to better ensure promised delivery dates of critical product components. 114 ? NSOU ? PGCO-III v) Bypass Host Country's protecting Mechanisms National regulators generally discriminate against foreign subsidiaries unless the subsidiary is established enough regionally to be perceived as a domestic firm. Establishing foreign subsidiaries, therefore, could defend the business from bound governmental investigations, audits and prosecutions. The international subsidiary may be

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way for a business to expand into foreign countries and bypass the protecting controls of the mercantilism country.

v) Limit Transport prices High transportation prices will considerably raise the costs of merchandise offered by a business. Functioning as an international will cut back such prices by getting production provided from a manufacturer that's on the brink of

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the company's plants and therefore the product market. As a result, a domestic business could profit by investment in production plants in foreign countries and commercialism the factory-made merchandise on to shoppers in those countries,

instead of mercantilism the products from the home country. vi) Product Innovation MNCs with their sound Research and Development, invent new merchandise and improve existing merchandise. Developing countries, normally, suffer from lack of funds to take a position in Research and Development programmes. Therefore, they invite MNCs to their countries.

#### 4.4 How International Firms Enter an Overseas Market

1. Indirect Exporting MNCs could use domestically based agents who performs for a commission basis while not taking title to product, or merchants who sell the merchandise of the corporate in international markets (after taking title to the goods). They will additionally use the distribution channels of others within the international markets. On the contrary, few companies together sell merchandise through a firm referred to as associate export management company. The most advantage of exploitation of this strategy is that the mercantilism company will utilize the experience of the organization that has information concerning the country to which the products are being exported. The original company NSOU ? PGCO-III ? 115 may also have sensible links with the organization that organizes such export activities since each firm is placed within the same country.
2. Direct Exporting A company could adopt the direct mercantilism policy. the corporate develops overseas contacts, undertakes market research, handles documentation and transportation and decides the promoting combine. Conversely, associate MNC will use foreign-based agents or distributors. associate agent could conform to handle the merchandise solely, or together. Associate agent doesn't take title to the merchandise and works on commission. Taking the benefits of foreign-based agents and distributors MNC could transfer the title of the merchandise to distributors operative within the foreign market. However, the distributor's profit or commission relies on sales generated and that they might not have an interest in developing long-run market positions for the corporate, they would not be willing to place in further efforts to sell new merchandise and can provide most attention to commercialism established merchandise of the corporate which is able to generate most profit or commission for them. They would think about themselves to be representatives of their customers than of the corporate and will be reluctant to convey market feedback to the corporate. the corporate has restricted management over agents and distributors. Under this example, the MNC could establish a sales and promoting workplace within the foreign market and use its own salespersons. The employee pays attention to the event of the market and chances for feedback and alternative info from the market are higher. Thus, customers are taken care of higher and therefore the company's interest would be higher served. this can be a chic methodology, that the order sizes need to be massive.
3. Licensing The retail merchant has exclusive rights to supply and market the merchandise within the such space for a restricted amount. The licensor sometimes gets royalties on the sale of the merchandise. Under this technique, an overseas licensor provides a neighborhood retail merchant with access to technologies, patents, trademarks, ability or brand/company name in exchange for monetary or another type of compensation. 116 ? NSOU ? PGCO-III The advantage of licensing lies within the incontrovertible fact that the MNC (licensor) will enter a replacement market while not creating substantial investments. However, the corporate loses management over the assembly and promoting of the merchandise. It ought to be noted that the name of the licensor depends on the performance of the retail merchant. One disadvantage of licensing is that the loss of product and method ability to 3rd parties (licensee), who could become competitors once the agreement is over.
4. Franchising Franchising could be a style of contract wherever packages of services are offered by the franchiser to the franchisee reciprocally for a payment. Franchising is of 2 types: In ancient franchising, the merchandise factory-made or provided by the franchisor take centre stage. The manufacturer licenses to the franchisee the proper to sell or distribute a selected product exploitation the franchisor's trademark and brand name. Whereas in a very business format franchise the franchisee's business is merely noted by the marks it shares with the franchisor and alternative franchisees. Traditional franchising is mostly found in automobile, truck, living accommodations, and farm instrumentation dealerships; petrol service stations, etc. In business format franchising, the franchiser, like McDonald's, lends operative procedures, internal control, also because the product and brand name.
5. Joint Ventures An MNC could enter into a joint-venture agreement with an organization from the target country market. two kinds of the venture are there: written agreement and Equity joint ventures. In written agreement joint ventures, no joint enterprise with a separate identity is created. Two or a lot of companies enter into a partnership to share the value and profit. The partnership will be shaped for finishing a project, or for a protracted term co-operative effort. In associate degree equity venture, a replacement company is created during which the foreign and native firms share possession and management.
6. Direct Investment Foreign direct investment (FDI) is an investment in a business by an investor from another country for which the foreign investor has control over the company purchased. The Organization of Economic Cooperation and Development (OECD) defines control

NSOU ? PGCO-III ? 117 as owning 10% or more of the business. An MNC may make a direct investment by creating a new foreign enterprise, which is called a greenfield investment, or by the acquisition of a foreign firm, either called an acquisition or brownfield investment. 4.5 Advantages and Disadvantages of MNCS According to the ILO report on Multinational Enterprises and Social Policy, Geneva, 1973, "for some, the multinational companies are an invaluable dynamic force and instrument for wider distribution of capital, technology and employment; for others, they are monsters which our present institutions, national or international, cannot adequately control, a law to themselves with no reasonable concept, the public interest or social policy can accept". MNCs help both the home country and the host country. There are some disadvantages too. 4.5.1 Advantages of MNC's for the host country The possible benefits of an MNC to the host country may include: 1. Improving the balance of payments: FDI will usually help a host country to improve its

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balance of payments situation. The direct flow of capital into the country likely to result in import substitution and export promotion. Export promotion happens due to the multinationals using their production facility as a basis for exporting, while import substitution means that products previously imported may now be bought domestically. 2. Providing employment:

FDI will usually result in employment benefits for the host country as it is expected that most employees will be locally recruited. These advantages may be comparatively greater assuming that governments will usually try to attract firms to areas where there is relatively high state of sensible labour supply. 3.

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Source of tax revenue: Profits of multinationals will be subject to local taxes in most cases, which will provide a valuable source of revenue for the domestic government. 4. Technology transfer: MNCs will bring with them technology and production methods that are probably

not available to the host country. Workers will be 118 ? NSOU ? PGCO-III trained accordingly

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and domestic firms will see the benefits of the new technology. This is known as technology transfer. 5. Increasing choice: If the multinational manufacture for domestic markets as well as for export, then the local population will gain form a wider choice of goods and services and at a price possibly lower than imported substitutes. 6. National reputation: The presence of one multinational may improve the reputation of the host country and other large corporations may follow suite and locate as well. 4.5.2

Disadvantages of MNC's for the host country The possible disadvantages of a multinational investing in the host country may include : 1. Environmental impact: Multinationals will want to produce in ways that are as efficient and as cheap as possible and this may not always be the best environmental practice. They will often lobby governments hard to try to ensure that they can benefit from regulations being as sloppy as possible and given their economic importance to the host country, this influencing will often be quite effective. 2. Uncertainty: MNCS can move and change at very short notice and often will. This creates uncertainty for the host country. 3. Influence and political pressure: MNC often enjoys disproportionate influence over government and other organisations in the host country. Given their economic importance, governments will often agree to changes that may not be beneficial for the long-term welfare of their people. 4. Transfer pricing: MNCs

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will always aim to reduce their tax liability to a minimum. One way of doing this is through transfer pricing. The aim of this is to reduce their tax liability in countries with high tax rates and increase them in countries with low tax rates. They can do this by transferring components and part-finished goods between their operations in different countries at differing prices. Where the tax liability is high, they transfer the goods at a relatively high price to make the costs appear higher. This is then recouped in the lower tax

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country by transferring the goods at a relatively lower price. This will reduce their overall tax bill. 5.

Low-skilled employment: The jobs created in the local environment may be low-skilled with the multinational employing expatriate workers for the more senior and skilled roles. Moreover, adopting the ethnocentric approach in staffing may affect the job market of the host country adversely. 6. Health and safety: Multinationals have been accused of cutting corners on health and safety in countries where regulation and laws are not as rigorous. Recently, in India Nestle was accused of some health-related problems with their popular product Maggie Noodles. 7. Export of Profits: Multinationals are likely to repatriate profits back to their 'home country', leaving little financial benefits for the host country. 8. Cultural and social impact - MNCs can dilute local customs and traditional cultures. For example, the sociologist George Ritzer coined the term McDonaldization to describe the process by which more and more sectors of American society as well as of the rest of the world take on the characteristics of a fast-food restaurant, such as increasing standardisation and the movement away from traditional business approaches. 4.5.3 Advantages of MNCs for the home country The MNCs home country has the following advantages 1. MNCs create opportunities for marketing the products produced in the home country throughout the world. 2. They create employment opportunities for the people of the home country both at home and abroad. 3. It gives a boost to the industrial activities of the home country. 4. MNCs

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help to maintain a favourable balance of payment of the home country in the long run. 5.

Home country can also get the benefit of foreign culture brought by MNC's.

120 ? NSOU ? PGCO-III 4.5.4 Disadvantages of MNC's for the home country 1. MNCs transfer the capital from the home country to various host countries, causing an unfavourable balance of payment. 2. MNCs may not create employment opportunities for the people of the home country if it adopts a geocentric approach. 3. As investments in foreign countries are more profitable, MNC's may neglect the home countries industrial and economic development. 4.6 Multinational Companies in Emerging Economies From the above discussion, it is revealed that MNCs play an important role in linking rich and poor economies, and in transmitting capital, knowledge, ideas and value systems across borders. MNCs' interaction with various institutions, organisations and individuals is generating positive as well as negative spillovers for various groups of stakeholders in both home and host countries. In

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consequence, they are focal points in the popular debate on the merits and dangers of globalisation, especially when it comes to developing

and emerging economies. According to Meyer(2004), understanding the role of MNCs in emerging economies is essential both for policymakers and for MNCs themselves. Policymakers are influencing the regulatory regime under which both MNCs and local business partners operate. They are interested in understanding how foreign direct investment (FDI) influences economic development and national welfare. The expectation that FDI will be beneficial to the local economy, has motivated many governments to offer attractive incentive packages to allure investors. The motivation is that the social benefits of inward FDI would exceed the private benefits of FDI, and investors would take into account only the latter when deciding over investment locations. The Fortune Global 500 top 10 list by annual revenue 1. WalMart Stores (US) - \$485.8bn 2. State Grid (China) - \$315.1bn 3. Sinopec (China) - \$267.5bn 4. China Natural Petroleum (China) - \$262.6bn 5. Toyota Motor (Japan) - \$254.7bn NSOU ? PGCO-III ? 121 6. Volkswagen (Germany) - \$240.2bn 7. Royal Dutch Shell (Netherlands) - \$240bn 8. Berkshire Hathaway (US) - \$223.6bn 9. Apple (US) - \$215.6bn 10. Exxon Mobil (US) - \$205bn Source: Fortune, July 2017 Breakdown by country As of November 2017, this is the list of the top 10 countries with the most Global 500 companies. Rank Country Companies 1 United States 132 2 China (including Hong Kong and Macau) 109 3 Japan 51 4 France 29 5 Germany 29 6 United Kingdom 21 7 South Korea 15 8 Netherlands 15 9 Switzerland 13 10 Canada 11 Source: Fortune, November 2017 4.7 Summary This unit introduces you with the concepts of MNC. We began our discussion with the definition of an MNC. Then we tried to categorise MNCs. Next, the different reasons for the growth of MNCs have been discussed. Along with the economies of scale other factors such as non-transferable knowledge, market growth, product sourcing, product innovation, etc play a vital role in the growth of MNCs. Moreover, various channels 122 ? NSOU ? PGCO-III through which MNCs can enter the domestic market have been introduced. Furthermore, the advantages and disadvantages of MNCs to the home and host countries have been discussed in brief. 4.8 Self Assessment Questions Long answer type: 1. Discuss the factors behind the growth of MNCs. 2. Narrate the channels through which an MNC can enter into a domestic market. 3. What are

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the advantages and disadvantages of MNC to the home country? 4. What are the advantages and disadvantages of MNC to the

host country? Short answer type: 1. What are the types of MNCs? 2. Define a Multinational Company. Objective type: 1. What is the Geocentric approach? 2. What is meant by an affiliate?

NSOU ? PGCO-III ? 123 Unit 5 Global Strategic Management Structure 5.1 Objectives 5.2 Introduction 5.3 Concept of global strategic management 5.4 Framework for global strategy 5.4.1 Global Strategic Ambition 5.4.2 Global Strategic Positioning 5.4.3 Global Business System 5.4.4 Global Organisation 5.5 Concept of Competitiveness 5.6 Theories of Competitiveness 5.7 Twelve Pillars of Competitiveness 5.8 Porter's Diamond Model of Competitive Advantage 5.9

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Summary 5.10 Self assessment Questions 5.1 Objectives After studying this unit, you will be able to: ? know the meaning of

global strategic management ? understand the framework for global strategy ? get an idea of competitiveness ? figure out the theories of competitiveness ? comprehend the pillars of competitiveness ? know Porter's diamond model of competitive advantage

124 ? NSOU ? PGCO-III 5.2 Introduction The global strategic management is intended to provide theoretical insights of strategy in a global perspective and to give some guidance as to how to deal with the realities of international business. Accordingly, this section provides an overview of the framework for global strategy, concept of competitiveness and its determinants and Porter’s diamond model of competitive advantage. These concepts will be helpful to understand the different topics in the subsequent units. 5.3 Concept of Global Strategic Management Global strategic management has emerged as a new field due to the rapid globalization of business. Globalization does matter to strategy creation due to the following reasons: (i) Multinational enterprises must be internally differentiated to respond to the environmental differences that exist in different business and geographic markets. (ii) Globalization involves the integration of corporate activities across borders. (iii) Global companies must understand customers from the perspective of both domestic and international standards and must have the ability to know the multiple locations far from the home base. Thus, global strategic management is nothing but a blend of strategic management and international business which develops worldwide strategies for global corporations. In order to understand this topic very meaningfully one must have a clear idea about strategy, strategic management and international business. Let us explain these concepts at the outset. William F Glueek (1972) defined strategy as “a unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.” Three adjectives were used by Glueek to define a plan and to make the definition adequate. ‘Unified’ means that the plan joins all the parts of an enterprise together, ‘comprehensive’ means it covers all the major aspects of the enterprise and ‘integrated’ means that all parts of the plan are compatible with each other .Thus, strategy is a plan of action that is adopted in order to achieve the objective(s) of the firm .Various other actions of the firm flow from the strategy. Strategy is a ‘mother’ plan of action or action principle for the firm. A business strategy is global when a company competes in the key market of the world and when the business system is made of integrated and co-ordinated activities across borders.

NSOU ? PGCO-III ? 125 Pearce and Robinson defined

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strategic management as “the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve

the objectives of the enterprise”. In other words, strategic management is a stream of decisions and actions which leads to development of an effective strategy or strategies to achieve corporate objectives (Glueek & Jauch,1984). International business

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refers to business activities that involve the transfer of resources, goods, services, knowledge, skills or information across national boundaries.

It is a cross-border business conducted in foreign country by crossing national boundary. As global integration takes place between countries and companies due to international business, the managers and the strategy researchers will have to find new ways to deal with globalization. The global strategic management is intended to provide theoretical insights of strategy in a global perspective and to give some guidance as to how to deal with the realities of international business. 5.4 Framework for Global Strategy A global strategy is the means by which an organisation defines its long-term objectives for the world market; builds, integrates and co-ordinates its business system to gain and sustain a global competitive advantage and enables an organisation to manage its operations worldwide. A global strategy consists of four major components: global strategic ambition, global strategic positioning, global business system, and global organisation which are elaborated in the following sub-sections. Note: This section has been adopted from "Lasserre, P. (2003). Global Strategic Management, Palgrave Macmillan, 36–60. 5.4.1 Global Strategic Ambition The global strategic ambition expresses the role an organisation wants to play in the world market place and how it views the future distribution of its sales and assets in the key regional clusters of the world. There are generally five types of role that a company plays in the world market as either global player or regional player or regional dominant global player or global exporter or global operator. These roles are discussed below: A company whose ambition is to be a global player aspires to establish a sustainable competitive position in the key markets of the world and to build an integrated business system of designs spread over those key markets. For example, SONY, Unilever, Ericsson, Procter & Gamble etc would qualify for such a description of their role.

126 ? NSOU ? PGCO-III A regional player defines its role as to capture a strong competitive advantage in one of the key regions of the world e.g., North America, Europe or Asia etc. and to be a marginal or relatively weak competitor in the other parts. Fiat in automobiles, NEC or Barclays would be examples of such an ambition. A regional dominant global player is a company whose role is more than a regional player but it is not yet selling across the key markets of the world. A global exporter is a company whose role is to sell products manufactured or services operated in its home country across the key markets of the world and who builds foreign operations only to support the export drive. The major aerospace or defence companies like Boeing, Airbus and Raytheon can be classified into this category despite the fact that they have some supporting assets (maintenance, sales offices, etc.) outside their home region. A global operator is a company that procures a large fraction of its product components in factories located outside its base market and which concentrates its sales in its domestic market. In such a case the ambition would hardly qualify as a global: however, many managerial issues of integration and co-ordination of activities, both in-house factories or long-term subcontracting, would be quite similar to those that a global company would have to face. In order to assess the degree of global ambition exhibited by companies, one should look at their distribution of sales, assets and personnel. Ideally, a pure global company would exhibit three major characteristics: ? First, it would have a distribution of its sales proportional to the distribution of markets in its industry. ? Second, it would have a distribution of its assets and work force proportional to the distribution of markets in its industry. ? Third, it would manage its activities on an integrated and co-ordinated way across the globe. In order to evaluate the extent to which a company has followed a global ambition, one can use two globalisation indices: the Global Revenue Index and the Global Capability Index. The Global Revenue Index (GRI) is calculated by taking the ratio of the company distribution of sales in the major world regions to the industry distribution of demand in the same regions. The Global Capability Index (GCI) is calculated in a similar way, but instead of taking the distribution of sales, one takes the distribution of assets for capital

NSOU ? PGCO-III ? 127 intensive industries or else of personnel. If one combines the GCI and the GRI in one chart, we obtain a mapping of the global ambition of players. A company low in both GRI and GCI would be a Regional Player, a company low in GRI and high in GCI would be a Global Operator, a company low in GCI and high in GRI would be a Global Exporter while a company high in both dimensions would be a Global Player and a company with an average score in both dimensions would be a Regional Dominant Global Player. As part of the strategy formulation process, companies can use the global indices to analyse their position and set their global ambition.

### 5.4.2 Global Strategic Positioning

Global positioning consists of two types of choices: (i) the choice of countries in which the company wants to compete and the role that those countries have to play in the global country portfolio; (ii) the various value propositions for the product or services of the company, corresponding to the type of segments and countries in which the company wants to compete.

**Choice of countries** Depending on the industries, countries differ in the opportunities they offer to companies for their strategic development. Some countries, given their size, growth or the quality of their human, natural or locational resources, are critical for companies' long-term competitiveness. Those countries are qualified as key countries. For example, Europe, North America and Asia are the three regional clusters that a global player would consider, but within those clusters some countries are more important than others, and should be given priority. In Asia, for instance, in the automobile sectors, Japan, Korea and, in the future, China can be considered as key countries. In Europe, Germany and, to a certain extent, the United Kingdom or France are also key countries. The second category of countries consists of countries that exhibit a high growth rate, making them strategically attractive in the near future. Those are the emerging countries. China, India, Brazil, Poland in the early twenty-first century generally qualify for that definition but, again, it is difficult to generalise since opportunities are industry-specific. The platform countries constitute a third category. These are the countries which, because of locational advantage, good logistical, financial, regulatory and legal infrastructure or qualified personnel, can serve as a 'hub' for setting up regional centres, global factories that are 'platforms' for further development. Singapore, Hong Kong, Ireland or Taiwan present these characteristics.

128 ? NSOU ? PGCO-III A fourth category would be the marketing countries, where the attractiveness of the market is good, without being as strategically critical as for the key countries. The type of presence in such countries should be assessed on its own merits, depending on the political, economic and business context. Countries with a strong resource base but limited market prospects would be classified as sourcing countries; for instance, Malaysia for rubber or Saudi Arabia for petroleum. Typically, a global company will control a portfolio of operations in these different categories of countries. The benefit of such categorisation is to establish priorities in investments and to guide entry strategies.

**Value proposition** The value proposition is the definition of a customer's value attributes that the company is offering to the market. It implies: ? Choice of value attributes ? Choice of customer segments ? Choice of degree of world standardisation of the product/service offering. Value attributes are the elements of the products or services that customers value when making their purchasing decision. Those include the product design, functionality, performance, quality, customisation and price, as well as the related service, the brand, the availability and other features. The set of those attributes for a particular group of customers and a particular product or service is the customer's value curve. Michael Porter has identified two 'generic' strategies corresponding to two types of value attributes: (a) A proposition based on value-enhancing attributes such as performance, quality, service, customisation. Porter calls this type of value attribute as differentiated. (b) A proposition based on price for standardised products or services. Porter calls this type cost leadership. The same typology can apply to global positioning: the company can either position itself as a global differentiator or a global cost leader. Customer segments are the groups of customers that have similar value curves. Those customer groups can be identified by income level, geographical location, age, socio-psychometric attributes in consumer goods and service industries or by industry, size, purchasing behaviour in business-to-business industries (B2B). The strategic choice at this level will be to decide whether the company concentrates its segmentation on one



NSOU ? PGCO-III ? 129 or two customer groups, a positioning that Michael Porter qualifies as Focused, or whether it attempts to embrace many or all customer segments, a positioning qualified as Broad. The third component of a value proposition is the choice between a standardised versus an adaptive-value proposition across countries. If one adopts a similar or standardised value attribute to the same type of customer segments across the globe, the approach will be qualified as Standard; if one tries to differentiate value attributes and segments according to the country or regions, the approach will be qualified as Adaptive. Then the company's value proposition will consist of trying to identify the customer groups it wants to serve (Focused or Broad), the type of value attribute it wants to offer (Cost versus Differentiation) to those customers, and whether it is homogeneous or not across country (Standardised versus Adaptive). Coca Cola, Swatch or SONY, for instance, have a standard value proposition across the globe and serve similar segments. Unilever and Procter & Gamble adjust their value proposition and their segmentation in different countries. The strategic choice of a value proposition dictates the type of capabilities that are needed to compete globally, and therefore the type of business system in which the company needs to invest.

### 5.4.3 Global Business System

A global business system decomposes the company value chain into elements which are spread and integrated across the world. It involves building and developing capabilities to compete successfully on the global market space in accordance with the positioning that has been already determined. A company value chain is the set of activities that a company employs in order to design, produce and deliver the value proposed to the customer. Each company has a different value chain according to the type of industry in which it operates and the degree of vertical integration it has adopted. However, one can distinguish three major generic components of a value chain:

- (a) Innovative activities: R&D, knowledge, creation, design
- (b) Productive activities: procurement, manufacturing, back office, operations, logistics
- (c) Customer relationship activities: marketing, sales, distribution, customer services.

In each of these activities, the company deploys resources, assets and competencies. Global capabilities are embodied in a business system deployed in various countries. In order to be competitive the company should be able to leverage some of its competitive advantages across countries. Competitive advantages are capabilities that are difficult to replicate or imitate and are non-tradable. Generally one can distinguish between two types of capabilities leading to competitive advantages:

- (a) Capabilities leading to an increase in customer value through performance, quality and brand services, leading to a Differentiated value proposition
- (b) Capabilities leading to a lower cost base, such as low-cost labour, low-cost sourcing, economies of scale in production, efficiency, leading to a Cost leadership value proposition.

Competitive advantage, in order to be valuable, needs to be long-lasting or sustainable. One can generally mention three ways of achieving sustainability:

- (a) Customer loyalty
- (b) Positive feedbacks
- (c) Pre-emption of capabilities.

Customer loyalty creates sustainability when customers keep coming back to a company by choice, because the product or service provided to them is unique or more valuable than competition. It can also be due to a brand that has imprinted an association of uniqueness to the product or service in the mind of the customer. It can also be due to high switching costs that customers would incur if they changed products or services: in that case the customer is locked-in. Coca Cola is the most characteristic example of sustainable competitive advantages coming from a strong brand. A high switching costs example is given by Microsoft, whose operating system is so dominant that a customer wishing to shift to a competitive system like Linux or Apple would have tremendous application software adaptation costs. Positive feedbacks are advantages that follow the logic of 'success brings success' and produce increasing returns. There are two kinds of positive feedback: 'network externalities' and 'experience effects'.

NSOU ? PGCO-III ? 131 Network externalities exist when the customer base of a product or service is such that it induces other products or service providers to adopt it in their own value proposition. For example, Microsoft Office followed the same path: more software available with Windows or more users of Microsoft Office attract more customers to buy Windows personal computers and to become users of Microsoft Office which in turn induces more Windows-based software, thereby attracting more customers. Experience effects exist when accumulated volume reduces costs or increases customer benefits in such a way that the competitors, being ahead in accumulated volume, can use their lower cost base or customer value advantage to eliminate weaker competitors, which, in turn, helps them to accumulate more volume which then helps them to eliminate more competitors, etc. The Boston Consulting Group (BCG) in the early 1970s developed the theory of the 'experience curve', a modern version of the 'learning curve' discovered in the 1930s by aerospace engineers, demonstrating that the cost of production in standard products or services decreases by a fixed percentage each time the accumulated volume of production doubles. Based on this law, they suggested that, for standard products, competitive strategies should be based on a race for accumulated volume that would ultimately lead the larger competitor to achieve a sustainable dominant profitable competitive position. Although the experience curve theory has been criticised for its simplistic assumptions (it applies mainly to standard products in price-sensitive markets), it has proven to be a powerful competitive advantage in many industrial or service sectors such as chemical products, electronic components or automotive parts. Pre-emption of capabilities is a type of competitive advantage based on the appropriation by one company of key resources or assets that competitors will find difficult to access, or to the development of competencies that are 'time incompressible'. Appropriation of resources or assets applies to the privileged access to natural resources such as location or mining concessions. It may apply to access to skills and talents when they are in limited supply, as is the case in many emerging markets such as the Internet- related sectors. It may apply to the right to do business, such as the obtaining of licences, as in telecommunications, or landing rights in air transport. Patenting is a form of pre-emption since it gives the patent holder a period during which it has the proprietary right to exploit the patent. It applies to distribution networks, partnerships or access to favourable locations, as in the retail or hospitality industries.

132 ? NSOU ? PGCO-III Building sustainability One of the key elements of any strategy is to be able to create and exploit sustainable competitive advantages. For global firms, the central issue is to be able to utilise their existing advantages in multiple-country leverages in order to compete successfully with local players and other global competitors. This can be done in two ways: (a) By being among the first competitors to enter a given market: first-mover advantages. (b) By exploiting capabilities already built up in other countries in order to displace and dominate existing competitors: leveraging advantages. During the process of globalisation, companies progressively split their value chain by spreading their activities across the world. The first stage is the export stage in which the only elements of the value chain which are set up in foreign countries are the sales, and even then not through direct investment but through local distributors, agents or licensing. The only possible direct investment at this stage, if the size of the market justifies it, is the creation of a representative office in one country or a regional office for a group of countries. The second stage is to invest in marketing subsidiaries actively to manage the marketing mix. Those subsidiaries are staffed with expatriates plus local recruits and their role is to co-ordinate the activities of the distributors, organise the promotion, set up logistics and service centres and, in some cases, some operational facilities, such as testing laboratories or assembling operations to support the sales effort. Those marketing subsidiaries may eventually take over the local distributors. When the market justifies or when local governments require a localisation of value adding activities, companies invest in manufacturing or operational facilities for the service sectors. Some R&D facilities may be localised as well, in order to adapt products or services to local conditions. These foreign investments are made either as wholly owned subsidiaries or joint ventures or acquisitions of local firms. At this stage, as the number of those investments increases, the company is a multinational, managing a portfolio of relatively independent worldwide subsidiaries. During the final stage of globalisation, multinational companies feel the competitive need to integrate and co-ordinate their worldwide operations to take advantage of economies of scale, transfer of know-how and resource optimisation. This leads to an

NSOU ? PGCO-III ? 133 interlocked set of value chain activities which falls broadly into three categories: the activities which have a global role to serve the whole world (global activities, such as global research centres, or global plants), those which have a regional role (regional activities) and those which are purely local (local activities). In the process of globalisation, companies may usually need to acquire and complement their capabilities by setting up partnerships. Strategic alliances for globalisation can take several forms: (a) Global alliances whose role is to pool complementing capabilities to reach world markets, or to achieve a critical mass in R&D. The most usual examples of world market partnerships are the airlines alliances such as Star or One- World, or Concert in the telecoms sector between BT and ATT. R&D global alliances are frequent in aerospace, life sciences, electronic defence industries or oil exploration. (b) Partnerships for market entry, joint ventures, franchises or licensing, whose role is to comply with local government requirements (as has been the case in China) or to facilitate entry or minimise risks in a particular country. (c) Acquisitions that from an ownership point of view, are not partnerships, since one party takes over the other, but from a management point of view can be assimilated to an alliance since different national and corporate cultures have to be combined. Acquisitions may have either a global or a local scope.

#### 5.4.4 Global Organisation

The final element of a global strategy is the design of an organisational architecture which is able to support and implement the global ambition, global positioning and global business system. Here, we will limit our comments to the key elements of choices that may be considered during the strategy formulation process. Stopford and Wells (1972), Heenan and Perlmutter (1979), Prahalad and Doz (1987), and Bartlett and Ghoshal (2000) have identified different types of structures, systems and cultures in the management of global firms. These different organisational choices have been mapped by Doz and Prahalad in what they call the Integration/Responsiveness Grid. The choice of an adequate organisational model is contingent upon the following factors: (a) The nature of the competitive context in the industry: The more 'global' is the industry, the more integrated and co-ordinated the activities and the more the

134 ? NSOU ? PGCO-III organisational structure should reflect this integration. The world functional or the global business structure or the matrix structure fulfils this requirement. (b) The strategic positioning adopted by the firm: A standardised positioning using cost leadership as a competitive advantage will require a tightly integrated organisation such as the world functional or the global business structure. Companies engaged in global business have to cope with a dual requirement: (a) They need efficiently to introduce and leverage their competitive advantages across borders; consequently their organisational design demands a certain degree of co-ordination and centralisation. (b) They need to adapt to local conditions; consequently their organisational design demands a certain degree of decentralisation and local autonomy. Organisational design reflects the way companies put this dual demand into action through the implementation of three interlocked elements: (a) Organisational structure: how roles, responsibilities and powers are assigned. (b) Organisational processes: how decisions are made, resource allocation commitments decided, policies enacted and rewards, sanctions and control exercised. Organisational processes include information processes, decision- making processes, planning and control processes and performance evaluation processes. (c) Organisational culture: the shared values and the dominant logic of doing business'; the 'dos' and 'don'ts' and what kind of behaviour is rewarded or sanctioned'. Based on the work of prior research, three generic organisational models are identified: ?

Global hub: a worldwide functional or global product structure ? Confederation: a multinational geographical structure ? Multidimensional: a matrix or transnational structure. A variety of structures is derived from these three generic models. It can be argued that there is no single best structure and that the adoption of a particular structure is contingent upon the competitive imperative.

NSOU ? PGCO-III ? 135 5.5 Concept of Competitiveness In order to understand the concept of competitiveness, let us consider some definitions of competitiveness offered by the experts and forums in this field: Krugman [1990, 1994]: If competitiveness has any meaning, it is simply just another way to express productivity. The ability of a country to improve its living standard depends almost entirely on its ability to raise its productivity. Competitiveness is meaningless word when applied to national economies. Porter [1990]: The only meaningful concept of competitiveness at the national level is national productivity. Competitiveness is an ability of an economy to provide its residents with a rising standard of living and a high employment on a sustainable basis. Porter (1990) suggests that competition and the seeking of competitiveness can be a win-win game, favouring all parties taking part in the race. OECD [1992]: The OECD defines competitiveness as the degree to which a state may produce goods and services that should pass the test of international competition, and in the same time to maintain and develop its incomes at national level. World Economic Forum [1996]: Competitiveness is the ability of a country to achieve sustained high rates of growth in GDP per capita. European Commission [2001]: Competitiveness of a nation is the ability of an economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis. Adamkiewicz-Drwi<sup>33</sup>o [2002]: The competitiveness of a company means adapting its products to the market and competition requirements, particularly in terms of product range, quality, price as well as optimal sales channels and methods of promotion. Ajitabh, Momaya [2004]: Competitiveness of a firm is its share in the competitive market. Porter et al. [2008]: The most intuitive definition of competitiveness is a country's share of world markets for its products. This makes competitiveness a zero-sum game, because one country's gain comes at the expense of others.

136 ? NSOU ? PGCO-III Chao-Hung, Li-Chang [2010]: A firm's competitiveness is its economic strength against its rivals in the global marketplace where products, services, people and innovations move freely despite the geographical boundaries. Altomonte et al. [2012] : External or international competitiveness is the ability to exchange the goods and services that are abundant in home country for the goods and services that are scarce in this country. From the analysis of the above definitions, it follows that competitiveness can be viewed from two perspectives- micro and macro. In the microeconomic approach, the competitiveness of goods and the competitiveness of firms are analysed. The competitiveness of goods and services mainly depends on their quality and price. These two elements have the greatest influence on the sales volume. However, other activities like market research, advertising, customer relations, distribution channels, customer support also contribute to the competitiveness. The competitiveness of firms is based on their ability to make profits, which, on the other hand, is largely determined by the competitiveness of their goods and services. Other factors contributing to the competitiveness are: the ability to increase the market share, corporate image and brands, the ability to access financial resources (Szentes, 2012; Wach, 2014). The concept of macro-level competitiveness or national competitiveness is twofold. On the one hand, macro competitiveness shows the ability of a country to sustain a high level of national income and a favourable position in the world economy. On the other hand, it shows the ability of a country to create a business environment in which the local firms and businesses are able to compete internationally. Porter (1990) went even further by saying that the competitiveness of a nation is equal to the competitiveness of its firms. The two best known measurement methods developed by the World Economic Forum (WEF) and the International Institute for Management Development (IMD) reflect this interdependency between micro and macro-level competitiveness. The Global Competitiveness Index (GCI, developed by WEF) is based on 12 pillars all consisting of several factors, but the pillars either characterise the macro competitiveness (e.g. institutions, infrastructure, macroeconomic environment, market size, education, health care), and micro competitiveness (e.g. labour market, financial market, market of goods, technology and

NSOU ? PGCO-III ? 137 innovation). The World Competitiveness Index (WCI, developed by IMD) has 4 main factors, but again, these factors are either macroeconomic in nature (e.g. economic performance, government intervention and infrastructure), or can directly be related to the businesses (Business efficiency). 5.6 Theories of Competitiveness Theories of competitiveness range from the macro-perspective to micro- perspective. An overview of these theories has been provided in the Table 4.1. Table 4.1: Theories of Competitiveness Concept/Theory Representative Main Issues Classical concepts and theories Concept of Adam Smith Each party involved in international free trade invisible hand can gain benefits by specializing in the production of goods in which it holds an absolute advantage. So, let every country export those goods it produces at the lowest costs and import those goods it produces at the highest costs. Comparative David Ricardo A country can benefit from foreign trade even advantage if it lacks any absolute advantage over its concept trade partners in the goods' production. It only needs to have relative advantage in any good in order to sell it abroad. Heckscher-Ohlin Eli Heckscher A country will specialize in producing and trade theory Bertil Ohlin exporting those commodities which require (natural resource relatively intensive use of locally abundant abundancetheory) factors of production. Relatively capital- abundant country will export capital-intensive commodities while relatively labour- abundant country will export labour-intensive commodities.

138 ? NSOU ? PGCO-III Neoclassical, Austrian and institutional concepts and theories of competitiveness Theory of John M. Clark Competitive advantage is driven by effective innovations introduced by the company. (workable) Innovations motivate firms to compete competition aggressively in order to obtain competitive advantage, which in turn leads to technological progress and economic growth at the macro- level. Theory of Wroe Alderson There are six potential sources of a firm's marketing competitive advantage: market segmentation, behaviour a way of communication (i.e. promotion and advertising) and reaching out to the customers (choice of distribution channel), product development, process improvement, and product innovations. Austrian Ludwig von Mises Market competition is an automatic dynamic schooltheory process and not a specific market structure. The tendency towards market equilibrium is the result of entrepreneurial activity. An enterprise wins or loses in competition depending on the strength of its capabilities and the degree it offers match the market needs. Evolutionary Joseph A. Crucial to long-term survival of firms in the economics Schumpeter marketplace is their constant adjustment to changing environment, mainly due to searching out new innovative recombination of the garnered resources. Theory of Joseph A. The company's ability to innovate is a key entrepreneurship Schumpeter for achieving competitive advantage over its and innovations rivals. The ability to create new solutions and

NSOU ? PGCO-III ? 139 the predisposition to take risks associated with testing them in the market underline the competition process and entrepreneurship. Differences both in the level of innovative capacity and entrepreneurship result in differences in the competitive position of any economic agent. Institutional Friedrich List In addition to economic factors, one's economics Max Weber James competitiveness is affected by social streams Buchanan institutions such as public authorities, trade unions, financial institutions, socio-political organizations, ownership and organizational structures and mental habits, rules and codes of conduct. Contemporary concepts and theories of competitiveness Krugman's Paul R. Krugman Productivity growth is the main driver of concept of competitiveness. International competitiveness competitiveness of countries is associated with their high standard of living Porter's theory Michael E.Porter Competitiveness depends on long run of productivity, which requires a business competitiveness environment that supports continual innovation in products, processes and management. The four underlining conditions driving the global competitiveness of country's companies include: factor endowments, demand conditions, related and supporting industries (clusters), and the firm's strategy, structure and rivalry. Note: This section has been adopted from "Competitiveness in The Economic Concepts, Theories and Empirical Research" by Tomasz Siudek and Aldona Zawojka; *Oeconomia* 13 (1) 2014, 91–108

140 ? NSOU ? PGCO-III 5.7 Twelve Pillars of Competitiveness This section presents a short description of each pillar of the Global Competitiveness Index. World Economic Forum (WEF) defines competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be reached by an economy. The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that is likely to grow faster over time. The Global Competitiveness Index 4.0 evaluates the factors that collectively determine the level of a country's productivity—the most important driver of long-term improvements in living standards. The factors are organized into 12 pillars, and for presentation purposes they are grouped into four categories (viz. Enabling environment, Human capital, Markets and Innovation ecosystem) as shown in Figure 4.1

Figure 4.1 Global Competitiveness Index 4.0 Enabling environment Human capital Markets Innovation ecosystem ↓ ↓ ↓ ↓ Pillar 1: Institutions Pillar 5: Health Pillar 7: Product market Pillar 11: Business dynamism Pillar 2: Infrastructure Pillar 6: Skills Pillar 8: Labour market Pillar 12: Innovation capability Pillar 3: ICT adoption Pillar 9: Financial system Pillar 4: Macroeconomic stability Pillar 10: Market size

The development of the GCI 4.0 has been guided by the emergence of new fundamental changes in the functioning of national economies with the advent of the Fourth Industrial Revolution (4IR). According to WEF, successful economies in the 4IR era need to: ↓ ↓ ↓ ↓

NSOU ? PGCO-III ? 141 ? Be resilient, building buffers and economic mechanisms to prevent financial crises or mass unemployment and to respond to external shocks. ? Be agile, embracing change rather than resisting it. Companies, public policy- makers and workers should be able to quickly adapt how they operate and to take advantage of the opportunities to produce goods or provide services in new ways. ? Build an innovation ecosystem where innovation is incentivized at all levels and all stakeholders contribute to create the best conditions for new ideas to emerge, to be financed and commercialized as new products and services. ? Adopt a human-centric approach to economic development. This means that human capital is essential for generating prosperity and any policy that adversely affects human factors' potential will reduce economic growth in the long run. As a consequence, policy-making will have to ensure that the speed of change and the introduction of new technologies ultimately translate into better living conditions. WEF opines to look at the 12 pillars through the lens of the four meta- concepts: resilience, agility, innovative ecosystems and a human-centric approach. Looking at the GCI from this perspective enables to interpret the pillars as 4IR-readiness measures. The concept of resilience is reflected in the Financial system pillar (pillar 9), which includes measures to minimize the risk of a financial meltdown and resources to adjust to external shocks. By the same token, the Macroeconomic stability pillar (pillar 4) captures the extent to which a country's public sector can provide appropriate counter-cyclical measures and invest in projects that the private sector cannot finance. Similarly, the Skills pillar (pillar 6) captures workers' capacity to learn and adapt to changing circumstances. The concept of agility is present in the domestic market competition and entrepreneurial culture sub-pillars of the GCI because they imply greater capacity for "creative destruction, allowing innovative companies to emerge against incumbents and rewarding a risk-taking attitude. In addition, the concept is present in the public-sector performance sub-pillar: low levels of bureaucracy make it easier for businesses to re-organize and re-invent themselves when legal formalities are not taxing. Labour market flexibility (another sub-pillar) implies agility through easier re-allocation of talent across sectors and firms. The innovation ecosystem encompasses all pillars. Although business dynamism and innovation capability are the factors impacting innovation more directly, these need to be

142 ? NSOU ? PGCO-III complemented by high levels of human capital (health, education and skills); optimal allocation of skills (labour market functioning); and availability of venture capital and ad- hoc financial products (financial system development). A strong innovation ecosystem also presumes sound infrastructure, ICT readiness and institutions that allow ideas to flow and protect property rights, and a large market size that incentivizes the generation of new ideas. The human-centric approach to development is embodied by the health (pillar 5) and skills (pillar 6) pillars, which together account for one-sixth of the total GCI score and take a broad approach to human capital: health is thought of as a state of complete physical, mental and social well-being, not merely the absence of disease or disabilities; education measures the skills humans need to thrive in the 4IR. The labour market pillar (pillar 8) includes measures of talent reward and respect of workers' rights, while the innovation capability pillar (pillar 12) includes measures that capture human collaboration, interaction and creativity. Let us give an overview of these twelve pillars of competitiveness: Pillar 1: Institutions Pillar 1 captures security, property rights, social capital, checks and balances, transparency and ethics, public-sector performance and corporate governance. By establishing constraints, both legal (laws and enforcement mechanisms) and informal (norms of behaviours), institutions determine the context in which individuals organize themselves and their economic activity. Institutions impact productivity, mainly through providing incentives and reducing uncertainties. Pillar 2: Infrastructure Pillar 2 captures the quality and extension of transport infrastructure (road, rail, water and air) and utility infrastructure. Better-connected geographic areas have generally been more prosperous. Well-developed infrastructure lowers transportation and transaction costs, and facilitates the movement of goods and people and the transfer of information within a country and across borders. It also ensures access to power and water—both necessary conditions for modern economic activity. Pillar 3: ICT adoption Pillar 3 captures the degree of diffusion of specific information and communication technologies (ICTs). ICTs reduce transaction costs and speed up information and idea

NSOU ? PGCO-III ? 143 exchange, improving efficiency and sparking innovation. As ICTs are general purpose technologies increasingly embedded in the structure of the economy, they are becoming as necessary as power and transport infrastructure for all economies. Pillar 4: Macroeconomic stability Pillar 4 captures the level of inflation and the sustainability of fiscal policy. Moderate and predictable inflation and sustainable public budgets reduce uncertainties, set returns expectations for investments and increase business confidence—all of which boost productivity. Also, in an increasingly interconnected world where capital can move quickly, loss of confidence in macroeconomic stability can trigger capital flight, with destabilizing economic effects. Pillar 5: Health Pillar 5 captures health-adjusted life expectancy (HALE)—the average number of years a newborn can expect to live in good health. Healthier individuals have more physical and mental capabilities, are more productive and creative, and tend to invest more in education as life expectancy increases. Healthier children develop into adults with stronger cognitive abilities. Pillar 6: Skills Pillar 6 captures the general level of skills of the workforce and the quantity and quality of education. While the concept of educational quality is constantly evolving, important quality factors today include: developing digital literacy, interpersonal skills, and the ability to think critically and creatively. Education embeds skills and competencies in the labour force. Highly educated populations are more productive because they possess greater collective ability to perform tasks and transfer knowledge quickly, and create new knowledge and applications. Pillar 7: Product market Pillar 7 captures the extent to which a country provides an even playing field for companies to participate in its markets. It is measured in terms of extent of market power, openness to foreign firms and the degree of market distortions. Competition supports productivity gains by incentivizing companies to innovate; update their products, services and organization; and supply the best possible products at the fairest price.

144 ? NSOU ? PGCO-III Pillar 8: Labour market Pillar 8 encompasses “flexibility”, namely, the extent to which human resources can be reorganized and “talent management”, namely, the extent to which human resources are leveraged. Well-functioning labour markets foster productivity by matching workers with the most suitable jobs for their skill set and developing talent to reach their full potential. By combining flexibility with protection of workers’ basic rights, well-functioning labour markets allow countries to be more resilient to shocks and re-allocate production to emerging segments; incentivize workers to take risks; attract and retain talent; and motivate workers. Pillar 9: Financial system Pillar 9 captures the depth, namely the availability of credit, equity, debt, insurance and other financial products, and the stability, namely, the mitigation of excessive risk- taking and opportunistic behaviour of the financial system. A developed financial sector fosters productivity in mainly three ways: pooling savings into productive investments; improving the allocation of capital to the most promising investments through monitoring borrowers, reducing information asymmetries; and providing an efficient payment system. At the same time, appropriate regulation of financial institutions is needed to avoid financial crises that may cause long-lasting negative effects on investments and productivity. Pillar 10: Market size Pillar 10 captures the size of the domestic and foreign markets to which a country’s firms have access. It is proxied by the sum of the value of consumption, investment and exports. Larger markets lift productivity through economies of scale: the unit cost of production tends to decrease with the amount of output produced. Large markets also incentivize innovation. As ideas are non-rival, more potential users means greater potential returns on a new idea. Moreover, large markets create positive externalities as accumulation of human capital and transmission of knowledge increase the returns to scale embedded in the creation of technology or knowledge. Pillar 11: Business dynamism Pillar 11 captures the private sector’s capacity to generate and adopt new technologies and new ways to organize work, through a culture that embraces change, risk, new business models, and administrative rules that allow firms to enter and exit the market

NSOU ? PGCO-III ? 145 easily. An agile and dynamic private sector increases productivity by taking business risks, testing new ideas and creating innovative products and services. In an environment characterized by frequent disruption and redefinition of businesses and sectors, successful economic systems are resilient to technological shocks and are able to constantly re- invent themselves. Pillar 12: Innovation capability Pillar 12 captures the quantity and quality of formal research and development; the extent to which a country’s environment encourages collaboration, connectivity, creativity, diversity and confrontation across different visions and angles; and the capacity to turn ideas into new goods and services. Countries that can generate greater knowledge accumulation and that offer better collaborative or interdisciplinary opportunities tend to have more capacity to generate innovative ideas and new business models, which are widely considered the engines of economic growth. Note: This section has been adopted from “The Global Competitiveness Report 2018” by Klaus Schwab (ed.), World Economic Forum, 37–42. 5.8 Porter's Diamond Model of Competitive Advantage In 1990, Michael Porter in his well-known book, The Competitive Advantage of Nations, attempts to determine why some nations succeed and others fail in international competition. Porter and his team look at 100 industries in 10 nations and make an important contribution to existing literature on trade. Porter’s work is based by a belief that existing theories of international trade tell only part of the story. The essential task of Porter is to explain why a nation achieves international success in a particular industry. Why does Japan do so well in the automobile industry? Why does Switzerland excel in the production and export of watch? Why do Germany and the United States do so well in the chemical industry? Why do Italian companies do so well in the tile industry? These questions cannot be answered easily by the Heckscher-Ohlin theory and the theory of comparative advantage offers only a partial explanation. The theory of comparative advantage would say that Switzerland excels in the production and export of watch because it uses its resources very productively in this industry. Although this may be correct, this does not explain why Switzerland is more productive in this industry than Great Britain, Germany or Spain. Porter tries to solve this puzzle.

146 ? NSOU ? PGCO-III Porter theorizes that four broad attributes of a nation shape the environment in which local firms compete and these attributes promote the creation of competitive advantage. In the format of a figure this looks like a diamond and hence it is termed as Porter’s diamond (refer to Figure 4.2). Porter’s four attributes of national competitive advantage are as follows: 1. Factor Endowments: It implies a

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nation’s position in factors of production such as skilled labour or



the infrastructure necessary to compete in a given industry. The argument of factor endowments is similar to Heckscher-Ohlin theory. Actually Porter does not propose anything radically new, but he analyses the characteristics of factors of production. He recognizes hierarchies among factors, distinguishing between basic factors (e.g., natural resources, climate, location, and demographics) and advanced factors (e.g., communication infrastructure, sophisticated and skilled labour, research facilities and technological know-how). He argues that advanced factors are the most significant for competitive advantage. Unlike the naturally endowed basic factors, advanced factors are a product of investment by individuals, companies and governments. Thus, government investments in basic and higher education, by improving the general Figure: 4.2: Porter's diamond: Determinants of National Competitive Advantage

NSOU ? PGCO-III ? 147 skill and knowledge level of the population and by stimulating advanced research at higher education institutions, can upgrade a nation's advanced factors. For example, in India it is the large production of engineering graduates that has given the country to its' competitive advantage in IT services. The relationship between advanced and basic factors is complex. Basic factors can provide an initial advantage that is subsequently reinforced and extended by investment in advanced factors. Conversely, disadvantages in basic factors can create pressures to investment in advanced factors. For example, Japan, a country that lacks arable land and mineral deposits and yet it through investment has built a substantial endowment of advanced factors. Porter notes that Japan's large pool of engineers has been vital to Japan's success in many manufacturing industries. 2. Demand Conditions: It implies

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the nature of home demand for the industry's product or service.

According to Porter, the home demand plays an important role in upgrading competitive advantage. Firms are typically more sensitive to the needs of their closest customers. Thus, the characteristics of home demand are particularly important in shaping the attributes of domestically made products and creating pressures for innovation and quality. Porter argues that a nation's firms gain competitive advantages if their domestic customers are sophisticated and demanding. Such consumers pressure local firms to meet high standards of product quality and to produce innovative products. Porter notes that Japan's sophisticated and knowledgeable buyers of cameras helped to stimulate the Japanese camera industry to improve product quality and to introduce innovative models. 3. Related and Supporting Industries: It implies

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the presence or absence of supplier industries and related industries that are internationally competitive.

The benefits of investments in advanced factors of production by related and supporting industries can spill over into an industry, thereby helping it to achieve a strong competitive position internationally. For example, Swedish strength in fabricated steel products (e.g., ball bearings and cutting tools) has drawn on strengths in Sweden's steel industry. Similarly, Switzerland's success in pharmaceuticals is closely related to its previous international success in the technologically related dye industry. One consequence of this process is that successful industries within a country tend to be grouped into clusters of related industries. This was one of the most pervasive findings of Porter's study. 148 ? NSOU ? PGCO-III 4.

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Firm Strategy, Structure and Rivalry: It implies the conditions governing how companies are created, organised and managed and the nature of domestic rivalry.

Porter makes two important points here. First, different nations are characterized by different management ideologies, which either help them or do not help them to build national competitive advantage. For example, Japanese are known for manufacturing, Germans for engineering and Americans for research and development. When Americans try to compete on manufacturing, the chances are that they may not succeed like Japanese. Thus, Just-in-Time and lean manufacturing would not be expected to benefit American firms as much as the design and development and introduction of new products into the market. A nation has to check as to which strategy is more suitable to it. Porter's second point is that there is a strong association between vigorous

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domestic rivalry and the creation and persistence of competitive advantage			

in an industry. Vigorous domestic rivalry induces firms to look for the ways to improve efficiency, which makes them better international competitors. Domestic rivalry creates pressures to innovate, to improve quality, to reduce costs, and to invest in upgrading advanced factors. All this helps to create world-class competitors. Porter speaks of these four attributes as constituting the diamond. He argues that firms

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are most likely to succeed in industries or industry segments where the diamond is most			

favourable. He also argues that the diamond is a mutually interacting system. The effect of one attribute is contingent on the state of others. For example, Porter argues that favourable demand conditions will not result in competitive advantage unless the state of rivalry is sufficient to cause firms to respond to them. Unless the demand conditions are favourable, the factor endowments will not produce the competitive advantage. If supporting industries do not exist adequately, a nation with all other determinants available to it, will not develop competitive advantage. Porter maintains that two additional variables can influence the national diamond significantly: chance and government. Chance events, such as major innovations, can reshape industry structure and provide the opportunity for one nation's firms to replace another's. Government, by its choice of policies, can detract from or improve national advantage. For example, regulation can alter home demand conditions, government investments in education can change factor endowments, etc. If Porter is correct, we would expect his model to predict the pattern of international trade that we observe in the real world. Countries should export products from those

NSOU ? PGCO-III ? 149 industries where all four components of the diamond are favourable, while import in those areas where the components are not favourable. However, Porter's theory has not yet been subjected to independent empirical testing. Much about the theory rings true, but the same can be said for the new trade theory, the theory of comparative advantage and the Heckscher-Ohlin theory. It may be that each of these theories, which complement each other, explains something about the pattern of international trade. 5.9 Summary ? Global strategic management is nothing but a blend of strategic management and international business which develops worldwide strategies for global corporations. The global strategic management is intended to provide theoretical insights of strategy in a global perspective and to give some guidance as to how to deal with the realities of international business. ? William F Glueek (1972) defined strategy as "a unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved." ? Pearce and Robinson defined

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strategic management as "the set of decision and action resulting in formulation and implementation of strategies designed to achieve			

the objectives of the enterprise". ? Conducting business by crossing national boundary (i.e., international business) could itself be a strategy for a firm. Firm can take its unique product in terms of design, utility, quality or cost or skills or core competence or brand to other countries where these are not available. Accordingly, these firms grow considerably higher in all dimensions and earn greater profit than the domestic market. ? A global strategy consists of four major components: global strategic ambition, global strategic positioning, global business system, and global organisation. ? The global strategic ambition expresses the role an organisation wants to play in the world marketplace and how it views the future distribution of its sales and assets in the key regional clusters of the world. There are generally five types of role that a company plays in the world market as either global player or regional player or regional dominant global player or global exporter or global operator.

150 ? NSOU ? PGCO-III ? A company whose ambition is to be a global player aspires to establish a sustainable competitive position in the key markets of the world and to build an integrated business system of designs spread over those key markets. For example, SONY, Unilever, Ericsson, Procter & Gamble etc would qualify for such a description of their role. ? A regional player defines its role as to capture a strong competitive advantage in one of the key regions of the world e.g., North America, Europe or Asia etc. and to be a marginal or relatively weak competitor in the other parts. Fiat in automobiles, NEC or Barclays would be examples of such an ambition. ? A regional dominant global player is a company whose role is more than a regional player but it is not yet selling across the key markets of the world. ? A global exporter is company whose role is to sell products manufactured or services operated in its home country across the key markets of the world and who builds foreign operations only to support the export drive. The major aerospace or defence companies like Boeing, Airbus and Raytheon can be classified into this category despite the fact that they have some supporting assets (maintenance, sales offices, etc.) outside their home region. ? A global operator is a company that procures a large fraction of its product components in factories located outside its base market and which concentrates its sales in its domestic market. ? In order to evaluate the extent to which a company has followed a global ambition, one can use two globalisation indices: the Global Revenue Index and the Global Capability Index. The Global Revenue Index (GRI) is calculated by taking the ratio of the company distribution of sales in the major world regions to the industry distribution of demand in the same regions. The Global Capability Index (GCI) is calculated in a similar way, but instead of taking the distribution of sales, one takes the distribution of assets for capital intensive industries or else of personnel. ? Global positioning consists of two types of choices: (i) the choice of countries in which the company wants to compete and the role that those countries have to play in the global country portfolio; (ii) the various value propositions for the product or services of the company, corresponding to the type of segments and countries in which the company wants to compete.

NSOU ? PGCO-III ? 151 ? A global business system decomposes the company value chain into elements which are spread and integrated across the world. It involves building and developing capabilities to compete successfully on the global market space in accordance with the positioning that has been already determined. ? A company value chain is the set of activities that a company employs in order to design, produce and deliver the value proposed to the customer. Each company has a different value chain according to the type of industry in which it operates and the degree of vertical integration it has adopted. ? The final element of a global strategy is the design of an organisational architecture which is able to support and implement the global ambition, global positioning and global business system. ? Competitiveness can be viewed from the two perspectives- micro and macro. ? In the microeconomic approach, the competitiveness of goods and the competitiveness of firms are analysed. The competitiveness of goods and services mainly depends on their quality and price. These two elements have the greatest influence on the sales volume. However, other activities like market research, advertising, customer relations, distribution channels, customer support also contribute to the competitiveness. The competitiveness of firms is based on their ability to make profits, which, on the other hand, is largely determined by the competitiveness of their goods and services. Other factors contributing to the competitiveness are: ability to increase the market share, corporate image and brands, ability to access financial resources (Szentes, 2012; Wach, 2014). ? The concept of macro-level competitiveness or national competitiveness is twofold. On the one hand macro competitiveness shows the ability of a country to sustain a high level of national income and a favourable position in the world economy. On the other hand it shows the ability of a country to create a business environment in which the local firms and businesses are able to compete internationally. Porter (1990) went even further by saying that the competitiveness of a nation is equal to the competitiveness of its firms. ? The Global Competitiveness Index 4.0 evaluates the factors that collectively determine the level of a country’s productivity—the most important driver of long-term improvements in living standards. The factors are organized into 12 pillars, and for presentation purposes they are grouped into four categories (viz. Enabling environment, Human capital, Markets and Innovation ecosystem). Pillar

152 ? NSOU ? PGCO-III 1: Institutions captures security, property rights, social capital, checks and balances, transparency and ethics, public-sector performance and corporate governance. Pillar 2: Infrastructure captures the quality and extension of transport infrastructure (road, rail, water and air) and utility infrastructure. Pillar 3: ICT adoption captures the degree of diffusion of specific information and communication technologies (ICTs). Pillar 4: Macroeconomic stability captures the level of inflation and the sustainability of fiscal policy. Pillar 5: Health captures health-adjusted life expectancy (HALE)—the average number of years a newborn can expect to live in good health. Pillar 6: Skills capture the general level of skills of the workforce and the quantity and quality of education. Pillar 7: Product market captures the extent to which a country provides an even playing field for companies to participate in its markets. Pillar 8: Labour market encompasses “flexibility”, namely, the extent to which human resources can be reorganized and “talent management”, namely, the extent to which human resources are leveraged. Pillar 9: Financial system captures the depth, namely the availability of credit, equity, debt, insurance and other financial products, and the stability, namely, the mitigation of excessive risk-taking and opportunistic behaviour of the financial system. Pillar 10: Market size captures the size of the domestic and foreign markets to which a country’s firms have access. It is proxied by the sum of the value of consumption, investment and exports. Pillar 11: Business dynamism captures the private sector’s capacity to generate and adopt new technologies and new ways to organize work, through a culture that embraces change, risk, new business models, and administrative rules that allow firms to enter and exit the market easily. Pillar 12: Innovation capability captures the quantity and quality of formal research and development; the extent to which a country’s environment encourages collaboration, connectivity, creativity, diversity and confrontation across different visions and angles; and the capacity to turn ideas into new goods and services. ? Porter theorizes that four broad attributes of a nation shape the environment in which local firms compete and these attributes promote the creation of competitive advantage. In the format of a figure this looks like a diamond and hence it is termed as Porter’s diamond. Porter’s four attributes of national competitive advantage are as follows:

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Factor Endowments, Demand Conditions, Related and Supporting Industries, Firm Strategy, Structure and Rivalry.

NSOU ? PGCO-III ? 153 ? Factor Endowments: It implies a

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nation's position in factors of production such as skilled labour or

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infrastructure necessary to compete in a given industry. ? Demand Conditions:

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the nature of home demand for the industry's product or service.

According to Porter, the home demand plays an important role in upgrading competitive advantage. Firms are typically more sensitive to the needs of their closest customers. ? Related and Supporting Industries: It implies

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the presence or absence of supplier industries and related industries that are internationally competitive.

The benefits of investments in advanced factors of production by related and supporting industries can spill over into an industry, thereby helping it to achieve a strong competitive position

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internationally. ? Firm Strategy, Structure and Rivalry: It implies the conditions governing how companies are created, organised and managed and the nature of domestic rivalry. ?

Porter speaks of these four attributes as constituting the diamond. He argues that firms

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are most likely to succeed in industries or industry segments where the diamond is most

favourable. He also argues that the diamond is a mutually interacting system. The effect of one attribute is contingent on the state of others. For example, Porter argues that favourable demand conditions will not result in competitive advantage unless the state of rivalry is sufficient to cause firms to respond to them. Unless the demand conditions are favourable, the factor endowments will not produce the competitive advantage. If supporting industries do not exist adequately, a nation with all other determinants available to it, will not develop competitive advantage. ? Porter maintains that two additional variables can influence the national diamond significantly: chance and government. Chance events, such as major innovations, can reshape industry structure and provide the opportunity for one nation's firms to replace another's. Government, by its choice of policies, can detract from or improve national advantage. For example, regulation can alter home demand conditions, government investments in education can change factor endowments, etc.

154 ? NSOU ? PGCO-III 5.10 Self Assessment Questions A. Objective Type Questions: Choose the correct answer from the given four alternatives. 1. Global strategic management is a) a blend of strategic management and international business which develops worldwide strategies for global corporations. b) a blend of management and international business which develops worldwide strategies for corporations. c) a blend of management and international business which develops worldwide strategies for local corporations. d) a blend of strategic management and international business which develops worldwide strategies for local corporations. 2. A global strategy consists of four major components: a) strategic ambition, strategic positioning, business system, and organisation b) global strategic ambition, global strategic positioning, global business system, and global organisation c) global strategic choice, global strategic goal, global business objective, and global organisation d) ambition, positioning, business system, and organisation 3. A global player aspires to establish a sustainable competitive position in the key markets of the world and to build an integrated business system of designs spread over those..... a) local market b) option market c) key markets d) stock market 4. The Global Revenue Index (GRI) is calculated by taking the ratio of..... a) the company distribution of sales in the major world regions to the industry distribution of supply in the same regions  
NSOU ? PGCO-III ? 155 b) the company distribution of production in the major world regions to the industry distribution of demand in the same regions c) the company distribution of sales to the demand d) the company distribution of sales in the major world regions to the industry distribution of demand in the same regions 5. A company value chain is the set of activities that a company employs in order to..... a) design, produce and deliver the value proposed to the customer b) design the value proposed to the customer c) Design and produce the value proposed to the customer d) design, produce and deliver the value proposed to the government 6. The Global Competitiveness Index 4.0 evaluates the factors that collectively determine.....—the most important driver of long- term improvements in living standards. a) the level of a company’s productivity b) the level of a country’s productivity c) the level of a state’s productivity d) the level of a family’s productivity 7. The factors of the Global Competitiveness Index 4.0 are organized into a) 10 pillars b) 15 pillars c) 12 pillars d) 20 pillars 8. Porter theorizes that .....broad attributes of a nation shape the environment in which local firms compete and these attributes promote the creation of competitive advantage. a) seven b) six c) five d) four  
156 ? NSOU ? PGCO-III 9. Porter’s four attributes of national competitive advantage are as follows:  
a)

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Factor Endowments; Demand Conditions; Related and Supporting Industries; Firm Strategy, Structure and Rivalry.			

b) Service Endowments;

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Demand Conditions; Related and Supporting Industries; Firm Strategy, Structure and Rivalry.			

c) Factor Endowments, Demand Conditions, Firm Strategy, Structure and Rivalry. d) Factor Endowments; Supply

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Conditions; Related and Supporting Industries; Firm Strategy, Structure and Rivalry. 10.			

Porter maintains that two additional variables can influence the national diamond significantly: a) probability and uncertainty b) chance and government. c) industry and economic d) company and government Answer: 1 a); 2 b); 3 c); 4 d); 5 a); 6 b); 7 c); 8 d); 9 a); 10 b); B. Short Answer Type Questions: 1. What do you mean by global strategic management? 2. What is strategy? 3. What do you mean by global positioning? 4. What do you mean by global exporter? 5. What is meant by global operator? 6. What is Global Revenue Index? 7. What is Global Capability Index? 8. What are the attributes of national competitive advantage? 9. What do you mean by Regional player? 10. What are the pillars of the Global Competitiveness Index 4.0?

NSOU ? PGCO-III ? 157 C. Long Answer Type Questions: 1. What is global strategic management? Discuss its structure. 2. Discuss the different aspects of global strategic ambition. 3. Narrate the different facets of global strategic positioning. 4. Explain the concepts of global business system and global organisation. 5. Write a short note on competitiveness 6. Explain the factors of the Global Competitiveness Index 4.0. 7. Briefly discuss the 12 pillars of competitiveness. 8. Explain the Porter's four attributes of national competitive advantage.

158 ? NSOU ? PGCO-III Unit 6 Strategy and Organisation of International Business Structure 6.1 Objectives 6.2 Introduction 6.3 International Business as a Strategy 6.4 Motivation of Internationalization 6.5 Pressures in Internationalization 6.6 Strategy and the Firm 6.6.1 The Firm as a Value Chain 6.6.2 The Role of Strategy 6.6.3 Pressure for Cost Reductions and Local Responsiveness 6.7 Strategic Choices 6.8 Market Entry Strategy 6.8.1 International Location Selection (where) 6.8.2 Timing of Entry (when) 6.8.3 Entry Mode Selection (how) 6.9 Organisation Structure of International Business 6.9.1 Vertical Differentiation: Centralization and Decentralization 6.9.2 Horizontal Differentiation: The Design of Structure 6.9.3 Integrating Mechanisms 6.10 Summary 6.11 Self assessment questions

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Objectives After studying this unit, you will be able to: ? understand

motivation and pressures of internationalization ? know the role of strategy in the context of value chain of the firm ? get an idea of strategic choices ? comprehend the market entry strategy ? explain organisation structure of international business 6.2 Introduction From the discussion in Unit 5 you are already aware of the different facets of the global strategic management which are intended to provide some guidance as to how to deal with the realities of international business. Following those ideas, this section provides an overview of the motivation and pressures of internationalization, role of strategy in the context of value chain of the firm. Besides, market entry strategy and organisation structure of international business are discussed in details in this unit. These concepts will be helpful to understand the realities of international business in a very meaningful way. 6.3 International Business as a Strategy Conducting business by crossing national boundary (i.e., international business) could itself be a strategy for a firm. Firm can take its unique product in terms of design, utility, quality or cost or skills or core competence or brand to other countries where these are not available. Accordingly, these firms grow considerably higher in all dimensions and earn greater profit than firms operating only in the domestic market. Let us take the example of McDonald's. Due to the brand of McDonald's it charges higher prices for its product in the developing countries than its domestic market or developed countries. This situation is also true for other chains like Pizza Hut. These chains offer standardized products, service and good hygiene to the customers and they enjoy competitive advantages due to their image. When customers enter a McDonald's or a Pizza Hut, they perceive that they are visiting a place of American origin. Actually these brands are selling American abroad-particularly in developing countries. Local

160 ? NSOU ? PGCO-III responsiveness or costs are not the constraints for the sale of these brands. Lower pricing strategy may not be suitable strategy in these chains as it may hurt the big 'American' image. However, these chains may have core competencies or excellent management skills, but these are not playing dominant roles as compared to brand image in the developing countries. The same situation may not prevail in the developed foreign countries such as the European countries. In these countries, the core competencies and management skill of these chains are also equally important along with the brand image. The pricing strategy is not the same as in underdeveloped countries. These chains sell their different strengths selectively in different countries. It could be the superior product quality and service to UK or France; it could be typical American-ness to South Asia. A good product could be replicated; technological and management skills can also be learnt. But, core competencies and brand images are very difficult to match. 6.4

Motivation of Internationalization Except for a few 'born-global' firms (e.g., the dot.com start-ups that arose around the year 2000), most of the world's leading MNEs are born in a home market where they grow before venturing abroad. The actual decision to internationalize and the way this is done, are often referred to as a strategic 'mode of entry' choice. By internationalization we mean the decision to enter into foreign markets. Internationalization studies revolve around schools of thought that try to explain why and how companies go abroad. Generally, the motivations for internationalization include market motives, economic motives and strategic motives. The motives will vary from one business activity to another, producing multiple motivations for the international firm with a broad scope of activities in different parts of the globe. Market Motives Market motives can be offensive or defensive. An offensive motive is to seize market opportunities in foreign countries through trade or investment. Amway, Avon and Mary Kay all entered China in the early 1990s in search of opportunities in China's direct marketing business.

NSOU ? PGCO-III ? 161 A defensive motive is to protect or hold a firm's market power or competitive position in the face of threats from domestic rivalry or changes in government policies. Dell, the world's leading personal computer-systems company, invested in Europe, Asia, Latin America and Africa partly because of strong competition in the U.S. domestic market. Similarly the voluntary restriction of exports to the United States of Japanese automobiles in 1980's prompted Toyota, Honda and Nissan to build the car manufacturing plants in the United States. Similarly, the North American and Asian companies in computer and electronics industries have invested heavily in European countries in order to bypass various barriers against import from non-European Union members. Economic Motives Firms go international to increase their return through higher revenues and/or lower costs. International trade or investment is a vehicle enabling the company to benefit from the differences in costs of labour, natural resources and capital, as well as the differences in regulatory treatments, such as taxation, between domestic and foreign countries. For example, many companies have expanded into Asia, seeking cheap labour or cheap resources. Firms such as Boeing, Microsoft, Compaq, Intel, Kodak, Coco-Cola established production facilities in China's special economic zones and open coastal cities in order to attain a significantly lower taxation rate than that applicable in the United States. Strategic Motives Firms often participate in international business for strategic reasons. They may intend to capitalize on their distinctive resources or capabilities already developed at home (e.g., technologies and economies of scale). By deploying these resources or capabilities abroad or increasing production through international trade, firms may be able to increase their cash inflows. Firms may also go international to be the first-mover in the target foreign market before a major competitor gets in. This may create some strategic benefits for the company such as technological leadership, brand image, customer loyalty and competitive position. Additionally, firms may benefit from vertical integration involving different countries. For example, a company in the oil exploration and drilling business may integrate "downstream" by acquiring or building an oil refinery in a foreign country that has a market for its refined products. Note: This section has been adopted from "Shankar and Luo (2004). "International Business". Wiley. 11-12.



162 ? NSOU ? PGCO-III 6.5 Pressures in Internationalization Various trends have converged in recent years as pressures in internationalization. The following are particularly notable: ? Worldwide reduction in barriers to trade and investment: The tendency of national governments to reduce trade and investment barriers has accelerated the process of internationalization. For example, tariffs on the import of industrial and medical equipment and countless other products have declined nearly to zero in many countries, encouraging freer international exchange of goods and services. ? Market liberalization and adoption of free markets: These events open roughly one-third of the world to freer international trade and investment. China, India and Eastern Europe have become some of the most cost effective locations for producing goods and services worldwide. ? Industrialization, economic development and modernization: Many emerging markets, rapidly developing economies in Asia, Latin America and Eastern Europe have now moved from being low value-adding commodity producers to sophisticated, competitive producers and exporters of premium products such as electronics, computers and aircraft. ? Integration of world financial markets: Financial market integration makes it possible for internationally active firms to raise capital, borrow funds and engage in foreign currency transactions. ? Technological Advances: The most important driver of internationalization has been technological advances in information, communication, manufacturing and transportation. Information Technology Information Technology (IT) is the science and process of creating and using information resources. Its effect on business has been revolutionary. Geographically distant subsidiaries of a multinational firm are now interconnected by intranets that facilitate instant sharing of data, information and experience across company operations worldwide.

NSOU ? PGCO-III ? 163 Communications The internet and internet-dependent system such as intranets, extranets, social media and e-mail connect billions of people and companies. Marketers use the internet to promote the widest range of products and services to customers worldwide. Manufacturing Computer-aided design (CAD) of products, robotics and production lines have transformed manufacturing, mainly by reducing production costs. Revolutionary developments facilitate low-scale and low-cost manufacturing; firms can make products cost effectively even in short production runs. Such developments benefit international business by allowing firms to adapt products more efficiently to individual foreign markets, profitably target small national markets and compete more effectively with foreign competitors that enjoy cost advantages. Transportation Firms consider the cost of transporting raw materials, components and finished products when deciding either to export or manufacture abroad. If transport costs to an important market are high, management may decide to manufacture merchandise in that market. The development of fuel-efficient jumbo jets, giant ocean-going freighters and new transportation technology have greatly reduced shipping times and costs. Note: This section has been adopted from Cavusgil et al. (2009). "International Business: Strategy, Management and The New Relations". Pearson. 61- 67. 6.6 Strategy and the Firm A firm's strategy can be defined as the actions that managers take to attain the goals of the firm. For most firms, the preeminent goal is to maximize long-term profitability. A firm makes a profit if the price it can charge for its output is greater than its average costs of producing that output. Profit ( $\Pi$ ) is thus, defined as the difference between total revenue (TR) and total cost (TC), or:  $\Pi = TR - TC = (P \times Q) - (C \times Q) = (P - C) \times Q = \pi \times Q$  where P = Price, Q= number of units sold, C = cost per unit,  $\pi$  = profit per unit of output.

164 ? NSOU ? PGCO-III Two basic conditions determine a firm's profit ( $\Pi$ ): the amount of value customers place on the firm's goods and services (sometimes referred to as perceived value) and the firm's cost of production. In general, the more value customers place on a firm's products, the higher the price the firm can charge for those products. The value of a product to a consumer is V; the price that the firm can charge for that product given competitive pressures and its ability to segment the market is P; and the unit cost of producing that product is C. The firm's profit per unit sold ( $\pi$ ) is equal to P-C, while the consumer's surplus is equal to V-P. The difference between V and P is, in part, determined by the intensity of competitive pressure, the higher the price that can be charged relative to V. The value created by a firm is measured by the difference between V and C (V-C); a company creates value by converting inputs that cost C into a product on which consumers place a value of V. A company can create more value for its customers either by lowering production costs, C, or by making the product more attractive through superior design, functionality, quality, and the like, so that consumers place a greater value on it (V increases) and consequently, are willing to pay a higher price (P increases). A firm has high profits when it creates more value for its customers and does so at a lower cost. We refer to a strategy that focuses on lowering production cost as a low cost strategy. We refer to a strategy that focuses on increasing the attractiveness of a product as a differentiation strategy. Michael Porter has argued that low cost and differentiation

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are two basic strategies for creating value and attaining a competitive advantage in an industry.

According to Porter, superior profitability goes to those firms that can create superior value, and the way to create superior value is to drive down the cost structure of the business and/or differentiate the product in some way so that consumers value it more and are prepared to pay a premium price. Superior value creation relative to rivals does not necessarily require a firm to have the lowest cost structure in an industry, or to create the most valuable product in the eyes of consumers. However, it does require that the gap between value (V) and cost of production (C) is greater than the gap attained by competitors.

6.6.1 The Firm as a Value Chain The firm as a value chain is composed of a series of distinct value creation activities including production, marketing and sales, materials management, R&D, human resources, information systems, and the firm infrastructure. These value creation activities can be categorized as primary activities and support activities.

NSOU ? PGCO-III ? 165 Primary Activities Primary activities have to do with the design, creation, and delivery of the product; its marketing; and its support and after-sale service. The primary activities are broken into four functions: research and development, production, marketing and sales, and service. Research and development (R&D) is concerned with the design of products and the production process. Although we think of R&D as being associated with the design of physical products and production process in manufacturing enterprises, many service companies also undertake R&D. For example, banks compete with one another by developing new financial products and new ways of delivering those products to customers. Online banking and smart debit cards are two recent examples of new product development in the banking industry. Earlier examples of innovation in the banking industry included automated teller machines, credit cards and debit cards. Production is concerned with the creation of a good or service. For physical products, when we talk about production we generally mean manufacturing. For services such as banking or retailing operations, "production" typically occurs when the service is delivered to the customer. For example, when a bank originates a loan for a customer it is engaged in "production" of the loan. The marketing and sales functions of firm can help to create value in several ways. Through brand positioning and advertising, the marketing function can increase the value (V) that consumers perceive to be contained in a firm's product. If these create a favorable impression of the firm's product in the minds of consumers, they increase the price that can be charged for the firm's product. Marketing and sales can also create value by discovering consumer needs and communicating them back to the R&D unit of the company, which can then design products that better match those needs. The role of the enterprise's service activity is to provide after-sales service and support. This function can create a perception of superior value (V) in the minds of consumers by solving customer problems and supporting customers after they have purchased the product.

Support Activities The support activities of the value chain provide inputs that allow the primary activities to take place. The materials management (or logistics) function controls the transmission of physical materials through the value chain, from procurement through production and into distribution. The efficiency with which this is carried out can significantly lower cost (lower C), thereby creating more value.

166 ? NSOU ? PGCO-III Similarly, the human resources function can help create more value in a number of ways. It ensures that the company has the right mix of skilled people to perform its value creation activities effectively. Information systems refer to the normal electronic systems for managing inventory, tracking sales, pricing products, selling products, and dealing with customer service inquiries and so on. Information systems when coupled with communications features of the internet can alter the efficiency and effectiveness with which a firm manages its other value creation activities. The final support activity is the company infrastructure. By infrastructure we mean the context within which all the other value creation activities occur. The infrastructure includes the organizational structure, control system and the culture of the firm. Because top management can exert considerable influence in shaping these aspects of the firm, top management should also be viewed as part of the firm infrastructure. Through strong leadership, top management can consciously shape the infrastructure of a firm and through that the performance of all other value creation activities within it.

### 6.6.2 The Role of Strategy

Many international markets are now extremely competitive due to the liberalization of the world trade and investment environment. In industry after industry, capable competitors confront each other around the globe. To be profitable in such an environment, a firm must both reduce the costs of value creation (lower C) and differentiate its product offering so that consumers value that product more (raise V) and are willing to pay more for the product than it costs to produce it. Thus, strategy is often concerned with identifying and taking actions that will lower the costs of value creation and/or will differentiate the firm's product offering through superior design, quality, service, functionality and so on.

### 6.6.3 Pressure for Cost Reductions and Local Responsiveness

Firms that compete in the global marketplace typically face two types of competitive pressure. They face pressure for cost reductions and pressures to be locally responsive.

#### Pressure for Cost Reductions

Increasingly, international businesses are facing pressures for cost reductions. Responding to pressures for cost reduction requires a firm to try to lower the costs of value creation by mass producing a standardized product at the optimal location in the world, wherever that might be, in order to realize location economy and experience curve effects. Cost reduction pressures can be particularly intense in the industries producing commodity-type products where meaningful differentiation on non-price factors is difficult and price is the main competitive weapon.

#### Pressure for Local Responsiveness

Pressure from local responsiveness arises from a number of sources including:

- Differences in consumer tastes and preferences: Strong pressures for local responsiveness emerge when consumer tastes and preferences differ significantly among countries, as they may be for historic and cultural reasons. In such cases, products and/or marketing messages have to be customized to appeal to the tastes and preferences of local consumers. This typically creates pressure to delegate production and marketing functions to national subsidiaries.
- Differences in infrastructure and traditional practices: Pressures for local responsiveness emerge when there are differences in infrastructure and/or traditional practices among countries. In such circumstances the product may need to be customized to the distinctive infrastructure and practices of different nations. This may necessitate the delegation of manufacturing and production functions to foreign subsidiaries.
- Differences in distribution channels: A firm's marketing strategies may have to be responsive to differences in distribution channels among countries. This may necessitate the delegation of marketing functions to national subsidiaries.
- Host government demands: Economic and political demands imposed by host- country governments may necessitate a degree of local responsiveness. For example, the politics of healthcare around the world requires that pharmaceutical firms manufacture in multiple locations. Pharmaceutical firms are subject to local clinical testing, registration procedures, and pricing restrictions, all of which require that the manufacturing and marketing of a drug should meet local requirements. Because Government and Government agencies control a significant proportion of the health care budget in most countries, they can demand a high level of local responsiveness. Note: This section has been adopted from "Hill et al.(2010). "International Business". Tata McGraw-Hill Publishing Company Limited. 405-421.

168 ? NSOU ? PGCO-III 6.7 Strategic Choices Firms use four basic strategies to enter and compete in the international environment: an international strategy, a multidomestic strategy, a global strategy and a transnational strategy. In this section we describe each strategy, identify when it is appropriate, and discuss the pros and cons of each. International Strategy Firms that pursue an international strategy try to create value by transferring valuable skills and products to foreign markets where indigenous competitors lack those skills and products. Most international firms have created value by transferring differentiated product offerings developed at home to new markets overseas. Accordingly, they tend to centralize product development functions at home (e.g., R&D). However, they also tend to establish manufacturing and marketing functions in each major country in which they do business. But while they may undertake some local customization of product offerings and marketing strategy, this tends to be limited. In most international firms, the head office retains tight control over marketing and product strategy. International firms include the likes of McDonalds, IBM, Kellogg's, Procter and Gamble, Wall-Mart and Microsoft. Microsoft, for e.g., develops the core architecture underlying its product at its Redmond campus in Washington state and also writes the bulk of the computer code there. However, the company does allow national subsidiaries to develop their own marketing and distributional strategy and to customize aspects of the product to account for such basic local differences as language and alphabet. An international strategy makes sense if a firm has a valuable core competence that indigenous competitors in foreign markets lack and if the firm faces relatively weak pressures for local responsiveness and cost reduction (As is the case for Microsoft). In such circumstances, an international strategy can be very profitable. However, when pressures for local responsiveness are high, firms pursuing this strategy lose to firms that emphasize customizing the product offerings and marketing strategy to local conditions. Multidomestic Strategy Firms pursuing multidomestic strategy orient themselves toward achieving maximum local responsiveness. The key distinguishing feature of multidomestic firms is that they extensively customize both their product offerings and their marketing strategy to match different national conditions. Consistent with this, they also tend to establish a complete

NSOU ? PGCO-III ? 169 set of value creation activities, including production, marketing, and R&D, in each major national market in which they do business. As a consequence, they are generally unable to realize value from experience curve effects and location economies. Accordingly, many multidomestic firms have a high cost structure. They also tend to do a poor job of leveraging core competencies within the firm. A multidomestic strategy makes most sense when there are high pressures for local responsiveness and low pressures for cost reduction. The high cost structure associated with the duplication of production facilities makes this strategy inappropriate in industries where cost pressures are intense. Another weakness associated with this strategy is that many multidomestic firms have developed into decentralized federations in which each national subsidiary functions in a largely autonomous manner. Global Strategy Firms that pursue a global strategy focus on increasing profitability by reaping the cost reduction that comes from experience curve effects and location economies. That is, they are pursuing a low-cost strategy. The production, marketing, and R&D activities of firms pursuing a global strategy are concentrated in a few favorable locations. Global firms tend not to customize their products offerings and marketing strategies to local conditions because customization raises cost (it also involves shorter production runs and the duplication of functions). Instead, global firms prefer to market a standardized product worldwide so that they can reap the maximum benefits from the economies of scale that underlie the experience curve. They also use their cost advantage to support aggressive prices in world markets. This strategy makes most sense where there are strong pressures for cost reductions and where demands for local responsiveness are minimal. Increasingly, these conditions prevail in many industries. In the semiconductor industry, for example, global standards have created enormous demands for standardized global products. Accordingly, firms such as Intel, Texas Instruments etc. pursue a global strategy. However, these conditions are not found in many consumer goods markets, where demands for local responsiveness remain high (e.g., processed food products). The strategy is inappropriate when demands for local responsiveness are high. Transnational Strategy Christopher Bartlett and Sumantra Ghoshal have argued that in today's environment, competitive conditions are so intense that to survive in the global market place, firms

170 ? NSOU ? PGCO-III must exploit experience-based cost economies and location economies; they must transfer core competencies within the firm, and they must do all of these while paying attention to pressure for local responsiveness. They note that in the modern multinational enterprise, core competencies do not just reside in the home country. Valuable skills can develop in any of the firm's worldwide operations. Thus, Bartlett and Ghoshal maintain that the flow of skills and product offerings should not be all one way, from home firm to foreign subsidiaries, as in the case of firms pursuing an international strategy. Rather, the flow should also be from foreign subsidiary to home country and from foreign subsidiary to foreign subsidiary- a process they refer to as global learning. Bartlett and Ghosal refer to the strategy pursued by firms that are trying to simultaneously create value in these different ways as a transnational strategy. A transnational strategy makes sense when a firm faces high pressure for cost reduction, high pressure for local responsiveness, and where there are significant opportunities for leveraging valuable skills within a multinational's global network of operations. In some ways, firms that pursue a transnational strategy are trying to simultaneously achieve cost and differentiation advantages. Note: This section has been adopted from "Hill et al.(2010). "International Business". Tata McGraw-Hill Publishing Company Limited. 422-425. 6.8 Market Entry Strategy International entry strategies concern where (location selection), when (timing of entry) and how (entry mode selection) international companies should enter and invest in a foreign territory during international expansion. These entry strategies are important because they determine an MNE's investment environment, operation treatment, resource commitment and evolutionary path. 6.8.1 International Location Selection (Where) International location selection involves country selection and region selection (e.g., state, province or city) for an MNE's foreign direct investment project(s). Locational determinants can be categorized into the following groups: (1) cost tax factors; (2) demand factors; (3) strategic factors; (4) regulatory/economic factors; and (5) socio-political factors. Cost/Tax Factors 1. Transportation costs: For country selection, MNEs should consider the costs

NSOU ? PGCO-III ? 171 incurred in transporting materials from a home (or foreign) country to a host country or transporting products from a host country to a home or international market. 2. Wage rate: Labour costs constitute a substantial proportion of total production costs. Foreign production is more likely to occur when production costs are lower abroad than at home. 3. Availability and costs of land: Availability of suitable plant sites, the cost of land, space for expansion and local government policy on renting or purchasing land have been recognised by international managers as critical factors in the early stages of project development and late stages of project operation. 4. Construction costs: This cost accounts for a substantial part of capital investment. Different sites vary in the cost of construction materials, labour, land, equipment rental and quality of construction. 5. Cost of raw materials and resources: MNEs are increasing the percentage of local outsourcing in total production. The localisation reduces foreign exchange risks from devalued currencies and improves relationship with local governments and indigenous firms. Under these circumstances, the costs of local materials and resource needed in production will affect the firm's gross profit margin. 6. Financing costs: the cost and availability of local capital are a major concern for MNEs because local financing provides much of the capital needed for mass production and operations. Financing by local banks and financial institutions also helps an MNE mitigate possible financial risks arising from fluctuations in foreign exchange rates and uncertain foreign exchange policies as well as political risks in a host country. 7. Tax rates: Both statutory and effective tax rates influence the firm's profitability. The statutory tax rate determines the general level of the tax burden shouldered by firms. The effective tax rate on corporate income, which is statutory corporate rate adjusted for all other taxes and subsidies affecting an MNE's taxable income, determines the company's net return from its operations. 8. Investment incentives: Many countries, especially developing ones, are competing to attract FDI to support their domestic economies. In so doing, they offer preferential incentives to foreign investors.

172 ? NSOU ? PGCO-III 9. Profit repatriation: Repatriation restrictions have a negative impact on the net income or dividends remitted to foreign headquarters. Restrictions can involve a remittance tax on the cash repatriated to a home country or a ceiling on the cash amount. Demand Factors 1. Market size and growth: Although different MNEs may not emphasize the same level of marketing in a host country, it is rare for them not to consider local consumers. 2. Presence of customers: MNEs may find it desirable to locate their manufacturing sites in the area where they have longstanding customers. The closer operations are to major buyers, the better the cost efficiency and marketing effectiveness. 3. Local competition: The intensity of competition in a host country or specific region is important because it directly impacts a firm's market position and gross profit margin from local sales. Strategic Factors 1. Investment in infrastructure: Today, MNEs attach increasing importance to infrastructure conditions. This is especially true for companies investing in knowledge or technology-intensive projects. 2. Manufacturing concentration: One of the major determinants of location selection is the strength of existing manufacturing activities. Cost saving can result from manufacturers locating in close proximity. A country or region with a strong concentration of manufacturing activity in certain industries or products is more likely to have an adequate labour pool and supply network supporting production or operations. 3. Industrial linkages: The nature and quality of the complementary industries and special services (distribution, consulting, auditing, banking, insurance, marketing services, etc.) are also important as MNE operations interact actively with these sectors in a host country. 4. Workforce productivity: As a result of increasing technological permeation and process innovation, international production requires high workforce productivity and superior labour skills. The labour requirement of new systems and techniques are driving the need for a better educated direct-labour workforce.

NSOU ? PGCO-III ? 173 5. Inbound and outbound logistics: Typical inbound (input) logistics include proximity to suppliers and sources of raw materials and inputs. Since MNEs have a tendency to rely more on local input sources, this type of logistics should be among the critical considerations for international managers. Outbound (market) logistics are based largely on proximity to major buyers and end consumers. This factor can heavily influence the effectiveness of customer responsiveness. When the firm pursues market penetration and product specialization strategies, the firm's profitability will be strongly associated with market logistics. Regulatory/Economic Factors 1. Industrial policies: In many countries, industrial policies are used to control new entrants (both foreign and local firms), net profit margins, degree of competition, structural concentration and social benefits. In selecting a location, MNEs need to make sure that the target country or region allows foreign business entry and that industrial policies are reasonably favourable or at least not a hindrance. 2. FDI policies: In determining a foreign location (country and region), MNEs need to learn how FDI policies there will impact their plans and payoffs. 3. Availability of special economic zones: One way many countries (especially in the developing world) attempt to attract FDI is through the establishment of special zones such as free trade zones (FTZs), special economic zones (SEZs), economic and technological development zones (ETDZs), high-tech development zones (HTDZs), open economic regions (OERs), bonded areas and so on. In general, these zones provide preferential treatment in terms of taxation, import duties, land use, infrastructure access and governmental assistance to MNEs. Sociopolitical Factors 1. Political instability: This factor reflects uncertainty over the continuation of present political and social conditions and government policies that are critical to the survival and profitability of a firm's operations in the host country. Changes in government policies may create problems related to repatriation of earnings or, in extreme cases, expropriation of assets. 2. Cultural barriers: Another trigger of uncertainty is differences in culture between the home and host countries. This factor determines a firm's receptivity and adaptability to the social context of a host country.

174 ? NSOU ? PGCO-III 3. Local business practices: Culture-specific business practices often constitute key forms of knowledge that MNEs must acquire. In fact, a prominent logic behind formation of international co-operative ventures with developing country enterprises is to gain such country-specific knowledge. 4. Government efficiency and corruption: International managers often perceive the "soft" infrastructure (e.g., regulatory environment and government efficiency) as having a greater and more enduring impact on firm operations than the "hard" infrastructure (e.g., transportation and communication). 5. Attitudes towards foreign business: Social and governmental attitudes towards foreign business often have visible or invisible influences on MNE operations and management. If the society and government of a host country are somewhat friendly to foreign business, MNEs will benefit from the congenial environment. 6. Community characteristics: Site selections must include considerations of community environment aspects such as community size, educational facilities, housing facilities, police and fire protection, climate, suitability for expatriates and their families, facilities for children, the social environment for spouses, hotel accommodations, crime level and other quality of life indicators. This environment is highly relevant because it affects costs, quality and security of living for foreign expatriates and their families. 7. Pollution control: Environment protection laws and regulations in the target location influence the choice and cost of investments. Before making a location decision, an MNE should appraise these laws and regulations, assess whether the firm is able to comply with them and evaluate whether it is financially feasible to invest in pollution control.

6.8.2 Timing of Entry (When) Timing of entry involves the sequence of an MNE's entry into a foreign market vis-à-vis other MNEs (i.e., first mover, early follower, and late mover). Timing of entry is important because it determines the risks, environments, and opportunities the MNE may confront.

**Early-Mover Advantages** When entering a foreign market, pioneering MNEs (first mover or early followers) generally have advantages such as greater market power, more preemptive opportunities, NSOU ? PGCO-III ? 175 and more strategic options over late entrants. These advantages might be ultimately reflected in higher economic returns compared with later movers. First, pioneering investors tend to outperform later entrants in acquiring market power. Early movers are able to invest strategically in facilities, distribution networks, product positioning, patentable technology, natural resources, and human and organizational expertise. If imitation of its product is expected to be expensive or involves a long time lag, a preemptive investment can be leveraged into significant long-run benefits for early movers. Moreover, market pioneers may benefit from the advantages of holding technical leadership, seizing scarce resources, and creating buyer switching costs. Second, early movers gain from preemptive opportunities. Early movers have the right to preempt marketing, promotion and distribution channels, while gaining product image, organizational reputation and brand recognition. Third, early movers benefit from many strategic options. Pioneer investors often have more strategic options in selecting industries, locations and market orientations (e.g., import-substitution, local market-oriented, export-market oriented etc.) in addition, early movers are often given priority access to natural resources, scarce materials, distribution channels, infrastructure etc.

**Early-Mover Disadvantages** Early movers, however, also suffer from some disadvantages compared to late entrants. Pioneer investors may be confronted with greater environmental uncertainty and operational risks. Environmental uncertainty generally comes from (1) underdeveloped FDI laws and regulations in a host country (2) the host government's lack of experience in dealing with MNEs and (3) infant or embryonic stages of the industry or market in a host country. Operational risks originate from (1) a shortage of qualified supply sources and other production inputs such as talented managers and R&D workforce; (2) under-developed support services such as local financing, foreign exchange, arbitration, consulting, and marketing; (3) poor infrastructure in transportation, utilities, and communications; and (4) an unstable market structure in which market demand and supply are misaligned and local governments often interfere with MNE operations. In contrast with early movers, late investors do not suffer, or suffer less, from the preceding uncertainties and risks. When late movers arrive, the host-country environment is usually more stable, regulatory conditions are more favorable, and the market infrastructure is already developed.

176 ? NSOU ? PGCO-III Early movers also tend to pay higher costs in learning and adapting to local environments and in countervailing imitation. Many early movers are compelled to invest more in building industrial infrastructure (e.g., supply bases and distribution networks) and technological or service standards. Finally, early movers may have to fight followers who imitate their strategies or innovations or infringe on their industrial (e.g., trade mark and brand) or intellectual property rights (e.g., patent, expertise, software). This cost is especially high when early movers invest in a country with underdeveloped and under-enforced legal systems in protecting these rights.

### 6.8.3 Entry Mode Selection (how)

An MNE seeking to enter a foreign market must make an important strategic decision concerning which entry mode to use. Entry modes are specific forms or ways of entering a target country to achieve strategic goals underlying international presence in that country. Entry mode choices fall into three categories: trade-related, transfer-related, and FDI-related. Along this sequence, the levels of resource commitment, organizational control, involved risks, and expected returns all increase. Within each category, these levels differ somewhat between specific modes.

#### Trade-Related Entry Modes

Trade-related entry modes include exporting, subcontracting, and countertrade. Exporting It is natural for most firms to get their start in international expansion through exporting in which the firm maintains its production facilities at home and sells its products abroad. Through exporting, the firm gains valuable expertise about operating internationally and specific knowledge concerning the individual countries in which it operates. Export offers the advantage of not requiring a very substantial presence in foreign countries. Generally, exporting is a type of international entry open to virtually any size or kind of firm, whereas other types of entry modes tend to demand greater resources and involve more risks. Over time, accumulated experience with exporting often prompts a firm to become more aggressive in exploiting new international exporting opportunities or consider FDI in the country to which it previously exported.

#### International Subcontracting

Subcontracting is the process in which a foreign company provides a local manufacturer NSOU ? PGCO-III ? 177 with raw materials, semi-finished products, sophisticated components, or technology for producing final goods that will be bought back by the foreign company. In most subcontracting businesses, local manufacturers are responsible only for processing or assembly in exchange for processing fees. In this situation, the local manufacturer does not own the property rights of materials or parts supplied by the foreign counterpart. Nike, for example, is still using subcontracting as its primary mode in China, Vietnam, Thailand, Indonesia, and Bangladesh. The company provides raw materials and technology, maintains proprietary rights over materials and products, controls production processes and product quality, and pays processing fees to local factories.

#### Countertrade

Countertrade is a form of trade in which a seller and a buyer from different countries exchange merchandise with little or no cash or cash equivalents, changing hands. Because of this nature, it is also viewed as a form of flexible financing or payment in international trade. Countertrade has evolved into a diverse set of activities that can be categorized as four distinct types of trading arrangements: ? Barter ? Counterpurchase ? Offset ? Buyback (or compensation)

Barter is the direct and simultaneous exchange of goods between two parties without a cash transaction. Barter trade occurs between individuals, between governments, between firms, or between a government and a firm, all from two different countries. Barter may be the oldest form of trade but it is certainly not history. A counterpurchase is a reciprocal buying agreement whereby one firm sells its products to another at one point in time and is compensated in the form of the other's products at some future time (e.g., Russia purchased construction machinery from Japan's Komatsu in return for Komatsu's agreement to buy Siberian timber). An offset is an agreement whereby one party agrees to purchase goods and services with a specified percentage of its proceeds from an original sale. Like counterpurchase, offset involves three contracts including sales, protocol, and purchase. Unlike counterpurchase whereby exchanged products are normally unrelated, products taken back in an offset are often the outputs processed by this party in the original contract.



178 ? NSOU ? PGCO-III Finally, buyback (or compensation arrangement) occurs when a firm provides a local company with inputs for manufacturing products (mostly capital equipment) to be sold in international markets, and agrees to take a certain percentage of the output produced by the local firm as partial payment. Transfer-Related Entry Modes Transfer-related entry modes are those associated with transfer of ownership or utilization of specified property (technology or assets) from one party to the other in exchange for royalty fees. They differ from trade-related entry modes in that the user in a transfer-related mode “buys” certain rights of transacted property (e.g., use of technology) from the other party (owner). These modes are extensively employed in technology- related or intellectual/industrial property right-related transactions. This category includes the following entry modes: ? International leasing ? International licensing ? International franchising ? Build-operate-transfer (BOT) International Leasing International leasing is an entry mode in which the foreign firm (lessor) leases out its new or used machines or equipment to the local company (often in a developing country). International lease arises largely because developing country manufacturers (lessee) do not have financial capability or lack foreign currency to pay for the equipment. In many cases, the leased equipment sits idle in the developed country but is in good operational condition, thus having a market in developing countries. International Licensing International licensing is an entry mode in which a foreign licensor grants specified intangible property rights to the local licensee for a specified period of time in exchange for a royalty fee. Such property rights

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may include patents, trademarks, technology, managerial skills, and so on. They allow the licensee to produce and market a product similar to the one the licensor has already been producing in its home country without requiring the licensor to actually create a new operation

abroad.

NSOU ? PGCO-III ? 179 International Franchising International franchising is an entry mode in which the foreign franchisor grants specified intangible property rights (e.g., trademark or brand name) to the local franchisee, which must abide by strict and detailed rules as to how it does business. Compared to licensing, franchising involves longer commitments, offers greater control over overseas operations, and includes a broader package of rights and resources. Production equipment, managerial systems, operating procedures, access to advertising and promotional materials, loans, and financing may all be part of a franchise. The franchisee operates the business under the franchisor’s proprietary rights and is contractually obligated to adhere to the producers and methods of operation prescribed in the business system. The franchisor generally maintains the right to control the quality of products and services so that the franchisee cannot damage the company’s image. In exchange for the franchise, the franchisor receives a royalty payment that amounts to a percentage of the franchisee’s revenues. Build-Operate-Transfer (BOT) Build-operate-transfer (BOT) is a “turnkey” investment in which a foreign investor assumes responsibility for the design and construction of an entire operation, and, upon completion of the project, turns the project over to the purchaser and hands over management to local personnel whom it has trained. In return for completing the project, the investor receives periodic payments that are normally guaranteed. BOT is especially useful for very large-scale, long-term infrastructure projects such as power-generation, airports, dams, expressways, chemical plants, and steel mills. FDI-Related Entry Modes In contrast to the preceding trade-related and transfer-related entry modes, FDI- related entry modes involve ownership of property, assets, projects, and businesses invested in a host country. Accordingly, firms undertaking FDI will control overseas operations and economic activities. FDI-related entry modes are more sophisticated than trade-related modes, and involve higher risk and longer-term contribution than both trade- and transfer- related choices. Compared with the later, FDI-related modes underline the firm’s long- term strategic goals of international presence and necessitate continuous contribution and commitment to investments and operations abroad. FDI-related entry modes include: ? Branch office ? Cooperative joint venture

180 ? NSOU ? PGCO-III ? Equity joint venture ? Wholly-owned subsidiary ? Umbrella holding company

**The Branch Office** A branch office is a foreign entity in a host country in which it is not incorporated but exists as an extension of the parent and is legally constituted as a branch. Corporate law in many countries allows foreign companies to open branches that engage in production and operating activities. Unlike representative offices which by law are prohibited from engaging in direct, profit-making business activities (they instead serve as liaisons, establishing contacts with governments and handling market research and consulting activities), branch offices are entitled to run businesses within a specified scope or location. A foreign subsidiary can also open a branch office in another region of the host country to expand its operations there. Branch offices are particularly utilized by transnational banks, law firms, and accounting or consulting companies. The Cooperative (or Contractual) Joint Venture The cooperative joint venture (also known as contractual joint venture) is a collaborative agreement whereby profits and other responsibilities are assigned to each party according to a contract. These do not necessarily accord with each partner's percentage of the total investment. Each party cooperates as a separate legal entity and bears its own liabilities. Most cooperative joint ventures do not involve constructing and building a new legally and physically independent entity. As such, cooperative joint ventures normally take the form of a document (cooperative agreement), whereas equity joint ventures take the form of a new entity. The Equity Joint Venture The most common foreign entry for MNEs has been through equity joint ventures. An equity joint venture entails establishing a new entity that is jointly owned and managed by two or more parent firms in different countries. To set up an equity joint venture, each partner contributes cash, facilities, equipment, materials, intellectual property rights, labour, or land-use rights. According to joint venture laws in most countries, a foreign investor's share must exceed a certain threshold of the total equity.

NSOU ? PGCO-III ? 181 The Wholly-Owned Subsidiary The wholly-owned subsidiary is an entry mode in which the investing firm owns 100 percent of the new entity in a host country. This new entity may be built from scratch by the investing firm (i.e., greenfield investment) or in acquiring a local business (i.e., cross-border acquisition). This mode offers foreign investors increased flexibility and control. It allows international managers to make their decisions without the burden of an uncooperative partner. Wholly-owned subsidiaries also allow foreign investors to set up and protect their own processes and procedures, which leads to more careful strategic and operational oversight. The Umbrella Holding Company The umbrella holding company is an investment company that unites the firm's existing investments such as branch offices, joint ventures, and wholly-owned subsidiaries under one umbrella so as to combine sales, procurement, manufacturing, training, and maintenance within the host country. Many foreign countries are now seeking better integration of these functions for a broad range of products and services within a single but important country (such as China and Brazil). Such coordination becomes necessary as each production division sets up its own foreign subunits separated from other division's foreign subunits in the same host country. Note: This section has been adopted from Shankar and Luo (2004). "International Business". Wiley. 260-283.

### 6.9 Organisation Structure of International Business

Organizational structure means three things: (1) the location of decision-making responsibilities within the structure, which is referred to as vertical differentiation; (2) the formal division of the organization into subunits, which is known as horizontal differentiation; and (3) the establishment of integrating mechanisms.

#### 6.9.1 Vertical Differentiation:

**Centralization and Decentralization** A firm's vertical differentiation determines where in its hierarchy the decision-making power is concentrated. Are production and marketing decisions centralized in the offices of upper level managers, or are they decentralized to lower level managers? Where does the responsibility for R&D decisions lie? Are strategic and financial control responsibilities

182 ? NSOU ? PGC0-III pushed down to operating units, or are they concentrated in the hands of top management? And so on. There are arguments for centralization and other arguments for decentralization also. Arguments for Centralization There are four main arguments for centralization. First, centralization can facilitate co-ordination. Second, centralization can help to ensure that decisions are consistent with organizational objectives. Third, by concentrating power and authority in one individual or a management team, centralization can give top-level managers the means to bring about needed major organizational changes. Fourth, centralization can avoid the duplication of activities that occur when similar activities are carried on by various subunits within the organization. Arguments for Decentralization There are five main arguments for decentralization. First, top management can become overburdened when decision-making authority is centralized, and this can result in poor decisions. Decentralization gives top management time to focus on critical issues by delegating more routine issues to lower level managers. Second, motivational research favours decentralization. Behavioral scientists have long argued that people are willing to give more to their jobs when they have a greater degree of individual freedom and control over their work. Third, decentralization permits greater flexibility—more rapid response to environmental changes- because decisions do not have to be “referred up the hierarchy” unless they are exceptional in nature. Fourth, decentralization can result in better decisions. In a decentralized structure, decisions are made closer to the spot by individuals who (presumably) have better information than managers several levels up in a hierarchy. Fifth, decentralization can increase control. Decentralization can be used to establish relatively autonomous, self-contained subunits within an organization. Subunit managers can then be held accountable for subunit performance. The more responsibility the subunit managers have for decisions that impact subunit performance, the fewer alibis they have for poor performance. Strategy and Centralization in an international Business The choice between centralization and decentralization is not absolute. Frequently it makes sense to centralize some decisions and to decentralize others, depending on the type of decisions and the firm’s strategy. Decisions regarding overall firm strategy, major financial expenditures, financial objectives, and the like are typically centralized at the NSOU ? PGC0-III ? 183 firm’s headquarters. However, operating decisions, such as those relating to production, marketing, R&D, and human resource management, may or may not be centralized depending on the firm’s international strategy. 6.9.2 Horizontal Differentiation: The Design of Structure Horizontal differentiation is concerned with how the firm decides to divide itself into subunits. The decision is normally based on the basis of function, type of business, or geographical area. In many firms, just one of these predominates, but more complex solutions are adopted in others. This is particularly likely in the case of international firms, where the conflicting demands to organize the company around different products and different national markets (to remain locally responsive) must be reconciled. In this section we look at different ways firms divide themselves into subunits. The Structure of Domestic Firms Most firms begin with no formal structure and are run by a single entrepreneur or a small team of individuals. As they grow, the demands of management become too great for one individual or a small team to handle. At this point the organization is split into functions reflecting the firm’s value creation activities (e.g., production, marketing, R&D, sales). These functions are typically coordinated and controlled by top management. Decision making in this functional structure tends to be centralized. Further horizontal differentiation may be required if the firm significantly diversifies its product offering, which takes the firm into different business areas. The International Division When firms initially expand abroad, they often group all their international activities into an international division. This has tended to be the case for firms organized on the basis of functions and for firms organized on the basis of product divisions. Regardless of the firm’s domestic structure, its international division tends to be organized on geography.

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Worldwide Area Structure A worldwide area structure tends to be favoured by firms with a low degree of diversification and a domestic structure based on function. Under this structure, the world is divided into geographic areas. An area may be a country (if the market is large enough) or a group of countries. Each area tends to be a self-contained, largely autonomous entity with its own set of value creation activities (e.g., its own production, marketing,

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R&D, human resources and finance functions). Operations authority and strategic 184 ?

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decisions relating to each of these activities are typically decentralized to each area, with headquarters retaining authority for the overall strategic direction of the firm and financial control.

Worldwide Product Division Structure A worldwide product division structure tends to be adopted by firms that are reasonably diversified and, accordingly, originally had domestic structures based on products divisions. As with the domestic product divisional structure, each division is a self-contained, largely autonomous entity with full responsibilities for its own value creation activities. The headquarter retains responsibility for the overall strategic development and financial control of the firm. Global Matrix structure Both the worldwide area structure and the worldwide product divisional structure have strengths and weaknesses. The worldwide area structure facilitates local responsiveness, but it can inhibit the realization of location and experience curve economies and for transferring core competencies, but it is weak in local responsiveness. Other things being equal, this suggests that a worldwide area structure is more appropriate if the firm's strategy is multi-domestic, while a worldwide product divisional structure is more appropriate for firm pursuing global or international strategies. 6.9.3 Integrating Mechanisms In the previous subsections, we have explained that the firms divide themselves into subunits. Now we need to examine some means of coordinating those subunits. One way of achieving coordination is through centralization. If the coordination task is complex, however, centralization may not be very effective. Higher-level managers responsible for achieving coordination can soon become overwhelmed by the volume of work required to coordinate the activities of various subunits, particularly if the subunits are large, diverse, and/or geographically dispersed. When this is the case, firms look toward integrating mechanisms, both formal and informal, to help for achieving coordination. Strategy and Coordination in the international Business The need for coordination between subunits varies with strategy of the firm. The need for coordination is lowest in multidomestic companies, is higher in international companies, higher still in global companies and highest in international companies.

NSOU ? PGCO-III ? 185 Multidomestic firms are primarily concerned with local responsiveness. Such firms are likely to operate with a worldwide area structure in which each area has considerable autonomy and its own set of value creation functions. Since each area is established as a stand-alone entity, the need for coordination between areas is minimized.

**Formal Integrating Mechanisms** The formal mechanisms used to integrate subunits vary in complexity from simple direct contact and liaison roles, to teams, to a matrix structure. In general, the greater the need for coordination, the more complex the formal integrating mechanisms need to be. Direct contact among subunit managers is the simplest integrating mechanism. By this 'Mechanisms', managers of the various subunits simply contact each other whenever they have a common concern. Direct contact may not be effective if the managers have differing orientation that act to impede coordination. Liaison roles are a bit complex. When the volume of contacts among subunits increases, coordination can be improved by giving a person in each subunit responsibilities for coordinating with another subunit on a regular basis. Through these roles, the people involved establish a permanent relationship. When the need for coordination is greater still, firms tend to use temporary or permanent teams composed of individuals from the subunits that need to achieve coordination. They are typically used to coordinate product development and introduction, but they are useful when any aspect of operations or strategy requires the cooperation of two or more subunits. Product development and introduction teams are typically composed of personnel from R&D, production, and marketing. The resulting coordination aids the development of products that are tailored to consumer needs and that can be produced at a reasonable cost. When the need for integration is very high, firms may institute a matrix structure, in which all roles are viewed as integrating roles. The structure is designed to facilitate maximum integration among subunits. The most common matrix in multinational firms is based on geographical areas and worldwide product divisions. This achieves a high level of integration among the product divisions and the areas so that, in theory, the firm can pay close attention to both local responsiveness and the pursuit of location and experience curve economies.

186 ? NSOU ? PGCO-III **Informal integrating Mechanism: Management Networks** In attempting to alleviate or avoid the problems associated with formal integrating mechanisms in general, and matrix structures in particular, firms with a high need for integration have been experimenting with an informal integrating mechanism: management networks that are supported by an organization culture that values teamwork and cross-unit cooperation. A management network is a system of informal contacts among managers within an enterprise. The great strength of a network is that it can be used as a non-bureaucratic conduit for knowledge flows within a multinational enterprise. For a network to exist, managers at different locations within the organization must be linked to one another at least indirectly. Two techniques being used to establish networks are information systems and management development policies. Firms are using their computer and telecommunications networks to provide the physical foundation for informal information systems networks. Electronic mail, videoconferencing, and high-speed data systems make it much easier for managers scattered over the globe to get to know one another. Without an existing network of personal contacts, however, worldwide information systems are unlikely to meet a firm's need for integration. Firms are using their management development programs to build informal networks. Tactics include rotating managers through various subunits on a regular basis so that they build their own informal network and using management education programs to bring managers of subunits together in a single location so that they can become acquainted. Both of these tactics are used at Unilever to build its informal management network. Note: This section has been adopted from "Hill et al.(2010). "International Business". Tata McGraw-Hill Publishing Company Limited. 438-451.

**6.10 Summary ? Internationalization** refers to the decision to enter into foreign markets. Internationalization studies revolve around schools of thought that try to explain why and how companies go abroad. ? The motivations for internationalization include: market motives, economic motives and strategic motives. The motives will vary from one business activity to another,

NSOU ? PGCO-III ? 187 producing multiple motivations for the international firm with a broad scope of activities in different parts of the globe. ? Various trends have converged in recent years as pressures in internationalization. The following are particularly notable: worldwide reduction in barriers to trade and investment, market liberalization and adoption of free markets, industrialization, economic development and modernization, integration of world financial markets, technological advances. ? The firm as a value chain is composed of series of distinct value creation activities including production, marketing and sales, materials management, R&D, human resources, information systems, and the firm infrastructure. These value creation activities can be categorized as primary activities and support activities. ? Many international markets are now extremely competitive due to the liberalization of the world trade and investment environment. In industry after industry, capable competitors confront each other around the globe. To be profitable in such an environment, a firm must both reduce the costs of value creation (lower C) and differentiate its product offering so that consumers value that product more (raise V) and are willing to pay more for the product than it costs to produce it. Thus, strategy is often concerned with identifying and taking actions that will lower the costs of value creation and/or will differentiate the firm's product offering through superior design, quality, service, functionality and so on. ? Firms that compete in the global market place typically face two types of competitive pressure. They face pressure for cost reductions and pressures to be locally responsive. ? Firms use four basic strategies to enter and compete in the international environment: an international strategy, a multidomestic strategy, a global strategy and a transnational strategy. ? International entry strategies concern where (location selection), when (timing of entry) and how (entry mode selection) international companies should enter and invest in a foreign territory during international expansion. These entry strategies are important because they determine an MNE's investment environment, operation treatment, resource commitment and evolutionary path. ? International location selection involves country selection and regional selection (e.g., state, province or city) for an MNE's foreign direct investment project(s).

188 ? NSOU ? PGCO-III Locational determinants can be categorized into the following groups: (1) cost tax factors; (2) demand factors; (3) strategic factors; (4) regulatory/economic factors; and (5) socio-political factors. ? Timing of entry involves the sequence of an MNE's entry into a foreign market vis-à-vis other MNEs (i.e., first mover, early follower, and late mover). Timing of entry is important because it determines the risks, environments, and opportunities the MNE may confront. ? An MNE seeking to enter a foreign market must make an important strategic decision concerning which entry mode to use. Entry modes are specific forms or ways of entering a target country to achieve strategic goals underlying international presence in that country. Entry mode choices fall into three categories: trade-related, transfer-related, and FDI-related. ? Trade-related entry modes include exporting, subcontracting, and countertrade. ? Transfer-related entry modes are those associated with transfer of ownership or utilization of specified property (technology or assets) from one party to the other in exchange for royalty fees. They differ from trade-related entry modes in that the user in a transfer-related mode "buys" certain rights of transacted property (e.g., use of technology) from the other party (owner). These modes are extensively employed in technology-related or intellectual/industrial property right-related transactions. This category includes the following entry modes: International leasing, International licensing, International franchising, Build-operate-transfer (BOT) ? FDI-related entry modes are more sophisticated than trade-related modes, and involve higher risk and longer-term contribution than both trade- and transfer-related choices. Compared with the later, FDI-related modes underline the firm's long-term strategic goals of international presence and necessitate continuous contribution and commitment to investments and operations abroad. FDI-related entry modes include: Branch office, Cooperative joint venture, Equity joint venture, Wholly-owned subsidiary, Umbrella holding company ? Organizational structure means three things: (1) the location of decision-making responsibilities within the structure, which is referred to as vertical differentiation; (2) the formal division of the organization into subunits, which is known as horizontal differentiation; and (3) the establishment of integrating mechanisms.

NSOU ? PGCO-III ? 189 6.11 Self Assessment Questions A. Objective Type Questions: Choose the correct answer from the given four alternatives. 1. The tendency of national governments to reduce trade and investment barriers has accelerated a) Global economic integration. b) Global political integration. c) Local economic integration. d) Local political integration. 2. Conducting business by crossing national boundary (i.e., international business) could itself be a/an a) objective for a firm b) strategy for a firm c) strategy for a state d) strategy for a country 3. The firm as a value chain is composed of series of distinct value creation activities including production, marketing and sales, materials management, R&D, human resources, information systems, and the firm infrastructure. a) production, marketing and sales b) production, marketing and sales and materials management c) production, marketing and sales, materials management, R&D, human resources, information systems, and the firm infrastructure. d) production, marketing and sales, materials management, R&D, and human resources. 4. Firms that pursue .....try to create value by transferring valuable skills and products to foreign markets where indigenous competitors lack those skills and products. a) a global strategy

190 ? NSOU ? PGCO-III b) a local strategy c) a multinational strategy d) an international strategy 5. Firms that pursue .....focus on increasing profitability by reaping the cost reduction that comes from experience curve effects and locations economies. a) a global strategy b) a local strategy c) a multinational strategy d) an international strategy 6. International entry strategies concern where (location selection), when (timing of entry) and how (entry mode selection) international companies should enter and invest in a .....during international expansion. a) local territory b) foreign territory c) regional territory d) national territory 7. International .....is an entry mode in which the foreign franchisor grants specified intangible property rights (e.g., trademark or brand name) to the local franchisee, which must abide by strict and detailed rules as to how it does business. a) exporting b) joint venture c) franchising d) countertrade 8. .... is a form of trade in which a seller and a buyer from different countries exchange merchandise with little or no cash or cash equivalents. a) exporting b) joint venture

NSOU ? PGCO-III ? 191 c) franchising d) countertrade 9. ....is a "turnkey" investment in which a foreign investor assumes responsibility for the design and construction of an entire operation, and, upon completion of the project, turns the project over to the purchaser and hands over management to local personnel whom it has trained. a) Build-operate-transfer (BOT) b) joint venture c) franchising d) countertrade 10. ....are more sophisticated than trade-related modes, and involve higher risk and longer-term contribution than both trade- and transfer- related choices. a) Build-operate-transfer (BOT) b) FDI-related entry modes c) franchising d) countertrade Answer: 1 a); 2 b); 3 c); 4 d); 5 a); 6 b); 7 c); 8 d); 9 a); 10 b); B. Short Answer Type Questions: 1. What do you mean by international leasing? 2. What is international franchising? 3. What do you mean by BOT? 4. What do you mean by international subcontracting? 5. What is meant by countertrade? 6. What is offset? 7. What is barter? 8. What do you mean by cooperative joint venture?

192 ? NSOU ? PGCO-III 9. What do you mean by wholly – owned subsidiary? 10. What do you mean by umbrella holding company? C. Long Answer Type Questions: 1. Why do firms expand internationally? 2. Discuss the different pressures of internationalization. 3. Narrate the different facets of strategic choices. 4. Explain the pressures for cost reduction and local responsiveness. 5. Write a short note on the firm as a value chain. 6. Explain the factors of the international location selection. 7. Briefly discuss the early-mover advantages and disadvantages. 8. Explain the different types of entry mode selection. 9. Discuss the different types of trade – related entry modes. 10. Narrate the different types of transfer – related entry modes.

NSOU ? PGCO-III ? 193 Unit 7 Regional Economic Integration Structure 7.1 Objectives 7.2 The European Union (EU) 7.2.1 Introduction 7.2.2 Goals of the EU 7.2.3 Institutions of EU 7.3 Association of Southeast Asian Nations (ASEAN) 7.3.1 Introduction 7.3.2 Aims and Purposes 7.3.3 Fundamental Principles 7.3.4 India- ASEAN Relations 7.4 South Asian Association for Regional Co-operation (SAARC) 7.4.1 Introduction 7.4.2 Objectives 7.4.3 Principles 7.4.4 Organizational Structure 7.4.5 SAARC Preferential Trading Arrangement (SAPTA) 7.4.5.1 Overview 7.4.5.2 Objective 7.4.5.3 The basic principles 7.4.5.4 Main components 7.5 Summary 7.6 Self Assessment Questions

194 ? NSOU ? PGCO-III 7.1 Objectives After studying this chapter students will be aware of three political as well as economic unions, namely, European Union, ASEAN and SAARC, operating in three different parts of the globe. This unit briefly discusses their objectives, structure and different dimensions. 7.2

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The European Union (EU) 7.2.1 Introduction The European Union is a political and economic union having 28 member states that are located mainly in Europe.

It covers an area of 4,475,757 km<sup>2</sup> and an estimated population of over 510 million. The EU has its roots to the years after the end of World War II, when the leaders of six war worn countries- Germany, France, Belgium, Italy, Luxembourg, and the Netherlands sought to establish peace and prosperity through economic and political cooperation. They signed the Treaty of Paris, in 1952, founding the European Coal and Steel Community (ECSC). Signing the Treaty of Rome in 1957 led to the formation of the European Economic Community (EEC). Eventually, the EU was formed on 1 November 1993, Maastricht, Netherlands. Its Headquarter is situated at City of Brussels, Belgium. Membership to EU is open to any country with a democratic government, a good human rights record, and sound economic policies. The member states delegate sovereignty to the EU institutions to represent the interests of the European Union in general. If a member state decides to withdraw, it needs to notify the European Council of its intention. According to the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. On 1 st July 2013, Croatia became 28 th member of EU. On the contrary following a referendum on 23 June 2016 in favour of withdrawing from the European Union, commonly known as BREXIT, British Prime Minister Theresa May invoked Article 50 on 29 March 2017. The United Kingdom is thus scheduled to withdraw from the EU on 29 March 2019.

7.2.2 Goals of the EU The goals of the European Union are to: ? promote peace, its values and the well-being of its citizens  
NSOU ? PGCO-III ? 195 ? offer freedom, security and justice without internal borders ? sustainable development based on balanced economic growth and price stability, a highly competitive market economy with full employment and social progress, and environmental protection ? combat social exclusion and discrimination ? promote scientific and technological progress ? enhance economic, social and territorial cohesion and solidarity among EU countries ? respect its rich cultural and linguistic diversity ? establish an economic and monetary union whose currency is the euro. The EU has taken some steps to become a full-fledged economic union: 1. Market access: Most of the tariffs and other barriers have been removed. 2.

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Common market: Free movement of factors of production, i.e., labour, capital and technology among the member

countries. 3. Trade rules: Members removed customs procedures and regulations, which rationalizes transportation and logistics within Europe. 4. Standards harmonization: The EU is harmonizing technical standards, regulations, and enforcement procedures that relate to products, services, and commercial activities.

7.2.3 Institutions of EU The main institutions that administer the EU are listed in Article 13 as: The European Parliament: It consists of 749 members. Article 14 limits the number to 751 and also states that no member state shall have more than 96 MEPs. It can be noted that only Germany has 96 MEPs at the moment. The Parliament elects its own President and officers from within itself. It also elects the Commission President but does so following a proposal from the European Council. Its main function is to exercise law- making functions along with the Council. The European Council: It consists of Heads of State or Government of member states, plus its President and the President of the Commission. Its main function is to define the general policy of the Union.

196 ? NSOU ? PGCO-III The Council: It is the law-making body, along with the European Parliament. The Court of Justice of the European Union: It consists of a number of different courts, some specialised, with judges appointed by member states. The European Central Bank: Together with national central banks it constitutes the European System of Central Banks. The Court of Auditors: It consists of one appropriately qualified national of each member state, appointed by the Council on proposals from member states. They are appointed for six years at a time.

7.3 Association of Southeast Asian Nations (ASEAN) 7.3.1 Introduction The



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ASEAN was formed on 8 August 1967 in Bangkok, Thailand, with the signing of the Bangkok Declaration by five countries, namely, Indonesia, Malaysia, Philippines, Singapore and Thailand. Consequently, Brunei Darussalam joined on 7 January 1984, Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, making up the ten Member States of ASEAN. 7.3.2

Aims and Purposes The aims and purposes

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of ASEAN are: 1. To accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations. 2. To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries

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the region and adherence to the principles of the United Nations Charter. 3.

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To promote active collaboration and mutual assistance on matters of common interest

in the economic, social, cultural, technical, scientific and administrative fields. 4.

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To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative

spheres.

NSOU ? PGCO-III ? 197 5. To collaborate more effectively for the greater utilisation of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communications facilities and the raising of the living standards of their peoples. 6. To promote Southeast Asian studies. 7. To maintain close and beneficial cooperation with existing international and regional organisations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.

7.3.3 Fundamental Principles The Member States of ASEAN has

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adopted the following fundamental principles, as contained in the Treaty of Amity and Cooperation in Southeast Asia (TAC)

of 1976: 1.

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Mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations; 2. The right of every State to lead its national existence free from external interference, subversion or coercion; 3. Non-interference in the internal affairs of one another; 4. Settlement of differences or disputes by peaceful manner; 5. Renunciation of the threat or use of force; and 6. Effective cooperation among themselves. 7.3.4 India- ASEAN

Relations India's relationship with ASEAN is a key pillar of Indian foreign policy and the foundation of its Act East Policy. India became a Sectoral Partner of the ASEAN in 1992, Dialogue Partner in 1996 and Summit Level Partner in 2002. There are, in total, 30 Dialogue Mechanisms between India and ASEAN, cutting across various sectors. India and ASEAN observed 25 years of their Dialogue Partnership, 15 years of Summit Level interaction and 5 years of Strategic Partnership throughout 2017 by undertaking a wide range of over 60 commemorative activities, both in India and through its Missions in ASEAN Member States, which concluded in the ASEAN-India Commemorative Summit on the theme "Shared Values, Common Destiny" on 25 January 2018 in New Delhi. At the ASEAN-India Commemorative Summit, PM and the ASEAN Leaders jointly adopted

198 ? NSOU ? PGCO-III Source: <https://asean.org/asean/asean-structure/organisational-structure-2/>.

NSOU ? PGCO-III ? 199 the Delhi Declaration and decided to identify Cooperation in the Maritime Domain as the key area of cooperation under the ASEAN-India strategic partnership. The main forum for ASEAN security dialogue is the ASEAN Regional Forum (ARF). India has been attending annual meetings of this forum since 1996 and has actively participated in its various activities. The ASEAN Defence Ministers' Meeting (ADMM) is the highest defence consultative and cooperative mechanism in ASEAN. The ADMM+ brings together Defence Ministers from the 10 ASEAN nations plus Australia, China, India, Japan, New Zealand, Republic of Korea, Russia, and the United States on a biannual basis.

Economic Cooperation: India-ASEAN trade and investment relations have been growing steadily, with ASEAN being India's fourth-largest trading partner. India's trade with ASEAN stands at US\$ 81.33 billion, which is approx. 10.6% of India's overall trade. India's export to ASEAN stands at 11.28% of its total exports. ASEAN accounting for approximately 18.28% of investment flows into India since 2000. FDI inflows into India from ASEAN between April 2000 to March 2018 was about US\$68.91 billion, while FDI outflows from India to ASEAN countries. ASEAN and India have been also working on enhancing private sector engagement. ASEAN India-Business Council (AIBC) was set up in March 2003 in Kuala Lumpur as a forum to bring key private sector players from India and the ASEAN countries on a single platform for business networking and sharing of ideas. [source: <http://mea.gov.in/aseanindia/20-years.htm>] 7.4 South Asian Association for Regional Co-operation (SAARC) 7.4.1 Introduction Organization of South Asian nations, founded in 1985 and dedicated to economic, technological, social, and cultural development emphasizing collective self-reliance.

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The Secretariat of the Association was set up in Kathmandu on 17 January 1987.

Its seven founding members are

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Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka.

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Afghanistan joined the organization in 2007. Meetings of heads of state are usually scheduled annually; meetings of foreign secretaries, twice annually.

Headquarters are situated in Kathmandu, Nepal.

200 ? NSOU ? PGCO-III The areas of cooperation are agriculture; education, culture, and sports; health, population, and child welfare; the environment and meteorology; rural development (including the SAARC Youth Volunteers Program); tourism; transport; science and technology; communications; women in development; and the prevention of drug trafficking and drug abuse. The charter stipulates that decisions are to be unanimous and that "bilateral and contentious issues" are to be avoided. 7.4.2

Objectives

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The objectives of the Association are as follows: a) To promote the welfare of the peoples of South Asia and to improve their quality of life. b) To accelerate economic growth, social progress and cultural development in the region and to provide all individuals with the opportunity to live in dignity and to realize their full potential. c) To promote and strengthen collective self-reliance among the countries of South Asia. d) To contribute to mutual trust, understanding and appreciation of one another's problems. e) To promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields. f) To strengthen cooperation with other developing countries.

g)

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To strengthen cooperation among themselves in international forums on matters of common interests. h) To cooperate with international and regional organizations with similar aims and purposes. 7.4.3 Principles Cooperation within the framework of the Association is based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in the internal affairs of other States and mutual benefit. Such cooperation

is to complement and not to substitute bilateral or multilateral cooperation.

NSOU ? PGCO-III ? 201 Such cooperation should be consistent with bilateral and multilateral obligations of Member States General Provisions: Decisions at all levels in SAARC shall be

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taken on the basis of unanimity Bilateral and contentious issues

shall be excluded from the deliberations of the Association. 7.4.4 Organizational Structure The SAARC comprises five layers of organizational structure: 1. Council: At the top, there is the Council represented by the heads of the government of the member countries. The council is the apex policy-making body. It meets once in 2 years time. 2. Council of Ministers: It is to assist the council. It is represented by the foreign minister of the member countries. Its functions include: a) Formulation of policies b) Review of functioning c) Deciding new areas of cooperation d) Chalk our additional mechanism e) Decide about general issues of commonality of interest of the SAARC member. 3. Standing Committee: It is comprised of the foreign secretariat of the member government. Its major functions are: a) To monitor and co-ordinate the programmes b) To determine inter-sectoral priorities c) To mobilise cooperation within and outside the region d) To deal with the modalities of financing. 4. Programming Committee: It consists of the senior official of the member governments. Its functions include: a) Scrutinizing the budget of the secretariats b) Finalizing the annual schedule

202 ? NSOU ? PGCO-III c) External activities assigned by the standing committee d) Analyses the respects of the technical committee. 5. Technical Committee: It consists of the representatives of the member nations. Its functions are: a) To formulate projects and programmes b) To monitor and execute the projects c) To submit reports. Under the new SAARC Integrated Programme of Action (SIPA), the number of Technical Committees has been reduced from eleven to seven mainly through the amalgamation of the different sectors covered by the various Technical Committees and eliminating overlapping, duplication and waste. The prime objective of the reorganization has been to enhance clarity in terms of the goals and targets of the activities undertaken, as well as to improve the Committees quality and efficacy. The seven Technical Committees under SIPA now cover 1. Agriculture and Development 2. Communications and Transport 3. Social Development 4. Environment, Meteorology and Forestry 5. Science and Technology 6. Human Resources Development, and 7. Energy. 6. Secretariat: The SAARC Secretariat is located in Nepal. Its main functions are: a. Coordination, execution and monitoring of SAARC activities. b. Servicing the SAARC meetings. c. Performing as a communication link between the SAARC and other international forums. The secretariat is headed by the Secretary-General appointed by the Council of Ministers. These are seven Directors (One from each member nation) and the general service staff. 7.4.5 SAARC Preferential Trading Arrangement (SAPTA) 7.4.5.1 Overview

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The Agreement on SAARC Preferential Trading Arrangement (SAPTA) which envisages the creation of a Preferential Trading Area among the seven-member states of the SAARC, NSOU ? PGCO-III ? 203 namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka was signed in Dhaka

on

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April 1993. The idea of liberalizing trade among SAARC countries was first initiated by Sri Lanka at the sixth Summit of the South Asian Association for Regional Co-operation (SAARC) held in Colombo on December 1991. It was agreed that SAPTA is a stepping stone to higher levels of trade liberalization and economic co-operation among the SAARC member countries. 7.4.5.2 Objective The objective of the SAPTA is to promote and sustain mutual trade and the economic co-operation among the member states through

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exchange of trade concessions. SAPTA, therefore, is the first step towards higher levels of trade and economic co-operation in the region. 7.4.5.3

The basic principles ? Overall reciprocity and mutuality of advantages ?

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Step by step negotiations and periodic reviews so as to improve and extend the preferential trade arrangement, in stages ? Inclusion of all products, manufactures and commodities in their raw semi- processes and processed forms ? Special and favourable treatment to

the Least Developed Contracting States 7.4.5.4

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Main components ? Tariff ? Para Tariff ? Non Tariff Direct Trade Measures SAPTA specified four negotiating approaches namely, product by product basis, across the board tariff reduction, sectoral basis and direct trade measures. However, it was agreed that tariff concessions would initially be negotiated on a product - by- product basis. The agreement also provides for negotiation of tariff concessions to be an ongoing process. The SAPTA envisages that concessions on tariff, para-tariff and non-tariff measures will be negotiated step -

by step improved and extended in successive stages.

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National Schedules of Concessions The process of negotiation on the schedule of concession, which forms an integral part of the Agreement, commenced in 1993. For this purpose, the Inter-Governmental Group on Trade Liberalization (IGG) was set up. The IGG met on six occasions in various capitals. At the sixth meeting held in Katmandu on 20th and 21 st April 1995, the delegations held intensive rounds of bilateral and multilateral negotiations and agreed on the National Schedule of concessions to be granted by individual member states to other member states under the SAPTA Agreement. Four rounds of trade negotiations were concluded under SAPTA covering over 5000 commodities. Each Round contributed to an incremental trend in the product coverage and the deepening of tariff concessions over previous Rounds. During the first and second rounds, trade negotiations were conducted on a product by product basis. In the third and the fourth rounds, negotiations were conducted on chapter wise. Maintenance of SAPTA Concession The Agreement on the South Asian Free Trade Area (SAFTA) which was implemented with effect from 1st January 2006 will supersede the SAARC Preferential Trading Arrangement (SAPTA). On the issue of maintaining SAPTA concessions for LDCs, the Committee agreed that once the Non-LDCs member states complete the Trade Liberalization Programme (TLP) for LDC member states, SAPTA concessions would cease for LDC member states. However, if any item on which SAPTA concessions are available to LDC, appear in the sensitive lists of non-LDC, they shall maintain the same level of concession through derogation. The

Committee has further agreed that if the items under TLP enjoy tariff preferences under SAPTA, the Non-LDCs shall reduce their tariff on those items to a rate not higher than the rate applicable for LDCs under SAPTA on the date agreed for base rate for TLP. It was also agreed at the first SAFTA Ministerial Council Meeting held in April that LDCs should also maintain concessions under SAPTA for Non-LDCs until the completion of TLP irrespective of whether the products are in the sensitive lists or not.

NSOU ? PGCO-III ? 205 7.5 Summary The EU, ASEAN and SAARC are three important organizations operating in three different parts of the globe. Foundation of the European Coal and Steel Community (ECSC) in 1952 and signing the Treaty of Rome in 1957 led to the formation of the European Economic Community (EEC). Eventually, the EU was formed on 1 November 1993. It ensures that most of the tariffs and other barriers have been done away with, free movement of production factors-labour, capital and technology among the member countries, elimination of customs procedures and regulations, which rationalizes transportation and logistics within Europe. The ASEAN, was established on 8 August 1967 in Bangkok, Thailand to accelerate the

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economic growth, social progress and cultural development in the region, to promote regional peace and stability,

to provide assistance to each other in the form of training and research facilities in

different areas and to collaborate for the utilization of agriculture and industries, the expansion of trade, the improvement of transportation and communications facilities and the raising of the living standards of the member countries. Organization of South Asian nations, founded in 1985 and dedicated to economic, technological, social, and cultural development emphasizing collective self-reliance. The 11 stated areas of cooperation are agriculture; education, culture, and sports; health, population, and child welfare; the environment and meteorology; rural development. 7.6. Self Assessment Questions Long Answer Type Questions: 1. Discuss different institutions of European Union. 2. What are the aims and purposes of ASEAN? 3. Enumerate the objectives and principles of SAARC. 4. Discuss in brief the organizational structure of SAARC. 5. Write a note on SAPTA Short Answer Type Questions: 1. What are the steps of EU? 206 ? NSOU ? PGCO-III 2. What are those steps EU has taken to become a full-fledged economic union? 3. What are the principles of ASEAN? Objective Type Questions: 1. What is the full form of ECSC? 2. Where the headquarter of EU is situated? 3. What is the full form of SAPTA? 4. What is meant by SIPA? NSOU ? PGCO-III ? 207 Unit 8 International Financing and International Economic Institutions Structure 8.1 Objectives 8.2 International Financial Market 8.3 Market Access 8.4 Intergovernmental Organizations (IGO) 8.4.1 Euro Market 8.4.2 International Monetary Fund (IMF) 8.4.3 World Trade Organization (WTO) 8.4.4 World Bank 8.4.5 Asian Development Bank (ADB) 8.5 Summary 8.6 Self Assessment Questions 8.1 Objectives After studying this chapter students will be aware of different international economic institutions. After having a preliminary idea regarding international financial markets and different modes used in accessing domestic markets by foreign investors, they will learn about the Euro Markets, IMF, WTO, World Bank and ADB. 8.2 International Financial Market The International Financial Market is the place where financial wealth is traded between individuals and countries. To procure funds MNC is in a better position than the domestic firm as the former has greater access to the international financial market. The international financial market may be divided into two segments. International money market is concerned with short term funds. On the other hand, International capital market deals with long 208 ? NSOU ? PGCO-III term funds. International financial market may also be categorized from the point of view of resource providing agencies. They are as follows: a) Official Sources: i) Multilateral agencies like international development banks, such as the World Bank, IFC etc., regional development banks, such as the Asian Development Bank, etc. ii) Bilateral Agencies or different governmental agencies. b) Non-Official Sources: This channel comprises the borrowing and the lending streams such as Euro-currency market or international banks in one hand and divergent types of financial instruments in the international securities market on the other hand. Moreover, Swap is also very common in the international financial market. Different other derivative instruments are also being used in the market. 8.3 Market Access Market access is the ability of a company or country to sell goods and services across borders. Market access can be used to refer to domestic trade as well as international trade although the latter is the most common context. Market access is sometimes misunderstood with free trade. But they are not the same. Tariffs, duties and quotas put a barrier to free trade. Second, through complex negotiations participants typically push for market access that favours their particular export industries and attempting to limit market access to import products that could potentially compete with sensitive or politically strategic domestic industries. Market access is seen as an early step towards deepening trade ties. Market access is increasingly the stated goal of trade negotiations as opposed to true free trade. Apart from export and import foreign investments in the following three forms also play significant roles: Foreign Direct Investment (FDI): FDI is investing directly in another country. A foreign company which is based in some other country like the USA invests in India either by setting up a wholly-owned subsidiary or getting into a joint venture with some company based in India and then conducts its business in India. Examples: Various software companies like IBM India which is initially based in the United States but has opened its subsidiaries in a different part of India, Honda is yet another example in which Honda of Japan had joint ventured with Maruti Udyog Ltd.

NSOU ? PGCO-III ? 209 SBI life insurance is a joint venture life insurance company between State Bank of India (SBI) and BNP Paribas Assurance of France. Foreign Portfolio Investment (FPI): FPI is also direct investment but investment in only financial assets such as stocks, bonds etc. of a company located in another country. In the case of FPI, portfolio investment is an investment made by an investor who is not involved in the management and day-to-day decision making a company as in FDI. Example: Any foreign company invests in the shares of Infosys (based in India). Foreign Institutional Investment (FII): FII is an investor or group of investors who bring FPIs.

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Institutional investors include hedge funds, insurance companies, pension funds and mutual funds.			

They participate in the secondary market of the economy. To participate in the market of India, FIIs must register themselves with the Securities and Exchange Board of India (SEBI). 8.4 Intergovernmental Organizations (IGO) In the field of international business, there are many Intergovernmental Organizations (IGO). IGOs are there because many issues of international business cannot be dealt with in a national framework. Out of many such IGOs three most important IGOs that originated from the 1944 Bretton Woods conference are

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the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD)			

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World Bank and the General Agreement on Tariffs and Trade (GATT),			

which gave birth of World Trade Organization (WTO). There is no dearth of studies trying to unearth the motivation behind the birth of the above IGOs. Researchers usually are of the opinion that these are the platforms where cross-border concerns could be handled. This was in reaction to the beggar-thy-neighbour policies [where one country purposefully tries to improve its economic position at the expense of its trading partners by keeping exchange rates artificially low, taxing imports, etc.] that some countries adopted in the 1930s, protectionism whose negative effects on world trade deepened the Great Depression. 8.4.1. Euro Market According to the Cambridge Business English Dictionary, Euro market can be viewed from two different angles. From the viewpoint of Finance, it is a large financial market for Eurocurrencies On the contrary, from the angle of Commerce it is defined as the 210 ? NSOU ? PGCO-III single market that includes all the countries in the EU which allow free trade between member countries and agrees to abide by a set of rules for trading with other countries. The Euro market is a massive market comprising many member nations of the EU and facilitates the free movement of goods and services. Putting differently, efficient trade mechanisms such as low tariffs, quotas etc. are kept in place and have a centralized monetary policy with most of them using a common currency - Euro. The euro market is a vital player in international trade. Figure adapted from the IMF website. The Eurocurrency market consists of banks (called Eurobanks) that accept deposits and provide loans in foreign currencies. Eurocurrency may be any deposit of a currency in a country other than that of the currency's origin. For example, a deposit of USD in a

NSOU ? PGC0-III ? 211 bank in Europe is a deposit of Eurodollars. The entire market for loans and deposits in Euro currency is the Euro currency Market. The Eurocurrency Market, instead of having buyers and sellers, has lenders and borrowers. It is noteworthy that the prefix "Euro" is historical in nature, indicating that the market was initially centred in Europe. A Euro currency is a freely convertible currency deposited in a bank located in a country which is not the native country of the currency. The deposit can be placed in a foreign bank or in the foreign branch of a domestic US bank. In the Eurocurrency market, short-term claims on commercial banks held by investors are transformed by intermediaries into long-term claims on final borrowers. Eurocurrency market is a chain of deposits and a chain of borrowers and lenders. The majority of Euro currency transactions involve transferring control of deposits from one Eurobank to another Eurobank. Loans to non- Eurobank borrowers account for less than half of all Eurocurrency loans. Usually, Euro banks are able to pay higher rates on deposits and charge lower rates on loans than purely domestic banks. This is possible because they can often avoid government regulations such as reserve requirements and the need to pay deposit insurance. This downs the cost of operations for Euro banks and these lower costs can be passed through to the clients. Euro currency loans are generally huge and the customers are well- known firms. Thus, the banks do not face much default risk and can charge lower margins on the large loans. The main feature of Euro currency loans is that they are usually floating rate (this also referred to as rollover pricing or as cost-plus pricing) and are typically set as a percentage over LIBOR. Eurobonds may be defined as bonds sold outside the country whose currency they are dominated in. They are similar to public debt sold in domestic capital markets. However, the Eurobond market is entirely free of official regulation and is self-regulated by the Association of International Bond Dealers. Borrowers in the Eurobond market are well known and have good credit ratings. The Eurobond market has grown rapidly in the last two decades, and it exceeds the Eurocurrency market in size.

8.4.2 International Monetary Fund (IMF) International Monetary Fund (IMF) is an international agency of 189 members. It has its headquarters in Washington, D.C. The Fund's aim is to stabilize currencies by monitoring the foreign exchange systems of member countries, and lending money to developing economies.

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The IMF's primary goal is to ensure the stability of the system of exchange rates and international payments which permits members to transact with each other. The

Fund's mandate was updated in 2012 to incorporate all macroeconomic and financial sector issues that bear on international stability. Objectives: Briefly, the objectives of the IMF are to: a) promote

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international financial cooperation; b) facilitate the expansion and balanced growth of international trade; c) promote exchange stability; d) assist in the establishment of a multilateral system of payments; and e) make resources available to members experiencing

a balance of payments difficulties. IMF Fast Facts

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Membership: 189 countries Headquarters: Washington, D.C. Executive Board: 24 Directors each representing a single country or

a group of countries Staff: Approximately 2,700 from 148 countries Total quotas: US\$668 billion (as of 9/13/16) Additional pledged or committed resources: US\$ 668 billion Committed amounts under current lending arrangements (as of 9/8/16): US\$159 billion, of which US\$144 billion have not been drawn. Biggest borrowers (amounts outstanding as of 8/31/16): Portugal, Greece, Ukraine, Pakistan Biggest precautionary loans (amount agreed as of 9/8/16): Mexico, Poland, Colombia, Morocco Surveillance consultations: 130 consultations in 2013 and 132 in 2014, and 124 in 2015 Capacity development: 274 person-years in FY2013, 285 in FY2014, and 288 in FY2015



NSOU ? PGCO-III ? 213 Organization and Finance: Management At the top of IMF's organizational structure is

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the Board of Governors. It consists of one Governor and one Alternate Governor

from each member country (generally from the central bank or the ministry of finance).

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The Board of Governors meets once a year at the IMF–World Bank Annual Meetings.

Governors sit on the International Monetary and Financial Committee (IMFC) and normally meet twice a year. The IMF's day-to-day work is supervised by its 24 member Executive Board, that represents the entire membership. This work is guided by the IMFC and supported by the IMF staff. Managing Director is the head of the staff and Chairperson of the Executive Board of IMF. The Managing Director is appointed by the Executive Board for a renewable term of five years. To assist the Managing Director there are Deputy Managing Director and three Deputy Managing Directors. According to the IMF's Articles of Agreement, the Managing Director shall be

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the chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Board, the ordinary business of the Fund. Subject to the general control of the Executive Board, he shall be responsible for the

organization, appointment, and dismissal of the staff of the Fund. Governance Structure The present governance structure of the organization can be seen in the following pictorial representation ( adopted from the IMF website). Quotas IMF's main source of financing is quotas. Each member of the IMF is assigned a quota. This is based on its relative position in the global economy. The IMF regularly conducts general reviews of quotas in order to assess the adequacy of overall quotas and their distribution among members. The 14th review (the latest) was concluded in 2010 and the quota increases became effective in 2016. Each member of the IMF

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is assigned a quota expressed in special drawing rights (SDRs)

The member's capital subscription to the IMF is equal to its quota. Members pay up to 25 per cent of their quota in the form of reserve assets and the remainder in their own currency. A member borrows from the IMF by purchasing reserve assets using its own currency and repays the IMF by repurchasing its own currency using reserve assets. The total quota or capital subscription of all members are currently SDR 212.8 billion.

214 ? NSOU ? PGCO-III Other Functions of Quotas. Quotas determine the size of the IMF and play a central role in the IMF's operations. Other functions of quota are as follows: a) Lending Capacity. Quota subscriptions by members provide by far the bulk of the reserve assets available to the IMF to finance its lending operations. Therefore, quotas to a large extent determine the lending capacity of the IMF. b) Voting Power. Quotas largely determine the distribution of the voting power of the IMF and, therefore, the relative influence of individual members in decision-making at the IMF. c) Access Limits. The limit of members' access to IMF resources is stated as a per cent of quota . Hence, quotas determine the maximum level of a country's

NSOU ? PGCO-III ? 215 access. These access limits vary according to the type of borrowing arrangement between the member and the IMF. For example, under the credit tranches and the Extended Fund Facility, borrowing is subject to an annual limit of 100 per cent of quota and a cumulative limit of 300 per cent of quota. Special Drawing Rights (SDR) Special drawing rights (SDR) are the international type of monetary reserve currency created by the International Monetary Fund (IMF) in 1969. It is essentially an artificial currency used by the IMF and is a basket of national currencies. This operates as a supplement to the existing reserves of member countries. It is created due to the limitations of gold and dollars as the sole means of settling international accounts. SDRs increase international liquidity by supplementing the standard reserve currencies. SDRs are allocated by the IMF to its member countries and are backed by the full faith and credit of the member countries' governments.

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The SDR was initially defined as equivalent to 0.888671 grams of fine gold (equal to one US \$ that time). After the collapse of the Bretton Woods system, the SDR was redefined as a basket of currencies.

Currently, there are five currencies in the basket. The current position of SDR is as follows: Currency Weights determined Fixed Number of Units of

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in the 2015 Review Currency for a 5-year period Starting Oct 1, 2016 U.S. Dollar 41.43 0.58252 Euro 30.93 0.38671 Chinese Yuan 8.33 1.0174 Japanese Yen 8.09 11.900 Pound Sterling 10.92 0.085946 (

Source: IMF) Surveillance Every year, the IMF sends economists to each of its member countries to examine fiscal and monetary policy, exchange rate, general macroeconomic stability, and any related policies, such as labour policy, trade policy, and social policy like pension system. This

216 ? NSOU ? PGCO-III process is in accordance with Article IV consultation. The purpose of this consultation is to provide an outside check on national decisions that might have an effect on the international economic system. IMF executive board discusses the report produced by the economists and gives it to the leaders of the country in question as to the official opinion of the IMF. A version of the report is also published and available as an IMF Public Information Notice (PIN). IMF also publishes its analysis of the world economic system in its World Economic Outlook twice per year and the Global Financial Stability Report, which focuses specifically on the international capital markets, also twice per year. Financial Assistance The IMF provides credits and loans to member countries having problems with the balance of payments to pay off their obligations and readjust their economic policies. To receive assistance the member-country must agree, through a "letter of intent," to implement changes in its fiscal and monetary policies that IMF experts have determined are necessary. The loans are disbursed in phases after ensuring that the receiving country moves forward with the reforms required to avail it. Loans are generally granted for relatively short periods of time ( for just a few months), or for as long as ten years, depending on the type of loan. The receiving country must pay back loans on time, on a rigorous schedule, because the loans are intended to be temporary assistance. The IMF provides assistance through several lending programs : a) Stand-by arrangements are loans granted for specific amounts over 12 to 18 months to deal with short-term problems. b) The Extended IMF's Facility is used to help a member-country deal with what are called "structural" economic problems resulting from a history of poor economic planning. The IMF attaches strong conditions to loans through this facility, which are granted for three to four-year terms. c) The Poverty Reduction and Growth Facility is granted at low-interest rates to poor countries. d) The Supplemental Reserve Facility grants short-term loans during crises but adds a surcharge to discourage too much borrowing.

NSOU ? PGCO-III ? 217 e) Contingent Credit Lines are granted during waves of crises that can spread from one country to another, called "contagions." f) Emergency Assistance is granted to countries facing military conflicts or other sudden disasters. Technical Assistance The IMF provides technical assistance on fiscal and monetary policy, regulatory procedures, tax policy, and collection of statistics, among other issues. Objectives of these programmes are : strengthening developing countries' abilities to reform and properly manage their macroeconomic policies. The IMF dispatches its own experts and private consultants on training missions to educate government officials and also runs the IMF Institute in Washington, D.C. to provide courses for officials. India and the IMF a) India joined the IMF on December 27, 1945, as one of the IMF's founder members. b) India accepted the obligations of Article VIII (Agreement on current account convertibility) on August 20, 1994. c) India subscribes to the IMF's Special Data Dissemination Standard. Countries belonging to this group make a commitment to observe the standard and to provide information about their data and data dissemination practices. Financial Assistance IMF credit has been beneficial in helping India respond to the emerging balance of payments problems on two occasions. In 1981-82, India borrowed SDR 3.9 billion under an Extended Fund Facility, the largest arrangement in IMF history at that time. In 1991- 93, India borrowed a total of SDR 2.2 billion under two stand-by arrangements, and in 1991 it borrowed SDR 1.4 billion under the Compensatory Financing Facility. Technical Assistance IMF has provided India with technical assistance in different areas, including the development of the government securities market, foreign exchange market reform, public expenditure management, tax and customs administration, and strengthening statistical systems in connection with the Special Data Dissemination Standards. Since 1981 the IMF has provided training to Indian officials in national accounts, tax administration, the balance of payments compilation, monetary policy, and other areas.

218 ? NSOU ? PGCO-III 8.4.3 World Trade Organization (WTO) The World Trade Organization is an intergovernmental organization that regulates international trade. It

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is the only international organization dealing with the global rules of trade between nations.

Its main function is to ensure that trade flows as freely as possible.

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The WTO officially commenced on 1 January 1995 under the Marrakesh Agreement, signed by 124 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948.

Its headquarter is located in Geneva, Switzerland. Current member of this organization is 164 accounting for about 95% of world trade. Apart from these, 25 others are negotiating members. Roberto Azevêdo is the sixth Director-General of the WTO. His appointment took effect on 1 September 2013 for a four-year term. In February 2017, WTO members agreed to appoint Mr Azevêdo for a second four-year term, starting on 1 September 2017. Structure In WTO decisions

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are made by the entire membership typically by consensus. A majority vote has never been used in the WTO and was extremely rare under the WTO's predecessor, GATT. The WTO's agreements have been ratified in all members' parliaments. The WTO's top-level decision-making body is the Ministerial Conference which meets at least once every two years. Under this is the General Council (normally ambassadors and heads of delegation in Geneva, but sometimes officials sent from members' capitals) which meets several times a year in the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body. At the next level, the Goods Council, Services Council and Intellectual Property (TRIPS) Council report to the General Council.

A large number of

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specialized committees, working groups and working parties deal with the individual agreements and other areas such as the environment, development, membership applications and regional trade agreements. Secretariat The WTO Secretariat, based in Geneva, has around 640 staffs and is headed by a director-general.

NSOU ? PGCO-III ? 219 The Secretariat's main duties are: a)

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to supply technical support for the various councils and committees and the ministerial conferences; b) to provide technical assistance for developing countries; c) to analyze world trade, and to explain WTO affairs to the public and media; d) to provide legal assistance in the dispute settlement process and advises governments wishing to become members of the WTO.

WTO's main activities are: a) Negotiating the reduction or elimination of obstacles to trade (import tariffs, other barriers to trade) and agreeing on rules governing the conduct of international trade (e.g. anti-dumping, subsidies, product standards, etc.). b) Administering and monitoring the application of the WTO's agreed rules

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for trade in goods, trade in services, and trade-related intellectual property rights.

c) Monitoring and reviewing the trade policies of members, as well as ensuring transparency of regional and bilateral trade agreements. d) Settling disputes among members regarding the interpretation and application of the agreements. e) Building capacity of developing country government officials in international trade matters. f) Assisting the process of accession of those countries who are not yet members of the organization. g) Conducting economic research and collecting and disseminating trade data in support of the WTO's other main activities. h) Informing the public about the WTO, its mission and its activities. Differences between GATT and WTO From 1948 to 1994, the GATT provided the rules for world trade and presided over periods that saw some of the highest growth rates in international commerce. It seemed well-established but throughout those 47 years, it was a provisional agreement and organization. Creation of WTO marked the biggest reform of international trade since the end of the Second World War. Whereas the GATT mainly dealt with trade in

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goods, the WTO and its agreements also cover trade in services and

intellectual property. The birth of the WTO also created new procedures for the settlement of disputes. GATT WTO 1. It is a set of rules. 1. It is a permanent institution. 2. It was designed with an attempt to 2. It has its own purpose. establish an International Trade Organization. 3. It was applied on a temporary basis. 3. Its activities are permanent. 4. It was originally a multilateral instrument, 4. Its agreements are multilateral. but plurilateral agreements were added at a later stage GATS, TRIMs, TRIPs GATS (General Agreements on Trade in Services) Trade-in services have rapidly grown field in the global scenario, particularly in developing countries. The rapid growth and change have prompted the members of the WTO to bring in changes in rules and regulations on trade in services. As a result, GATS was introduced on 1st January 1995. One of the important agreements of WTO contains two main parts: i) the framework of an agreement containing rules and regulations, and ii) the schedule of Nations who gave the commitment on access to their domestic markets by foreign suppliers. Each WTO member lists in its national schedule those services, which it wished to guarantee access to foreign suppliers. All member countries are considered as MFNs (Most Favoured Nations) i.e, all commitments apply on a non-discriminatory basis to all member countries. Moreover, National

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treatment implies treating foreigners and locals equally. Imported and locally produced goods should be treated equally, at least after the foreign goods have crossed the border. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents.

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National treatment only applies once a product, service or item of intellectual property has entered the market. Therefore, charging customs duty on an import is not a violation of national treatment even if locally-produced products are not charged an equivalent tax.

NSOU ? PGCO-III ? 221 Coverage of GATS: The GATS covers all internationally traded services except services provided by the Government and services in Air transport sector. The GATS defines that trade in services can be made in four ways, these are: 1. Services supplied from one country to another (e.g. International telephone calls). 2. Consumers from one country making use of another country (e.g. Tourism). 3. A company from one country setting up subsidiaries or branch to provide services in another country (e.g. Banking). 4. Individual travelling from their own country to supply services in other countries (e.g. Actress or construction worker). Benefits of Services Liberalisation: 1. An efficient services infrastructure provides a base for economic success. Services such as telecommunications, banking, insurance and transport supply strategically important inputs for all sectors. 2. People can have access to world-class services. 3. Trade liberalisation in services leads to low cost. For example, telecommunications. 4. Faster innovation takes place with liberalised services e.g. ATM, Phone banking, Internet banking etc. 5. Greater transparency and predictability benefit is there for customers. This makes possible for the people to make their investments in the service sector. 6. More FDIs are attracted in the countries, which will bring the new skills and technologies into the country. The domestic employees can learn the new skills from the MNCs. Trade-Related Investment Measures (TRIMs) It refers

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to certain condition or restrictions imposed by a Government in respect of foreign investment in the country.

The TRIM provides that the foreign capital would not be discriminated by the member Governments. Features of TRIMs 1. Abolition of the restriction imposed on foreign capital. 2. Offering equal rights to the foreign investor on par with the domestic investor.

222 ? NSOU ? PGCO-III 3. No restrictions on any area of investment. 4. No limitation or ceiling on the quantum of foreign investment. 5. Granting of permission without restrictions to import raw materials and other components. 6. No force on foreign investors to use total products and or materials. 7. Export of the part of the final product will not be mandatory. 8. Restriction on repatriation of dividend interest and royalty will be removed. 9. Phased manufacturing programming will be introduced to increase the domestic content of manufacturer. Trade-Related Intellectual Property Rights (TRIPs)

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Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.

It includes a. Protection of patent b. Copyright c. Industrial design d. Geographical indication. e. Trademarks f. Trade secrets g. Layout design (topographies of integral circuits) TRIPs agreement are of the following: i) TRIPs agreement includes nuclear energy, methods of agricultural and horticulture and biological processes and products for patentability. ii) It provides for granting product patent to food, medicine, drugs and chemical products. iii) The duration of patents will be of 20 years of both for product patents and process patents. iv) There is no specific provision for licenses of right or revocation of patents.

NSOU ? PGCO-III ? 223 v) There is a provision for the protection of plant variety by individual countries and to have an effective unique system of their own.

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Geographical Indications: A geographical indication (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place. In addition, the qualities, characteristics or reputation of the product should be essentially due to the place of origin. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production.

Dumping Dumping is, in general, a situation of international price discrimination, where the price of a product, when sold in the importing country, is less than

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the price of that product in the market of the exporting country.

Different types of dumping Persistent-dumping This is international price discrimination that goes on indefinitely. Exporting firms benefit from this when demand in a foreign market is more elastic than the demand in the company's home market. Predatory-dumping Used by manufacturers as a means of eliminating competition in a foreign market. High domestic prices are used to supplement the reduced revenue of exporting cheaper goods. By exporting goods at cheap prices exporters are able to drive off any competition in the area. Once the competition has been eliminated, the firm can then raise the price of the product and generate more revenue. The importing country usually complains, because its market might end up being controlled by a foreign monopoly. Sporadic dumping This occurs when there is a temporary surplus of a specific product. Businesses will dump surplus goods in foreign markets without having to reduce prices in their domestic market. The domestic market refers to the market within a country's borders.

224 ? NSOU ? PGCO-III Anti-dumping measures To curb dumping, the importing country imposes tariff duty, import quota, import embargo and voluntary export restraint. On 26 October 2017, India has imposed anti-dumping duty on stainless steel from US, EU and China. India has also imposed anti-dumping duty on certain stainless steel products from the European Union and other countries including China and Korea, in order to protect the domestic industry from cheap imports. The duty was imposed by the Revenue department following the recommendation by the Directorate General of Anti- Dumping and Allied Duties (DGAD). ? The levied duty will range between 4.58 per cent and 57.39 per cent of the landed value of cold-rolled flat products of stainless steel. ? The anti-dumping duty will be in effect until 10 December 2020. ? The direction, however, exempts certain grades of stainless steel from the duty. ? The duty will be levied on the imports of stainless steel products from China, Taiwan, South Korea, South Africa, Thailand, the United States and the European Union. 8.4.4 World Bank World Bank was originally

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known as the International Bank for Reconstruction and Development (IBRD).

The initial purpose of the World Bank was to provide funding for the reconstruction of World War II affected Japan and Europe. Now, it is an agency that provides loans and technical assistance to low and middle-income countries with the goal of reducing poverty. The World Bank Group comprises five institutions managed by their member countries. They are : a)

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The International Bank for Reconstruction and Development The International Bank for Reconstruction and Development (IBRD) lends to governments of middle-income and creditworthy low-income countries.

b)

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The International Development Association The International Development Association (IDA) provides interest-free loans called credits and grants to governments of the poorest countries. Together, IBRD and IDA are called the World Bank. NSOU ? PGCO-III ? 225 c) The International Finance Corporation

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The International Finance Corporation (IFC) is the largest global development institution focused exclusively on the private sector.

It helps in developing countries to

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achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. d) The Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) was established

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in 1988 to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. MIGA fulfils this mandate by offering political risk insurance (guarantees) to investors and lenders. e) The International Centre for Settlement of Investment Disputes This facilitates international facilities for conciliation and arbitration of investment disputes.

Fact Sheet Formation July 1945 Type Monetary International Financial Organization Legal status Treaty Headquarters Washington, D.C., U.S. Membership 189 countries (IBRD) 173 countries (IDA) Key people Jim Yong Kim, president Parent organization World Bank Group Objectives The World Bank provides low-interest loans, interest-free credit and grants to improve education, health, and infrastructure. It also helps to modernize a country's financial sector, agriculture, and natural resources management. The Bank's stated goal is to "bridge the economic divide between poor and rich countries." It does this by turning "rich country resources into poor country growth." It has a long-term vision to "achieve sustainable poverty reduction."

226 ? NSOU ? PGCO-III To achieve this goal, the Bank works in six areas: 1. Overcome poverty by enhancing growth, especially in Africa. 2. Help reconstruct countries emerging from war, the biggest cause of extreme poverty. 3. Provide a customized solution to reduce poverty from middle-income countries. 4. Spur governments to prevent climate change. It helps them control communicable diseases, especially HIV/AIDS, and malaria. It also manages international financial crises and promotes free trade. 5. Work with the Arab League to improve education, build infrastructure, and provide micro-loans to small businesses. 6. Share its expertise with developing countries. Publicize its knowledge via reports and its interactive online database. The World Bank Group has set two goals for the world to achieve by 2030: a)

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End extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to not more than 3% b) Promote shared prosperity by fostering the income growth of the bottom 40% for every country

Organization The World Bank functions as a cooperative. The member countries are represented by a Board of Governors which is the ultimate policymaker at the World Bank. Generally, the governours are member countries' ministers of finance or ministers of development. They meet

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once a year at the Annual Meetings of the Boards of Governors of the World Bank

Group and the International Monetary Fund. The governors delegate specific duties to 25 Executive Directors, who work on-site at the Bank. The five largest shareholders appoint an executive director, while other member countries are represented by elected executive directors. World Bank Group

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President chairs meetings of the Boards of Directors and is responsible for the overall management of the Bank.

The President is selected by the Board of Executive Directors for a five-year, renewable term. The Executive Directors make up the Boards of Directors of the World Bank. They generally meet at least twice a week to oversee the Bank's business, including approval



NSOU ? PGC0-III ? 227 of loans and guarantees, new policies, the administrative budget, country assistance strategies and borrowing and financial decisions. The day to day operations of the World Bank is carried under the leadership and direction of the president, management and senior staff, and the vice presidents in charge of Global Practices, Cross-Cutting Solutions Areas, regions, and functions. The latest Organization Chart of the Bank is as follows: Source: <http://pubdocs.worldbank.org/en/404071412346998230/wbg-org-chart.pdf> India's Association with the World Bank India was one of the 17 countries, prepared the agenda for the Bretton Woods Conference (June 1944). It was also one of the 44 countries which signed the final agreement for the establishment of the World Bank. The name "International Bank for Reconstruction and Development" was first suggested by India to the drafting committee.

228 ? NSOU ? PGC0-III India has been accessing funds from the World Bank (mainly through IBRD and IDA) for various development projects. The World Bank Group's support for India's development agenda has contributed to improving outcomes in a range of sectors. Some results are as follows: a) Education: Between 2000-01 and 2017-18 elementary school enrolment raised by more than 33 million, rising from 156.6 million in 2000-01 to 189.9 million in 2017- 18. Over two-thirds of India's states have achieved universal primary enrollment. There is now a primary school within one kilometre of all habitations. b) Rural Livelihoods: Since 2011, the World Bank-supported National Rural Livelihoods Mission has mobilized 50 million poor rural women into self-help groups and their federations. These groups have leveraged \$30 billion from commercial banks. Over 3 million women now benefit from technical services in agriculture and nearly 2.8 million poor women have been elected to local government institutions. Poor rural women have not only benefitted from greater and more predictable access to a range of financial services, but they have also gained skills, support in business development, and been linked to markets. In Bihar, some women-owned collective enterprises have recorded a turnover of nearly \$2 million. c) Rural Water Supply and Sanitation: Since 2000, World Bank

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projects have contributed over \$3.4 billion in financing for rural water supply and sanitation. This has helped about 36 million people

in 40,000

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villages—with populations ranging from 150 to 15,000—gain better access to drinking water.

World Bank support in Uttarakhand, which contributed to establishing 24/7 water supply, received the Right to Information award for good governance and transparency. An independent impact assessment found 98 per cent user satisfaction and 90 per cent sustainability for this operation. d) Rural Roads: Since 2004, World Bank support of \$2 billion has helped build and improve around 40,000 km of all-weather rural roads in some of India's poorest and most inhospitable regions. The roads are revitalizing the rural economy and improving the quality of rural life in about 30,000 habitations by connecting them to schools, health centers, markets, and jobs. e)

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Health: World Bank support to India's health sector began in 1972.

Over the years, it has focused on helping India meet the health MDGs, improve child nutrition, and tackle the long-standing burden of disease. Over the last 2 decades, Bank projects have increasingly focused on improving the quality of health services provided by the public sector.

NSOU ? PGC0-III ? 229 In Uttar Pradesh, one of the poorest states in India, around 50 district hospitals have seen quality improvements and 19 of them have been accredited. In Karnataka and Tamil Nadu between 2004 and 2016, Bank health projects have contributed to a reduction of more than 40% in rates of maternal and infant mortality. Since 1990, mortality from TB has halved, and the prevalence of the infection has fallen by 55 per cent. More than 20 million people have been treated through Bank-supported programs since 1997, and 3.5 million deaths averted. India's response to HIV/AIDS is a global success story. Prevalence among adults has continued to fall, with new infections coming down by two thirds between 2007-15. f) Agriculture: Bank-supported watershed projects have helped raise farm yields and incomes for roughly 2 million farmers in the dry rain fed areas of Karnataka, and for more than 500,000 families in Himachal Pradesh and Uttarakhand. World Bank-financed operations in five states to rehabilitate irrigation systems, particularly community tanks, and to develop institutions at community and state levels to manage and maintain these systems. These operations led to over 2 million of land having improved irrigation, and corresponding improvements in productivity, and over 50% increase in paddy production. Successive operations in Uttar Pradesh have led to over 120,000 of sodic land reclaimed, with cropping intensity on these lands increasing from 25 per cent to 206 per cent. g) Energy: A series of investments amounting to over US\$ 2.5 billion since 1993 and intensive capacity-building support, the World Bank has helped POWERGRID, India's state-owned power transmission company emerge as the world's third-largest transmission utility. Overall, Bank financing to Power grid and Haryana Power operations directly resulted in over 5,000 km of transmission lines being installed. India's focus on renewable energy can have far-reaching, global implications for the battle against climate change. The Bank's \$625 million Solar Rooftop program has already financed around 500 MW of commercial and industrial installations (out of which 80 MW are already installed) and will help mobilize another commercial financing to the sector. 8.4.5

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Asian Development Bank (ADB) The Asian Development Bank is a regional development bank established on 19 December 1966,

as a financial institution that would be Asian in character and foster

230 ? NSOU ? PGC0-III economic growth and cooperation in one of the poorest regions in the world. A resolution passed at the first Ministerial Conference on Asian Economic Cooperation held by the United Nations Economic Commission for Asia and the Far East in 1963 set the foundation to form the Bank. During the 1960s, ADB focused much of its assistance on food production and rural development. ADB's headquarter

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is in the Ortigas Center, located in the city of Mandaluyong, Metro Manila, Philippines. The Bank also maintains 31 field offices around the world to promote social and economic development in Asia.

ADB has 67 shareholding members including 48 from the Asia and Pacific region. Organization Board of Governors ADB's

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highest policy-making body is the Board of Governors, which comprises one representative from each member

nation – 48 from the Asia-Pacific and 19 from outside the region. Board of Directors The Governors elect 12 members to form the Board of Directors, which performs its duties full time at the ADB headquarters. The Directors supervise ADB's financial statements, approve its administrative budget, and review and approve all policy documents and all loan, equity, and technical assistance operations. Management The ADB's

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President is the chairman of the Board of Directors and

heads a management team comprising six Vice-Presidents, who supervise the work of ADB's operational, administrative, and knowledge departments. As a multilateral development finance institution, ADB provides loans, technical assistance and grants. Member governments are ADB's shareholders. ADB directly assists private enterprises in developing member countries through equity investments and loans. ADB maximizes the development impact of its assistance by a) facilitating policy dialogues, b) providing advisory services, and

NSOU ? PGCO-III ? 231 c) mobilizing financial resources through co-financing operations that tap official, commercial, and export credit sources. Operational Priorities To achieve its vision, ADB focuses on seven operational priority areas. Bank's support in these areas is delivered through both public and private sector operations, advisory services, and knowledge support. ? addressing remaining poverty and reducing inequality ? accelerating progress in gender equality ? tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability ? making cities more livable ? promoting rural development and food security ? strengthening governance and institutional capacity ? fostering regional cooperation and integration ADB and India Since commencing operations in India in 1986, ADB has committed 209 sovereign loans totalling \$35.9 billion. From the website of ADB one can get two current projects of ADB relating to India. They are as follows: The Country Partnership Strategy (CPS), 2018–2022 for India aims to support the government's goal of faster, inclusive, and sustainable growth accompanied by rapid economic transformation and job creation. The new CPS articulates ADB assistance through the three strategic pillars: boosting economic competitiveness to create more and better jobs, providing inclusive access to infrastructure networks and services, and addressing climate change and increasing climate resilience. ADB's annual lending to India is proposed to be raised to a maximum of \$4 billion to support the country's transformation toward upper middle-income status. The country operations business plan (COBP), 2018–2020 aims to support the government's endeavour towards achieving faster, inclusive and sustainable growth through programs supporting the provision of inclusive access to infrastructure, boosting competitiveness and job creation, and helping address climate change issues.

232 ? NSOU ? PGCO-III 8.5 Summary The International Financial Market is the place where financial wealth is traded between individuals and countries. The international financial market may be categorized from the point of view of resource providing agencies. These are official and unofficial sources. Different accesses are there through which a domestic economy can procure coveted funds. Such as FDI and FII. In the field of international business, there are many Intergovernmental Organizations (IGO). Out of many such IGOs three most important IGOs that originated from the 1944 Bretton Woods conference are

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the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD)

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World Bank and the General Agreement on Tariffs and Trade (GATT),

which gave birth of World Trade Organization (WTO). This unit discusses different facets of IMF, IBRD, WTO along with The Euro Markets and ADB. 8.6 Self Assessment Questions A. Long Answer Type Questions: 1. Write a note on the Euro Market. 2. Write in brief about quota and SDR? 3. How does the IMF provide assistance through several lending programs? 4. Discuss in brief the organizational structure of WTO. 5. Write notes on GATS, TRIPS and TRIMS. 6. What is dumping? What are the types of dumping? How dumping is curtailed? 7. "The World Bank Group comprises five institutions managed by their member countries."- Discuss. 8. What are the objectives and goals of the World Bank? 9. Write a note on the World Bank's relationship with India. 10. Write a note on ADB. B. Short Answer Type Questions: 1. What are the sources of an international fund? 2. What is meant by FDI, FII and FPI? NSOU ? PGCO-III ? 233 3. What are the objectives of the IMF? 4. How does the IMF provide technical assistance to members? 5. Differentiate between WTO and GATT. 6. What is GI? 7. Write a short note on the Multilateral Investment Guarantee Agency (MIGA). 8. Write a note on the ADB's relationship with India. C. Objective Type Questions: 1. What are the full forms of FDI, FII, and FPI? 2. Expand: IMF, IBRD, IFC, ADB, WTO, GATT? 3. Where are the headquarters of IMF, World Bank and WTO located? 234 ? NSOU ? PGCO-III References Units 1 Cavsgil, S.T., Knight, G. and Riesenberger, J. R. (2009). International Business : Strategy, Management and The New relations. Pearson. Chary, S. N. (2008). Elements of International Business. Wiley. Cherunilam, F. (2008). International Business Environment. Himalaya Publishing House. Shankar, O., and Luo, Y. (2004). International Business, Wiley. Sitkin, A., and Bowen, N. (2010). International Business : Challenges & Choices. Oxford University Press. Units 2 Apte, P.G. (2010), International Finance. 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[https://www.wipo.int/geo\\_indications/en](https://www.wipo.int/geo_indications/en)

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**Submitted text** As student entered the text in the submitted document.  
**Matching text** As the text appears in the source.

<b>1/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
	the transfer of resources, goods, services, knowledge, skills or information across national boundaries.		the transfer of resources, goods, services, knowledge, skills or information across national boundaries.	
	<p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>			
<b>2/173</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>38% MATCHING TEXT</b>	48 WORDS
	<p>Unit 1 International Business Structure 1.1. Objectives 1.2. Introduction 1.3. Concept of international business 1.4. Salient features of international business 1.5. Composition of international business 1.6. Importance of international business 1.7. Motivation for conducting international business 1.8. Risk in international business 1.9. International versus domestic business 1.10. Trends in international business 1.10.1 Present trends in international business 1.10.2</p>			
	<p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>			
<b>3/173</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>72% MATCHING TEXT</b>	18 WORDS
	<p>Objectives After studying this unit, you will be able to: ? understand the meaning and features of international business ?</p>			
	<p><b>SA</b> International Business.pdf (D142236558)</p>			
<b>4/173</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>67% MATCHING TEXT</b>	16 WORDS
	<p>So countries having climatic and geographical advantages specialize in the international business and trade them with others. 5)</p>			
	<p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>			

<b>5/173</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>Different countries are endowed with different types of natural resources. Hence they tend to specialize in</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>6/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>those commodities in which they are richly endowed and trade them with others where such resources are scarce.</p> <p>6)</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>7/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>88% MATCHING TEXT</b>	12 WORDS
<p>volume and variety of cross-border transactions in goods, services and capital flows. 2)</p> <p>volume and variety of cross border transaction in goods and services and of capital flows</p> <p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20 ...</a></p>				
<b>8/173</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>the transfer of resources, goods, services, knowledge, skills or information across national boundaries.</p> <p>the transfer of resources, goods, services, knowledge, skills or information across national boundaries.</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				
<b>9/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>90% MATCHING TEXT</b>	10 WORDS
<p>the transfer of resources, goods, skills or information across national boundaries.</p> <p>the transfer of resources, goods, services, knowledge, skills or information across national boundaries.</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				
<b>10/173</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>Balance of payments: The problem of balance of payments is perpetual in international</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				

<b>11/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>88% MATCHING TEXT</b>	12 WORDS
<p>the transfer of resources, goods, services, knowledge, skills or information across state boundaries.</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>		<p>the transfer of resources, goods, services, knowledge, skills or information across national boundaries.</p>		
<b>12/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>the transfer of resources, goods, services, knowledge, skills or information across national boundaries.</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>		<p>the transfer of resources, goods, services, knowledge, skills or information across national boundaries.</p>		
<b>13/173</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>The policies which a country chooses to correct its disequilibrium in the balance of payments may give rise to a number of other problems. 7)</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>14/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>89% MATCHING TEXT</b>	14 WORDS
<p>Objectives After studying this unit, you will be able to: ? understand the meaning and</p> <p><b>SA</b> International Business.pdf (D142236558)</p>				
<b>15/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>the foreign exchange market is a place where foreign moneys are bought and sold". Foreign exchange market</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>				
<b>16/173</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>87% MATCHING TEXT</b>	21 WORDS
<p>market is an institutional arrangement for buying and selling of foreign currencies. Exporters sell the foreign currencies and importers buy them. Until the 1970</p> <p><b>SA</b> IBM Book final.docx (D144830354)</p>				

<b>17/173</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>50% MATCHING TEXT</b>	23 WORDS		
<p>foreign exchange market are discussed below: i. Location: Foreign exchange market is considered as an over the counter (OTC) market as there is no</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>						
<b>18/173</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100% MATCHING TEXT</b>	20 WORDS		
<p>Credit function Another function of the foreign exchange market is to provide credit, both national and international, to promote foreign trade.</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>						
<b>19/173</b>	<b>SUBMITTED TEXT</b>	68 WORDS	<b>92% MATCHING TEXT</b>	68 WORDS		
<p>change, there may be a gain or loss to the party concerned. Under this condition, a person or a firm undertakes a great exchange risk if there are huge amounts of net claims or net liabilities which are to be met in foreign money. Exchange risk as such should be avoided. For this the exchange market provides facilities for hedging anticipated or actual claims or liabilities through forward or futures contracts in exchange.</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>						
<b>20/173</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>85% MATCHING TEXT</b>	21 WORDS		
<p>exchange rate is the rate at which one currency can be exchanged for another. It is the price of one currency</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>						
<b>21/173</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>50% MATCHING TEXT</b>	21 WORDS		
<table border="0"> <tr> <td style="width: 50%;"> <p>exchange rate regime, reduction in the value of a currency relative to another currency is called devaluation of a currency. In</p> <p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...</a></p> </td> <td style="width: 50%;"> <p>exchange rate or reduction in the value of domestic currency with respect to the foreign is called depreciation of the domestic currency in</p> </td> </tr> </table>					<p>exchange rate regime, reduction in the value of a currency relative to another currency is called devaluation of a currency. In</p> <p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...</a></p>	<p>exchange rate or reduction in the value of domestic currency with respect to the foreign is called depreciation of the domestic currency in</p>
<p>exchange rate regime, reduction in the value of a currency relative to another currency is called devaluation of a currency. In</p> <p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...</a></p>	<p>exchange rate or reduction in the value of domestic currency with respect to the foreign is called depreciation of the domestic currency in</p>					



<b>22/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
foreign currency is said to be at a forward premium					
SA IBM SLM.docx (D111408454)					
<b>23/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>82%</b>	<b>MATCHING TEXT</b>	14 WORDS
the exchange rate of the domestic currency relative to a foreign currency. The opposite					
SA 179E1150-International Economics.pdf (D165203112)					
<b>24/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>64%</b>	<b>MATCHING TEXT</b>	17 WORDS
the sum of absolute values of elasticities of demand for exports and imports is greater than unity.					
SA 179E1150-International Economics.pdf (D165203112)					
<b>25/173</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>44%</b>	<b>MATCHING TEXT</b>	25 WORDS
elasticities of demand for exports and imports. We now derive mathematically the Marshall–Lerner condition that the sum of the elasticities of the demand for imports and					
SA 179E1150-International Economics.pdf (D165203112)					
<b>26/173</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>70%</b>	<b>MATCHING TEXT</b>	16 WORDS
Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia,					
SA M21CM06DC.pdf (D155282201)					
<b>27/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>84%</b>	<b>MATCHING TEXT</b>	12 WORDS
in foreign exchange markets to smooth out short-run fluctuations in exchange rates					
SA 179E1150-International Economics.pdf (D165203112)					

<b>28/173</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>93% MATCHING TEXT</b>	21 WORDS
<p>market is an institutional arrangement for buying and selling of foreign currencies. Exporters sell the foreign currencies and importers buy them. ? The</p> <p><b>SA</b> IBM Book final.docx (D144830354)</p>				
<b>29/173</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>66% MATCHING TEXT</b>	22 WORDS
<p>of foreign exchange market are: (i) Foreign exchange market is considered as an over the counter (OTC) market as there is no</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>30/173</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>85% MATCHING TEXT</b>	21 WORDS
<p>exchange rate is the rate at which one currency can be exchanged for another. It is the price of one currency</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>31/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>82% MATCHING TEXT</b>	14 WORDS
<p>the exchange rate of the domestic currency relative to a foreign currency. The opposite</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>32/173</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>69% MATCHING TEXT</b>	22 WORDS
<p>in the Balance of Payments 3.9 Types of Disequilibrium in the Balance of Payments 3.10 Reasons for Disequilibrium in the Balance of Payments 3.11</p> <p>in the balance of payments. 8.4.1 Types of Disequilibrium in Balance of Payments There are three broad types of disequilibrium in the balance of payments.</p> <p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...</a></p>				
<b>33/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>64% MATCHING TEXT</b>	17 WORDS
<p>the sum of absolute values of elasticities of demand for exports and imports is greater than unity. ?</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				

<b>34/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>84% MATCHING TEXT</b>	12 WORDS
<p>in foreign exchange markets to smooth out short-run fluctuations in exchange rates</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>35/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>85% MATCHING TEXT</b>	14 WORDS
<p>Objectives After studying this unit, you will be able to: ? know the meaning and</p> <p><b>SA</b> Int_Eco_Block 2.pdf (D165067090)</p>				
<b>36/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>economic transactions between the residents of the reporting country and foreign residents</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>37/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>Transactions between the residents of a country and rest of the world</p> <p>transactions, between the residents of a country and the rest of the world,</p> <p><b>W</b> <a href="https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf">https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf</a></p>				
<b>38/173</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>58% MATCHING TEXT</b>	43 WORDS
<p>The Balance of Payments According to the Balance of Payments Manual of the International Monetary Fund (IMF), the balance of payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy with the rest of the world.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>39/173</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>61% MATCHING TEXT</b>	19 WORDS
<p>record of a country's international transactions with the rest of the world during a given period. A country's balance of</p> <p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				
<b>40/173</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>50% MATCHING TEXT</b>	20 WORDS
<p>the balance of payments records all types of international transactions of a country over a certain period of time, it</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>41/173</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>55% MATCHING TEXT</b>	18 WORDS
<p>The current account 2. The capital account 3. The errors and omissions 4. The reserve account The current account records the</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>42/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>goods, services, income, and transfer) between an economy and the rest of the world.</p> <p><b>SA</b> Lesson Plan 6- Balance of Payment.docx (D128097289)</p>				
<b>43/173</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>40% MATCHING TEXT</b>	31 WORDS
<p>Current Account 1. Exports 2. Imports 3. Trade Balance (1-2) 4. Invisibles (net) A. Services B. Income C. Transfers 5. Current Account Balance (3+4) II. Capital Account i. External assistance (net) ii. External Commercial Borrowing (net) iii. Short term credit iv. Banking Capital (</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				

<b>44/173</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>75% MATCHING TEXT</b>	13 WORDS
<p>capital account and vice-versa. The fact that the balance of payments always balances</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>45/173</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>55% MATCHING TEXT</b>	18 WORDS
<p>the balance of payments of a country whether there exists any surplus or deficit in the balance of payments</p> <p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				
<b>46/173</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>66% MATCHING TEXT</b>	15 WORDS
<p>in the Balance of Payments If a country has a deficit in its balance of</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>47/173</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>61% MATCHING TEXT</b>	33 WORDS
<p>the balance-of-payments: Cyclical Disequilibrium It takes place on account of trade cycles. Trade cycles follow different paths and pattern in different countries. There are no identical timings and periodicity of occurrences of cycles in different countries.</p> <p>the balance of payments. ? Cyclical disequilibrium the balance of payments may occur because: ? i. Trade cycles follow different paths and patterns in different countries. There are no identical timings and periodicity of occurrence of cycles in different countries. ?</p> <p><b>W</b> <a href="https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf">https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf</a></p>				
<b>48/173</b>	<b>SUBMITTED TEXT</b>	71 WORDS	<b>91% MATCHING TEXT</b>	71 WORDS
<p>in the balance of payments. Structural Disequilibrium It emerges on account of structural changes occurring in some sectors of the economy at home or abroad which may alter the demand or supply relations of exports or imports or both. For example, if foreign demand for India's jute products decline because of some substitutes then the resources employed by India in the production of jute goods will have to be shifted to some other commodities of export.</p> <p>in the balance of payments ? ii. Structural Disequilibrium: It emerges on account of structural changes occurring in some sectors of the economy at home or abroad which may alter the demand or supply relations of exports or imports or both. Suppose the foreign demand for India's jute products declines because of some substitutes, then the resources employed by India in the production of jute goods will have to be shifted to some other commodities of export. ?</p> <p><b>W</b> <a href="https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf">https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf</a></p>				

<b>49/173</b>	<b>SUBMITTED TEXT</b>	121 WORDS	<b>87% MATCHING TEXT</b>	121 WORDS
<p>Moreover, a shift in demand takes place with the changes in tastes, fashion, habits, income etc. Propensity to import may change as a result. Demand for some imported goods may increase, while that for certain goods may decline leading to a structural change. 100 ? NSOU ? PGOO-III Short-run Disequilibrium A short-run disequilibrium in a country's balance of payment will be a temporary one, lasting for a short period, which may take place once in a while. When a country borrows or lends internationally, it will have short-run disequilibrium in its balance of payments as these loans are usually for a short period or even if they are for a long duration, they are repayable later on. Hence, the position will be automatically corrected and poses no serious problem.</p>		<p>Moreover, a shift in demand occurs with the changes in tastes, fashions, habits, income, economic progress, etc. Propensity to import may change as a result. Demand for some imported goods may increase, while that for certain goods may decline leading to a structural change. the balance of iii. Short-run Disequilibrium: A short-run disequilibrium in a country's balance of payments will be a temporary one, 'lasting for a short period, which may occur once in a while. ? When a country borrows or lends internationally, it will have short-run disequilibrium in its balance of payments, as these loans are usually for a short period or even if they are for a long duration, they are repayable later on; hence the position will be automatically corrected and poses no serious problem. ?</p>		
<p><b>W</b> <a href="https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf">https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf</a></p>				

<b>50/173</b>	<b>SUBMITTED TEXT</b>	68 WORDS	<b>93% MATCHING TEXT</b>	68 WORDS
<p>refers to a deep-rooted, persistent deficit or surplus in the balance of payments of a country. It is secular disequilibrium emerging on account of the chronologically accumulated short-term disequilibria - deficits or surpluses. A long-term deficit in the balance of payments of a country tends to deplete its foreign exchange reserves and the country may also not be able to raise any more loans from foreigners during such a period of persistent deficits.</p>		<p>refers to a deep- rooted, persistent deficit or surplus in the balance of payments of a country. ? It is secular disequilibrium emerging on account of the chronologically accumulated short-term disequilibria – deficits or surpluses. ? It endangers the exchange stability of the country concerned. ? Especially, a long-term deficit in the balance of payments of a country tends to deplete its foreign exchange reserves and the country may also not be able to raise any more loans from foreigners during such a period of persistent deficits.</p>		
<p><b>W</b> <a href="https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf">https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf</a></p>				

<b>51/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>the balance of payments is said to be in equilibrium</p>				
<p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				

<b>52/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>A country has a deficit in its balance of payments</p>				
<p><b>SA</b> IB.docx (D154310691)</p>				

<b>53/173</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>98% MATCHING TEXT</b>	32 WORDS
<p>the quota system, the government may fix and permit the maximum quantity or value of a commodity to be imported during a given period. By restricting imports through the quota system, deficit is reduced</p>		<p>the quota system, the government may fix and permit the maximum quantity or value of a commodity to be imported during a given period. By restricting imports through the quota system, the deficit is reduced</p>		
<p><b>W</b> <a href="https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf">https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf</a></p>				
<b>54/173</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>57% MATCHING TEXT</b>	27 WORDS
<p>in the balance of payments is inflation in the domestic economy. If there is inflation in the country, prices of exports rise. As a result, exports fall.</p>				
<p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>55/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>A country having a deficit balance of payments position can restore and maintain equilibrium by means of</p>				
<p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>56/173</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>62% MATCHING TEXT</b>	16 WORDS
<p>the balance of payments position is improved. 3. Exports promotion: To correct disequilibrium in the balance of</p>				
<p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>57/173</b>	<b>SUBMITTED TEXT</b>	57 WORDS	<b>46% MATCHING TEXT</b>	57 WORDS
<p>balance of payments. 3.12 Summary ? According to the Balance of Payments Manual of the International Monetary Fund (IMF), the balance of payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transaction of an economy with the rest of the world. ? Transactions between the residents of a country and the rest of the world</p>				
<p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>58/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>87% MATCHING TEXT</b>	10 WORDS
<p>types of disequilibrium in the balance-of-payments: Cyclical Disequilibrium, Structural Disequilibrium,</p>		<p>Types of disequilibrium in the balance of payments ? Cyclical Disequilibrium: Cyclical disequilibrium</p>		
<p><b>W</b> <a href="https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf">https://www.shobhituniversity.ac.in/pdf/econtent/International-Business-Unit-1-Dr-Neha-Yajurvedi.pdf</a></p>				
<b>59/173</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>52% MATCHING TEXT</b>	20 WORDS
<p>The current account, The capital account, The errors and omissions, The reserve account. ? The current account measures the transfer of</p>				
<p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>60/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>goods, services, income, and transfer) between an economy and the rest of the world.</p>				
<p><b>SA</b> Lesson Plan 6- Balance of Payment.docx (D128097289)</p>				
<b>61/173</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>50% MATCHING TEXT</b>	32 WORDS
<p>balance of payments? 8. What are the different types of disequilibrium in the balance of payments? 9. What is cyclical disequilibrium? 10. What is structural disequilibrium? 11. When does deficit in the balance of payments</p>		<p>Balance of Payments There are three broad types of disequilibrium in the balance of payments. They are: ? Cyclical disequilibrium, ? Secular disequilibrium, and ? Structural disequilibrium ? Cyclical disequilibrium: in the balance of payments</p>		
<p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20 ...</a></p>				
<b>62/173</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>60% MATCHING TEXT</b>	25 WORDS
<p>balance of payments. 6. Discuss the methods of correcting disequilibrium in the balance of payments. 7. Discuss the causes of disequilibrium in the balance of payments</p>		<p>balance of payments ? discuss disequilibrium in the balance of payments and ? identify causes for disequilibrium in the balance of payments</p>		
<p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20 ...</a></p>				



<b>63/173</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>33% MATCHING TEXT</b>	33 WORDS
<p>balance of payments always balance."-Explain the statement. 9. Explain the different types of disequilibrium in the balance of payments. 10. Explain monetary measures and non-monetary measures for correcting disequilibrium in the balance of payments.</p>		<p>balance of payments and balance trade ? lay out the structure of balance of payments ? discuss disequilibrium in the balance of payments and ? identify the causes for disequilibrium in the balance of payments</p>		
<p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20 ...</a></p>				
<b>64/173</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>87% MATCHING TEXT</b>	16 WORDS
<p>Global Corporations develop knowledge in various countries, but their units do not share such knowledge across</p>		<p>Global Corporations develop the knowledge in various countries, but its units do not share such knowledge across</p>		
<p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				
<b>65/173</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>60% MATCHING TEXT</b>	19 WORDS
<p>balance of trade is the difference between a) The value of visible exports of goods and the value of</p>				
<p><b>SA</b> Final update.docx (D130166870)</p>				
<b>66/173</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>92% MATCHING TEXT</b>	47 WORDS
<p>Economies of Scale Converting a small manufacturer to a multinational may give the business an opportunity to achieve increased production efficiency. Because each manufactured unit shares fixed costs that are unrelated to the number of goods produced, the average cost per unit goes down as the number of units manufactured</p>		<p>Economies of Scale Converting a small manufacturer to a multinational may give the business an opportunity to achieve increased production efficiency as the quantity produced rises. Because each manufactured unit shares fixed costs that are unrelated to the quantity of goods produced, the average cost per unit goes down as the number of units manufactured</p>		
<p><b>W</b> <a href="https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html">https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html</a></p>				

<b>67/173</b>	<b>SUBMITTED TEXT</b>	68 WORDS	<b>90% MATCHING TEXT</b>	68 WORDS
<p>Market Growth Becoming a multinational helps a small business to expand, which enables the company to exploit new growth markets. This opportunity is especially beneficial if the domestic demand for the company's products or services has saturated. In the article "Dealing With the New World of Multinational Competition" on the PricewaterhouseCoopers website, Harry G. Broadman and Sunita Saligram write that multinationals seek opportunities in emerging markets in particular because the average growth rate of</p>		<p>Market Growth Becoming a multinational helps a small business expand its reach, which enables the company to exploit new growth markets, such as the Mexican economy. This opportunity is especially beneficial if the domestic demand for the company's products or services has plateaued. In the article "Dealing With the New World of Multinational Competition" on the PricewaterhouseCoopers website, Harry G. Broadman and Sunita Saligram write that multinationals seek opportunities in emerging markets in particular because the average growth rate of</p>		
<p><b>W</b> <a href="https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html">https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html</a></p>				
<b>68/173</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>of these. 9. The balance of payments is said to be in equilibrium when</p>				
<p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>69/173</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>gross domestic product in these markets is twice that in developed countries, such as the United States. [</p>		<p>gross domestic product in these markets is twice that in developed countries, such as the United States.</p>		
<p><b>W</b> <a href="https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html">https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html</a></p>				

70/173	SUBMITTED TEXT	113 WORDS	74% MATCHING TEXT	113 WORDS
	<p>Product Sourcing Operating as a multinational provides small business with the option of conducting some of the company's offshore sourcing through subsidiaries, rather than independent contractors. This provides the business with a better opportunity to control the quality of its products or its product's components. Relying on its own subsidiaries as a source of supply also provides a business with the opportunity to better ensure promised delivery dates of critical product components. 114 ? NSOU ? PGO-III v) Bypass Host Country's protecting Mechanisms National regulators generally discriminate against foreign subsidiaries unless the subsidiary is established enough regionally to be perceived as a domestic firm. Establishing foreign subsidiaries, therefore, could defend the business from bound governmental investigations, audits and prosecutions. The international subsidiary may be</p>			<p>Product Sourcing Operating as a multinational provides a small business the option of conducting some of the company's offshore sourcing through subsidiaries, rather than independent contractors. This flexibility in selecting the origin of its supplies provides the business a better opportunity to control the quality of its products or its product's components. Relying on its own subsidiaries as a source of supply also provides a business the opportunity to better ensure promised delivery dates of critical product components. Bypass Host Country's Protective Mechanisms National regulators sometimes discriminate against foreign subsidiaries unless the subsidiary is established enough locally to be perceived as a domestic firm. Establishing foreign subsidiaries, therefore, may protect the small business from certain governmental investigations, audits and prosecutions. The multinational subsidiary may also be</p>
	<p><b>W</b> <a href="https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html">https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html</a></p>			

71/173	SUBMITTED TEXT	17 WORDS	83% MATCHING TEXT	17 WORDS
	<p>way for a business to expand into foreign countries and bypass the protecting controls of the mercantilism country.</p>			<p>way for a business to expand into foreign countries and bypass the protective controls of the importing country.</p>
	<p><b>W</b> <a href="https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html">https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html</a></p>			

72/173	SUBMITTED TEXT	33 WORDS	55% MATCHING TEXT	33 WORDS
	<p>the company's plants and therefore the product market. As a result, a domestic business could profit by investment in production plants in foreign countries and commercialism the factory-made merchandise on to shoppers in those countries,</p>			<p>the company's plants and the product market. As a result, a small business may benefit by investing in production plants in foreign countries and selling the manufactured products directly to consumers in those countries,</p>
	<p><b>W</b> <a href="https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html">https://yourbusiness.azcentral.com/reasons-multinational-corporations-23250.html</a></p>			

<b>73/173</b>	<b>SUBMITTED TEXT</b>	49 WORDS	<b>87% MATCHING TEXT</b>	49 WORDS
<p>balance of payments situation. The direct flow of capital into the country likely to result in import substitution and export promotion. Export promotion happens due to the multinationals using their production facility as a basis for exporting, while import substitution means that products previously imported may now be bought domestically. 2. Providing employment:</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>74/173</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>96% MATCHING TEXT</b>	15 WORDS
<p>These companies extend the domestic product, price, promotion and other business practices to the foreign markets.</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>75/173</b>	<b>SUBMITTED TEXT</b>	40 WORDS	<b>96% MATCHING TEXT</b>	40 WORDS
<p>Source of tax revenue: Profits of multinationals will be subject to local taxes in most cases, which will provide a valuable source of revenue for the domestic government. 4. Technology transfer: MNCs will bring with them technology and production methods that are probably</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>76/173</b>	<b>SUBMITTED TEXT</b>	76 WORDS	<b>99% MATCHING TEXT</b>	76 WORDS
<p>and domestic firms will see the benefits of the new technology. This is known as technology transfer. 5. Increasing choice: If the multinational manufacture for domestic markets as well as for export, then the local population will gain form a wider choice of goods and services and at a price possibly lower than imported substitutes. 6. National reputation: The presence of one multinational may improve the reputation of the host country and other large corporations may follow suite and locate as well. 4.5.2</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				

<b>77/173</b>	<b>SUBMITTED TEXT</b>	88 WORDS	<b>99% MATCHING TEXT</b>	88 WORDS
	<p>will always aim to reduce their tax liability to a minimum. One way of doing this is through transfer pricing. The aim of this is to reduce their tax liability in countries with high tax rates and increase them in countries with low tax rates. They can do this by transferring components and part-finished goods between their operations in different countries at differing prices. Where the tax liability is high, they transfer the goods at a relatively high price to make the costs appear higher. This is then recouped in the lower tax</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>			
<b>78/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
	<p>country by transferring the goods at a relatively lower price. This will reduce their overall tax bill. 5.</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>			
<b>79/173</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>90% MATCHING TEXT</b>	22 WORDS
	<p>consequence, they are focal points in the popular debate on the merits and dangers of globalisation, especially when it comes to developing</p> <p><b>W</b> <a href="http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf">http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf</a></p>	<p>consequence they have become focal points in the popular debate on the merits and dangers of globalisation, especially when it comes to developing</p>		
<b>80/173</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
	<p>help to maintain a favourable balance of payment of the home country in the long run. 5.</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>			
<b>81/173</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>55% MATCHING TEXT</b>	21 WORDS
	<p>the advantages and disadvantages of MNC to the home country? 4. What are the advantages and disadvantages of MNC to the</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>			

<b>82/173</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>73% MATCHING TEXT</b>	19 WORDS
<p>refers to business activities that involve the transfer of resources, goods, services, knowledge, skills or information across national boundaries.</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>		<p>refers to any business activity which involves the transfer of resources, goods, services, knowledge, skills or information across national boundaries.</p>		
<b>83/173</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>69% MATCHING TEXT</b>	18 WORDS
<p>Summary 5.10 Self assessment Questions 5.1 Objectives After studying this unit, you will be able to: ? know the meaning of</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>84/173</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>73% MATCHING TEXT</b>	19 WORDS
<p>strategic management as "the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve</p> <p><b>SA</b> Final update.docx (D130166870)</p>				
<b>85/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>nation's position in factors of production such as skilled labour or</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				
<b>86/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>the nature of home demand for the industry's product or service.</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				
<b>87/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>85% MATCHING TEXT</b>	14 WORDS
<p>the presence or absence of supplier industries and related industries that are internationally competitive.</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				

<b>88/173</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>58% MATCHING TEXT</b>	22 WORDS
<p>Firm Strategy, Structure and Rivalry: It implies the conditions governing how companies are created, organised and managed and the nature of domestic rivalry.</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				
<b>89/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>domestic rivalry and the creation and persistence of competitive advantage</p> <p><b>SA</b> MBA-302 International Business and International Trade.pdf (D164737016)</p>				
<b>90/173</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>96% MATCHING TEXT</b>	15 WORDS
<p>are most likely to succeed in industries or industry segments where the diamond is most</p> <p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				
<b>91/173</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>57% MATCHING TEXT</b>	18 WORDS
<p>strategic management as “the set of decision and action resulting in formulation and implementation of strategies designed to achieve</p> <p><b>SA</b> Final update.docx (D130166870)</p>				
<b>92/173</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>Factor Endowments, Demand Conditions, Related and Supporting Industries, Firm Strategy, Structure and Rivalry.</p> <p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				
<b>93/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>nation’s position in factors of production such as skilled labour or</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				

<b>94/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>infrastructure necessary to compete in a given industry. ? Demand Conditions:</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				
<b>95/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>the nature of home demand for the industry's product or service.</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				
<b>96/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>85% MATCHING TEXT</b>	14 WORDS
<p>the presence or absence of supplier industries and related industries that are internationally competitive.</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				
<b>97/173</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>58% MATCHING TEXT</b>	23 WORDS
<p>internationally. ? Firm Strategy, Structure and Rivalry: It implies the conditions governing how companies are created, organised and managed and the nature of domestic rivalry. ?</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				
<b>98/173</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>96% MATCHING TEXT</b>	15 WORDS
<p>are most likely to succeed in industries or industry segments where the diamond is most</p> <p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				
<b>99/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>88% MATCHING TEXT</b>	12 WORDS
<p>Factor Endowments; Demand Conditions; Related and Supporting Industries; Firm Strategy, Structure and Rivalry.</p> <p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				



<b>100/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>Demand Conditions; Related and Supporting Industries; Firm Strategy, Structure and Rivalry.</p> <p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				
<b>101/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>Conditions; Related and Supporting Industries; Firm Strategy, Structure and Rivalry. 10.</p> <p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				
<b>102/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Objectives After studying this unit, you will be able to: ? understand</p> <p><b>SA</b> International Business.pdf (D142236558)</p>				
<b>103/173</b>	<b>SUBMITTED TEXT</b>	71 WORDS	<b>98% MATCHING TEXT</b>	71 WORDS
<p>Worldwide Area Structure A worldwide area structure tends to be favoured by firms with a low degree of diversification and a domestic structure based on function. Under this structure, the world is divided into geographic areas. An area may be a country (if the market is large enough) or a group of countries. Each area tends to be a self-contained, largely autonomous entity with its own set of value creation activities (e.g., its own production, marketing,</p> <p>Worldwide Area Structure A worldwide area structure tends to be favored by firms with a low degree of diversification and a domestic structure based on function. Under this structure, the world is divided into geographic areas. An area may be a country (if the market is large enough) or a group of countries. Each area tends to be a self-contained, largely autonomous entity with its own set of value creation activities (e.g., its own production, marketing,</p> <p><b>W</b> <a href="http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf">http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf</a></p>				
<b>104/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>96% MATCHING TEXT</b>	14 WORDS
<p>are two basic strategies for creating value and attaining a competitive advantage in an industry.</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				

<b>105/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>R&amp;D, human resources and finance functions). Operations authority and strategic 184 ?</p> <p><b>W</b> <a href="http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf">http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf</a></p>				
<b>106/173</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>100% MATCHING TEXT</b>	26 WORDS
<p>decisions relating to each of these activities are typically decentralized to each area, with headquarters retaining authority for the overall strategic direction of the firm and financial control.</p> <p><b>W</b> <a href="http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf">http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf</a></p>				
<b>107/173</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>45% MATCHING TEXT</b>	42 WORDS
<p>may include patents, trademarks, technology, managerial skills, and so on. They allow the licensee to produce and market a product similar to the one the licensor has already been producing in its home country without requiring the licensor to actually create a new operation</p> <p><b>SA</b> 031_International business environment _25-7-13.pdf (D142523234)</p>				
<b>108/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>75% MATCHING TEXT</b>	17 WORDS
<p>Common market: Free movement of factors of production, i.e., labour, capital and technology among the member</p> <p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...</a></p>				
<b>109/173</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>75% MATCHING TEXT</b>	61 WORDS
<p>ASEAN was formed on 8 August 1967 in Bangkok, Thailand, with the signing of the Bangkok Declaration by five countries, namely, Indonesia, Malaysia, Philippines, Singapore and Thailand. Consequently, Brunei Darussalam joined on 7 January 1984, Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, making up the ten Member States of ASEAN. 7.3.2</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				

<b>110/173</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>78% MATCHING TEXT</b>	23 WORDS
<p>The European Union (EU) 7.2.1 Introduction The European Union is a political and economic union having 28 member states that are located mainly in Europe.</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>				
<b>111/173</b>	<b>SUBMITTED TEXT</b>	60 WORDS	<b>93% MATCHING TEXT</b>	60 WORDS
<p>of ASEAN are: 1. To accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations. 2. To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>				
<b>112/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>the region and adherence to the principles of the United Nations Charter. 3.</p> <p><b>SA</b> International Business.pdf (D142236558)</p>				
<b>113/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>To promote active collaboration and mutual assistance on matters of common interest</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>114/173</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>81% MATCHING TEXT</b>	21 WORDS
<p>To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				

<b>115/173</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>83% MATCHING TEXT</b>	18 WORDS
<p>adopted the following fundamental principles, as contained in the Treaty of Amity and Cooperation in Southeast Asia (TAC)</p> <p><b>SA</b> International Business.pdf (D142236558)</p>				
<b>116/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>The Secretariat of the Association was set up in Kathmandu on 17 January 1987.</p> <p>The Secretariat of the Association was set up in Kathmandu on 17 January 1987.</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				
<b>117/173</b>	<b>SUBMITTED TEXT</b>	62 WORDS	<b>97% MATCHING TEXT</b>	62 WORDS
<p>Mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations; 2. The right of every State to lead its national existence free from external interference, subversion or coercion; 3. Non-interference in the internal affairs of one another; 4. Settlement of differences or disputes by peaceful manner; 5. Renunciation of the threat or use of force; and 6. Effective cooperation among themselves.</p> <p>7.3.4 India- ASEAN</p> <p><b>SA</b> International Business.pdf (D142236558)</p>				
<b>118/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka.</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>				
<b>119/173</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>92% MATCHING TEXT</b>	21 WORDS
<p>Afghanistan joined the organization in 2007. Meetings of heads of state are usually scheduled annually; meetings of foreign secretaries, twice annually.</p> <p><b>SA</b> Book - GBE.docx (D155674333)</p>				

<b>120/173</b>	<b>SUBMITTED TEXT</b>	96 WORDS	<b>80% MATCHING TEXT</b>	96 WORDS
<p>The objectives of the Association are as follows: a) To promote the welfare of the peoples of South Asia and to improve their quality of life. b) To accelerate economic growth, social progress and cultural development in the region and to provide all individuals with the opportunity to live in dignity and to realize their full potential. c) To promote and strengthen collective self-reliance among the countries of South Asia. d) To contribute to mutual trust, understanding and appreciation of one another's problems. e) To promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields. f) To strengthen cooperation with other developing countries.</p> <p><b>SA</b> Int_Eco_Block 2.pdf (D165067090)</p>				
<b>121/173</b>	<b>SUBMITTED TEXT</b>	55 WORDS	<b>84% MATCHING TEXT</b>	55 WORDS
<p>To strengthen cooperation among themselves in international forums on matters of common interests. h) To cooperate with international and regional organizations with similar aims and purposes. 7.4.3 Principles Cooperation within the framework of the Association is based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in the internal affairs of other States and mutual benefit. Such cooperation</p> <p><b>SA</b> International Business.pdf (D142236558)</p>				
<b>122/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>taken on the basis of unanimity Bilateral and contentious issues</p> <p><b>SA</b> Int_Eco_Block 2.pdf (D165067090)</p>				

<b>123/173</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>78% MATCHING TEXT</b>	42 WORDS
<p>The Agreement on SAARC Preferential Trading Arrangement (SAPTA) which envisages the creation of a Preferential Trading Area among the seven-member states of the SAARC, NSOU ? PGO-III ? 203 namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka was signed in Dhaka</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>				
<b>124/173</b>	<b>SUBMITTED TEXT</b>	75 WORDS	<b>94% MATCHING TEXT</b>	75 WORDS
<p>April 1993. The idea of liberalizing trade among SAARC countries was first initiated by Sri Lanka at the sixth Summit of the South Asian Association for Regional Co-operation (SAARC) held in Colombo on December 1991. It was agreed that SAPTA is a stepping stone to higher levels of trade liberalization and economic co-operation among the SAARC member countries. 7.4.5.2 Objective The objective of the SAPTA is to promote and sustain mutual trade and the economic co-operation among the member states through</p> <p><b>SA</b> Int_Eco_Block 2.pdf (D165067090)</p>				
<b>125/173</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100% MATCHING TEXT</b>	20 WORDS
<p>exchange of trade concessions. SAPTA, therefore, is the first step towards higher levels of trade and economic co-operation in the region. 7.4.5.3</p> <p><b>SA</b> Int_Eco_Block 2.pdf (D165067090)</p>				
<b>126/173</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>100% MATCHING TEXT</b>	38 WORDS
<p>Step by step negotiations and periodic reviews so as to improve and extend the preferential trade arrangement, in stages ? Inclusion of all products, manufactures and commodities in their raw semi- processes and processed forms ? Special and favourable treatment to</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>				

**127/173**

**SUBMITTED TEXT**

72 WORDS

**100% MATCHING TEXT**

72 WORDS

Main components ? Tariff ? Para Tariff ? Non Tariff Direct Trade Measures SAPTA specified four negotiating approaches namely, product by product basis, across the board tariff reduction, sectoral basis and direct trade measures. However, it was agreed that tariff concessions would initially be negotiated on a product - by- product basis. The agreement also provides for negotiation of tariff concessions to be an ongoing process. The SAPTA envisages that concessions on tariff, para-tariff and non-tariff measures will be negotiated step -

**SA** IBM SLM.docx (D111408454)

**128/173****SUBMITTED TEXT**

230 WORDS

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230 WORDS

National Schedules of Concessions The process of negotiation on the schedule of concession, which forms an integral part of the Agreement, commenced in 1993. For this purpose, the Inter-Governmental Group on Trade Liberalization (IGG) was set up. The IGG met on six occasions in various capitals. At the sixth meeting held in Katmandu on 20th and 21 st April 1995, the delegations held intensive rounds of bilateral and multilateral negotiations and agreed on the National Schedule of concessions to be granted by individual member states to other member states under the SAPTA Agreement. Four rounds of trade negotiations were concluded under SAPTA covering over 5000 commodities. Each Round contributed to an incremental trend in the product coverage and the deepening of tariff concessions over previous Rounds. During the first and second rounds, trade negotiations were conducted on a product by product basis. In the third and the fourth rounds, negotiations were conducted on chapter wise.

Maintenance of SAPTA Concession The Agreement on the South Asian Free Trade Area (SAFTA) which was implemented with effect from 1st January 2006 will supersede the SAARC Preferential Trading Arrangement (SAPTA). On the issue of maintaining SAPTA concessions for LDCs, the Committee agreed that once the Non-LDCs member states complete the Trade Liberalization Programme (TLP) for LDC member states, SAPTA concessions would cease for LDC member states. However, if any item on which SAPTA concessions are available to LDC, appear in the sensitive lists of non-LDC, they shall maintain the same level of concession through derogation. The

**SA** IBM SLM.docx (D111408454)**129/173****SUBMITTED TEXT**

16 WORDS

**96% MATCHING TEXT**

16 WORDS

economic growth, social progress and cultural development in the region, to promote regional peace and stability,

**SA** International Business.pdf (D142236558)



<b>130/173</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>to provide assistance to each other in the form of training and research facilities in</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>131/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>Institutional investors include hedge funds, insurance companies, pension funds and mutual funds.</p> <p><b>SA</b> MBA-302 International Business and International Trade.pdf (D164737016)</p>				
<b>132/173</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD)</p> <p><b>SA</b> Int_Eco_Block 2.pdf (D165067090)</p>				
<b>133/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>World Bank and the General Agreement on Tariffs and Trade (GATT),</p> <p><b>SA</b> Int_Eco_Block 2.pdf (D165067090)</p>				
<b>134/173</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>Membership: 189 countries Headquarters: Washington, D.C. Executive Board: 24 Directors each representing a single country or</p> <p>Membership:189 countries ? Headquarters:Washington, D.C. ? Executive Board:24 Directors each representing a single country or</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				
<b>135/173</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>80% MATCHING TEXT</b>	13 WORDS
<p>the Board of Governors. It consists of one Governor and one Alternate Governor</p> <p>The Board of Governors is the supreme governing authority. It consists of one governor and one alternate governor,</p> <p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...</a></p>				

<b>136/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>90% MATCHING TEXT</b>	14 WORDS
<p>The Board of Governors meets once a year at the IMF– World Bank Annual Meetings.</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				
<b>137/173</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>54% MATCHING TEXT</b>	32 WORDS
<p>The IMF's primary goal is to ensure the stability of the system of exchange rates and international payments which permits members to transact with each 212 ? NSOU ? PGCO-III other. The</p> <p><b>SA</b> EMGN578 ( 2 ).docx (D142425824)</p>				
<b>138/173</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>56% MATCHING TEXT</b>	33 WORDS
<p>international financial cooperation; b) facilitate the expansion and balanced growth of international trade; c) promote exchange stability; d) assist in the establishment of a multilateral system of payments; and e) make resources available to members experiencing</p> <p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				
<b>139/173</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>62% MATCHING TEXT</b>	39 WORDS
<p>the chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Board, the ordinary business of the Fund. Subject to the general control of the Executive Board, he shall be responsible for the</p> <p><b>SA</b> International Business.pdf (D142236558)</p>				
<b>140/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>is assigned a quota expressed in special drawing rights (SDRs)</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>141/173</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>87% MATCHING TEXT</b>	23 WORDS
<p>in the 2015 Review Currency for a 5-year period Starting Oct 1, 2016 U.S. Dollar 41.43 0.58252 Euro30.93 0.38671 Chinese Yuan 8.33 1.0174 Japanese Yen8.09 11.900 Pound Sterling10.92 0.085946 (</p>		<p>in the 2015 Review Fixed Number of Units of Currency for a 5-year period Starting Oct 1, 2016 U.S. Dollar 41.73 0.58252 Euro 30.93 0.38671 Chinese Yuan 10.92 1.0174 Japanese Yen 8.33 11.900 Pound Sterling 8.09 0.085946</p>		
<p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				
<b>142/173</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>94% MATCHING TEXT</b>	32 WORDS
<p>The WTO officially commenced on 1 January 1995 under the Marrakesh Agreement, signed by 124 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948.</p>		<p>The WTO officially commenced on 1 January 1995 under the Marrokesh agreement signed by 124 nations on 15 April 1994, replacing the General Agreement on tariffs and trade (GATT) which commenced in 1948.</p>		
<p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20 ...</a></p>				
<b>143/173</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>71% MATCHING TEXT</b>	36 WORDS
<p>The SDR was initially defined as equivalent to 0.888671 grams of fine gold (equal to one US \$ that time). After the collapse of the Bretton Woods system, the SDR was redefined as a basket of currencies.</p>				
<p><b>SA</b> International Business.pdf (D142236558)</p>				
<b>144/173</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>is the only international organization dealing with the global rules of trade between nations.</p>				
<p><b>SA</b> nav 3-12-2018.docx (D44895527)</p>				

<b>145/173</b>	<b>SUBMITTED TEXT</b>	111 WORDS	<b>96% MATCHING TEXT</b>	111 WORDS
<p>are made by the entire membership typically by consensus. A majority vote has never been used in the WTO and was extremely rare under the WTO's predecessor, GATT. The WTO's agreements have been ratified in all members' parliaments. The WTO's top-level decision-making body is the Ministerial Conference which meets at least once every two years. Under this is the General Council (normally ambassadors and heads of delegation in Geneva, but sometimes officials sent from members' capitals) which meets several times a year in the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body. At the next level, the Goods Council, Services Council and Intellectual Property (TRIPS) Council report to the General Council.</p>				
<p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>146/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>92% MATCHING TEXT</b>	11 WORDS
<p>for trade in goods, trade in services, and trade-related intellectual property rights.</p>				
<p>for Trade in Goods, Trade in Services and Trade-Related Aspects of Intellectual Rights (</p>				
<p><b>W</b> <a href="http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf">http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf</a></p>				

<b>147/173</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>87% MATCHING TEXT</b>	13 WORDS
<p>goods, the WTO and its agreements also cover trade in services and</p>				
<p>goods, the WTO and its agreements now cover trade in services, and</p>				
<p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				

<b>148/173</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>91% MATCHING TEXT</b>	39 WORDS
<p>specialized committees, working groups and working parties deal with the individual agreements and other areas such as the environment, development, membership applications and regional trade agreements. Secretariat The WTO Secretariat, based in Geneva, has around 640 staffs and is headed by a director-general.</p>				
<p><b>SA</b> IBM SLM.docx (D111408454)</p>				

<b>149/173</b>	<b>SUBMITTED TEXT</b>	52 WORDS	<b>78% MATCHING TEXT</b>	52 WORDS
<p>to supply technical support for the various councils and committees and the ministerial conferences; b) to provide technical assistance for developing countries; c) to analyze world trade, and to explain WTO affairs to the public and media; d) to provide legal assistance in the dispute settlement process and advises governments wishing to become members of the WTO.</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>				
<b>150/173</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>89% MATCHING TEXT</b>	42 WORDS
<p>treatment implies treating foreigners and locals equally. Imported and locally produced goods should be treated equally, at least after the foreign goods have crossed the border. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents.</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>				
<b>151/173</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>100% MATCHING TEXT</b>	39 WORDS
<p>National treatment only applies once a product, service or item of intellectual property has entered the market. Therefore, charging customs duty on an import is not a violation of national treatment even if locally-produced products are not charged an equivalent tax.</p> <p><b>SA</b> IBM SLM.docx (D111408454)</p>				
<b>152/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>91% MATCHING TEXT</b>	17 WORDS
<p>to certain condition or restrictions imposed by a Government in respect of foreign investment in the country.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>153/173</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>100% MATCHING TEXT</b>	34 WORDS
<p>Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.</p>				
<p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>154/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>83% MATCHING TEXT</b>	11 WORDS
<p>the price of that product in the market of the exporting country.</p>				
<p>the price of the product in the domestic market of the exporting country)</p>				
<p><b>W</b> <a href="http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf">http://dspace.lpu.in:8080/jspui/bitstream/123456789/472/3/DCOM501_INTERNATIONAL_BUSINESS.pdf</a></p>				
<b>155/173</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>known as the International Bank for Reconstruction and Development (IBRD).</p>				
<p>known as the international bank for reconstruction and development (IBRD).</p>				
<p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20 ...</a></p>				
<b>156/173</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>88% MATCHING TEXT</b>	22 WORDS
<p>The International Bank for Reconstruction and Development The International Bank for Reconstruction and Development (IBRD) lends to governments of middle-income and creditworthy low-income countries.</p>				
<p>The International Bank for Reconstruction and Development The International Bankfor Reconstruction and Development (IBRD) lends to governments of middle-income and creditworthy low-income countries.</p>				
<p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				
<b>157/173</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>72% MATCHING TEXT</b>	38 WORDS
<p>The International Development Association The International Development Association (IDA) provides interest-free loans called credits and grants to governments of the poorest countries. Together, IBRD and IDA are called the World Bank. NSOU ? PGCO-III ? 225 c) The International Finance Corporation</p>				
<p>The International Development Association The International Development Association (IDA) p rovides interest-free loans— called credits—and grants to governments of the poorest countries. Together, IBRD and IDA make up the World Bank. ? The International Corporation The International Finance Corporation (</p>				
<p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				

<b>158/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>The International Finance Corporation (IFC) is the largest global development institution focused exclusively on the private sector.</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>		<p>The International Finance Corporation (IFC) is the largest global development institution focused exclusively on the private sector.</p>		
<b>159/173</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>86% MATCHING TEXT</b>	23 WORDS
<p>achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. d) The Multilateral Investment Guarantee Agency</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>		<p>achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. ? The Multilateral Investment Agency The Multilateral Investment Guarantee Agency (</p>		
<b>160/173</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>79% MATCHING TEXT</b>	48 WORDS
<p>in 1988 to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. MIGA fulfils this mandate by offering political risk insurance (guarantees) to investors and lenders. e) The International Centre for Settlement of Investment Disputes This facilitates international facilities for conciliation and arbitration of investment disputes.</p> <p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>		<p>in 1988 to promote foreign direct investment into developing countries to support economic growth, reducepoverty, and improve people's lives. MIGA fulfils this mandate by offering political risk insurance (guarantees) to investors and lenders. ? The International Centre for Settlement of Investment Disputes The International Centre for Settlement of Investment Disputes (ICSID) provides international facilities for conciliation and arbitration of investment disputes.</p>		
<b>161/173</b>	<b>SUBMITTED TEXT</b>	86 WORDS	<b>98% MATCHING TEXT</b>	86 WORDS
<p>Geographical Indications: A geographical indication (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place. In addition, the qualities, characteristics or reputation of the product should be essentially due to the place of origin. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production.</p> <p><b>W</b> <a href="https://www.wipo.int/geo_indications/en">https://www.wipo.int/geo_indications/en</a></p>		<p>geographical indication? A geographical indication (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place. In addition, the qualities, characteristics or reputation of the product should be essentially due to the place of origin. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production.</p>		

<b>162/173</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>91% MATCHING TEXT</b>	34 WORDS
<p>End extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to not more than 3% b) Promote shared prosperity by fostering the income growth of the bottom 40% for every country</p>		<p>End extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to no more than 3% ? Promote shared prosperity by fostering the income growth of the bottom 40% for every country</p>		
<p><b>W</b> <a href="http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf">http://sdeuoc.ac.in/sites/default/files/sde_videos/9-International%20Business.pdf</a></p>				
<b>163/173</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>62% MATCHING TEXT</b>	16 WORDS
<p>once a year at the Annual Meetings of the Boards of Governors of the World Bank</p>				
<p><b>SA</b> 031_International business environment _25-7-13.pdf (D142523234)</p>				
<b>164/173</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>88% MATCHING TEXT</b>	18 WORDS
<p>President chairs meetings of the Boards of Directors and is responsible for the overall management of the Bank.</p>				
<p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>165/173</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
<p>projects have contributed over \$3.4 billion in financing for rural water supply and sanitation. This has helped about 36 million people</p>		<p>projects have contributed over \$2.8 billion in financing for rural water supply and sanitation. This has helped about 30 million people</p>		
<p><b>W</b> <a href="http://www.worldbank.org/en/country/india/overview#3">http://www.worldbank.org/en/country/india/overview#3</a></p>				
<b>166/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Health: World Bank support to India's health sector began in 1972.</p>		<p>Health: World Bank support to India's health sector began in 1972.</p>		
<p><b>W</b> <a href="http://www.worldbank.org/en/country/india/overview#3">http://www.worldbank.org/en/country/india/overview#3</a></p>				
<b>167/173</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>villages—with populations ranging from 150 to 15,000—gain better access to drinking water.</p>		<p>villages—with populations ranging from 150 to 15,000—gain better access to drinking water.</p>		
<p><b>W</b> <a href="http://www.worldbank.org/en/country/india/overview#3">http://www.worldbank.org/en/country/india/overview#3</a></p>				






































<b>168/173</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>71% MATCHING TEXT</b>	15 WORDS
<p>highest policy-making body is the Board of Governors, which comprises one representative from each member</p> <p><b>W</b> <a href="https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...">https://kkhsou.ac.in/eslm/E-SLM_Main/5th%20Sem/Bachelor%20Degree/Economics/MAJOR/International%20...</a></p>		<p>highest policy making body of the ADB is the board of governors composed of one representative from each member</p>		
<b>169/173</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>96% MATCHING TEXT</b>	17 WORDS
<p>Asian Development Bank (ADB) The Asian Development Bank is a regional development bank established on 19 December 1966,</p> <p><b>SA</b> Final update.docx (D130166870)</p>				
<b>170/173</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>69% MATCHING TEXT</b>	31 WORDS
<p>is in the Ortigas Center, located in the city of Mandaluyong, Metro Manila, Philippines. The Bank also maintains 31 field offices around the world to promote social and economic development in Asia.</p> <p><b>SA</b> Final update.docx (D130166870)</p>				
<b>171/173</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>President is the chairman of the Board of Directors and</p> <p><b>SA</b> 179E1150-International Economics.pdf (D165203112)</p>				
<b>172/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>96% MATCHING TEXT</b>	12 WORDS
<p>the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD)</p> <p><b>SA</b> Int_Eco_Block 2.pdf (D165067090)</p>				
<b>173/173</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>World Bank and the General Agreement on Tariffs and Trade (GATT),</p> <p><b>SA</b> Int_Eco_Block 2.pdf (D165067090)</p>				

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PREFACE In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in a subject introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. I am happy to note that university has been recently accredited by National Assessment and Accreditation Council of India (NAAC) with grade 'A'. Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing, and devising of a proper layout of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great deal of these efforts are still experimental— in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Subha Sankar Sarkar Vice-Chancellor

Bachelor Degree Programme (BDP) Subject: Core Course in Sociology Course Code: SO-CC-03 Choice Based Credit System (CBCS) Course Title: Introduction to Sociology - III Printed in accordance with the regulations of the Distance Education Bureau of the University Grants Commission. \*First Print : March, 2022 Netaji Subhas Open University Post Graduate Degree Programme Subject : Commerce (M. Com) Course : Managerial Economics Course Code : PGCO - II : Board of Studies : Members Dr. Anirban Ghosh Dr. S. N. Roy Professor of Commerce Rtd. Professor Netaji Subhas Open University Indian Institute of Social Welfare Chairperson, BOS and Business Management Dr. Swagata Sen Dr. Uttam Kumar Dutta Professor of Commerce Professor of Commerce University of Calcutta Netaji Subhas Open University Dr. Debasish Sur Dr. Dharendra Nath Konar Professor of Commerce Rtd. Professor of Economics University of Burdwan University of Kalyani Shri Tapan Kumar Choudhury Dr. Chitta Ranjan Sarkar Associate Professor of Commerce Professor of Commerce Netaji Subhas Open University Netaji Subhas Open University Shri Sudarshan Roy Assistant Professor of Commerce Netaji Subhas Open University : Course Writer : : Course Editor : Professor Dharendra Nath Konar Professor Biswajit Chatterjee Retd. Professor of Economics Professor of Economics Kalyani University Netaji Subhas Open University : Format Editing : Professor Anirban Ghosh Netaji Subhas Open University Notification All rights reserved. No part of this Book may be reproduced in any form without permission in writing from Netaji Subhas Open University. Kishore Sengupta Registrar Netaji Subhas Open University Post Graduate Degree Programme Subject : Commerce (M. Com) Course : Managerial Economics Course Code : PGCO - II

Netaji Subhas Open University Module - I Unit - 1 □ The Nature and Scope of Managerial Economics 7-14 Unit - 2 □ Demand Analysis 15-52 Unit - 3 □ The Theory of Production 53-94 Unit - 4 □ The Theory of Costs 95-120 Module - II Unit - 5(a) □ Market and Market Structure 121-142 Unit - 5(b) □ Monopoly 143-162 Unit - 6(a) □ Monopolistic Competition 163-174 Unit - 6(b) □ Oligopoly 175-187 Unit - 7 □ Theories of the Firm 188-207 Unit - 8 □ Inflation 208-221 Suggested Readings 222 PG : Commerce (M. Com) New Syllabus Course : Managerial Economics Code : PGCO - II

□

Unit 1 □□□□□ The Nature and Scope of Managerial Economics Structure 1.0 Objectives 1.1 Introduction 1.2 Managerial Economics 1.3 Nature of Managerial Economics 1.4 The Scope of Managerial Economics 1.5 Sample Questions 1.0

Objectives The objectives of this unit are— □ To know about Managerial economics, its scope and nature; □ To highlight the importance of microeconomic theory of the firm and business units; □ To study demand analysis, production and cost analysis, market behavior and pricing of products; □ To examine theory of capital and investment decisions. 1.1. Introduction It is known to most of the students of Economics that the study of Economics as a subject dates back to 1776 when Adam Smith, the Father of Economics, published the famous title “The Wealth of Nations” in two volumes. Before this, the study of the subject had been carried out in ancient Greece where Economics was taken as the science of household management. However, the study of Managerial Economics had been first initiated in America immediately after the publication of the pioneering title “Managerial Economics” in 1951 by Joel Dean. During the last seven decades or so this subject has, increasingly, been popular and at the same time the book market all over the world has been flooded with a huge number of titles on this very subject.

8 NSOU • PGCO - II The emergence of Managerial Economics as a separate discipline of management studies can be contributed to at least three factors : (i) Growing complexity of business decision-making process because of changing market conditions and environment of business, (ii) consequently, the

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increasing use of economic logic, theories, concepts and tools of economic analysis in the process of business decision-making

and (iii) Finally, vast increase in demand for professionally trained managerial manpower. The growing complexity of the business world has made the business decision-making process highly complex. About one hundred years ago most business units had been set up, owned and managed by individuals or business firms. Industries of large size had been few and scale of business operation was relatively small. The managerial capacity acquired through traditional family training and experience had, largely, been sufficient to manage small and at most medium scale business. It is a fact that a large part of private business is, still, run on small scale and managed in the traditional style of business management. However, there has been dramatic change in size, nature and content of the industrial business world. The highly growing complexity of the business world can, duly, be attributed to the growth of large scale industries, diversification of industrial products, growth of multinational corporations and mergers and take overs, specially after the Second World War. All these factors have contributed greatly to an increase in inter-firm, inter-industry and international rivalry, competition, risk and also uncertainty. Business decision-making in this kind of business environment is a highly complex matter. Naturally, the family training and experience are not at all sufficient to face such managerial challenges. The ever-growing complexity of business decision making has, obviously, enhanced the application of economic concepts, theories and tools of economic analysis in this area. The basic reason is that making an appropriate business decision needs a clear understanding of the business environment, market conditions and market fundamentals. For this an intensive and extensive analysis of the market conditions in the product, input and financial markets is highly needed. At the same time, economic theories, logic and tools of analysis have been developed both to analyse and predict market behaviour. The application of economic concepts, theories, logic and analytical tools both for the assessment and prediction of market conditions and business environment has proved to be of vital help in business decision-making. In effect, economic theories and analytical tools that are highly used in business decision-making have crystallized into a different growth of management studies, very popularly called “Business Economics” or “Managerial Economics”. NSOU • PGCO - II 9 1.2 Managerial Economics From the above analysis we may say that Managerial Economics is constituted of economic theories and analytical tools that are widely applied to business decision-making. Naturally, we should know something about Economics. Economics is a social science whose basic function is to study how people maximize their gains from their limited resources and opportunities. In economic terminology this is known as optimizing behaviour. This behaviour is selecting the best out of available options with the basic objective of maximizing gains from the given resources. According to Lionel Robbins, “

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Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses”.

For example, Economics studies how households allocate their limited resources among various goods and services they seek to consume so that they are able to maximize their total satisfaction. Naturally, Economics is a study of the choice-making behaviour of the people. However, choice-making is not so simple as it appears to be as the economic world is highly complex and most economic decisions have to be taken under the condition of risk, uncertainty and imperfect knowledge. Now economic laws and tools of economic analysis are applied greatly in the process of business decision-making. This has led to the emergence of a separate branch of study known as “Managerial Economics”. Managerial Economics can, therefore, be defined as that branch of economic theory which analyses and discusses the problems of the business matters. From the above we may say that Managerial Economics aims at increasing the manager’s ability to understand and also to evaluate business problems and, therefore, help him in formulating right decisions. That means, Managerial Economics

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deals with the application of economic theory to business management,

it is all economic aspects of managerial decisions. It is because of this reason that Managerial Economics is often called “Economics of Business Decisions”. According to G.P.E. Clarkson, “It is concerned with all decisions that have an economic implication irrespective of the level within the enterprise at which they are made. For management is a decision-making activity and to manage well is to control the decision-process so that the resulting behaviour is in keeping with stated objectives”. The emphasis is highly placed on intelligent application of quantitative techniques to business.

10 NSOU • PGCO - II 1.3 Nature of Managerial Economics After the definition of Managerial Economics let us concentrate our attention on the nature of this Economics. 1. Managerial Economics is primarily, micro economics in nature. Basically, there are two parts of Economics : (a) Micro Economics and (b) Macro Economics. The economics which is concerned with the whole economy is known as macro economics. Thus aggregate demand, general price level, business cycles etc. are within the purview of Macroeconomics. On the other hand, Microeconomics deals with smaller parts of an economy. For example, demand for a particular commodity, price of a commodity, profit of an individual firm are within the jurisdiction of Microeconomics. Managerial Economics, naturally, falls within the purview of Microeconomics since its basic concern is with the problems of the business firms. 2. Managerial Economics is not positive but normative. Economic theory has two divisions : (a) Positive Economics and (b) Normative Economics. In the former we concentrate on two things : there is a straight forward description, either of a part of the economy or of the whole economy. Besides, positive economic theory tries to explain the behaviour of either an economic unit or of economic aggregates. In Normative Economics, however, the economist says what he thinks should happen rather than what actually does happen. Managerial Economics is normative as it deals with what the management should do. Managerial Economics describes the goals of the entrepreneur and then prescribes how to attain these goals. That means, Managerial Economics is not descriptive but prescriptive. This Economics can better be called normative Microeconomic theory of the firms. 3. Students of higher Economics know that in pure Microeconomic theory they are to study theory on the basis of some assumptions most of which are abstract. Naturally, the analysis becomes far from reality. However, Managerial Economics is free from difficult abstract issues of economic theory and it concentrates, basically, on practical problems faced by the firms. 4. Together with Microeconomics, Macroeconomics is also highly useful in the study of Managerial Economics. This is so because this subject highlights an understanding of the environment where the firms have to operate. Some important topics of Macroeconomics, namely economic policies of the Government with regard to taxation, anti-monopoly measures, labour relations and the like affect the decisions of the firms.

NSOU • PGCO - II 11 Expectedly, the firm has no control over them and these are assumed to be externally given. However, the subject "Managerial Economics" deals with how the firm should adjust its various activities to cope with these important external Macroeconomic situations. 5. Last but not the least, though Managerial Economics is basically concerned with the theory of the firm, the entire demand analysis, specially, the concept of elasticity of demand is a very vital and practical topic of Managerial Economics. 1.4 The Scope of Managerial Economics It is known to us that Economics has two major branches : (a) Microeconomics and (b) Macroeconomics. Both Microeconomics and Macroeconomics have been applied to business analysis and decision making, directly or indirectly. In general, the scope

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of Managerial Economics comprehends all those economic concepts, theories and tools of analysis which can be used to analyse the business environment and to find solutions to practical business problems. That means, Managerial Economics

is Economics applied to the business problems and decision-making. Broadly speaking, we may say that Managerial Economics is Applied Economics. Managerial Economics, though a part of economic theory, includes, basically, Microeconomics. What more, within Microeconomics, Managerial Economics is, basically, concerned only with those topics connected with the firm. Whatmore, the subject matter and scope of this subject has been increasing day-by-day. In spite of that we can say that the scope of Managerial Economics covers the following topics : (a) Demand Analysis, specially elasticity of demand. (b) Production Analysis (c) Cost Analysis (d) Market (Product) Analysis and Pricing Theory. (e) Profit Analysis and Profit Management. (f) Theory of Capital and Investment Decisions. Of late, however, there has been a trend towards the integration of Managerial Economics and Operations Research. Naturally, techniques like Linear Programming,

12 NSOU • PGCO - II Decision Theory, Inventory Models, Theory of Games have also come to be regarded as a very vital part of Managerial Economics. Let us now explain the above points, in short, one by one. Theory of Demand : Demand theory explains the consumers' behaviour. It answers the question : How do the consumers decide whether or not to purchase a commodity. How do they decide on the quantity of a commodity to be purchased? At what level of demand, does changing price become inconsequential in terms of total revenue? Therefore, the knowledge of demand theory can be helpful in the choice of commodities for production. In the demand theory there is a topic called demand forecasting which is highly important for the management as it will decide the production pattern keeping an eye to the demand for its products. Besides, the management should have some knowledge of the factors affecting demand for a commodity. This is needed because the management by changing the variables at its control can affect the level of demand. Again, it is known that the advertisement expenditure made by firms for a product is a very important determinant of its demand. Therefore, the level of demand can be affected by making a change in the advertisement expenditure. For the efficient organisation of the production process some knowledge of production and cost analysis is vital. For project planning, idea of production and cost analysis is vital. To obtain some level of profit some amount of output has to be produced and at the same time some amount of cost has to be incurred. The management is to decide how to obtain a given level of output at the minimum cost or how to obtain maximum output with a given cost. Profit management is an important area of Managerial Economics.

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The difference between total revenue and total cost is known as profit.

One basic aim of firms is to make maximum profits and the amount of profit enjoyed by the firm is a clear indicator of the degree of efficiency of a firm. Generally, the more efficient firms get more profit while less efficient firms get less profit. A very important area of Managerial Economics is pricing because the price policy followed by a firm influences the demand conditions and the revenue earned by the firm. Prices are determined under different markets in different ways. However, pricing is only an important aspect of market strategy. In a modern economy, however, the consumers want new and satisfying experiences. In keeping with the expectation of the consumers

NSOU • PGC0 - II 13 the firms introduce new products and services and try to bring superior variety of older products and thereby a business manager widens the range of choices open to the consumers in the expectation of expanding sales and revenues. Obviously, every successful business must have a product policy and keep its product line under constant review in accordance with the change in demand. Besides, every business should have a clear policy on promoting its own products. All these aspects indicate that product policy, market strategy and sales promotion are some of the vital aspects with which managers must be familiar and all these should be included in Managerial Economics.

1.5 Sample Questions A. Objective-type Questions : Choose the Correct alternative : 1. The Father of Economics is : (a) J. M. Keynes, (b) Adam Smith, (c) Alfred Marshall, (d) P. A. Samuelson. Ans. (b). 2. The study of Managerial Economics had been first initiated by : (a) J. R. Hicks, (b) Amartya Sen, (c) Robert Solow, (d) Joel Dean. Ans. (d). 3. A part of the subject matter of Managerial Economics is: (a) Determination of employment, (b) Determination of factor prices, (c) Demand analysis, (d) Interest rate determination. Ans. (c). 4. How prices of factors of production are determined is studied in : (a) Microeconomic Theory, (b) Managerial Economics, (c) Macroeconomic Theory, (d) Economics of Public Finance. Ans. (a) 5. Demand forecasting is studied in: (a) Only Microeconomics, (b) Only Managerial Economics, (c) Only Macroeconomics and (d) in both Microeconomics and Managerial economics. Ans. (d). 6. Mathematical tools are conveniently applied in : (a) Only Managerial Economics, (b) Only Macroeconomics, (c) Microeconomics and Managerial Economics, (d) Only Microeconomics. Ans. (c).

14 NSOU • PGC0 - II 7. Theory of employment is a subject matter of : (a) Microeconomics, (b) Macroeconomics, (c) Managerial Economics, (d) Managerial Economics and Microeconomics. Ans. (b). B. Short-type Questions (a) Give a definition of Managerial Economics. (b) "Managerial Economics has emerged from Microeconomics." Do you agree with this view? Give reasons in favour of your answer. (c) Explain the role of Mathematics in Managerial Economics. (d) Discuss, in brief, the subject matter of Managerial Economics. (e) Write a brief note on the nature of Managerial Economics. C. Essay-type Questions 1. Define Managerial Economics. Explain the nature and scope of Managerial Economics. 2. "Managerial Economics bridges the gap between economic theory and business practice." Explain with examples. 3. "Managerial Economics is applied Microeconomics" Elucidate. 4. Explain the role and responsibilities of a Managerial Economist. 5. "Managerial

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Economics is the integration of economic theory in the business practice for the purpose of facilitating decision making and forward planning by management."

Discuss. 6. How does the study of Managerial Economics help a business manager in decision-making? Illustrate your answer with examples from production and pricing issues. 7. "Managerial Economics is essentially the application of Microeconomic theory of business decision making." Discuss the statement.

NSOU • PGC0 - II 15 Unit 2 □ □ □ □ □ Demand Analysis Structure 2.0 Objectives 2.1 Introduction 2.2 Meaning of Demand 2.3 Determinants of Demand 2.4 Law of Demand 2.5 The Demand Curve 2.6 Market Demand Schedule 2.7 Exceptions to the Law of Demand 2.7.1 Giffen Goods 2.8 Bandwagon, Snob and Veblen Effects 2.8.1 Summary of These Three Effects 2.9 Elasticity and its Applications in Demand Analysis 2.10

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Price Elasticity of Demand 2.10.1 Types of Own Price Elasticity of Demand 2.10.2 Measurement of Price Elasticity of Demand 2.10.3 Point Price Elasticity of Demand 2.10.4 Income Elasticity of Demand 2.10.5 Uses of Income Elasticity of Demand 2.10.6 Cross Price Elasticity of Demand 2.10.7 Uses of Cross Price Elasticity of Demand 2.11 Relation between Elasticity of Demand

and Total Expenditure 2.12 Advertisement or Promotional Elasticity of Demand (or Sales) 2.12.1 Factors on Which Elasticity of Demand Depends



16 NSOU • PGCO - II 2.12.2 Uses of The Concept of Elasticity of Demand 2.13 Demand Forecasting: Meaning 2.13.1 Importance of Demand Forecasting 2.13.2 Methods of Demand Forecasting 2.14 Statistical Methods 2.15 Estimation of Demand Functions 2.16 Sample Questions 2.0 Objectives The objectives of this unit are—  To know about Law of Demand, determinants of demand, and the market demand schedule;  To know the exceptions to the law of demand- Giffen goods, Bandwagon, Snob and Veblen effects;  To understand various concepts of elasticity of demand and their roles in demand analysis, and the factors on whom these elasticities of demand depend;  To understand demand forecasting, the different methods and estimation of demand functions. 2.1 Introduction A very important topic of Managerial Economics is "Demand Analysis". We are going to discuss it, in brief. 2.2 Meaning of Demand The concept "demand" in Economics refers to the quantity of a good or service that consumers are willing and able to purchase at various prices during a period of time given his/her income. It is to be remembered that demand in Economics is something more than the desire to purchase though desire is one element of it. A beggar, for instance, may desire food, but due to lack of means to purchase it, his demand is not effective. Thus effective demand for a thing depends on : (a) desire, (b) means to purchase and (c) willingness to use those means for that purchase. Unless demand is backed by purchasing power or NSOU • PGCO - II 17 ability to pay, it does not constitute demand. Two things are to be noted about quantity demanded. One is that quantity demanded is always expressed at a given price. At different prices different quantities of a commodity are generally demanded. Secondly, quantity demanded is a flow. We are concerned not with a single or isolated purchase, but with a continuous flow of purchases and we must, therefore, express demand as so much per period of time : one hundred kgs. of apples per day, one thousand kgs. of apples per week and so on. 2.3 Determinants of Demand There are a number of factors which influence household demand for a commodity. Important among these are : (a)

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price of the commodity itself, (b) income of the consumers, (c) prices of related commodities, (d) tastes and preferences of

consumers, (e) consumers' expectation, (f) size and composition of population, (g) distribution of income and (h) other factors. The above-listed factors can, easily, be presented in the form of a demand function as follows :  $Q_{dc} = f(P_c, Y, P_R, T, E, D)$  where  $Q_{dc}$  is the quantity demanded for a commodity  $c$ ,  $P_c$  is the price of the commodity itself,  $Y$  is the money income,  $P_R$  is the price of related commodities,  $T$  is the taste of the household,  $E$  is the expectation and  $D$  represents the size of the population and other remaining factors. The important determinants of demand are now being discussed : (a) Price of the commodity : The quantity demanded for a commodity is, generally, inversely related to the price of that commodity. From the day-to-day general behaviour of consumers, it is observed that the price of a commodity is the most important factor for determining its demand.

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If price of a commodity increases, the demand for that commodity will

decrease and vice-versa. That means, demand for a commodity is negatively related to the price of that commodity. However, in reality, exceptions to this negative relationship are also observed. We may cite here that in case of Giffen goods the law of demand is positively related to the price of the good. (b) Income of the Consumer : Income of a consumer is another important factor in determining the demand for a commodity. The demand for a commodity is, in general, directly related to the income of the consumers. For normal goods, demand is directly related to income, that is, as incomes of the consumers go on increasing, the demand will

18 NSOU • PGCO - II also go on increasing. However, for inferior goods (say, some coarse grains), demand is negatively related to income of the consumers. (c) Prices of Related Goods : The related goods are of two types : Complementary and substitutable. Two goods are substitutable if when the price of one good increases (decreases), the demand for another good also increases (decreases). Tea and coffee are two substitute goods. On the other hand, in case of complementary goods (say, tea and sugar), if the price of one good increases (decreases), the demand for another good also decreases (increases). (d) Tastes

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and preferences of the Consumers : Tastes and preferences of the consumers also affect the consumers' demand for a commodity. If

the consumers' tastes and preference move in favour of the commodity, the consumer will demand more of the commodity. (e) Consumer's expectations also affect the demand for the commodity. That is, if consumers expect a rise (fall) in future price of a commodity, its demand will tend to increase (decrease). Apart from the factors discussed above, the market demand for a commodity will also depend on a number of other factors. 2.4 Law of Demand Under the above background we are in a position to explain the Law of Demand in the following way : Under the ceteris paribus clause the demand for

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a commodity is inversely related to the price of the commodity itself. In

symbols, this law may be stated as  $D = f(p)$  with  $dD < 0 dp >$  ; .

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The law of demand is one of the most important laws of economic theory. According to this law, other things being equal, if the price of a commodity falls (increases), the quantity demanded for it will rise (

fall).

That means,

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there is an inverse relationship between price and quantity demanded for a commodity, other things being the same. The law of demand

may be illustrated with the help of a

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demand schedule and a demand curve. A demand schedule is a tabular presentation of different prices of a commodity

and its corresponding quantity demanded per unit of time.

NSOU • PGCO - II 19 Table 1 : Demand Schedule of an individual consumer  
Commodity Price (Rs.) Quantity Demanded (Units)  
A 5 10 B 4 15 C 3 20 D 2 35 E 1 60  
From the above table it is seen that when price of the commodity concerned is Rs. 5/ - per unit, a

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consumer purchases 10 units of the commodity. However, when price falls to Rs. 4, the consumer purchases 15 units of it. Again, when the price further falls, the quantity demanded

by the consumer goes on rising until at price of Re. 1, the quantity demanded by him rises to 60 units. From the table we thus see an inverse relationship between price and quantity demanded : as the price of the commodity goes on rising, the demand for it goes on falling. 2.5 The Demand Curve From the law of demand we have already seen a negative relationship between price of a commodity and quantity demanded for that commodity. This negative relationship between price and quantity demanded can, graphically, be presented in the following diagram, that is, Fig. 2.1 measuring price vertically and quantity demanded horizontally. Fig 2.1 : Quantity Demanded The hypothetical figures presented in Table-1 constitute the demand schedule. The graphical presentation of the demand schedule is known as a demand curve. price

20 NSOU • PGCO - II The above-drawn downward sloping demand curve DD, connecting price-quantity combinations is known as the demand curve for a commodity. The curve shows the quantity of X that a consumer would like to purchase at each price and its downward slope indicates that the quantity of 'X' demanded increases as its price falls given other factors. Hence the downward sloping demand curve is in accordance with the law of demand which as already stated, describes an inverse price–demand relationship. 2.6 Market Demand Schedule When we add up

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the various quantities demanded by the number of consumers in the market we can obtain the market demand

schedule. The market demand refers to the sum of the quantities demanded by all households at various prices. For different households we can get different individual demand curves. Naturally, each individual demand curve expresses the quantity demanded by a household at a particular price. Obviously, by summing all the quantities demanded by all the households, at a particular price we obtain the market demand curve at that price. In this manner if we find the total quantities demanded at all prices, we can get a market demand curve. This market demand curve shows total quantities demanded by all households at various prices. Geometrically, by the horizontal summation of the individual demand curves we obtain the market demand curve. If the individual demand curves have normal properties, the market demand curve will also have normal properties. That means, if each individual household increases his quantity demanded when price decreases, the total quantity demanded will also increase as price decreases. However, even if some individuals purchase less of the commodity, when its price falls, the total quantity demanded may increase as price decreases, simply because most of the individuals will increase the quantity demanded as price decreases. Besides, with the fall in price of the commodity some new consumers who were not in a position to purchase the commodity previously, will now come to the market to purchase it. This reason also explains that total quantity demanded increases as price starts falling. Therefore, it can be said that under the 'ceteris paribus clause' there exists an inverse relationship between price of a commodity and the total quantity demanded for that commodity. Obviously, the market demand curve will be downward sloping. We draw the market demand curve on the basis of the assumption that all other prices, total household income and its distribution among households, tastes and preferences of the households are kept constant. In case any of these factors changes, the market demand curve will shift its position. For instance, if we assume that there is a rise in income for all households, each household will go into increasing quantity demanded at each price.

NSOU • PGCO - II 21 Naturally, each household's individual demand curve will go on shifting to the right. Consequently, the market demand curve will also shift to the right. In that manner, if prices of other commodities change or, if tastes of households go on changing, then also the market demand curve will make a shift in its position. The procedure for drawing the market demand curve from the individual demand curves has been demonstrated in the following diagram (Fig. 2.2) where along the horizontal axis we measure quantity demanded while price has been done vertically. For the sake of simplicity we have considered only two individuals : individual 1 and individual 2. Fig 2.2 : Horizontal summation of individual demand curves to get the Market Demand Curve At price  $op_1$  , the demand for the first individual is  $oq_1$  , while that of the second one is  $oq_2$  and hence the market demand will be  $oq_1 + oq_2 = OQ_1$  , say. Similarly, when price gets reduced from  $op_1$  to  $op_2$  , the demand for both the individuals increases, for the first individual the demand has become  $oq_{11}$  while for the second one it has become  $oq_{12}$  , and hence the market demand will be  $oq_{11} + oq_{12} = OQ_2$  in the third diagram. In this way we get another point ( $D_2$ ) on the market demand curve. Naturally, the locus of these points will give the market demand curve. We have drawn the market demand curve assuming that household's total income and its distribution among households, all other prices and tastes of households will remain constant. However, if any of these factors changes the market demand curve will shift its position. If we assume that there takes place a rise in income for all households, then naturally, each household will go on increasing quantity demanded at each price. Obviously, 2nd Diagram 3rd Diagram 1st Diagram

22 NSOU • PGCO - II each household's individual demand curve will shift to the right. Naturally, the market demand curve will shift to the right. 2.7

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Exceptions to the Law of Demand According to the law of demand,

more of a commodity will be demanded at lower prices than at higher ones, other things being equal. This law is valid in most of the cases. In spite of that there are certain cases where this law does not hold good. The followings are the important exceptions to the law of demand. (a) Conspicuous goods : Some consumers are habituated in measuring the utility of a commodity by its price i.e., if the commodity is expensive, they think that it has got more utility. Accordingly, they buy less of this commodity at low price and more of it at a higher price. Diamonds are often given as an example of this case. Higher the price of diamond, higher is the prestige value attached to them and hence higher is the demand for them. (b) Giffen goods : Sir Robert Giffen, an economist, was surprised to find out that as the price of bread increased, the workers of Britain started purchasing

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more bread and not less of it. This is something against the law of demand.

The reason for this is that when the price of bread went up, it caused such a significant decline in the purchasing power of the poor people that they were forced to cut down the consumption of meat and also other expensive food items. Since bread even when its price was higher than before was still the cheapest food item, people started consuming more of it and not less when its price shot up. (c) Conspicuous necessities : The demand for some goods gets affected by the demonstration effect of the consumption pattern of a social group to which an individual belongs. These goods, because of their constant use, have become necessities of life. For instance, in spite of the fact that the prices of refrigerators, coolers, cooking gas etc. have continuously been rising, their demand does not show any tendency to fall. (d) Future expectations about prices : It has been observed that when prices are rising, households expecting that the prices in the future will be still higher, tend to buy a large quantity of the commodities. For instance, when there is wide-spread drought, people expect that prices of foodgrains would rise in future. They start demanding larger quantities of foodgrains as their price rises. But it is to be noted that here it is not the law of demand which is invalidated but there is a change in one of the factors which was held constant while deriving the law of demand, namely change in the expectations of price of the people. (e) Behaviour in the share market : In the share market it is found that as the price

NSOU • PGCO - II 23 of any share increases, its demand also increases. In the same way when price of any share falls, the demand for that share also decreases. Therefore, the law of demand does not become applicable in the case of share market. (f) The law has been derived assuming consumers to be rational and knowledgeable about market conditions. However, at times consumers tend to be irrational and make impulsive purchases without any cool calculation about prices and usefulness of the product. In such contexts also the law of demand does not hold good. (g) Similarly, in practice, a household may demand larger quantity of a commodity even at a higher price because he may be ignorant of the ruling price of the commodity. Under such circumstances, the law of demand will remain invalid. 2.7.1 Giffen Good The name Giffen Good owes its origin to Sir Robert Giffen. He found that a rise in the price of bread had been followed by an increase in the demand for bread. As the price of bread goes up, the real income of the consumers decreases very much. Consequently, the consumers are forced to curtail the consumption of meat and other expensive food items. In the opinion of Nobel laureate Professor J. R. Hicks for a good to be a Giffen good, three conditions are of utmost importance : (i) the good must be an inferior one with large negative income effect, (ii) the substitution effect must be small and less strong than the income effect and (iii) the proportion of income spent upon the good must be very large. The concept "Giffen good" is, theoretically, possible. But, in practice, it can hardly occur. The basic reason behind this is that consumption of the people is mostly diversified so that people spend a small proportion of their incomes on a single commodity. Consequently, the strength of the income effect induced by the change in price is likely to be very small and thus the negative income effect can not, generally, outweigh the substitution effect in practice. Besides, a commodity may be a Giffen commodity to a single consumer. However, it is unlikely that the same commodity will be a Giffen one to all consumers at the same time. Thus for a heterogeneous group of consumers the income effect will be positive for some consumers and negative for some other consumers. Thus the market income effect will be weak and the market substitution effect will always be stronger than the market income effect.

24 NSOU • PGCO - II 2.8 Bandwagon, Snob and Veblen Effects We want to close our discussion on Demand Analysis by briefly making a brief discussion on the above-mentioned three effects on demand for a commodity. We are to recall that the great developmental economist, Harvey Leibenstein in his article entitled "Bandwagon, Snob and Veblen Effect in the Theory of Consumers' Demand" published in the Quarterly Journal of Economics (1950) had explained these effects. He had clearly shown that in the presence of these three effects the true market demand curve will diverge from the horizontal summation of the individual demand curves. We shall discuss these effects, in brief, in the following paragraphs. BANDWAGON EFFECT : A bandwagon effect is said to exist if any consumer tries to purchase the goods in order to behave like any member of his social group. He thinks that if other's demand for a good goes on increasing, so should his, as he wishes to identify him with them. Consequently, this effect makes the market demand curve more elastic. This effect has been demonstrated in figure 2.3(A). Fig 2.3 (A) : Bandwagon Effect In the above figure AC is the market demand curve when the selfishness axiom is considered. When price falls from OP 1 to OP 2 , the quantity demanded increases from OQ 1 to OQ 2 , assuming that the bandwagon effect is absent. However, if this effect is present, many more consumers will enter the market for having this good. Consequently, the demand has extended to OQ 3 . Thus the true market demand curve becomes AB instead of AC.

NSOU • PGCO - II 25 SNOB EFFECT : A snob effect exists when a consumer wants to differentiate himself from his social group by purchasing commodities which they do not purchase and conversely, reducing his purchase of commodities which they purchase. Accordingly, when their demand increases, his demand will come down. Obviously, snob effect is opposite to that of the bandwagon effect and has the effect of making the demand curve more inelastic. Fig. 2.3 (B) illustrates this case. From Fig. 2.3(B) we see that when price falls from OP 1 to OP 2 , the quantity demanded increases from OQ 1 to OQ 2 when the snob effect gets ignored. However, if the snob effect is operative, some consumers will reduce their purchase and the quantity demanded will increase to OQ 3 only. Therefore, the true market demand curve becomes AB which is relatively inelastic than AC. Fig 2.3 (B) : SNOB EFFECT VEBLLEN EFFECT : In any society there are some individuals who judge the quality of a commodity by merely looking at the price of the commodity itself. Therefore, whenever price of a commodity falls, some consumers will not be willing to purchase it, thinking that the fall in price is an indicative of a fall in quality of the commodity itself. In such a case the quantity demanded may even fall as price falls, resulting the market demand curve positively sloped. The Veblen effect may also make the market demand curve more inelastic. Figure 2.3 (C) has demonstrated the impact of this effect. In the following diagram AC is the demand

26 NSOU • PGCO - II curve when the Veblen effect becomes absent and when the price falls from OP 1 to OP 2 , the quantity demanded has increased from OQ 1 to OQ 2 . However, when this effect is operative, some consumers will disappear from the market whenever price starts falling and the quantity demanded will increase upto OQ 3 , not upto OQ 2 . But if the veblen effect is strong enough the quantity demanded may even be OQ 4 . That means, the quantity demanded may even decrease as price falls. However, the true demand curve becomes AB or even AD which is upward rising. Fig 2.3 (C) : VEBLEN EFFECT

2.8.1 Summary of These Three Effects The above-mentioned three effects actually imply interdependence among the purchase plans of the consumers. However, such interdependencies imply divergences between the true demand curve and the ordinary demand curves which have been obtained when the selfishness axiom has become operative. However, the extent of divergence will depend on the strength of these effects for any consumer and also on the number of consumers subject to such effects. Of course, there is no reason to suppose that the market is composed of people subject to only one of the effects. Most of the times, however, these effects will be eliminated as they play their role in opposite directions. Besides, these effects are relevant only when market demand, not individual demand, is considered.

NSOU • PGCO - II 27 2.9 Elasticity And Its Applications In Demand Analysis A very important concept in Managerial Economics is the concept of elasticity of demand which has got wide applications in both theory and practice. We know that the demand for a commodity depends, basically, upon three factors : (A) price of the commodity itself (p), (B) income of the consumers (y) and (C) price of the related commodity (p 1 ). That means, the demand can, symbolically, be expressed as  $D = f(p, y, p_1)$ . Elasticity is a very general concept of how responsive a dependent variable is to variation in an independent variable. Since demand for a commodity depends primarily upon three variables, there are three

types

of

elasticity of demand. These are : (i) Own price

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elasticity of demand, (ii) Cross price elasticity of demand and (iii) Income elasticity of demand. However, by elasticity of demand we normally understand own price elasticity of demand or simply price elasticity of demand

as it has wide applications in different fields in theory and practice. So we shall, first of all, concentrate our attention on

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price elasticity of demand. 2.10 Price Elasticity of Demand By elasticity of demand we normally understand price elasticity of demand. It measures the degree of responsiveness of quantity demanded for a commodity following a change in own price

of the commodity

itself, assuming money income of the consumer and prices of related goods remain constant. This elasticity is the relative difference in the dependent variable (that is, quantity demanded) divided by the relative difference in the independent variable (that is, price). In symbols, this is expressed as  $e_p = \frac{q}{p} \frac{\Delta p}{\Delta q}$  ... (i) This is the measurement used by Professor Boulding and it is called the absolute measure of elasticity of demand. The basic drawback of this measure is that it is not unit-free and since it is not unit-free, it cannot be compared among different price elasticities for different commodities. Hence it has later been discarded and replaced by the new measure called the "relative measure of elasticity of demand". This measure is expressed as

28 NSOU • PGCO - II  $e_p = \frac{dq}{dp} \frac{p}{q}$  ... (ii) The basic difference between measurement (i) and (ii) is that in place of the absolute value of  $q$  and that of  $p$  the change in log value of  $q$  and that of  $p$  has been taken into consideration. Since log value of any number, irrespective of the unit of measurement, is free from unit of measurement, the measurement of price elasticity of demand given by (ii) is unit-free and can, therefore, be used to compare price elasticities of demand among a number of commodities expressed in various units. Besides, from (ii) we get  $e_p = \frac{dq}{dp} \frac{p}{q} = \frac{\text{Rate of change in quantity demanded}}{\text{Rate of change in price}} = \frac{\text{Percentage rate of change in quantity demanded}}{\text{Percentage rate of change in price}}$ . Since price and quantity demanded move in opposite directions,  $e_p$  must always be a negative number. However, we want to make this expression positive and we write it as  $e_p = (-) \frac{dq}{dp} \frac{p}{q} = (-) \frac{dq}{p} \frac{p}{q} \times \frac{p}{dp} = (-) \frac{dq}{p} \frac{p}{dp} \times \frac{p}{q} = (-) \frac{1}{p} \frac{dq}{dp} \times p = (-) \frac{1}{p} \times p \times \text{Slope of the demand curve} = (-) \frac{1}{p} \times \text{Reciprocal of the slope of the demand curve}$ .

2.10.1 Types of Own Price Elasticity of Demand Since own price elasticity of demand has been expressed as a ratio which can assume any of the following values, own price elasticity of demand can also be of the following values :  $e_p < 1$ ,  $e_p > 1$  and  $e_p = 0$ , and also  $e_p = \infty$ .

NSOU • PGCO - II 29 Let us consider these cases one by one : 1. Let  $e_p$  be less than one (that is,  $e_p < 1$ ). In this case  $\frac{dq}{dp} \frac{p}{q} < 1$ , that is, rate

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of change in demand is less than the rate of change in price.

If this happens for a commodity, the commodity concerned will be said to have inelastic demand. Normally, commodities which are very necessary for our life are said to have inelastic demand. Some such commodities are salt, text book, green vegetables, rice, clothes etc. In this case

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the percentage change in quantity demanded for a commodity is less than the percentage change in price of the commodity. 2. Let  $e_p$  be greater than one (that is,  $e_p > 1$ ). Naturally, in this case

$\frac{dq}{dp} \frac{p}{q} > 1$ . That means, the rate of

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change in quantity demanded is greater than the rate of change in price.

If this happens for a commodity, the commodity concerned will be said to have elastic demand. Normally, demand is said to be elastic for luxurious goods. Some such goods are gold, diamond, very costly car etc. For such commodities

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the percentage change in quantity demanded is greater than the percentage change in price. 3.

Let  $e_p$  be exactly equal to one, that is,  $e_p = 1$ . In this case, the percentage change Fig 2.3 (D) : Different demand curves according to the different values of price elasticity of demand 6Rectangular Hyperbola

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in quantity demanded is exactly equal to the percentage change in price. If this

happens for a commodity, the commodity concerned will be said to have unitary elasticity of demand. It is not possible to name a commodity having unitary elasticity of demand. However, this elasticity has some applications in Economic Theory. We shall later see that a firm, in order to maximise revenue, will be able to do so if  $e_p$  equals one. According to Alfred Marshall, a commodity will be said to have unitary elasticity of demand if total expenditure to be incurred by the purchaser remains invariant whatever be the price of the commodity. That is why, the shape of the demand curve having unitary elasticity will be a rectangular hyperbola. 4. Let  $e_p$  be zero. In this case  $dq/dp \cdot q/p = 0$  and this is possible when  $dq = 0$ . That means there is no change in quantity demanded whatever be the price of the commodity. In this situation the commodity concerned will be said to have perfectly inelastic demand. The demand curve will be a vertical straight line parallel to the vertical axis. Such a commodity is more relevant to supply. 5. Let  $e_p$  be  $\infty$ . In this case  $dq/dp \cdot q/p = \infty$ . This is possible when  $dp = 0$ . That means there is no change in price, that is, at the same price any amount may be purchased. This happens for the demand curve faced by a perfectly competitive firm where the demand curve is a horizontal straight line parallel to the horizontal axis. The shapes of these five types of demand curves have been presented in the above diagram (Fig. 2.3 D.) at each of which the quantity demanded has been measured along the horizontal axis while price has been measured along the vertical axis.

2.10.2 Measurement of Price Elasticity of Demand Price elasticity of demand is measured in two different ways : (a) Either over a portion of the demand curve or (b) on a particular point of the demand curve. When price elasticity is measured over a portion of the demand curve, it is known as arc price elasticity of Fig 2.3 (E) :

NSOU • PGCO - II 31 demand. On the other hand, if price elasticity is measured on a point of the demand curve, we get the point elasticity of demand. These two methods of measuring price elasticity have been discussed below. In the above diagram (Fig. 2.3 E) DD is the demand curve where over the portion AB of the curve we are interested in measuring the price elasticity of demand. Let A be taken as the initial point at which price =  $OP_0$  and quantity is  $OQ_0$ . Now change in price,  $\Delta p = P_0 - P_1$  while change in quantity demanded,  $\Delta q = Q_0 - Q_1$ . Hence corresponding to point A, price elasticity is,  $e_p = \frac{\Delta q}{\Delta p} \cdot \frac{p}{q} = \frac{Q_0 - Q_1}{P_0 - P_1} \cdot \frac{OP_0}{OQ_0}$ . However, if B is taken as the initial point, the same price elasticity of demand in the zone AB of the demand curve DD will be  $e_p = \frac{\Delta q}{\Delta p} \cdot \frac{p}{q} = \frac{Q_1 - Q_2}{P_1 - P_2} \cdot \frac{OP_1}{OQ_1}$ . However,  $e_p$  is not the same since initial price and initial quantity demanded change in these two situations. To get a unique value of price elasticity of demand over the arc AB, the initial price and initial quantity of demand are taken as the average of the prices of  $P_0$  and  $P_1$ , that is,  $\frac{OP_0 + OP_1}{2}$  and the average quantities, that is,  $\frac{OQ_0 + OQ_1}{2}$ . Hence the arc price elasticity of demand also known as the average

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elasticity of demand is obtained as  $|e_p| = \left( \frac{\Delta q}{\Delta p} \right) \cdot \left( \frac{p}{q} \right) = \frac{Q_0 - Q_1}{P_0 - P_1} \cdot \frac{OP_0}{OQ_0} = \frac{Q_0 - Q_1}{P_0 - P_1} \cdot \frac{OP_0}{OQ_0}$

Q Q

$P_0 + P_1$

Fig 2.3 (F) :

32 NSOU • PGCO - II 2.10.3 Point

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Price Elasticity of Demand The point price elasticity of demand is the limiting value of the arc price elasticity of demand when the



change in price, that is,  $\Delta p$  tends to zero. Thus, in symbols, the point price elasticity of demand will be  $e_p = \frac{p}{q} \frac{\Delta q}{\Delta p}$ . Here  $\frac{dp}{dq}$  denotes the slope of the demand curve. Let us now measure the point price elasticity of demand diagrammatically. The process of measuring the point price elasticity of demand has been demonstrated in the above diagram [Fig. 2.3 (F)]. Suppose that we want to measure price elasticity of demand on the point C of the straight line demand curve  $D_1 D_2$ . From the diagram we notice that at point C,  $p = OE = DC$ ,  $q = OD$  and the absolute slope of the demand curve  $D_1 D_2$  is  $\frac{dp}{dq} = \frac{CD}{BD}$  so that  $\frac{dq}{dp} = \frac{BD}{CD}$ . That is,  $|e_p| = \frac{p}{q} \cdot \frac{dq}{dp} = \frac{CD}{BD} \cdot \frac{OD}{CD} = \frac{OD}{BD} = \frac{OE}{BD}$ . Let us now consider the triangles AEC and CDB where  $\angle AEC = \angle CDB$  (right angles),  $\angle EAC = \angle DCB$  (since  $OA \parallel DC$ ) and  $\angle ACE = \angle CBD$  (since  $EC \parallel OB$ ). Therefore,  $\triangle AEC$  and  $\triangle CDB$  are similar and so their corresponding sides are proportional. That means,  $\frac{DB}{EC} = \frac{CD}{AE} = \frac{CB}{CA}$ . That is,  $\frac{DB}{EC} = \frac{EO}{AE} = \frac{CB}{CA}$ . That means,  $|e_p| = \frac{DB}{OD} = \frac{EO}{AE} = \frac{CB}{CA}$  = Lower segment of the demand curve / Upper segment of the demand curve.

NSOU • PGCO - II 33 Thus at a particular point on a straight line demand curve the point elasticity of demand is obtained as the ratio between the

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lower segment of the demand curve below the point and the upper segment of the demand curve above the point.

Fig 2.3 (G) : By applying this formula, we can show that on a straight line

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demand curve the absolute value of the price elasticity of demand

varies between 0 and  $\infty$ . In the annexed diagram at point B, the point elasticity of demand is Lower segment  $AB = \frac{OB}{AB} = 0$ . At point C, the point elasticity of demand is  $\frac{CB}{AC} > 1$  as  $CB > AC$ . At point D, this elasticity is  $\frac{DB}{AD} = 1$  as D is the mid-point between A and B. At point E the point elasticity of demand is  $\frac{EB}{AE} < 1$  as  $EB < AE$ . Finally, at point A the point elasticity of demand is  $\frac{AB}{uppersegment} = \frac{AB}{OA} = \infty$ .

34 NSOU • PGCO - II Thus the absolute value of the point elasticity of demand varies between 0 and  $\infty$ . 2.10.4

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Income Elasticity of Demand The income elasticity of demand is defined as the responsiveness of the quantity demanded for a commodity resulting from a change in income of the consumer

alone, assuming that price of the commodity concerned and price of the related commodity remain unchanged. Thus, it is defined as  $e_y = \frac{dQ}{Q} \div \frac{dY}{Y}$ ,  $Y$  being income of the consumer.  $e_y = \frac{dQ}{Q} \div \frac{dY}{Y}$  = Rate of change in quantity demanded for a commodity  $\div$  Rate of change in income of the consumer. That is,  $e_y = \frac{\text{Proportionate change in quantity demanded}}{\text{Proportionate change in income of the consumer}}$ . 2.10.5 Uses of Income Elasticity of Demand Income elasticity of demand is very useful in classifying a number of commodities around us. Its uses will be understood in the following manner : 1. Let  $e_y$  be negative, that is,  $e_y < 0$ . Normally  $e_y$  is supposed to be positive. That is, with the increase/decrease in income more (less) of a commodity is demanded. But when  $e_y < 0$ , it will mean that with the increase (decrease) in income, demand for a commodity decreases (increases). If this happens for a commodity, the commodity concerned is called an inferior commodity. Cheap washing powder might be an example. Those living on a tight budget may be unable to afford reasonable quality of washing powder. But as their incomes increase, they give up the cheap washing powder and switch to a better quality of washing powder. Another example is with the increase (decrease) in income the demand for coarse variety of rice decreases (increases). Hence for an inferior commodity the income elasticity of demand is negative. 2. Let  $e_y$  be positive but greater than one. In such a case  $\frac{dQ}{Q} > \frac{dY}{Y}$ . That is, the rate of

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change in quantity demanded is greater than the rate of change in income.

This happens for a luxurious or prestigious commodity. For example, with the increase (decrease) in income the demand for gold, jewellery, luxury car etc. generally, increases (decreases). Thus for a luxurious or prestigious good the income elasticity of demand is positive and its numerical value is greater than one. 3. Let  $e_y$  be positive but less than one, that is  $0 < e_y < 1$ . In this case the rate of

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change in quantity demanded is less than the rate of change in income

of the consumer. This happens for a commodity which is a normal necessary, that is, commodities which are useful for our daily life. The uses of income elasticity of demand can also be understood from the following presentation : a Nature of a commodity Value of  $e_y$

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The income elasticity of demand for various categories of goods may, however, vary from time to time and also from household to household, depending on the choice and preference of the consumers, levels of consumption and income and their susceptibility to "demonstration effect". The other factor which may cause deviation from the general pattern of income elasticities is the frequency of increase in income.

If frequency of rise in income is high, income elasticities will conform to the general pattern. 2.10.6 Cross Price Elasticity of Demand Demand for a commodity is also influenced by the price of other related goods and services. The responsiveness for a

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change in quantity demanded for a commodity resulting from a change in price

of its related commodity is measured by cross price elasticity of demand. Thus,  $ep_1 = 1 \frac{dq}{dp} \frac{dp}{dq}$  where  $q$  is the quantity demanded for a commodity (say  $x$ ) and  $p_1$  is the price of a related commodity (say  $y$ ).  $= 1 \frac{1}{p} \frac{dq}{dp} \frac{dp}{dq} = 1 \frac{dq}{dp} \frac{p}{q}$   
 $\frac{dq}{dp} \times \frac{p}{q} =$  Rate of change in demand for a commodity, say  $x$  / Rate of change in price of a related commodity, say  $y$ .  
 $\rightarrow$  Inferior  $\cdot 0$  Normal/necessary  $\cdot 1 \rightarrow$  Normal/luxurious  $\rightarrow$

36 NSOU • PGCO - II 2.10.7 Uses of Cross Price Elasticity of Demand Cross price elasticities are used to classify the relationship among a number of goods. It has been demonstrated in the following manner : Case 1 : Let  $ep_1 < 0$ . In this case

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an increase in the price of $y$ causes an increase in the quantity demanded for $x$ and the two products are said to be substitutes.			

That means, one product can be used in place of (substituted for) the other. Suppose that the price of  $y$  increases. This means that the opportunity cost of  $y$  in terms of  $x$  has increased. The result is that the consumers purchase less of  $y$  and more of the relatively cheaper good,  $x$ . Chicken and Mutton (tea and coffee) are examples of substitutes.

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An increase in the price of chicken (tea) usually leads to an increase in the			

demand for mutton (coffee) and vice versa. Case 2 : Let  $ep_1 > 0$ . In this case

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an increase in the price of $y$ causes a decrease in the quantity demanded for $x$ and the two products are said to be			

complements (goods that are used jointly or together). That means

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an increase in the price of $y$ leads to a reduction in the quantity demanded			

for that product. The diminished demand for  $y$  causes a reduced demand for  $x$ . Butter and bread, cars and tyres, computers and computer software are examples of pairs of goods that are complements. Cross elasticities are not always symmetrical. This means that a change in demand for good  $x$  caused by a change in the price of  $y$  may not equal the change in demand for  $y$  generated by a change in the price of  $x$ . Although the two elasticities are different, they are of the same sign. Case 3 : Let  $ep_1$  be zero. In this case an increase or decrease in the price of  $y$  does not have any impact on the demand for  $x$  so that  $ep_1$  becomes zero. The two goods will, obviously, be independent or unrelated. Therefore, the sign of cross price elasticity of demand helps us in understanding the relationship between two commodities : whether they are substitutes or complements or they are unrelated or independent of each other. 2.11 Relation between Elasticity of Demand and Total Expenditure Alfred Marshall had suggested to measure elasticity of demand in terms of total expenditure to be incurred by a consumer.

NSOU • PGCO - II 37 We know that under the ceteris paribus clause, demand for a commodity is a function of the price of the commodity itself. Thus as price changes along a demand curve, the quantity demanded will change. With such changes, an individual consumer's expenditure on the commodity would also change. By observing how this expenditure changes in response to price change, we can predict whether demand is elastic, inelastic or unitary elastic. We should remember that total outlay or expenditure or revenue is price multiplied by quantity demanded, that is,  $R = pq$ ,  $R$  being total expenditure,

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p is the price of the commodity and q is the quantity demanded

by a consumer. We consider the following two cases : (a) We suppose that price of the commodity falls. Then according to this method, (i) the total outlay or expenditure on the good could increase and demand for the good would be price elastic, that is, elasticity  $< 1$ ; (ii) the total outlay or expenditure on the good could fall and demand for the good would be price inelastic, that is, elasticity  $> 1$  and (iii) the total outlay or expenditure on the good could remain the same and demand would be unitary elastic, that is,  $e = 1$ . (b) We suppose that price of the commodity rises. Then according to this method, (i) the total outlay or expenditure on the good falls and demand is elastic, that is,  $e < 1$ ; (ii) the total outlay or expenditure on the good also increases and demand is inelastic, that is,  $e > 1$  and (iii) the total outlay or expenditure on the good remains the same and demand is unitary elastic, that is,  $e = 1$ . It is to be noted that with the help of the total expenditure or outlay method, we fail to derive the exact value of elasticity of demand. The calculated value can, however, be used to indicate only whether elasticity is greater than or less than or equal to 1 (one). Exercise : 1. From the following demand schedule find the direction of elasticity when price falls from Rs. 10/ to Rs. 9/; from Rs. 9/ to Rs. 8/; from Rs. 8/ to Rs. 7/ and from Rs. 7/ to Rs. 6/, using the outlay method.  
38 NSOU • PGCO - II Solution :

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When price falls from Rs. 10/- to Rs. 9/-, total expenditure increases from Rs. 600/- to Rs. 675/.

So in this case demand is elastic. Again, when price falls from Rs. 9/ to Rs. 8/, total expenditure decreases from Rs. 675/ to Rs. 640/. So in this case the demand is inelastic. Moreover, when price falls from Rs. 8/ to Rs. 7/, expenditure decreases from Rs. 640/ to Rs. 588/. So in this case the demand is inelastic. Finally, when price falls from Rs. 7/ to Rs. 6/, total expenditure decreases from Rs. 588/ to Rs. 528. So in this case also the demand is inelastic. 2. The monthly market demand curve for calculators among management students is given by  $p = 400 - Q$ , p being price per calculator in rupees and Q is the number of calculators purchased per month. Obtain the price elasticity of demand when price is fixed at Rs. 300/ per calculator. Solution : We have  $Q = 400 - p$ . That is,  $p = 400 - Q \therefore dp/dQ = -1$ , or,  $dQ/dp = -1$ . Thus the price elasticity of demand at Rs. 300/ will be  $p/dQ \cdot Q/dp = (300/1400) \times -1 = -0.75$ . Ans. That is,  $R = pq$ , R being total expenditure,

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p is the price of the commodity and q is the quantity demanded

by a consumer. We consider the following two cases : (a) We suppose that price of the commodity falls. Then according to this method, (i) the total outlay or expenditure on the good could increase and demand for the good would be price elastic, that is, elasticity  $< 1$ ; (ii) the total outlay or expenditure on the good could fall and demand for the good would be price inelastic, that is, elasticity  $> 1$  Price(Rs.) 10 9 8 7 6 Quantity 60 75 80 84 88 demanded(Kg)

NSOU • PGCO - II 39 and (iii) the total outlay or expenditure on the good could remain the same and demand would be unitary elastic, that is,  $e = 1$ . (b) We suppose that price of the commodity rises. Then according to this method, (i) the total outlay or expenditure on the good falls and demand is elastic, that is,  $e < 1$ , (ii) the total outlay or expenditure on the good also increases and demand is inelastic, that is,  $e > 1$  and (iii) the total outlay or expenditure on the good remains the same and demand is unitary elastic, that is,  $e = 1$ . It is to be noted that with the help of the total expenditure or outlay method, we fail to derive the exact value of elasticity of demand. The calculated value can be used to indicate only whether elasticity is greater than or less than or equal to 1 (one).

2.12 Advertisement or Promotional Elasticity of Demand (or Sales) The expansion of demand by means of advertisement and other promotional methods may be measured by advertising elasticity of demand, also called promotional elasticity. The promotional elasticity measures the responsiveness of demand to changes in advertising or other promotional expenses. The formula for its measurement is given by  $e_a = \frac{\text{Proportional change in sales}}{\text{Proportional change in advertisement expenditure}} =$

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$Q_A - \frac{\Delta Q_A}{Q_A} = \frac{\Delta Q_A}{Q_A} \times \frac{Q_A}{\Delta Q_A} = \frac{Q_A}{\Delta Q_A} \times \Delta Q_A = 2121 Q_A$			

40 NSOU • PGCO - II Even the same commodity may not respond the same way at different levels of advertising expenditure. This implies that advertising elasticity of demand differs between products and also between different levels of sales of the same product. The advertising elasticity of demand is affected by a number of factors, namely (1) stage of the product market, (2) effect of advertising in terms of time and (3) influence of advertising by rivals.

2.12.1 Factors on Which Elasticity of Demand Depends There are a number of factors which influence the price elasticity of demand for a good. The followings are some important

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<p>determinants of price elasticity of demand. (i) Number of substitutes available : Larger the number of substitutes available for a given commodity, the higher is the price elasticity of demand for it. The</p>			

substitution effect is felt very strongly in such cases. For example, demand for electric goods is very elastic. On the other hand, fewer the number of substitutes available, the lower will be the elasticity of demand. The substitution effect is felt very weakly or not felt at all. The demand for salt is a nice example of this case. (ii) Nature of the good : A good can be basic or non-basic, a necessity or a luxury. For necessity and basic goods demand is less elastic. They have to be consumed in certain quantity, irrespective of price prevailing. For example, food items (cereals, cooking oil, sugar, potatoes, salt, onions etc.) coarse clothing, transport to and from the place of work etc. have inelastic demand. The substitution effect is very weak for such goods. For non- basic and luxury goods demand would be elastic and both substitution and income effects are felt very strongly. For example, demand is elastic in cases like entertainment, electrical gadgets, finer clothes etc. (iii) Proportion of income spent on a good, that is, importance of the commodity in the consumer's budget also affects elasticity of demand for a commodity. Higher the budget proportion more strongly will the income effect be felt. As a result, demand for such goods will be highly responsive for price change. Therefore, demand will be elastic. For example, all consumer durables like refrigerator, geyser, motor bikes and washing machines tend to be more demand elastic. On the other hand, smaller the budget proportion, the more weak

NSOU • PGCO - II 41 will be the income effect. Demand for such goods will be insensitive to price change. Naturally, demand will be less elastic. (iv) Number of uses to which a commodity can be put : The more the possible uses of a commodity, the greater will be its price elasticity and vice versa. For example, milk has a number of uses. If its price falls, it can be used for a variety of purposes, like preparation of cream, curd, ghee and sweets. However, if its price increases, its uses will be restricted only to essential purposes, like feeding the children and sick persons. (v) Consumer habits : If a consumer is a habitual one of a commodity, no matter how much and how its price changes, the demand for the commodity will be inelastic. That is why the demand for liquor, cigarettes is inelastic. (vi) Height of price and range of price change : There are some goods like costly luxury items or bulky goods such as refrigerators, T.V. sets, which are highly priced in general. In such a case, a small change in price will have an insignificant effect on their demand. Their demand will, therefore, be inelastic. However, if the price change is large enough, then their demand will be elastic. In the same way, there are perishable goods like potatoes and onions etc. which are relatively low-priced and bought in bulk, so a small variation in their prices will not have much effect on their demand and hence their demand tends to be inelastic. (vii) Durability of the commodity : In the case of durable goods, the demand generally tends to be inelastic in the short run, e.g., furniture, motor bike, television etc. In the case of perishable commodities, on the other hand, demand is relatively elastic, e.g., vegetables, milk etc. (viii) Tied demand : The demand for those goods which are tied to others is normally inelastic as against those whose demand is of autonomous nature. (ix) Possibility of postponement : When the demand for a product is postponable, it will tend to be price elastic. In the case of consumption goods which are urgently and immediately required, their demand will be inelastic.

42 NSOU • PGCO - II 2.12.2 Uses of  
The Concept

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of Elasticity of Demand The concept of elasticity of demand has

a good number of uses : (a) Elasticity of demand is considered very useful in price determination. Whereas in case of perfect competition it determines how a change in supply would affect its price, in case of monopoly a supplier has to consider it in both normal price determination and in price discrimination. (b) This concept is considered useful in budget formulation, specially, the incidence of taxation on consumers depends upon elasticity of demand. A tax on a commodity having inelastic demand may be shifted to the consumers. (c) The terms of trade depend upon elasticity of demand and supply. Normally, the terms of trade are unfavourable to a country whose demand for imported foreign articles is inelastic, the reverse is also true when the import demand is elastic. (d) Elasticity of demand is helpful in forecasting demand. Given the elasticity of demand and the state of independent variable, it is possible to forecast the demand for a good. (e) The effectiveness of price controls also depends upon elasticity of demand. With an inelastic demand for a controlled product, it would, generally, sell in the black market. (f) The effect of devaluation of currency also depends upon elasticity of demand and elasticity of supply of goods and services entering into international trade. In case of inelastic demand for imports as well as inelastic supply for exports, devaluation may not be beneficial in terms of reducing the adverse balance of payments. 2.13 Demand Forecasting : Meaning Forecasting of demand is the art of predicting demand for a product or a service at some future date on the basis of certain present and past behavioural patterns of some related events. However, forecasting is no simple guessing, but it refers to estimating scientifically and objectively on the basis of some facts and events relevant to the art of forecasting. Every business enterprise should have distinct knowledge about the demand for its

NSOU • PGCO - II 43 product since business decisions regarding the amount of capital to be raised, labour needed, requirement of working capital, sources of raw materials, sales promotional activities etc. are highly dependent on the perception of the demand for its product. However, if this perception is erroneous, the decisions of the enterprise will not be correct and that will lead to huge losses. Hence, for a successful venture, correct estimation of future demand is highly significant. Demand forecasting is merely an attempt to estimate this future demand. Forecasting of demand plays a vital role in the process of planning and decision making whether at the national level or at the level of a firm. The importance of demand forecasting has increased overtime on account of mass promotion and production in response to demand. No useful business planning can be done without proper estimates of demand forecast. It can be said that all business planning starts with forecasting of demand because capital investment, production scheduling etc. have to be related with expected demand. Although it is said no forecast is completely fool-proof and correct but the very process of forecasting helps in evaluating various forces which affect demand and is, in itself, a reward because it enables the forecasting authority to know about various forces relevant to the study of demand behaviour.

### 2.13.1 Importance of Demand Forecasting

Demand forecasting is of high use both to the firms and to the Government. Some reasons can be advanced in support of this :

- (a) For production planning demand forecasting is a must. If a firm can, more or less, accurately forecast the future demand for its product, it can, accordingly, arrange its production schedule. Besides, it can also hire various factors of production in advance just to meet the necessities of production.
- (b) For inventory planning also demand forecasting is highly useful. If future demand is within the knowledge of the entrepreneurs, optimum level of inventory can be determined and maintained.
- (c) Apart from proper scheduling of production, demand forecasting enables a firm to avoid overproduction as well as underproduction.

44 NSOU • PGCO - II (d) For estimating the financial requirements a firm should be in the knowledge of demand forecasting. (e) Demand forecasting for a particular product gives an appropriate idea about demand forecast for future product. Forecast for bi-cycles gives an appropriate idea about future demand for tyres and tubes in bi-cycles. (f) Finally, demand forecasting is helpful to the Govt. of a country in a number of ways. To distribute any commodity among the public, to determine target of exports and imports, to give subsidy to any commodity, to estimate various components of Government budget, to formulate the overall economic planning in the country and the like more or less an accurate demand forecasting is a pre-condition.

### 2.13.2 Methods of Demand Forecasting

There is no easy method or simple formula which enables an individual or a business person to predict the future demand with certainty or to escape the hard process of thinking. The firm has to apply a proper mix of judgement and scientific formula in order to correctly predict the future demand for a product. Broadly speaking, demand forecasting may be categorised under two broad methods :

- (a) Survey Methods and
- (b) Statistical Methods.

In method (a) the demand for a product is forecast by enquiring the intentions and views of the participants going to the market. In method (b), on the other hand, past data are used to forecast future demand. Survey methods can, again, be divided into three categories :

- (i) Survey of Buyers' intentions
- (ii) Collective Opinion Method and
- (iii) Expert Opinion Method.

Let us now discuss these methods, in brief.

- (i) Survey of Buyers' Intentions : The most direct method of estimating demand, in the

NSOU • PGCO - II 45 short run, is to ask customers what they are planning to buy for the forthcoming period, usually, a year. So in this method the burden of forecasting is put on the customers. However, it would not be wise to depend wholly on the buyers' estimates and they should be used very cautiously in the light of a seller's own judgement. A number of biases may creep into the surveys. Besides, the customers may themselves misjudge their requirements or may mislead the surveyors. However, this method is useful when bulk of sale is made to industrial producers who, generally, have firm future plan. In the case of household customers this method may not prove very helpful. (ii) Collective Opinion Method : In this method salesmen are required to estimate expected sales in their respective territories. The rationale of this method is that salesmen being closest to the customers are likely to be the most intimate feel of the market. The estimates of salesmen are consolidated to find out the total estimated sales. These estimates are reviewed to estimate the bias of optimism on the part of some salesmen and pessimism on the part of others. These revised estimates are further examined in the light of factors like proposed change in selling prices, product designs and advertisement, expected changes in competition and changes in secular prices like purchasing power, income distribution, employment, population etc. The final sales forecast would emerge after these factors have been taken into account. Although this method is simple and is based on first hand information of those who are directly, connected with sales, this method is subjective as personal opinions can, possibly, influence the forecast. Besides, salesmen may be unaware of the broader economic changes having the impact of future demand. Therefore, forecasting could be useful in the short run, for the long run analysis, however, a better technique is to be applied. (iii) Expert Opinion Method : This method is also known as delfi method of investigation. In this method instead of depending on the opinions of buyers and salesmen, firms can obtain views of the specialists or experts in their respective fields. Opinions of different experts are sought and analysed. The process goes on until some sort of unanimity is arrived at among all the experts. This method is best suited in circumstances where intractable changes are occurring. Besides, it has the advantage of speed and cheapness.

46 NSOU • PGCO - II 2.14 Statistical Methods Statistical methods have proved to be very useful in forecasting demand. The important statistical methods of demand forecasting are : (i) Trend Projection Method (ii) Graphical Method (iii) Least Squares Method and (iv) Regression Method. Let us now discuss the above methods one by one. (i) Trend Projection Method : A firm which has been in existence for some time, will have accumulated considerable data on sales pertaining to different time periods. Such data when arranged chronologically yield 'time series'. This can be done either through graph or through least squares method. (ii) Graphical Method : A trend line can be fitted through a series graphically. Old values of sales for different areas are plotted on a graph paper and a free hand curve is drawn passing through as many points as possible. The direction of this free hand curve shows the necessary trend. The main drawback of this method is that it may show the trend but it fails to measure it. (iii) The Least Squares Method : This method is based on the assumption that the past rate of change of the variable under study will continue in the future. It is a mathematical procedure for fitting a line to a set of observed data points in such a manner that the sum of squared differences between the calculated and observed values is minimised. This technique is used to find a trend line which best fits the available data. This trend is then used to project the dependent variable in the future. This method is very popular because it is simple and inexpensive. (iv) Regression Method : This is a very common method of forecasting demand. Under this method a relationship is established between quantity demanded (the dependent variable) and independent variables such as income, price of the good, prices of related goods and so on. Once the relationship is established, we derive a regression equation

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assuming the relationship to be linear. The equation will be of the form  $Y = a + bx$ . There

could also be a curvy linear relationship between the dependent and independent variables. Once the

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regression equation is derived, the value of  $y$ , i.e. quantity demanded can be estimated, for any given value of  $x$ . The



values of a and b get estimated from given data on the basis of the following two normal equations :  $\sum_{i=1}^n y_i = na + b \sum_{i=1}^n x_i$  and  $\sum_{i=1}^n y_i x_i = a \sum_{i=1}^n x_i + b \sum_{i=1}^n x_i^2$ . Once the values of a and b get estimated, we can forecast y for a particular value of x from the equation  $Y = a + bx$ . This method can be estimated in two ways. Instead of linear regression equation the non-linear regression equation can also be fitted. Moreover, the multiple regression equation can be estimated in place of the simple regression equation incorporating more than one independent variable. The regression method is objective in the sense that we will get a unique forecast value of the demand for the unique sets of historical data on x and y, given the form of the regression equation. Besides, this method is less expensive and is simple to understand and, therefore, it is very popular.

**2.15 Estimation of Demand Functions** A demand function can be estimated given the information on price (p) and quantity demanded (q). This has been demonstrated in the following manner : Let the general form of the demand function with one independent variable be  $Y = a + bx$

48 NSOU • PGCO - II where 'a' and 'b' are two parameters. Given a set of n pairs of observations  $(x_1, y_1), (x_2, y_2), (x_3, y_3), \dots, (x_n, y_n)$  we are to estimate the values of the parameters 'a' and 'b'. We have to choose the values of a and b in such a way that the sum of squares of errors gets minimised. Hence the method is known as the least squares method. Now, error,  $e_i = \text{observed value} - \text{estimated value} = (y_i - Y_i) = (y_i - a - bx_i)$ . Thus, the sum of squares of errors =  $S = \sum_{i=1}^n e_i^2 = \sum_{i=1}^n (y_i - a - bx_i)^2$ . Since  $(x_i, y_i)$  are given, we see that S is a function of a and b only. For the minimization of S, the first order conditions are :  $\frac{\partial S}{\partial a} = \sum_{i=1}^n (y_i - a - bx_i) (-1) = 0$ ..... (A)  $\frac{\partial S}{\partial b} = \sum_{i=1}^n (y_i - a - bx_i) (-2x_i) = 0$ ..... (B) Equations (A) and (B) can be written in the following forms :  $\sum_{i=1}^n y_i = na + b \sum_{i=1}^n x_i$  ..... (A 1)  $\sum_{i=1}^n y_i x_i = a \sum_{i=1}^n x_i + b \sum_{i=1}^n x_i^2$  ..... (B 1) Equations (A 1) and (B 1) are known as normal equations. From the observed data we get the values of  $\sum_{i=1}^n y_i, \sum_{i=1}^n x_i, \sum_{i=1}^n y_i x_i$  and  $\sum_{i=1}^n x_i^2$ . Thus there are two equations needed for solving two unknowns, a and b. Therefore, solving equations (A 1) and (B 1) we get the estimated values of the parameters a and b. These estimated values when put in  $Y = a + bx$  give the necessary demand function. This can be explained with the help of the following example :

NSOU • PGCO - II 49 Example 1 : Fit a linear demand function to the following data : Price (p) : 4 5 6 8 9 Quantity demanded (q) : 90 85 75 77 80 Solution : Suppose the linear demand function is  $q = a + bp$ . The values of the parameters 'a' and 'b' can be obtained by solving the two normal equations :  $\sum q = na + b \sum p$  and  $\sum pq = a \sum p + b \sum p^2$ .  $\sum p = 4 + 5 + 6 + 8 + 9 = 32$   $\sum q = 90 + 85 + 75 + 77 + 80 = 407$   $\sum p^2 = 16 + 25 + 36 + 64 + 81 = 222$   $\sum pq = 4 \times 90 + 5 \times 85 + 6 \times 75 + 8 \times 77 + 9 \times 80 = 2571$  Here  $n = 5$ , so that the normal equations are :  $5a + 3b = 407$  and  $32a + 222b = 2571$ . Solving the above two equations we get  $a = 93.99$  and  $b = -1.96$  Hence the linear demand curve will be  $q = 93.99 - 1.96p$ . Verification At  $p = 4, q = 86.15$  At  $p = 5, q = 84.19$  At  $p = 6, q = 82.23$  At  $p = 8, q = 78.31$  At  $p = 9, q = 76.35$  Thus  $\sum q = 407.23$ .

50 NSOU • PGCO - II 2.16 Sample Questions A. Objective-type Questions: 1. Giffen goods are those goods for which the slope of the demand curve is : (a) Negative, (b) Positive, (c) Zero, (d) undefined. Ans. (b) 2. Marginal revenue will be zero when : (a)  $ep > 1$ , (b)  $ep < 1$ , (c)  $ep = 1$ , (d)  $ep = 0$ . Ans. (c) 3. If cross price elasticity of demand for good x and y is negative, the goods will be : (a) Substitutes, (b) Complements, (c) Independent and (d) Giffen. Ans. (b) 4. If regardless of change in its price, the quantity demanded for a good remains unchanged, then the demand curve for the good will be : (a) Horizontal, (b) Vertical, (c) Positively sloped, (d) Negatively sloped. Ans. (b) 5. If price elasticity of demand is zero, ( $ed = 0$ ), the demand curve will be : (a) A horizontal straight line, (b) A vertical straight line, (c) A downward falling straight line, (d) An upward rising straight line. Ans. (b) 6. In case of an inferior good, the income elasticity of demand is : (a) Positive, (b) Zero, (c) Negative, (d) Infinity. Ans. (c) 7. In case of a straight line demand curve meeting the two axes, the price elasticity of demand at the mid-point of the line would be : (a) 0, (b) 1, (c) 1.5, (d) 2 Ans. (b)

NSOU • PGCO - II 51 B. Short-type Questions : 1. What is the difference between individual demand and market demand? How are these two types of demand related? 2. What is cross price elasticity of demand? Is it possible to express or to measure complementarity or substitutability between two goods by means of cross price elasticity of demand? 3. Establish the relation among MR, AR and price elasticity of demand. From this relation find out the value of total revenue when price elasticity of demand is unity. 4. What is Giffen's paradox? Explain it clearly with an example. 5. What is the difference between individual demand and market demand? How are these two types of demand related? 6. Suppose

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the price of a commodity increases from Rs. 200/- to Rs. 240/- and the quantity demanded for it decreases from 100 units to 75 units.

Evaluate the price elasticity of demand for the commodity and interpret the result you arrive at. 7. "Elasticity of demand is "unit-free". Justify the statement. 8. What is income elasticity of demand? Classify commodities on the basis of the sign and magnitude of income elasticity of demand. 9. Show that

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all Giffen goods are inferior goods but all inferior goods are not Giffen goods. 10.

Show that the absolute value

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of price elasticity of demand is different at different points on the same straight line demand curve. 11.

Make a distinction between (i) an individual demand curve and the market demand curve, (ii) movement along the demand curve and any movement off the demand curve. C. Essay-type Questions : 1. Explain, clearly, your idea about bandwagon effect, snob effect and veblen effect. 2. State and explain the law of demand. What are the non-price determinants of demand?

52 NSOU • PGCO - II 3. Explain, clearly, the factors affecting elasticity of demand for a commodity. 4. What is advertising elasticity of demand? Explain the importance of studying it. 5. Explain, clearly,

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the distinction between "Change in demand" and "Change in quantity demanded". What are the exceptions to the law of demand? 6.

What is demand forecasting? What is the utility for studying it? Explain the statistical method of forecasting demand. 7. Make a clear distinction between elastic demand and inelastic demand. Explain the factors affecting

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price elasticity of demand. What is the utility for studying cross price elasticity of demand? 8. Distinguish, clearly, between the own price elasticity of demand and cross price elasticity of demand.

Explain the necessity for studying these two types of elasticity of demand. 9. Explain with illustrations, the various types of elasticity of demand. Draw the necessary demand curves according to the numerical values of elasticity of demand. 10. Explain the law of demand with illustrations. Give circumstances under which it is not operative.

NSOU • PGC0 - II 53 Unit 3 □ □ □ □ The Theory of Production Structure 3.0 Objectives 3.1 Production Function : An Introduction 3.2 Production Function 3.2.1 Fixed Proportion Production Function 3.3 The Law of Variable Proportions 3.4.1 Statement of The Law 3.4.2 Graphical Presentation of the Law 3.5 Long Run Production Function Returns to Scale 3.6 Isoquant or Isoproduct Curve : Two-Variable Inputs 3.6.1 Properties of an Isoquant 3.6.2 Isocost Line 3.7 Equilibrium of a firm : Least-Cost Combination of Inputs 3.8 Expansion Path 3.9 Elasticity of Substitution 3.10 Linearly Homogeneous Production Function 3.11 The Cobb-Douglas Production Function 3.11.1 Limitations of the Cobb-Douglas Production Function 3.12 The CES Production Function 3.12.1 Few Limiting Cases of this Production Function 3.12.2 Some Problems and their Solutions 3.13 Some Numerical Examples on Elasticity of Substitution 3.11.1 Some Problems and their Solutions 3.14 Sample Questions

54 NSOU • PGC0 - II 3.0 Objectives The objectives of this unit are— □ To explain production functions, laws of production and their presentation, alternative forms of production functions; □ To explain equilibrium of a firm- least cost combination of inputs. Returns to scale and expansion path □ Cobb Douglas and CES Production function, Elasticity of substitution □ Problem solutions

3.1. Production Function : An Introduction In Economics, the term production means transformation of inputs into outputs. We assume that production takes place only in firms. By a firm we mean a technical unit in which inputs are employed and outputs get produced. An input is a good or service that goes into the process of production. According to Professor Baumol, "An input is simply anything which the firm buys for use in its production or other processes". In other words, an input is any good or service which contributes to the production of an output. Economists have classified inputs as : (i) Land (N), (ii) Labour (L), (iii) Capital (K) and (iv) Organizational (O). Of these four basic inputs the two crucial ones are : L and K. Labour is a crucial factor as labour can speak, it can construct and destruct also. On the other hand, capital is another crucial factor as lack of capital is behind the backwardness of a country. Some inputs such as labour and land are not produced and these are known as primary inputs. An output may be tangible or intangible. Nature of inputs : Inputs may be either fixed or variable. Fixed and variable inputs are defined in economic sense and in technical sense also. In economic sense, a fixed input is one whose supply is inelastic in the short run, and is used in a fixed quantity in the short run. On the other hand, in technical sense, a fixed factor is one that remains fixed (or constant) for all levels of output. A variable input, on the other hand, is defined as one whose supply in the short-run is elastic. Thus labour and raw materials are variable inputs. All users of such factors can employ more quantity in the short run. In technical terminology, a variable input is one that changes with change in output. In the long run, however, all inputs are variable.

NSOU • PGC0 - II 55 3.2. Production Function The key concept in the theory of production is the production function. The word 'function' as used in Mathematics expresses the relationship between the dependent and the independent variables. Alternatively, a function shows a cause and effect relationship or an engineering relationship between inputs (independent variables or cause) and output (dependent variable or effect). Using one-output and two-input function, the relationship between output and inputs has been summarised in the following form :  $Q = f(L, K)$ , Q being the quantity of output produced; L and K denote the respective quantities of labour and capital. By using L and K in a production process, we obtain Q or output. The engineer or the technician of an establishment describes the production process in terms of three or more variables (like density, pressure and horsepower). The economist's production function incorporates the engineering technology. Production engineers tell us how many units of L and K are needed to yield output by using a particular process of production. However, which particular production process (out of a number of alternatives) will be chosen by the firm depends on the prices of inputs and output that are bought and sold in the market. An isoquant gives a constant level of output for alternative combinations of L and K. Therefore, a production function, being a technical one, presents physical combinations only. To an economist, however, production function is something more. A production activity shows costs for using inputs and revenues for output sold. Since the production function is given in the form of a table showing physical combinations of various inputs to obtain some units of output, it is not strictly within the domain of Economics. Economists are concerned not with the physical combinations but with the costs, revenue, output behaviour in respect to changes in inputs used, etc. Whenever there is a change in input in a production process, output changes. As a consequence various laws governing output have been obtained. The form of a production function of an establishment gets determined by the nature of technology whose size, naturally, depends on the time span. This implies that a short run production function is not the same thing as the long run production function. We shall, therefore, consider the short run and the long run production functions separately.

56 NSOU • PGCO - II 3.2.1 Fixed Proportion Production Function Fixed proportion production function can be expressed as  $Q = \min\left\{\frac{x_1}{a_1}, \frac{x_2}{a_2}\right\}$ . This implies that the amount of output that can be produced equals the minimum of the ratios, namely  $\frac{x_1}{a_1}$  and  $\frac{x_2}{a_2}$ . However, if  $\frac{x_1}{a_1} = \frac{x_2}{a_2}$ , both inputs, namely  $x_1$  and  $x_2$  will be fully utilised. But if  $\frac{x_1}{a_1} \neq \frac{x_2}{a_2}$  one input will be fully utilised while some amount of the other will be redundant. We assume that the two inputs are always employed in a fixed proportion. In such a case there is only one ratio in which the two factors, namely  $x_1$  and  $x_2$  can be employed. We assume that  $x_1 : x_2 = a_1 : a_2$ , where  $a_1$  and  $a_2$  are constants. That means  $\frac{x_1}{a_1} = \frac{x_2}{a_2}$  whence  $x_2 = \frac{a_2}{a_1} x_1$ . In the following Fig. 3.1 all points on the line OA satisfy the relation  $x_1 : x_2 = a_1 : a_2$ . Naturally, in this case there is only one process of production available to the producer; there is no substitution between the two factors in the production process. By a process of production is meant a ratio in which the two inputs get used. Let us consider a production function  $Q = f(x_1, x_2)$ ,  $x_1$  and  $x_2$  are two inputs used for production. Herein comes the concept of an isoquant or a production indifference curve or an equal product curve which

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is the locus of various combinations of  $x_1$  and  $x_2$  that produce the same level of output

Q. Assuming strict complementarity between the inputs, i.e., no substitutability of factors of production, that is, factors of production are to be employed in a fixed proportion, the isoquants will be L-shaped as shown in figure 3.1 Fig : 3.1 : L-shaped iso-quants Input-output iso-quants or Leontief type iso-quants

NSOU • PGCO - II 57 In figure 3.1 "MAN" is the isoquant for the output level  $Q_1$ . For higher level of output we shall get a higher isoquant that lies to the right of the initial isoquant.  $M_1A_1N_1$  is another such isoquant. Obviously, only the points A or  $A_1$  are efficient points of production in the sense that at these points both factors of production are fully utilised. Any rational entrepreneur will always use the level of inputs given by the points A,  $A_1$  etc. Besides, only on these points total cost of producing a given level of output will be minimum. That means, in the long run all inputs are variable. In spite of such a difference between short run and long run, the actual length of time, that is, whether short run or long run, does not refer to any calendar time as it varies from a firm to another firm or from one industry to another industry. In consequence of the above differences between short run and long run we get

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two types of production function : (a) Short run production function and (b) long run production function.

A short run production function assumes capital to be fixed while labour to be variable. So the short run production function takes the form  $P = f(L, K)$ . Here labour or L is a variable input while capital or K is assumed to be fixed. In the short run production is subject to the law of variable proportions whereas production in the long run

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is subject to the law of returns to scale. 3.3 The Law of

Variable Proportions or the Law of Diminishing Returns

to Factors As told above, a firm, in the short run, increases output only by varying variable inputs. So the firm's production function becomes  $P = f(L, K)$ , K - being fixed. For various values of L, we get different values of output, Q. The total product curve of labour expresses the relation between L and K. From this we also get the idea of average product (AP) and marginal product (MP). A firm, in the short run, goes on increasing its level of production by making changes in input-mix. Here we are interested in learning the returns to a variable input. Changes made in the input-mix and their impact on output have been studied under an empirical and celebrated law in Economics, that is, the law of variable proportions or the law of non- proportional returns or the law of diminishing returns to factors.

58 NSOU • PGCO - II 3.4.1 Statement of The Law The law states that under a given state of technology if the quantity of one factor of production, say, labour is increased by equal increments while the quantity of the other factor of production, say, capital, remains fixed, the consequent increment of total product will, eventually, decline (that is, total product will first increase but decrease after some point). This law has also been known as the law of eventually diminishing returns to factors. More explicitly, the law states that if we go on increasing more and more of a variable input (say, labour), the amount of other inputs, say, capital being held fixed, the returns to the variable input will become non-proportional : initially, it will show increasing returns, then constant returns for a while and eventually diminishing returns. In brief, as additional units of a variable input are added to a given amount of fixed input, the average and marginal products of the variable input will, eventually, come to decline. Let us clarify the meanings of TP, AP and MP. TP : Various values of a variable input, given a specified amount of the fixed input, will give us various values of output. Total output is usually called the total product (TP). A typical TP curve shows that initially it increases slowly, then more rapidly and thereafter more slowly again until it finally reaches a maximum level and then begins to decline. AP :

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The average product (AP) of an input is the total

product per unit of the variable input which is needed to produce this output. It is obtained by dividing total product by total units of the input. In symbols, the average product of labour (L) input will be :  $AP_L = \frac{TP}{L}$ . The AP curve rises initially, reaches a maximum and thereafter declines. MP : The marginal product (MP) is the change in total product resulting from a change in the use of the variable inputs. In symbols,  $MP_L = \frac{\Delta TP}{\Delta L}$  = change in total product resulting from the change in labour. This may also be defined as  $MP_L = \frac{\Delta TP}{\Delta L} = \frac{TP_n - TP_{n-1}}{n - (n-1)}$ .

NSOU • PGCO - II 59 That means, MP is the difference in total product of n units and that of (n – 1) units. Like AP, MP initially rises, reaches a peak and thereafter, declines. However, MP can be zero and negative if the MP curve touches and cuts the horizontal axis, respectively. Therefore, the returns to the variable input are non-proportional. Initially, we obtain increasing stage where TP, AP and MP are on the rise. Then we have the diminishing stage where TP increases at a slower rate and both AP and MP decline. Finally, we have a negative stage when TP decreases and MP becomes negative. 3.4.2 Graphical Presentation of the Law The above-stated law can, neatly, be presented in the following diagram (Fig. 3.2), measuring the variable input, labour, along the horizontal axis (assuming the amount of capital used is fixed) while total product (TP), average product (AP) and marginal product (MP) have been measured along the vertical axis. Fig. 3.2: Law of Variable Proportions Let us concentrate our attention first on the TP curve. Since labour is increased relative to the fixed inputs, the TP curve rises very rapidly, reaching its maximum slope at point F, the point of inflection. Upto the point of inflection, TP rises at an increasing rate. TP starts declining after the point of inflection has been reached. MP is the slope Labour Production

60 NSOU • PGCO - II of TP. Therefore, the maximum slope of TP (i.e., point F) must correspond to the maximum on MP (that is, point R). Once the employment of labour exceeds OL amount, TP increases at a diminishing rate, that is, its slope diminishes. When OM unit of labour is employed, AP becomes maximum. Since tangency of the dotted ray to the TP curve at point A defines the condition for highest AP, point S, thus, lies directly below point A. Beyond OM, TP continues to rise, though, at a diminishing rate and reaches maximum at point K. Here the slope of TP becomes zero and hence, MP becomes zero (corresponding to ON volume of labour employed). Beyond ON, if labour is employed, TP will decline and MP will become negative. Let us now explain the relations among TP, AP and MP in the above-mentioned three stages of production. Stage I is known as the stage of increasing returns where TP increases at an increasing rate and hence, AP and MP rise. This is the stage of increasing returns as in this stage AP of labour rises throughout. However, in this stage MP increases though declines after OL amount of labour gets employed. Throughout this stage, however, MP exceeds AP. Stage II is called diminishing stage since here both AP and MP decline, though positive. However, this is the most crucial stage as far as decision to produce is considered. Stage III is known as the stage of negative returns where TP declines and MP becomes negative. Let us now find out the relationship between AP and MP in the three stages of production : If  $MP < AP$ , AP will rise as labour increases. If  $MP > AP$ , AP will decline as labour increases. If  $MP = AP$ , then AP will be maximum. In stage I,  $MP > 0$  and AP is rising. Thus  $MP > AP$ . This is the increasing stage. In stage II,  $MP > 0$  but AP is falling. Thus  $MP > AP$  but TP is increasing because  $MP > 0$ , this is the diminishing stage. In stage III,  $MP < 0$  and TP is falling, this is the negative stage.

NSOU • PGCO - II 61 From the above analysis we are now interested in answering a question : Out of the three stages, where will the firm produce? Evidently, no rational profit-making firm would produce either in stage I or in stage III. A rational producer will always like to produce only in the second stage where both AP and MP of the variable input (that is, labour) as well as AP and MP of fixed inputs are positive. 3.5 Long Run Production Function Returns to Scale Now we are interested in studying the effect of changes in output when all factors of production in a particular production function are changed together. That means we intend to

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study the behaviour of output in response to a change in the scale.

A change in the scale means that all factors of production are increased or decreased in the same proportion. Changes in scale are different from changes in factor proportions. RELATION BETWEEN AVERAGE PRODUCT (AP) AND MARGINAL PRODUCT (MP) There is a unique relation between AP and MP and it is true for all "average" and "marginal" productivity conditions. This relation

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is as follows : (a) When AP is rising,  $MP < AP$ . (b) When AP is maximum,  $MP = AP$ .

and (c) When AP is falling,  $MP > AP$ . The above relation may be established in the following manner : We have  $AP = \frac{Q}{L}$ . Differentiating  $AP$  partially with respect to  $L$ , we get  $L \frac{\partial}{\partial L} \left( \frac{Q}{L} \right) = \frac{L \frac{\partial Q}{\partial L} - Q}{L^2} = \frac{MP - AP}{L}$ . or,  $L \frac{\partial}{\partial L} (AP) = MP - AP$ . or,  $L \frac{\partial}{\partial L} (AP) = 0$  when  $MP = AP$ . . . .  $L \frac{\partial}{\partial L} (AP) > 0$  when  $MP > AP$ ; Finally,  $L \frac{\partial}{\partial L} (AP) < 0$  when  $MP < AP$ . . . .  $L \frac{\partial}{\partial L} (AP) = 0$  when  $MP = AP$ ; Finally,  $L \frac{\partial}{\partial L} (AP) > 0$  when  $MP > AP$ . . . .  $L \frac{\partial}{\partial L} (AP) < 0$  when  $MP < AP$ . It is an empirically observed feature that all inputs have positive but diminishing marginal products. If  $L$  and  $K$  are the only factors of production  $MP_L > 0$  and  $MP_K > 0$ . Thus for any factor, initially, MP is positive. Then a situation arises when MP is zero and further on it falls as more of the factor is employed in production. Changes in output as a result of the variation in factor proportions form the subject matter of the law of variable proportions, whereas

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the study of changes in output as a consequence of changes in scale forms the subject matter of returns to scale. The

study of changes in output following a change in the scale of production results in a "law of returns to scale", "which has, obviously, to be distinguished from the law of returns to a variable input." A firm can, obviously, change its scale of operation only if a sufficiently long time is allowed. Therefore, the "law of returns to scale" forms the subject matter of long run production function. If all inputs are increased by the same proportion, thereby keeping factor proportions unaltered, there occurs an increase in scale. The percentage increase in output due to one percent increase in all inputs determines the returns to scale. Let the one-output- two-variable input production function be given by  $Q = f(L, K)$ ...(a) If, now, these inputs are exactly doubled, output may be doubled. In this case the returns to scale are said to be constant. Thus  $2Q = f(2L, 2K)$ ...(b) However, if doubling or trebling of inputs causes output to increase by more than that, then there will be increasing returns to scale. Finally, returns to scale will be said to be decreasing, when doubling of inputs results in turning out an output less than that. As we increase the scale of production initially the increase in output becomes subject to increasing returns, then constant returns and ultimately diminishing returns to scale. At the beginning, if we increase all inputs by one percentage point, output will increase by more than one percent. Here we have the stage of increasing returns to scale (IRS). Next, if the

NSOU • PGCO - II 63 rate of increase in output remains constant following a one percent increase in input then we have the stage of constant returns to scale (CRS). Ultimately, the firm experiences diminishing returns to scale (DRS) as the scale of production rises. It is to be noted that what is called CRS in economic theory, in Mathematics we call it linear homogeneous production function or homogeneous production function of degree one. This at once suggests that "linearly homogeneous" and "constant returns to scale" are two interchangeable terms. For an easy understanding of the relation between stages of returns to scale and change in output we have used the following figure Fig. 3.3 Stages of Returns to Scale

3.6 Isoquant or Isoproduct Curve : Two-Variable Inputs We have so far concentrated our attention on only one variable input, namely labour. We say, now, that to produce a commodity we are in need of two inputs (that is, two- variable inputs). Moreover, we assume that these two inputs are substitutable throughout the production process. We can represent these two substitutable input production function in a diagram and get a curve called isoproduct curve or equal product curve or production indifference curve or an isoquant, which is similar to an indifference curve in the theory of consumer behaviour (made quite popular by Nobel Laureate Economist Professor J. R. Hicks 64 NSOU • PGCO - II and R. G. D. Allen). We may mention here that modern economists analyse the theory of production in terms of an isoquant. Let our production function be :  $P = f(L, K)$ . We assume that this production function is continuous and differentiable. Besides, the two factors are substitutable : we can employ more of one factor and less of the other to get the same amount of output. The various combinations of L and K that can produce a given level of output, when plotted on a graph paper, give us an equal product curve or an isoquant [We are to note that the

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Greek word 'iso' means 'equal' or 'same']. Therefore, an isoquant is a curve along which

output is same. Supposing that the output level is constant at  $Q_0$ , the equation of the isoquant will be given by  $Q_0 = f(L, K)$ ,  $Q_0$  being the fixed amount of output to be produced. For one possible level of output we get one isoquant. A higher level of output is indicated by a higher isoquant while a lower output level is indicated by a lower isoquant. This is a smooth isoquant which assumes continuous substitutability between labour and capital. In figure 3.4 capital has been measured along the vertical axis while labour is measured along the horizontal axis. We have drawn an isoproduct curve represented by a curve  $IQ_{100}$ . Point A, for example, on  $IQ_{100}$  represents just one possible combination of labour and capital that can be utilized for producing 100 units of output. Point B is another possible combination of labour and capital to produce the same level of output. However, at point B, more labour and less capital have been used. Points C, D and E have similar meanings. By joining these points by a continuous curve we get an isoquant. It is to be remembered that each and every point on an isoquant represents the same level of output. Therefore, an isoquant represents various combinations of two inputs, namely labour and capital that yield the same level of output. Fig. 3.4 : Isoquant

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An isoquant is a contour line showing different combinations of inputs that are physically capable of producing a given amount of output.

A family of isoquant is called an isoquant map. Higher-order isoquant represents higher level of output. By utilising more labour and more capital, a firm can produce larger output. For example, I Q 150 lies above I Q 100. An isoquant is analogous to an "indifference curve" having two points of distinction : (a) An indifference curve is made of two consumer goods whereas an isoquant is constructed by using two producer goods, namely labour (L) and capital (K) and (b) an indifference curve measures "Utility" not measurable, while an isoquant measures "output" which is always measurable.

3.6.1 Properties of an Isoquant Like an indifference curve in the theory of consumer behaviour, an isoquant has the following properties : (i) An isoquant normally slopes downward from left to right. Or, an isoquant has a negative slope. (ii) Isoquants are convex to the origin. (iii) No two isoquants have a common point. That means, isoquants cannot intersect or be tangent to each other. (iv) Higher isoquants represent higher level of output. Let us prove these properties in the simple possible manner : An isoquant is negatively sloped : If we move along an isoquant the amount of one input should increase while that of another must decrease. If both labour and capital yield positive marginal products, then increasing the number of labour while holding the number of capital constant, will enhance output. Therefore, if we want to maintain a constant amount of output when the quantity of labour (or capital) gets increased, the amount of capital (or labour) must decrease. This naturally implies a negatively sloped isoquant. An isoquant is convex to the origin : In course of our analysis of isoquant we assume that the two inputs which are needed for producing a given level of output are substitutes, of course, not perfect substitutes. Therefore, by virtue of the assumption of the diminishing "marginal rate of technical substitution between labour and capital" (MRTS K for L/MRTS L for K) an isoquant is convex to the origin.

66 NSOU • PGCO - II No two isoquants have a common point : Proof : If two isoquants intersect or touch each other, we will encounter an absurd result. In Fig 3.5 we have drawn two intersecting isoquants that have cut each other at point C. In such a case we shall show that this will lead to an absurd result. In the diagram (Fig. 3.5), points C and A lie on IQ 1 . As points C and A lie on IQ 1 , we can produce the same amount of output at both these points. In the same way we can produce the same amount of output at both points C and B. Thus, along points C and A we have  $OK_1$  amount of capital +  $OL_1$  amount of labour =  $OK_2$  amount of capital +  $OL_2$  amount of labour. Similarly,  $OK_1$  amount of capital +  $OL_1$  amount of labour =  $OK_2$  amount of capital +  $OL_3$  amount of labour. Equating the R.H.S. of the above two expressions, we get  $OL_2$  amount of labour =  $OL_3$  amount of labour. However, this is impossible. Hence we can say that two isoquants can not intersect each other.

3.6.2 Isocost Line Another important concept in the theory of production is Isocost line or equal cost line which represents the prices of two factors of production, namely labour and capital. Naturally, the cost of production is the sum of all costs on purchasing inputs (here labour and capital) required to produce some amount of output. Such cost information can be obtained from the isocost line similar to the budget line discussed in the context of demand analysis. An isocost line expresses different combinations of two inputs, namely labour and capital that can be purchased from a given amount of money. We assume that a typical firm uses two inputs, namely labour (L) and capital (K) whose respective prices are wage (W) and rate of interest (r). If 'C' represents the total cost of production for employing various units of L and K, then the equation of the isocost line will be  $C = W.L. + r.K$ . Fig. 3.5 : Labour

NSOU • PGCO - II 67 We suppose that the firm decides to purchase input K only. Then  $C - W.L. = r.K$  so that  $K = \frac{C - W.L.}{r}$ . From the above expression we note that with given amount of money at the disposal of the firm,  $\frac{C}{r}$  will be the maximum amount of capital that can be bought and utilised by the firm. This means that

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$\frac{C}{r}$  is the ordinate intercept of the isocost line. Also,  $\frac{C}{W}$  is



the slope of the line or price-ratio of the two inputs and this slope is negative. In the same way if the entire amount is spent on purchasing labour only, then the firm can purchase maximum amount of labour, i.e.,  $C/W$ . Solving for L we get  $L = C/r$ . Measuring labour on the horizontal axis we note that  $C/W$  will indicate the horizontal intercept. Measuring all the necessary information on a graph paper we get the isocost line AB shown in the annexed figure 3.6. In terms of the isocost line AB, point B is nothing but  $C/W$ , that is, the horizontal intercept. In the same way, point A is nothing but  $C/r$ , that is, the vertical intercept. A firm, however, goes on purchasing both the inputs, namely labour and capital. However, between points A and B, there are many purchasable combinations of capital and labour. If all these purchasable combinations of inputs are joined together, we will get the isocost line, AB. Therefore, an isocost line represents alternative combinations of capital and labour that may be collected with a given money expenditure. An increase in monetary expenditure will cause the isocost line to shift to the upward direction. However, there will be an inward shift of the isocost line if there is a decline in monetary outlay. Fig. 3.6 : ISO Cost Line Labour Capital

68 NSOU • PGCO - II The slope of the isocost line is  $-OA/OB = C/r - W = -W/r$ . In fine, we may say that if there is a parallel shift of the isocost line following a change in total expenditure, the slope of the equal cost line will remain the same. But, a change in the relative input prices will lead to a change in the slope of this line.

3.7 Equilibrium of a firm : Least-Cost Combination of Inputs Now, we are interested in studying the optimal combination of two inputs to be used by the firm. To put it in another way : how should a firm choose the correct or optimal combination of the two inputs? We know that the primary objective of a firm is

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to maximise profit which is the difference between total revenue (TR) and total cost (TC).

Since revenue is reaped through markets, it is better not to talk about that at this moment. So we are to think of how through total cost, profit can be maximized. One possible way is to make the total cost as minimum as possible. There are two alternative ways to perform this job : (a) The firm can maximise output subject to a given cost or (b) The firm can minimise cost subject to a given output. It is to be remembered here that a firm cannot achieve the situation of maximum output and minimum cost simultaneously. Maximum output can be attained only at a given cost or, minimisation of cost situation will emerge at a given output level. So we are to consider both these two situations separately. Situation 1 : Output maximisation subject to a cost constraint. Let us suppose that the firm decides on a given cost level  $C_0$ . With this cost, the firm can purchase various combinations of the said two factors of production. As told earlier, all these combinations will lie on the iso-cost line,  $C_0$ . The objective of the firm is to maximise the level of output while remaining on this given iso-cost line. Fig 3.7. has demonstrated this picture. We assume that the firm remains on the iso-cost line AB. Naturally, the firm can purchase any combination of the two inputs labour and capital lying on the line AB, because all of them are equally expensive. However, by moving from P 2 to P 1 the firm can increase the level of output as P 1 is on a higher isoquant compared to P 2. In the same way, by moving from P 1 to P, the firm will be able to enhance the level of output further. We see that P is the point of tangency between an isoquant and the iso-cost line. Further, at P the highest possible level of output can be achieved. We are to note that the movement from NSOU • PGCO - II 69 P to P 3 is not, at all economic as we move from a higher isoquant to a lower one. As a rational producer the basic objective of the firm is to maximise output subject to the cost constraint. Geometrically, this means that the firm tries to attain the highest possible isoquant while remaining on the given iso-cost line. This can be achieved when one of the isoquants (here  $q_2$ ) becomes tangent to the given iso-cost line. The necessary condition for the maximisation of output is that the iso-cost line must be tangent to one of the isoquants. That is, the slope of the isoquant must equal the slope of the iso-cost line. We have already seen that

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the slope of the isocost line is  $-W/r$ . The slope of the isoquant equals the negative of the

ratio of marginal productivities, i.e.,  $1/2 \cdot q/x \cdot q/x \cdot \partial \partial - \partial \partial$ . Hence, the necessary condition for maximisation of output subject to a cost constraint is :  $1/2 \cdot q/x \cdot q/x \cdot \partial \partial - \partial \partial = W/r$ . That is,  $MRTS_{KL} = L/K \cdot MP_{MP} = W/r$ . That is,

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**W**

the ratio of marginal productivities of two factors of production must equal the ratio of factor prices.

This condition is known as the necessary condition or, mathematically, the first order condition. The above condition can also be written as  $\frac{1}{q} \times \frac{W}{\partial \theta} = \frac{2}{q} \times \frac{r}{\partial \theta}$ . Fig. 3.7 Labour Capital

70 NSOU • PGCO - II Here,  $\frac{1}{q} \times \frac{W}{\partial \theta}$  is the amount of output that can be obtained by spending one unit of money in purchasing the factor L. In the same way,  $\frac{2}{q} \times \frac{r}{\partial \theta}$  is the amount of output that can be obtained by spending one unit of money in purchasing the factor K. As they are equal, we may say that the firm gets the same amount of output by spending one unit of money either on L or on K. Besides, there is another condition known as the sufficient condition or, mathematically, the second order condition which, in plain language, means

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that the isoquant must be convex to the origin at the point of equilibrium.

This condition is, again, fulfilled at point P in diagram 3.7. Situation 2 : Cost minimisation subject to an output constraint : An alternative to maximising output for a given cost constraint is minimisation of cost subject to a stipulated level of output, say  $q_0$ . Under this least cost combination condition, a firm faces more than one isocost line and only one isoquant to represent the stipulated volume of output,  $q_0$ . We know that the same level of output can be produced by various combinations of the said two factors of production. The locus of all such combinations is an isoquant representing the output level  $q_0$ . As per the objective of the firm, the firm will, always, remain on this isoquant. The problem of the firm is to select a point on this isoquant which is least costly. This problem can be explained and solved with the help of the figure 3.8. Under this least cost combination condition, the firm faces more than one iso-cost line and only one isoquant  $q_0$  to represent the stipulated volume of output. From the diagram it is clear that the firm can produce  $q_0$  amount of output staying at any point such as P 2, P 1, P 3 and P 4 each lying on the isoquant. However, the cost level at P 1 is less than that at P 2. Here P is the point on the lowest possible iso-cost line. When we move from P 2 to P 1 we substitute labour for capital, such a substitution is profitable as total cost gets reduced as a result of this substitution. However, once we reach the point P no further substitution is profitable since total cost increases as we move to the right of P. Therefore, only at point P, the cost of producing the output level  $q_0$  is minimum.

NSOU • PGCO - II 71 Geometrically, the principle of cost minimisation requires that the firm under consideration tries to reach the lowest possible iso-cost line while remaining on the given isoquant. For this the necessary condition is that the isoquant will be tangent to one of the iso-cost lines. That means, when the slope of the iso-quant and that of the iso-cost line are identical, that is,  $\frac{q}{L} \frac{\partial \theta}{\partial \theta} = \frac{W}{r}$ . That is, the ratio of marginal productivities = Ratio of factor prices. In addition to the fulfilment of the necessary or first order condition for equilibrium, we need another condition known as the sufficient condition or the second order condition which states that the isoquant must be convex to the origin. Thus point P is the equilibrium point. 3.8 Expansion Path A highly relevant concept in the theory of production is the "expansion path" which is defined to be the locus of all input combinations for which the marginal rate of technical substitution equals the factor price ratio. If there are two factors of production and if their prices are constants, we will get a number of parallel iso-cost lines. Each of these iso-cost lines will be tangent to one of the isoquants. The locus of all these points of tangency between isoquants and parallel iso-cost lines is the expansion path of the firm concerned. Needless to say, the points on the expansion path are the most efficient combinations of the two factors of production needed for producing a commodity. The Fig. 3.8 Capital Labour

72 NSOU • PGCO - II expansion path is also known as the scale-line because it shows how an entrepreneur will change the quantities of the two factors when it goes on increasing the level of output. Since an expansion path represents the minimum cost combinations for various levels of output, it shows the cheapest way of producing each level of output, given the relative prices of the two factors. Along an expansion path, the cost of production increases, though the input prices remain the same. Thus there will be an output effect along an expansion path. The expansion path will be upward rising if both factors of production are non-inferior. A firm desirous of producing more output will employ more of both the factors. The first order condition of cost minimisation gives the equation of the expansion path which is  $L K MP MP = L K P P$  or,  $1 2 f f = W r$ . For expanding its level of output, the firm will select only those combinations of the two inputs which lie only on the expansion path. The expansion path will be upward rising if both the factors are non-inferior. However, it may be backward bending or downward sloping after some point if one of the factors becomes inferior. It is worth mentioning that the

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expansion path of a linear homogeneous production function is a straight line through the origin.			

The Cobb-Douglas production function is a linear homogeneous production function. We shall see later that for this production function

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the expansion path is a straight line through the origin. 3.9			

Elasticity of Substitution A very important concept in connection with production function is "Elasticity of Substitution". We know that an isoquant represents a fixed amount of product for various levels of factors used in the production and its slope represents

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the marginal rate of technical substitution between the factors. The slope of the			

isoquant after a particular point (when the marginal product of the factor on the relevant axis becomes zero) becomes positive which, in turn, means that the substitution between the factors is no more possible. In other words, we may say that the slope or the curvature of the isoquant reflects the complementarity and substitutability between the two factors of production. Every firm is interested in knowing the extent of substitutability between the factors of production in order to maximise output or minimise cost looking at the prices which the factors demand in the market. The measure of substitution between the factors is known as the NSOU • PGCO - II 73 elasticity of technical substitution. This is a pure number and it measures the extent to which the substitution between the factors can take place. Since the substitution depends mainly on the slope of the isoquant (or RTS),

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elasticity of substitution is defined as the proportionate change in the ratio between the factors due to the proportional change in			

RTS. Thus elasticity of substitution,  $\sigma$ , is defined as Symbolically, elasticity of substitution between the two factors, say, labour (L) and capital (K) will be  $\sigma = \frac{L}{K} \frac{d \log L}{d \log \frac{L}{K}} = \frac{L}{K} \frac{d \log L}{d \log L - d \log K} = \frac{L}{K} \frac{1}{1 - \frac{d \log L}{d \log K}}$ . The followings are the uses of the elasticity of substitution : 1. The magnitude of  $\sigma$  is an indication of the extent with which the same amount of product can be maintained by substituting one factor for another. 2. The higher the value of  $\sigma$ , the higher is the degree of substitutability between the factors. 3. The value of  $\sigma$  can vary between 0 and  $\infty$ . 4. As  $\sigma \rightarrow \infty$ , the shape of the isoquant tends to be flatter. 5. As  $\sigma \rightarrow 0$ , the shape of the isoquant tends to be such as makes an angle of  $90^\circ$ . 6. When  $\sigma = \infty$ , the two factors are perfect substitutes and if  $\sigma = 0$ , the two factors are incapable of substitution.

3.10 Linearly Homogeneous Production Function Production functions homogeneous of the first degree are commonly referred to as linearly (or linear) homogeneous production functions. In such a case the production function itself need not be linear at all. This may be illustrated with an example. Proportionate Change in the ratio between the factors Proportionate change in the rate of technical substitution (RTS) .

74 NSOU • PGCO - II Let  $f(x, y) = \frac{1}{3} x y^2 + \frac{2}{3} x^2 y$  and it is definitely not a linear function. But  $f(Kx, Ky) = (\frac{1}{3})(Kx)(Ky)^2 + (\frac{2}{3})(Kx)^2(Ky) = \frac{1}{3} K^3 x y^2 + \frac{2}{3} K^3 x^2 y = K^3 (\frac{1}{3} x y^2 + \frac{2}{3} x^2 y) = K^3 f(x, y)$ . This shows that the above production function is linearly homogeneous. Linearly homogeneous production functions are widely used in economic literature. They are not only mathematically simple but also possess some important properties : 1. The function obeys constant returns to scale (CRS). Thus, for any value of C,  $f(CL, CK) = C f(L, K)$  by the definition of linear homogeneity. This implies that a proportionate change in all inputs results in an equal proportionate change in output and this is what is meant by CRS. 2. The average product (of either input) depends upon the capital labour (K/L) ratio alone and is independent of the absolute amounts of inputs used. Proof : From  $Q = f(L, K)$  we may write  $Q = L f(\frac{K}{L})$  where  $f(\frac{K}{L}) = \frac{1}{L} f(L, K)$ . Now,  $AP_L = \frac{Q}{L} = f(\frac{K}{L})$ . This means that the  $AP_L$  depends only on K/L ratio. Similarly,  $AP_K = \frac{Q}{K} = \frac{L}{K} f(\frac{K}{L}) = \frac{L}{K} f(\frac{K}{L})$ , revealing that the  $AP_K$  will also depend on the K/L ratio. 3. The marginal product (of either input) is the function of capital/labour ratio only. Proof : We have seen that  $Q = L f(\frac{K}{L})$  so that  $Q = L \phi(\frac{K}{L})$ .

NSOU • PGCO - II 75 Differentiating partially  $Q = L \phi(\frac{K}{L})$  with respect to L we get  $Q_L = \phi(\frac{K}{L}) - \frac{K}{L} \phi'(\frac{K}{L})$ . Thus  $MP_L = Q_L$  will depend upon the K/L ratio. In the same way,  $MP_K = Q_K = \frac{L}{K} \phi'(\frac{K}{L})$ . Therefore,  $MP_K$  also depends upon the input ratio alone. 4. The Euler's theorem for homogeneous function holds good. This means that for this production function  $Q = L \phi(\frac{K}{L})$   $Q_L L + Q_K K = \partial Q$ . Proof :  $Q_L L + Q_K K = (\phi(\frac{K}{L}) - \frac{K}{L} \phi'(\frac{K}{L})) L + \frac{L}{K} \phi'(\frac{K}{L}) K = L \phi(\frac{K}{L}) - K \phi'(\frac{K}{L}) + L \phi'(\frac{K}{L}) = L \phi(\frac{K}{L}) = Q$ . Mathematically, Euler's theorem states that the value of a linearly homogeneous function can be shown as the sum of the terms, each of which shows the product of the value of a variable and the partial derivative of the function with respect to the same variable. Economically, the theorem states that total product is the sum of the quantities of each input multiplied by their respective marginal products. That means, if every factor is

paid according to its marginal product, total product will be fully exhausted. This is

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paid according to its marginal product, total product will be fully exhausted. This is			

also known as the product exhaustion theorem. 3.11 The Cobb-Douglas Production Function Probably the best known production function in Economics is the Cobb-Douglas production function which had been so named after the pioneering study in which Douglas fitted a function suggested by Cobb for the U. S. data. This function takes the form :  $Q = A L^\alpha K^\beta$  where Q is the amount of output produced, L and K are labour and capital inputs respectively, A is a positive constant,  $\alpha$  and  $\beta$  are positive fractions. It is a very popular function and it has the following properties : 1. The function is non-linear. However, it is log linear because with the help of logarithmic transformation it can be written as  $\log Q = \log A + \alpha \log L + \beta \log K$ . Since it is log linear, it is very simple to handle. 2. The function is very often written in the form  $Q = A L^\alpha K^{1-\alpha}$ . In this special case where  $\alpha + \beta = 1$ , the function shows CRS. Proof : From  $Q = A L^\alpha K^{1-\alpha}$ , we have

NSOU • PGCO - II 77 = A (CL) α (CK) 1-α = A C α L α C 1-α K 1-α = A C L α K 1-α = C A L α K 1-α = CQ. It is not necessary that α + β = 1 in the Cobb-Douglas production function. If the function is homogeneous of degree one, the CRS will prevail. If it is of degree less than one, decreasing returns to scale prevails. Similarly, if it is of degree greater than one, there are increasing returns to scale. 3. The function yields diminishing returns to each input. Proof : From Q = A L α K β we get MP L = Q L ∂ ∂ = A α L α-1 K β . Also, ∂ ∂ Q L ∂ ∂ = A α (α - 1) L α-2 K β < 0. Since α is a positive fraction, (α - 1) is negative. This means that the rate of change in the marginal product of input L is negative, implying that MP L declines. Similarly, MP K = Q K ∂ ∂ = β A L α K β-1 = A β L α K β-1 . Also, ∂ ∂ Q K ∂ ∂ = A β L α (β - 1) K β-2 < 0. This suggests that MP K also declines. 4. α and β show the output elasticity of inputs L and K respectively. Proof : The output

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elasticity of an input is defined as the ratio of the proportionate change in the output resulting from the proportionate change in the

input.

78 NSOU • PGCO - II Thus, e Q, L = Q L Q L ∂ ∂ = L Q L Q ∂ ∂ × ∂ = L Q L · Q ∂ ∂ = α A L α-1 K β × L A L K α β = α. In the same way, e Q, K = Q K Q K ∂ ∂ = Q K · K Q ∂ ∂ = β A L α K β-1 × K A L K α β = β. 5. α and β show the relative distributive shares of inputs L and K respectively. Proof : The relative distributive share of input L is given by L L MP Q × = Q L Q L ∂ ∂ × ∂ = L A L K A L K α-1 β α β = α . Therefore, the relative distributive share of input L is α. Similarly, the relative distributive share of input K is β. Since K MP K Q × = K A L K A L K α β-1 α β β = β . 6. Labour and capital are essential factors of production, that is, if either input is zero, output will also be zero. 7. The expansion path of the Cobb-Douglas production function is linear and it passes through the origin. Proof : The Cobb-Douglas production function is Q = A L α K β . Thus, log Q = log A + α log L + β log K. Differentiating, partially, with respect to L and K we get

NSOU • PGCO - II 79 1 P · P L ∂ ∂ = L α and 1 P P K ∂ ∂ = β K . Now, MP L = P L ∂ ∂ = α P L and MP K = P K ∂ ∂ = β P K . The first order condition for the optimization requires that L K MP MP = L K P P . That is, P L P K α β = L K P P That is, K · L α β = L K P P . That is, α K P K = β L P L . That is, α K P K - β L P L = 0. That means, the expansion path generated by the Cobb-Douglas production function is linear and it passes through the origin. 8. For this production function the elasticity of substitution is unity. Proof : We know that the elasticity of substitution is σ = Percentage change in factor quantity ratio / Percentage change in marginal productivity ratio . = L K K d log L MP d log MP ( ) | ( ) ( ) | ( ) = L K L K MP K d d MP L K MP L MP ( ) | ( ) ( ) | ( )

80 NSOU • PGCO - II For this production function L K MP MP = 1 1 A L K A L K α- β α β- α β = K · L α β . Thus, L K MP d MP ( ) | ( ) = K d L α ( ) | | β ( ) . Hence, σ = K K d d L L K K · L L α ( ) ( ) | | | β ( ) ( ) α β = K K d L L · K K d L L α ( ) ( ) | | | β ( ) ( ) α ( ) | | β ( ) = 1. This also means that if the production function is linear and homogeneous then the elasticity of substitution between the factors (say, labour and capital) will be one. 9. The Cobb-Douglas production function gives an example which exhibits constant returns to scale but at the same time there are diminishing returns to each factor of production.

3.11.1 Limitations of The Cobb-Douglas Production Function Although the Cobb-Douglas production function has a wide use and scope in the field of Economics and its use is constantly increasing in different sectors of agriculture and manufacturing industry, it has been criticized by different economists. The main critics of this function are K. J. Arrow, H. B. Chenery, B. S. Minhas and R. M. Solow. The followings are the main criticisms : 1. The main drawback of this production function is that it contains only two inputs i.e., Labour and capital. But, in reality, other factors are equally important in the production techniques. So this function is inapplicable for multiple inputs. 2. The production function operates under constant returns to scale. The law of increasing

NSOU • PGCO - II 81 and decreasing returns to scale are also operating in the production process. However, this function is not applicable in these situations. 3. The function assumes that technological knowledge remains constant or there is no technological change in the production process. But the production scale can also change with the change in technology. Thus stagnant technology assumption of the function is unrealistic. 4. This function assumes that all inputs are homogeneous. In fact, all units of a factor are not equally efficient. For example, in the labour population some labourers are efficient while others may not be. 5. In the function, the parameters  $\alpha$  and  $\beta$  represent the shares of labour and capital in total production respectively. It is only true when there is perfect competition in the market. But if there is imperfect competition or monopoly in the economy, the above relationship does not hold good. 6. The function does not give any information regarding inter-connection or relations between the production factors, thus it ignores the possibility of the negative marginal productivity of a factor. 7. Since it has considered only the positive marginal productivity of factors, it ignores the possibility of the negative marginal productivity of a factor.

3.12 The Constant Elasticity of Substitution Production Function [CES Production Function] A more general type of production function having constant elasticity of substitution (not necessarily equal to one) is the CES production function having the form  $q = A[\alpha x_1^{-\rho} + (1 - \alpha)x_2^{-\rho}]^{-1/\rho}$ , where  $A > 0$ ,  $\alpha > 0$ ,  $\rho > -1$ ,  $\rho$  is the parameter. From this production function we can find out the marginal productivity of two inputs  $x_1$  and  $x_2$ . Marginal productivity of  $x_1$ ,

$$MP_{x_1} = \frac{\partial q}{\partial x_1} = \frac{1}{\rho} A \alpha^{-\rho} x_1^{-\rho-1} [\alpha x_1^{-\rho} + (1-\alpha)x_2^{-\rho}]^{-1/\rho-1} = \frac{1}{\rho} A \alpha^{-\rho} x_1^{-\rho-1} q^{-\rho} [\alpha x_1^{-\rho} + (1-\alpha)x_2^{-\rho}]^{-1/\rho-1} \dots (1)$$

Again, the marginal product of input  $x_2$  is  $MP_{x_2} = \frac{\partial q}{\partial x_2} = \frac{1}{\rho} A (1-\alpha)^{-\rho} x_2^{-\rho-1} [\alpha x_1^{-\rho} + (1-\alpha)x_2^{-\rho}]^{-1/\rho-1} = \frac{1}{\rho} A (1-\alpha)^{-\rho} x_2^{-\rho-1} q^{-\rho} [\alpha x_1^{-\rho} + (1-\alpha)x_2^{-\rho}]^{-1/\rho-1} \dots (2)$

NSOU • PGCO - II 83 =  $\frac{1}{\rho} A \alpha^{-\rho} x_1^{-\rho-1} [\alpha x_1^{-\rho} + (1-\alpha)x_2^{-\rho}]^{-1/\rho-1} = \frac{1}{\rho} A \alpha^{-\rho} x_1^{-\rho-1} q^{-\rho} [\alpha x_1^{-\rho} + (1-\alpha)x_2^{-\rho}]^{-1/\rho-1} = \frac{1}{\rho} A \alpha^{-\rho} x_1^{-\rho-1} q^{-\rho} [\alpha x_1^{-\rho} + (1-\alpha)x_2^{-\rho}]^{-1/\rho-1} \dots (1)$

84 NSOU • PGCO - II That is,  $\sigma + \rho\sigma = 1$ . That is,  $\rho\sigma = 1 - \sigma$  whence  $\rho = \frac{1-\sigma}{\sigma}$ . This reveals that the parameter  $\rho$  of the CES production function is closely related with the elasticity of substitution. For the CES production function  $RTS = \frac{MP_{x_2}}{MP_{x_1}} = \frac{(1-\alpha)^{-\rho} x_2^{-\rho-1}}{\alpha^{-\rho} x_1^{-\rho-1}} = \frac{(1-\alpha)^{-\rho} x_2^{-\rho-1}}{\alpha^{-\rho} x_1^{-\rho-1}} \dots (1)$  and  $RTS$  will be decreasing if  $\rho < -1$ . Again, when  $\rho > -1$ ,  $\sigma > 0$ . The isoquants generated from the CES production function will be downward sloping and convex. However, the particular shape will depend upon the value of  $\rho$ .

3.12.1 Few Limiting Cases of this Production Function Some limiting cases of the above production function can now easily be pointed out : 1. If  $\sigma \rightarrow 1$  and  $\rho \rightarrow 0$  the CES production function is reduced to the Cobb-Douglas production function. 2. However, as  $\rho \rightarrow \infty$ ,  $\sigma \rightarrow 0$ ; the  $RTS$  approaches zero if  $x_1 < x_2$  or approaches  $\infty$  if  $x_1 > x_2$ . In such a case no substitution is possible and the isoquants become L-shaped. Such a case happens with a production function having fixed coefficients. 3. If  $\sigma < 1$ , that is if  $-1 < \rho < 0$  the isoquants will be convex to the origin and will cut both the axes. On the other hand, if  $\sigma > 1$ , that is, if  $\rho < -1$ , the isoquants are convex to the origin. However, in this case instead of cutting the two axes the isoquants will be asymptotic to both the axes. 4. If  $\sigma = 1$ , that is, if  $\rho = 0$ , the isoquants become straight lines and inputs are perfect substitutes of each other. 5. All these results show that the CES production function is a completely general type of production function from which isoquants of different shapes can be derived as special cases.

3.12.2 Some Problems and their Solutions 1. Suppose the production function of an imaginary firm is given by  $Q = x_1 x_2 - 0.2x_1^2 - 0.8x_2^2$ . Assume  $x_2 = 10$ , determine the equations of the AP curve and of the MP curve

NSOU • PGCO - II 85 of  $x_1$ . Find at what values of  $x_1$  will AP and MP be zero. Solution : Putting the value of  $x_2 = 10$ , the given production function becomes  $Q = 10x_1 - 0.2x_1^2 - 80$ . Now, AP of  $x_1 = AP_1 = \frac{1}{x_1} \frac{dQ}{dx_1} = 10 - 0.4x_1$  and MP of  $x_1$  will be  $MP_1 = \frac{1}{x_1} \frac{dQ}{dx_1} = 10 - 0.4x_1$ . When  $AP_1 = 0$ ,  $10 - 0.4x_1 = 0$ . That is,  $10x_1 - 0.2x_1^2 - 80 = 0$ . That is,  $2x_1^2 - 10x_1 + 80 = 0$ . That is,  $2x_1^2 - 100x_1 + 800 = 0$ . That is,  $x_1^2 - 50x_1 + 400 = 0$ . That is,  $(x_1 - 10)(x_1 - 40) = 0$ . Thus when  $x_1 = 10$  and  $40$ ,  $AP_1$  will be zero. When  $MP_1 = 0$ ,  $10 - 0.4x_1 = 0$ . That is,  $x_1 = 10 \div 0.4 = 25$ .

2. Given the production function  $Q = 12x_1x_2$  and prices per unit of  $x_1$  and  $x_2$  Rs.2/- and Rs.4/- respectively and total cost of output Rs. 80, obtain the maximum output subject to the cost constraint. Solution : The theoretical expression of the cost function is given by  $r_1x_1 + r_2x_2 = c$ . Hence, here the equation of the cost line is  $2x_1 + 4x_2 = 80$ . That is, the slope of the isocost line is  $\frac{1}{2} \frac{r_2}{r_1} = \frac{2}{4} = \frac{1}{2}$ . From the given production function  $Q = 12x_1x_2$ , We get  $f_1 = \frac{1}{x_1} \frac{dQ}{dx_1} = 12x_2$

86 NSOU • PGCO - II Also,  $f_2 = \frac{1}{x_2} \frac{dQ}{dx_2} = 12x_1$ . That is, the slope of the isoquant is  $\frac{1}{12} \frac{f_1}{f_2} = \frac{1}{12} \frac{12x_2}{12x_1} = \frac{x_2}{x_1}$ . The necessary condition for maximisation of output is  $\frac{1}{x_1} \frac{dQ}{dx_1} = \frac{1}{x_2} \frac{dQ}{dx_2}$ . That is,  $12x_2 = 12x_1$ . For the maximisation of output the necessary condition is  $\frac{1}{x_1} \frac{dQ}{dx_1} = \frac{1}{x_2} \frac{dQ}{dx_2}$ . That is,  $2x_1 = x_2$ . Putting  $x_1 = 2x_2$  in the cost equation we get  $2(2x_2) + 4x_2 = 80$ . That is,  $x_2 = 10$  and  $x_1 = 20$ . Let us put the above values of  $x_1$  and  $x_2$  so that we get  $Q = 12 \times 20 \times 10 = 2400$  units (approx). Thus, the maximum producible output is 14 units. 3. Obtain the equation of the expansion path when the production function is of the form  $Q = 8x_1^{1/2}x_2^{1/2}$ . Solution : From the given production function

NSOU • PGCO - II 87  $Q = 8x_1^{1/2}x_2^{1/2}$  we get  $f_1 = \frac{1}{x_1} \frac{dQ}{dx_1} = 4x_1^{-1/2}x_2^{1/2}$  and  $f_2 = \frac{1}{x_2} \frac{dQ}{dx_2} = 4x_1^{1/2}x_2^{-1/2}$ . Hence,  $\frac{1}{x_1} \frac{dQ}{dx_1} = \frac{1}{x_2} \frac{dQ}{dx_2}$ . Moreover,  $\frac{1}{x_1} \frac{dQ}{dx_1} = 15$ . The equation of the expansion path is given by the relation  $\frac{1}{x_1} \frac{dQ}{dx_1} = \frac{1}{x_2} \frac{dQ}{dx_2}$ . That means,  $4x_1^{-1/2}x_2^{1/2} = 4x_1^{1/2}x_2^{-1/2}$ . That is,  $x_1 = x_2$ . That is,  $x_1 - x_2 = 0$ . Therefore, the equation of the expansion path is given by  $x_1 - x_2 = 0$ . 4. Suppose the production function is given by  $Q = 2A^{1/2}x_1^{1/2}x_2^{3/2}$ , show that the expansion path is given by  $2r_1x_1 = r_2x_2$ , where  $r_1$  and  $r_2$  are the unit prices of  $x_1$  and  $x_2$  respectively. Solution : From  $Q = 2A^{1/2}x_1^{1/2}x_2^{3/2}$ , we get

88 NSOU • PGCO - II  $f_1 = \frac{1}{x_1} \frac{dQ}{dx_1} = A^{1/2}x_1^{-1/2}x_2^{3/2}$ . Also,  $f_2 = \frac{1}{x_2} \frac{dQ}{dx_2} = 3A^{1/2}x_1^{1/2}x_2^{1/2}$ . Hence,  $\frac{1}{x_1} \frac{dQ}{dx_1} = \frac{1}{x_2} \frac{dQ}{dx_2}$ . The equation of an expansion path is given by  $\frac{1}{x_1} \frac{dQ}{dx_1} = \frac{1}{x_2} \frac{dQ}{dx_2}$ . That is,  $2r_1x_1 = r_2x_2$  or,  $r_1x_1 - r_2x_2 = 0$  Ans. 5. Assume the production function of a commodity is given as  $Q = K^2 - 3KL + 4L^2$ . Obtain the maximum amount of capital that can be employed when 7 units of labour are employed. Solution : For the employment of 7 units of labour the production function becomes  $Q = K^2 - 21K - 4 \times 49$ . Let us now find the marginal productivity of capital. That is,  $MP_K = \frac{dQ}{dK} = 2K - 21$ . The maximum amount of capital that is to be employed is equal to that unit where the marginal productivity of capital is zero. That is,  $\frac{dQ}{dK} = 0$ . That is,  $2K - 21 = 0$ . That is,  $K = \frac{21}{2} = 10.5$  units. That means, 10.5 units of capital are to be employed. 6. A short run production function is given as  $Q = 10L + 15L^2 - L^3$ ,  $Q$  is output,  $L$  is labour employed per unit of time. (i) Derive  $MP_L$  and  $AP_L$  schedules and (ii) Find the output at which  $AP_L = MP_L$ .

NSOU • PGCO - II 89 Solution : (i)  $MP_L = \frac{dQ}{dL} = 10 + 30L - 3L^2$ .  $AP_L = \frac{1}{L} \frac{dQ}{dL} = \frac{10 + 15L - L^2}{L}$ . (ii)  $AP_L = MP_L \Rightarrow \frac{10 + 15L - L^2}{L} = 10 + 30L - 3L^2$ .  $\Rightarrow 3L^2 - L^2 - 30L + 15L = 0$ .  $\Rightarrow 2L^2 - 15L = 0$ .  $\Rightarrow 2L - 15 = 0 \Rightarrow L = \frac{15}{2}$ . Thus  $Q = 10 \times \frac{15}{2} + 15 \times \left(\frac{15}{2}\right)^2 - \left(\frac{15}{2}\right)^3 = 75 + 3375 \div 4 - 3375 \div 8 = 497$  (approx) Thus the required amount of output is 497 units (approx). 7. Let the production function of a firm be given by  $Q = 8LK - L^2 - K^2$ . Find out the marginal productivity of  $L$  and  $K$ . Also show that  $Q_L \frac{dQ}{dL} + Q_K \frac{dQ}{dK} = Q$ . Solution : From  $Q = 8LK - L^2 - K^2$ , we get  $MP_L = \frac{dQ}{dL} = 8K - 2L$  and  $MP_K = \frac{dQ}{dK} = 8L - 2K$ . Now,  $Q_L \frac{dQ}{dL} + Q_K \frac{dQ}{dK} = L(8K - 2L) + K(8L - 2K) = 8LK - 2L^2 + 8KL - 2K^2 = 16LK - 2L^2 - 2K^2 = 2(8KL - L^2 - K^2) = 2Q$ . Hence proved.

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$$L \frac{dQ}{dL} + K \frac{dQ}{dK} = L(8K - 2L) + K(8L - 2K) = 8LK - 2L^2 + 8KL - 2K^2 = 16LK - 2L^2 - 2K^2 = 2(8KL - L^2 - K^2) = 2Q$$

$LK - 2L^2 - 2K^2 = 2(8KL - L^2 - K^2) = 2Q$ . Hence proved.

90 NSOU • PGCO - II 3.13 Some Numerical Examples on Elasticity of Substitution 1. Find the elasticity of substitution for the following production functions : (a)  $q = \alpha x_1 + (1 - \alpha)x_2$  and (b)  $q = 1/2 Ax x \alpha - \alpha$ . Solution : For (a)  $q = \alpha x_1 + (1 - \alpha)x_2$ . We have  $f_1 = 1/q \cdot \partial q / \partial x_1 = \alpha$  and  $f_2 = 2/q \cdot \partial q / \partial x_2 = 1 - \alpha$ . Naturally,  $f_1 f_2 = \alpha(1 - \alpha)$  so that  $\log f_1 f_2 = \log \alpha + \log(1 - \alpha)$ . That means,  $d \log f_1 f_2 = d \log \alpha + d \log(1 - \alpha) = d \log \alpha - d \alpha / (1 - \alpha)$ . For (b)  $q = 1/2 Ax x \alpha - \alpha$ , we have  $f_1 = 1/q \cdot \partial q / \partial x_1 = 1/2 Ax x \alpha - \alpha$ . Also,  $f_2 = 2/q \cdot \partial q / \partial x_2 = (1/2 A) x_1 x_2 \alpha - \alpha$ . That means,  $f_1 f_2 = (1/2 A) x_1 x_2 \alpha - \alpha$ . Hence,  $\log f_1 f_2 = \log(1/2 A) + \log x_1 + \log x_2 + \log \alpha - \alpha$ . Thus,  $d \log f_1 f_2 = d \log(1/2 A) + d \log x_1 + d \log x_2 + d \log \alpha - d \alpha$ . That is,  $d \log f_1 f_2 = d \log K + d \log x_1 + d \log x_2 + d \log \alpha - d \alpha$ . Hence,  $\sigma = 2 \cdot d \log x_1 f_1 / d \log f_1 f_2 = 2 \cdot d \log x_1 / (d \log K + d \log x_1 + d \log x_2 + d \log \alpha - d \alpha)$ . For (b)  $q = 1/2 Ax x \alpha - \alpha$ , we have  $f_1 = 1/q \cdot \partial q / \partial x_1 = 1/2 Ax x \alpha - \alpha$ . Also,  $f_2 = 2/q \cdot \partial q / \partial x_2 = (1/2 A) x_1 x_2 \alpha - \alpha$ . That means,  $f_1 f_2 = (1/2 A) x_1 x_2 \alpha - \alpha$ . Hence,  $\log f_1 f_2 = \log(1/2 A) + \log x_1 + \log x_2 + \log \alpha - \alpha$ . Thus,  $d \log f_1 f_2 = d \log(1/2 A) + d \log x_1 + d \log x_2 + d \log \alpha - d \alpha$ . That is,  $d \log f_1 f_2 = d \log K + d \log x_1 + d \log x_2 + d \log \alpha - d \alpha$ . Hence,  $\sigma = 2 \cdot d \log x_1 f_1 / d \log f_1 f_2 = 2 \cdot d \log x_1 / (d \log K + d \log x_1 + d \log x_2 + d \log \alpha - d \alpha)$ .

NSOU • PGCO - II 91 That is,  $\log 2 \cdot d \log x_1 f_1 / d \log f_1 f_2 = 2 \cdot d \log x_1 / (d \log K + d \log x_1 + d \log x_2 + d \log \alpha - d \alpha)$ . That is,  $2 \cdot d \log x_1 f_1 / d \log f_1 f_2 = 2 \cdot d \log x_1 / (d \log K + d \log x_1 + d \log x_2 + d \log \alpha - d \alpha)$ . Hence,  $\sigma = 2 \cdot d \log x_1 f_1 / d \log f_1 f_2 = 2 \cdot d \log x_1 / (d \log K + d \log x_1 + d \log x_2 + d \log \alpha - d \alpha)$ . 3.13.1 Some Problems and their Solutions 1. Examine the nature of returns to scale in case of the following production functions : (a)  $Q = 2K + 3L + KL$ , (b)  $Q = 20K^{0.6} L^{0.5}$  (c)  $Q = 100 + 2L + 3K$ , (d)  $Q = 5K^a L^b$ ,  $a + b = 1$  and (e)  $Q = K L$ . Solution : (a) For  $Q = 2K + 3L + KL$ , let us double the inputs K and L to get  $2(2K) + 3(2L) + 2K \cdot 2L = 4K + 6L + 4KL = 4K + 6L + 2KL + 2KL = 2(2K + 3L + KL) + 2KL = 2Q + 2KL < 2Q$ . This indicates that there are increasing returns to scale. (b)  $Q = 20K^{0.6} L^{0.5}$ . Doubling inputs K and L we get  $20(2K)^{0.6} (2L)^{0.5} = 20 \cdot 2^{0.6} K^{0.6} \cdot 2^{0.5} L^{0.5} = 20 \cdot 2^{1.1} K^{0.6} L^{0.5} = 20 \times 2.14 \times K^{0.6} L^{0.5} = 42.8 K^{0.6} L^{0.5} > 2Q$ . This implies that returns to scale are increasing. (c)  $Q = 100 + 2L + 3K$ . Doubling inputs we get,  $100 + 2(2L) + 3(2k) = 100 + 6k + 4L = 200 + 6k + 4L - 100 = 2Q - 100 > 2Q$ . This illustrates that returns to scale are decreasing. (d)  $Q = 5K^a L^b$ ,  $a + b = 1$ . Doubling the inputs we get,  $5(2K)^a (2L)^b = 5 \cdot 2^a K^a \cdot 2^b L^b = 5 \cdot 2^{a+b} K^a L^b = 2 \cdot 5 K^a L^b = 2Q$ . Therefore, returns to scale are constant. (e)  $Q = K L$ . Let us double the inputs to get  $2K \cdot 2L = 4KL = 4Q$ . Thus as a result of doubling inputs, there is no change in output implying that returns to scale are decreasing.

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K) $0.6(2L)^{0.5} = 20 \cdot 2^{0.6} K^{0.6} \cdot 2^{0.5} L^{0.5} = 20 \cdot 2^{1.1} K^{0.6} L^{0.5} = 20 \times 2.14 \times K^{0.6} L^{0.5} = 42.8 K^{0.6} L^{0.5} < 2Q$		

Q. This implies that returns to scale are increasing. (c)  $Q = 100 + 2L + 3K$ . Doubling inputs we get,  $100 + 2(2L) + 3(2k) = 100 + 6k + 4L = 200 + 6k + 4L - 100 = 2Q - 100 > 2Q$ . This illustrates that returns to scale are decreasing. (d)  $Q = 5K^a L^b$ ,  $a + b = 1$ . Doubling the inputs we get,

92 NSOU • PGCO - II 5(2K)^a (2L)^b = 5 \cdot 2^a K^a \cdot 2^b L^b = 5 \cdot 2^{a+b} K^a L^b = 2 \cdot 5 K^a L^b = 2Q. Therefore, returns to scale are constant. (e)  $Q = K L$ . Let us double the inputs to get  $2K \cdot 2L = 4KL = 4Q$ . Thus as a result of doubling inputs, there is no change in output implying that returns to scale are decreasing. 3.14 Sample Questions A. Objective-type Questions : Choose the correct alternative (a) One empirical production function is (i)  $P = f(L, K)$ , (ii)  $P = AL^\alpha K^\beta$ , (iii)  $P = K L$ , (iv)  $P = 2K + 3L + KL$ . Ans. (ii) (b) The nature of returns to scale in case of the production function  $P = 20K^{0.6} L^{0.5}$  is : (i) Increasing, (ii) Decreasing, (iii) Constant, (iv) Cannot be ascertained. Ans. (i) (c) Suppose the production function of a firm is given by  $Q = 8LK - K^2 - L^2$ . The marginal product of L is : (i)  $8K - 2K$ , (ii)  $8K - 2L$ , (iii)  $8K - 2K - 2L$ , (iv)  $8 - 2K - 2L$ . Ans. (ii) (d) One important property of an isoquant is : (i) It is concave to the origin, (ii) It is a vertical straight line, (iii) It is a horizontal straight line, (iv) It is convex to the origin. Ans. (iv) (e) One particular isoquant indicates : (i) A fixed amount of output, (ii) The amount of output cannot be ascertained, (iii) Zero level of output, (iv) Varying level of output. Ans. (i)

NSOU • PGCO - II 93 (f) Which of the following statements is true? (i) All costs

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are fixed in the short run, (ii) All costs are variable in the long run, (iii) All costs are variable in the short run, (		

iv) All costs are fixed in the long run. Ans. (ii) B. Short-type Questions : 1. Give an empirical production function. Whose names are associated with this production function? 2. What is an isoquant? What are its properties? 3. What is an L-shaped isoquant? Why is it so called? In which other name is this isoquant associated? 4. Explain, in brief, the concept of linear homogeneous production function. 5. Give your idea about the concept of elasticity of substitution. 6. Suppose a firm's production function is  $Q = 1/2 2 4L K$ . Find out the degree of homogeneity of this production function. 7. State the law of increasing returns to scale. 8. Distinguish between

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the law of variable proportions and the law of returns to scale.		



C. Essay-type Questions : 1. Explain, in brief, the law of variable proportions. Analyse why a profit-maximising firm will like to produce in stage II. 2. What is a Cobb-Douglas production function ? State and prove the important properties of this production function. 3. Give the form of the Constant Elasticity of Substitution production function. State and prove the basic properties of this production function. 4. What is a linearly homogeneous production function? State and prove the important properties of this production function. 5. State and illustrate with the help of a diagram

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the law of variable proportions. 6. Suppose the production function of a firm

as  $Q = 12x_1x_2$ . Prices per unit of  $x_1$

94 NSOU • PGCO - II and  $x_2$  are Rs. 4 and Rs. 8 respectively. Determine the maximum level of output if the firm spends Rs. 400/-.

7. Explain, clearly, the concept of elasticity of substitution. Discuss, in detail, the uses of this concept. 8. Explain, in brief, the following terms in connection with the theory of production : (a) Isoquant, (b) Elasticity of substitution, (c) Cobb-Douglas production function, (d) Linearly homogeneous production function, (e) CES production function. 9. "To reach the least cost combination of factors a firm must equalize the marginal productivity per rupee spent on every factor." Explain and Establish this statement.

NSOU • PGCO - II 95 Unit 4 □ The Theory of Costs Structure 4.1 Objectives 4.2 Introduction 4.3 Accounting Costs and Economic Costs 4.4 Short Run Cost Analysis 4.5 Shapes of the Short Run Cost Curves 4.6 Derivation of the Long Run Average Cost Curve (LAC) 4.7 Some Problems and their Solutions 4.8 Sample Questions 4.1 Objectives The primary objective of this chapter is to analyse different aspects of the cost of production. This will facilitate the management of firms in taking appropriate decisions with regard to the level of production to be produced and at the same time the pricing of the product. In relation to this basic objective this unit has been arranged to make the readers aware of the following issues : (a) Accounting Costs Vs. Economic Costs. (b) Short Run Cost Analysis. (c) Shapes of the Short Run Cost Curves. (d) Relationship Between AC and AVC and also between AC and MC. (e) Long Run Costs (f) Some Numerical Problems And Their Solutions. (g) Sample Questions of Various Types.

96 NSOU • PGCO - II 4.2 Introduction It is a fact that

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the study of business behaviour concentrates on the production process,

that is, the conversion of inputs into outputs and, obviously, the relationship between output and costs of production. In the previous chapter, that is, in chapter three, we have studied the firm's production analysis and we have dealt with how inputs are combined to produce output. In the present chapter we shall explain how cost is defined, determined and measured. In reality, however, economists use the term, 'cost' in different ways. We may say that economists are concerned with the opportunity costs whereas the accountants are interested in historical rather than opportunity cost.

**4.3 Accounting costs and Economic costs** Cost considerations play a very important role for taking any business decision. However, very often cost means different things to different people. The basic fact is that economists and accountants measure cost of production according to their individual purpose and interests. This means that there is a big difference between the very concept of cost as understood by economists and as done by the accountants. An accountant is primarily concerned with the financial statements. That is why he considers only those costs which involve direct actual cash payments of a firm. That is, accounting costs constitute prices of raw materials, wages and salaries for workers, prices of fuel and power, insurance tax etc. The accountants take into account actual expenses and costs on a historical basis. Various empirical studies of cost function go on utilising accounting data that record what has happened. Besides, it presents information which will protect various interests of people like tax collectors, creditors and stock holders. However, an economist's thought of cost is, to some extent, different from that of an accountant's view. Accounting data that record actual costs do not take into account economic data. This means that the notion of cost as understood by accountants has little relevance to decision-making. For the purpose of decision-making, economists besides considering accounting costs, also consider an additional cost, that is, opportunity cost. The opportunity cost is the cost measured in terms of the next best alternative foregone. For example, when the owner-manager of a firm spends time for someone,

NSOU • PGCO - II 97 as a rule, he does not have to pay wage. Obviously, the owner manager sacrifices this wage by doing unpaid work for himself. This foregone wage is the opportunity cost, though this wage is not an actual cash outlay. This implicit cost or the so-called opportunity cost, should be included in economic costs. Therefore, decision-making depends not only on accounting costs but also on opportunity cost. So far as the decision-making is concerned, accounting costs or accounting data will provide only little information. Historical data provide an imperfect guide for the future. Any decision-making should be concerned with future costs and revenues. It is because of this reason that the managerial economists cannot ignore future costs and also revenues for decision-making, as they consider forward-looking view of the firm. Besides, accountants and economists differ over the question of depreciation. Usually, accountants record depreciation on a time-related basis and depreciation is very often not related to actual use of various assets. So far as accounting standard is concerned, accountants use tax rules to determine depreciation which may not reflect the actual wear and tear of an asset. Economists calculate not only explicit cost for the acquisition of capital assets but also cost associated with wear and tear. Accountants' notion of depreciation is based on the original cost of plant and machinery whereas economists' notion should be based on replacement value. Economists' notion of cost is very much useful for managerial decisions as accounting costs involve several limitations.

**4.4 Short Run Cost Analysis** We know that the

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cost function is a derived function and it has been derived from the production function. As the nature of production

in the short period is different from that of the long period, nature of cost function is different under different time periods. The short run has been defined to be that time period when the firm cannot change its fixed inputs for increasing output. It is only by varying variable inputs that a firm can change its volume of output. In the short run, therefore, total cost (TC) may be divided into two broad components : (i) Fixed cost (F.C.) and (ii) Variable Cost (V.C.). It is to be remembered that total cost encompasses all necessary expenses required to do a business.

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Fixed Costs : Fixed costs are those costs which do not vary with

the

level of output.

These costs represent the payments made for the use of fixed factors of production.

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NSOU • PGCO - II Some common examples of fixed costs are expenditure on advertisement, fixed plant and equipment, rent charges etc. More precisely, we may say that costs that arise due to the use of fixed inputs are termed fixed costs. Whether a firm produces or not, it will have to incur fixed costs. Therefore,

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fixed cost is independent of the level of output. Whatever the level of output (

even if it is zero), fixed costs remain unchanged. The fixed cost curve has been presented in Fig. 4 (a) where the TFC curve has been drawn parallel to the horizontal axis along which the level of output has been measured. Fig. 4(a) It is clear from the figure 4(a) that the firm incurs a fixed cost amounting to OA, whether it produces or not. That means even for zero amount of output total fixed cost is OA unit. Fixed costs are also known as supplementary costs or overhead costs. Some examples of such costs are : (i) salaries of top officials, (ii) interest on borrowed funds, (iii) expenses for municipal rent on land, (iv) depreciation of machinery etc. Variable Cost (VC) : Variable costs are those costs which change directly with the change in output. If the firm does not produce, it will not have to use variable inputs. Therefore, when nothing is produced, variable cost will be zero. However, if the firm wants to produce, it will have to increase the use of variable inputs. Naturally, more output implies employment of more variable inputs and more variable cost. Therefore, variable cost rises in response to an increase in output. Fig. 4(b) has demonstrated the graph of the variable cost. We see from the diagram that the VC curve has started from the origin revealing that when no output (or zero output) has been produced, the variable cost has become zero. As soon as output goes on increasing, VC curve starts rising. Therefore, Fixed Costs Output

NSOU • PGCO - II 99 Fig. 4(b) Fig. 4(c) the VC curve has, broadly, been an inverse S-

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shaped because of the operation of the law of variable proportions.

Initially, as more variable inputs get employed, the average variable cost starts falling. However, afterwards, use of more variable inputs leads to a rise in average variable cost. It is because of this reason that, initially, at a low level of output VC rises more than the rise in output. Variable costs include wages of daily wage earners, cost of packaging, transport cost, cost of raw materials etc. Variable Costs → Output ↑ TC, TVC, FC ↑ → Output TC = FC + VC

100 NSOU • PGCO - II Total Cost (TC) : The sum total of fixed cost and variable cost gives rise to total cost. The TC curve has been presented in Fig. 4(c). From this figure we notice that the TC curve, in the short run, has started from the point where from the FC curve has started. This implies that when the level of output is zero, total cost covers only fixed cost. However, with the increase in the level of output, TC rises since variable costs come into operation. That is why the TC curve takes the shape of the VC curve. At any level of output, the vertical distance between TC and FC measures the VC. In this way, by vertically adding FC and VC, we get TC. 4.5 Shapes of the

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Short Run Cost Curves (i) Average Fixed Cost (AFC) : Fixed cost per unit of output produced is known as average fixed cost.

So by dividing the total fixed cost by the level of

output we get AFC. In symbols,  $AFC = \frac{FC}{Q}$  where  $Q$  = quantity of output. As the level of output goes on increasing and  $FC$  remains fixed, the  $AFC$  goes on declining continuously. This is so because as the volume of fixed cost is divided by the larger and larger volume of output,  $AFC$  must be declining. Besides, the  $AFC$  is a rectangular hyperbola in the sense that all rectangles formed by  $AFC$  are of equal sizes. [Here we see that  $AFC \times Q = FC = \text{constant}$  and this is the equation of a rectangular hyperbola]. Thus the  $AFC$  curve is asymptotic to both the axes. This implies that the  $AFC$  curve touches neither the horizontal axis nor the vertical axis. Cost Rectangular Hyperbola Output  $O$   $q_1$   $q_2$   $q_3$  Fig. 4 (d) illustrates the shape of the  $AFC$  curve

NSOU • PGCO - II 101 In the diagram the [Fig. 4(d)], the  $AFC$  curve is a rectangular hyperbola where all the rectangles are of equal sizes since area of each rectangle say,  $OA'Aq_1$ ,  $OB'Bq_2$  and  $OC'Cq_3$  is equal as total fixed cost which is equal to the area of each rectangle is fixed. (ii) Average variable cost (AVC) :  $AVC$  is the variable cost per unit of output produced. The  $AVC$  has been

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obtained by dividing  $TVC$  by the level of output ( $Q$ ). That is,  $AVC =$

$\frac{TVC}{Q}$ ,  $TVC$  is total variable cost and  $Q$  is the amount of output produced. If we put  $AVC$  on a graph paper, we will find that, initially,  $AVC$  will come down, will reach a minimum, and, thereafter, it will start rising. This means that the  $AVC$  curve is U-shaped. Behind this U-shapedness nature of the  $AVC$  curve lies the operation of the law of variable proportions. In short, there is a relationship between costs of production and input productivity. We assume that labour is the only variable input and, thus, labour cost is the only variable cost. Labour cost is nothing but quantity of labour employed, multiplied by the wage rate. That means, Variable cost =  $L \cdot W$ ,  $L$  being amount of labour employed and  $W$  is the wage rate. Now,  $AVC = \frac{VC}{Q} = \frac{W \cdot L}{Q}$ . However, average product ( $AP$ ) is  $\frac{Q}{L}$ . Hence  $AVC = \frac{W}{AP}$ . That is,  $AVC = W \cdot \frac{1}{AP}$  where  $AP$  is the average productivity of labour. Therefore,  $AVC$  is the wage rate multiplied by the reciprocal of average productivity of labour. Since, at the initial stage,  $AP$  rises, thereafter, it reaches a maximum and then declines,  $AVC$  must, therefore, initially fall, reach a minimum and thereafter it will rise. That means, the movement of the average product ( $AP$ ) curve has just been the reverse

102 NSOU • PGCO - II of the  $AVC$  curve. The relation between the  $AP$  curve and the  $AVC$  curve has been portrayed in Fig. 4(e). Fig 4(e) :  $AP$  and  $AVC$  Curves The inverse relationship between  $AP$  and  $AVC$  curves has been demonstrated in figure 4(e). The upper panel reveals that as labour starts increasing  $AP$  rises and consequently  $AVC$  declines. At  $OL_2$  level of employment since  $AP$  is maximum  $AVC$  at the  $Oq_2$  amount of output must be minimum. Beyond  $OL_2$  amount of labour, as  $AP$  goes on declining,  $AVC$  rises. This means that the  $AVC$  is U-shaped.  $AC$  or  $ATC$  :

Average Cost ( $AC$ )

is the

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total cost per unit of output produced. Thus  $AC$  is obtained by dividing total cost ( $TC$ ) by output. That means,  $AC = \frac{TC}{Q} =$

$\frac{FC}{Q} + \frac{VC}{Q} = AFC + AVC$ . This means that the sum total of  $AFC$  and  $AVC$  gives  $AC$ . Naturally,

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the shape of the  $AC$  curve is governed by the shapes of  $AFC$  and  $AVC$  curves.

Evidently,  $AVC$  output

NSOU • PGCO - II 103 is U-shaped. We know that as output gets expanded both AFC and AVC decline, so AC must decline. Though AVC now rises, the significant decline in AFC causes AC to decline more. It is because of this reason that AC's minimum point comes later than AVC's minimum point. From Fig. 4(g) it is seen that upto OQ 2 amount of output, AC declines. However, beyond OQ 2 level of output, AC starts rising. This shows that increase in output beyond OQ 2 level will lead to an increase in AVC. That means, the increase in AVC more than offsets the fall in AFC. This suggests that in this region of output, AVC becomes stronger than AFC and AC continues to rise. Therefore,

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the AC curve is U-shaped. It is U-shaped because of the operation of the law of variable proportions.

Marginal Cost (MC) :

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Marginal cost is the change in total cost attributable to a change in output. That means, MC is

an addition to the

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total cost when one more unit of output is produced.

Symbolically, it is defined as  $MC = \frac{\Delta TC}{\Delta Q}$ . That is,  $MC = \frac{TC_n - TC_{(n-1)}}{n - (n-1)}$ , that is, MC is the additional cost for producing the n-th unit of a product when (n - 1) units of the product have already been produced. We should remember that in the short run, fixed costs do not change. In this period output changes due to change in the use of variable inputs. Therefore, by change in total cost we mean here change in total variable costs only. Naturally, fixed costs do not have any bearing on MC. That means, MC is independent of fixed cost. Therefore,  $MC = \frac{\Delta TVC}{\Delta Q}$ . MC refers to change in total variable cost which results from a change in output. This can be proved in the following manner :  $MC = \frac{TC_n - TC_{(n-1)}}{n - (n-1)} = \frac{(FC + VC_n) - (FC + VC_{n-1})}{n - (n-1)} = \frac{FC + VC_n - FC - VC_{n-1}}{n - (n-1)} = \frac{VC_n - VC_{n-1}}{n - (n-1)}$ . Thus,  $MC = \frac{\Delta TVC}{\Delta Q}$ . The MC may also be defined as the reciprocal of marginal product (MP) multiplied 104 NSOU • PGCO - II by the price of the variable input. To show that let us assume that labour is the variable input whose cost, i.e., wage cost, is the variable cost. Therefore,  $\Delta TVC = W \cdot \Delta L$ . Dividing both sides by  $\Delta Q$  we get,  $\frac{\Delta TVC}{\Delta Q} = W \cdot \frac{\Delta L}{\Delta Q}$ . However,  $\frac{\Delta L}{\Delta Q} = MP$ . Therefore,  $MC = W \cdot MP$ . It is because of this reason that it is said that

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the shape of the MC curve is governed by the shape of the

MP curve. Since MP initially increases, reaches a maximum and thereafter declines, MC initially falls, reaches a minimum and thereafter rises. Therefore,

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the MC curve is U-shaped because of the operation of the law of variable proportions.

This information has been portrayed in the following Fig. 4(f). Fig. 4(f) : MP and MC curves Output Labour MP L

NSOU • PGCO - II 105 In the above figure, as labour employment increases, MP initially rises and consequently, MC falls with the rise in output. MP reaches maximum when OL units of labour are employed. The corresponding output level is OQ where MC has become minimum. Thereafter, additional employment of labour causes marginal product to fall even to zero or to become negative whereas MC goes on rising continuously. Therefore, the MC curve is the reciprocal of the MP curve. All the short run cost curves can be represented in a single diagram shown below, Fig 4(g). The AFC curve has been drawn as a rectangular hyperbola. This curve has been declining steadily. The AVC curve is U-shaped, through its minimum point (N) passes the MC curve. The sum of AFC and AVC gives the AC curve which lies above both AFC and AVC curves. Also, at Fig 4(g) : AVC, AFC, AC and MC curves the minimum point of AC (that is, point P), MC passes through. We are to note that AVC and AC get closer as the level of output goes on rising since AFC declines continuously as output rises. Like AC and AVC, the MC curve is also U-shaped. MC equals both AC and AVC at their minimum points. Besides, MC lies below both AVC and AC throughout the range over which these curves fall. However, it lies above them when they are rising. It is to be noted that all the cost curves except the AFC curve are U-shaped. Cost per unit of output

Output  
106 NSOU • PGCO - II RELATIONSHIP BETWEEN AC AND AVC. There are two ways for getting the AC : (a)  $AC = AFC + AVC$ . and (b)  $AC = TC / Q$ . But  $AVC = TVC / Q$ . That is,  $AVC$

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is a part of AC, given  $AC = AFC + AVC$ . Moreover, both AVC and AC have U-

shapes because of the operation of

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the law of variable proportions. However, the minimum point of AC lies to the right of the minimum point of AVC.

The basic reason behind this is that AC not only includes AVC but also AFC which continuously falls as output rises. Besides, initially, with the rise in output, AVC falls. So AC must fall. AVC starts rising after OQ amount of output is being produced, its rise over a certain range is offset by a fall in AFC. That is why, AC goes on falling over the range of output even if AVC rises. That is why, AC's minimum point comes at a later range of output than AVC's minimum point. But once OQ 2 amount of output gets produced, the influence of

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the rise in AVC becomes stronger than the fall in AFC, so AC starts rising.

RELATION BETWEEN AVERAGE COST (AC) AND MARGINAL COST (MC) We know that total cost (TC) = Average cost (AC) Quantity of output produced. Thus,  $TC = AC \times Q$ . Also, marginal cost (MC),  $MC = \frac{dTC}{dQ}$ . That is,  $MC = \frac{d}{dQ}(AC \cdot Q)$ ,  $= \frac{d}{dQ}(AC \cdot Q) = AC + Q \frac{dAC}{dQ}$ . That is,  $MC = AC + Q \frac{dAC}{dQ}$ . (a) Now,  $\frac{dAC}{dQ}$  is the slope of AC. Since AC and Q are all non-negative,  $MC < AC$  if and only if  $\frac{dAC}{dQ} < 0$ . NSOU • PGCO - II 107 and  $MC > AC$  if and only if  $\frac{dAC}{dQ} > 0$ . Finally,  $MC = AC$  if and only if  $\frac{dAC}{dQ} = 0$ . The slope of AC will reduce to zero at its minimum point. That is why, at AC's minimum point,  $AC = MC$ . That means, when AC is minimum, AC equals MC. If the slope of AC is positive, that is, if AC curve is rising,  $MC < AC$ . Further, if the slope of AC is negative, that is, if AC curve is falling,  $MC > AC$ . From the above analysis we can summarize the relation between AC and MC as follows: 1. When AC falls, MC also falls and

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the rate of fall of MC is greater than the rate of fall of

AC. 2. When AC is minimum and remains constant, MC and AC are equal or identical. 3. When AC rises, MC also rises and the rate of increase of MC is greater than that of AC. The above-mentioned relationship between AC and MC can, graphically, be demonstrated in the following Fig. 4(h). Fig. 4(h) In the above diagram (Fig. 4h) we measure production horizontally and cost vertically. At point E, AC has become minimum and constant for a while. At this point both AC and MC have become identical. Before reaching point, E, AC is continuously decreasing and MC is also continuously decreasing. However, the rate of decrease of MC is greater than that of AC. After the point E, AC is increasing and so is MC. However, the rate of increase of MC is greater than that of AC. Cost Production

108 NSOU • PGC0 - II 4.6 Derivation of Long Run Average Cost Curve (LAC) Let us now deal with the procedure for deriving the long run average cost curve. We are to remember that long run is said to be

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that time period when a firm under consideration can change all its inputs. In reality, in the long run there are no fixed inputs– all inputs are variable. This implies that in the long run

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there is no fixed cost–all costs are variable. In the long run,

therefore,

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a firm can change its scale of production according to its necessity. In the short run,

the

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size of a plant or scale remains fixed while, in the long run changes in plant size

or in scale can be made. A firm,

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in the long run, can move from one plant to another

one. It can also

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build up a large-sized plant or a smaller one,

if the situation so demands. The

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long run, is a "planning horizon" in the sense that it acts as a guideline to the firm with regard to the future decision

of

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output. We know that production takes place in the short period. Every firm aims at producing for a future date and chooses many aspects of the short run

in which it operates in the future. Therefore, long run consists

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of all short run situations among which the firm may choose. Thus, LAC is derived from SAC curves. LAC depicts the lowest possible average cost for

the production of various possible levels of output. In order

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to derive the LAC curve, we assume that there are three different sizes of plants in an industry, namely small, medium and large. Three SAC curves, namely SAC 1 , SAC 2 and SAC 3 represent respectively

small- sized, medium-sized and large-sized plants. These have been demonstrated in figure 4(i). These SAC curves are also called plant curves. As

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we are considering the long run situation, the firm can choose any plant size where it will operate in the future to produce a given level

of output at the least possible cost. Fig 4(i) : SAC curves for three plant sizes SAC 1 SAC 2 SAC 3

NSOU • PGC0 - II 109 If the firm decides to produce OQ 1 amount of output, it is sure to choose the plant size denoted by SAC 1 . A lower level of

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output (say OQ 1 ) can also be produced on SAC 1 though at a higher cost. However, the same plant size, (i.e., SAC 1 ) enables a firm to produce larger output at a lower cost. If OQ 2 amount is considered to be

the most profitable amount of output, the firm will choose SAC 2 , that is, the medium-sized plant. However, taking such a decision is not so easy as it appears to be at the

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first sight. Assume the firm operates at SAC 1 and demand for its product rises gradually. However, it can produce OQ 1



amount of output at the possible

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lowest cost even operating on SAC 1 . But production beyond OQ 1 will need a larger cost. If the firm expects to produce OQ 1 (seen in

the figure) its choice of plant size becomes difficult as

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costs are the same for both the plant sizes, namely SAC 1 and SAC 2 . However, the choice of the optimal plant size depends on the firm's

expectation with regard to

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its demand for product in the coming years. At this level of output, cost can not be the determinant of the choice of a plant size. Now, the firm expects its demand for the product to increase in future. Therefore, the firm will instal the plant number SAC 2 rather than SAC 1 .

With a lower level of cost larger output can now be produced. In the same way though the output level

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OQ 1 can be produced by both the plant sizes, SAC 2 and SAC 3 , it is economic to use the plant size represented by SAC 3 .

Let us now

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assume that the industry faces a larger number of plant sizes represented by five SAC curves shown in figure 4(j). These curves will generate a smooth and continuous curve called the planning curve or LAC curve. Each point on this curve shows the least possible cost for producing the corresponding level of output. Thus the LAC curve is a planning curve since it is the curve which helps a firm to decide what plant is to be established for producing an output level consistent with the optimal cost. Naturally, the firm selects that short run plant which yields the minimum cost of producing the anticipated output level. To produce a particular

amount of

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output in the long run, the firm must select a point on the LAC curve corresponding to that output and it will then build a relevant short-run plant and operate on the corresponding SAC curve.

Let us now suppose that

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the firm thinks that for producing output OQ 1 , point A on SAC 1 becomes the most profitable one. Naturally, it will build up a plant at the lower cost represented by SAC 1 (At point A, SAC 1 is tangent to the LAC curve). But the firm could reduce its cost by expanding output to the amount associated with point B, 110

NSOU • PGC0 - II the minimum point on SAC 1 . We now assume that

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the firm anticipates that demand for its product would be rising in future. So, it would construct a new plant represented by SAC 2 and will operate at point D on SAC 2 , thereby lowering its unit cost. (Corresponding to the output level OQ 2 , SAC 2 is tangent to LAC). In the same way, for output OQ 3 , the firm will construct SAC 3 and operate at

point E as here the unit cost has become the least. For output level

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OQ 4 , the firm will construct plant size SAC 4 and will operate at point F, though the minimum point of SAC now lies to the left of the operational point F.

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Each point of the LAC is, therefore, the point of tangency with the corresponding SAC curves. The LAC curve is the locus of all the tangency points. Consequently, the LAC curve has been called the envelope curve as it envelopes a family of SAC curves.

Fig 4(j) : LAC Curve However, the

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LAC curve throughout its length is not tangent to the minimum points of all SAC curves.

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Only at point E, the minimum point of LAC, is tangent to the minimum point of SAC.

We are to

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note here that at the points of tangency SAC = LAC. But to the right or

to the left of the tangency point SAC > LAC. Therefore,

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we can say that the LAC curve is U-shaped, that is, initially it falls, reaches

a minimum point and rises afterwards as level of output gets expanded. However,

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the U-shapedness of the LAC curve is less pronounced than the U-shapedness of

the SAC curve. cost output

NSOU • PGCO - II 111 4.7 Some Problems and Their Solutions 1. Let a firm's cost function be  $C = 20 + 3Q + 0.2Q^2$ . Show that MC equals AC when the latter is minimum. Solution : Here  $AC = \frac{C}{Q} = \frac{20}{Q} + 3 + 0.2Q$ . Also,  $MC = \frac{dC}{dQ} = 3 + 0.4Q$ . AC will be minimum when  $\frac{dAC}{dQ} = 0$ . Now,  $\frac{dAC}{dQ} = -\frac{20}{Q^2} + 0.2 = 0$ . That is,  $0.2 = \frac{20}{Q^2}$ , that is,  $0.2Q^2 = 20$ . That is,  $Q^2 = \frac{20}{0.2} = 100$ . That is,  $Q = 10$ . When  $Q = 10$ ,  $MC = 3 + 0.4 \times 10 = 7$ . Also, when  $Q = 10$ ,  $AC = \frac{20}{10} + 3 + 0.2 \times 10 = 7$ . Therefore,  $MC = AC$  when the latter is a minimum.

2. If the total cost function is given by  $TC = 100 - 2q + 0.5q^2$ , show that the slope of the average cost (AC) curve is negative when output is less than 10. Solution : Here  $AC = \frac{TC}{q} = \frac{100}{q} - 2 + 0.5q$ . 112 NSOU • PGCO - II Now, the slope of  $AC = \frac{dAC}{dq} = [100q^{-2} - 2 + 0.5q] = (-1)100q^{-2} + 0.5 = 0.5 - \frac{200}{q^2}$ . That is, the slope of  $AC = 0.5 - \frac{200}{q^2}$ . When  $q = 10$ , the slope of  $AC$  is  $0.5 - \frac{200}{10^2} = 0.5 - 2 = -1.5$ . Thus when  $q > 10$ , say 9, the slope of  $AC$  will be negative, i.e., less than  $-0.5$ .

3. Show mathematically that the marginal cost has no relation to fixed costs. Solution : Let the total cost function be  $C = K + f(Q)$  where  $K = TFC = \text{Constant}$  and  $f(Q)$  is TVC. Now,  $AC = \frac{C}{Q} = \frac{K}{Q} + \frac{f(Q)}{Q} = AFC + AVC$ . Also,  $MC = \frac{dC}{dQ} = \frac{dK}{dQ} + \frac{df(Q)}{dQ} = 0 + f'(Q) = f'(Q)$  since  $K$  is a constant. That means, marginal cost has no relation to fixed costs.

4. Suppose  $C = a + bx + cx^2$  is the total cost function of a firm,  $x$  being the quantity of output. Show that  $\frac{dAC}{dx} = \frac{1}{2} \frac{MC - AC}{x}$ . Solution : Since  $TC = a + bx + cx^2$ ,  $AC = \frac{C}{x} = \frac{a}{x} + b + cx$  and  $MC = \frac{dC}{dx} = b + 2cx$ . Now,  $\frac{dAC}{dx} = \frac{d}{dx} \left( \frac{a}{x} + b + cx \right) = -\frac{a}{x^2} + c = \frac{-a + cx^2}{x^2} = \frac{cx^2 - a}{x^2}$ . Also,  $\frac{1}{2} \frac{MC - AC}{x} = \frac{1}{2} \frac{(b + 2cx) - (\frac{a}{x} + b + cx)}{x} = \frac{1}{2} \frac{cx - \frac{a}{x}}{x} = \frac{cx^2 - a}{2x^2}$ . (i)

NSOU • PGCO - II 113 Thus,  $\frac{dAC}{dx} = \frac{1}{2} \frac{MC - AC}{x}$ . (ii) From (i) and (ii) the result follows. 5. Suppose the total cost function is given by  $C = 15q - 6q^2 + q^3$ . Obtain the equations of AC and MC curves. Find the output level at which AC is minimum and show, further, that when AC is minimum, AC equals MC. Solution :  $AC = \frac{C}{q} = \frac{15q - 6q^2 + q^3}{q} = 15 - 6q + q^2$  and  $MC = \frac{dC}{dq} = 15 - 12q + 3q^2$ . When AC is minimum,  $\frac{dAC}{dq} = 0$ . Now,  $\frac{dAC}{dq} = -6 + 2q = 0$ . Thus  $\frac{dAC}{dq} = 0 \Rightarrow -6 + 2q = 0$ . That is,  $q = 3$ . That is,  $-6 + 2q = 0$ . That is,  $q = 3$ . Further,  $\frac{d^2AC}{dq^2} = 2 > 0$ . Hence AC is minimum when  $q = 3$ . When  $q = 3$ ,  $AC = 15 - 6 \cdot 3 + 3^2 = 15 - 18 + 9 = 6$ . When  $q = 3$ ,  $MC = 15 - 12 \cdot 3 + 3(3^2) = 15 - 36 + 27 = 6$ . Thus, when AC is minimum,  $AC = MC$ .

6. Let the total cost be given by  $C = 5000 + 1000q - 500q^2 + 2 \cdot 3 q^3$ . Answer the following questions : (i) Find the MC function, (ii) Find the expression for the slope of the MC function, (iii) Find the average total cost function, (iv) At what value of  $q$  does MC equal AVC? Solution : (i) since the cost function is  $C = 5000 + 1000q - 500q^2 + 2 \cdot 3 q^3$ , 114 NSOU • PGCO - II  $MC = \frac{dC}{dq} = [5000 + 1000q - 500q^2 + 2 \cdot 3 q^3] = 1000 - 2 \times 500q + 2 \cdot 3 \cdot 3q^2 = 1000 - 1000q + 2q^2$ . Ans. (ii) The slope of the MC function is  $\frac{dMC}{dq} = [-1000 + 4q]$ . Ans. (iii) Average total cost function =  $c_1$

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$q = [5000 + 1000q - 500q^2 + 2 \cdot 3 q^3] = 5000q + 1000 - 500q + 2 \cdot 3 q^2$ . Ans. (iv)  $TVC = TC - TFC = 5000 + 1000q - 500q^2 + 2 \cdot 3 q^3 - 5000 = 1000q - 500q^2 + 2 \cdot 3 q^3$ . Hence,  $AVC = \frac{TVC}{q} = 1000 - 500q + 2 \cdot 3 q^2$ .

Now,  $MC = AVC$  means  $1000 - 1000q + 2q^2 = 1000 - 500q + 2 \cdot 3 q^2$ . That is,  $-1000q + 500q + 2q^2 - 2 \cdot 3 q^2 = 0$ . That is,  $-500q + 4 \cdot 3 q^2 = 0$ . That is,  $4 \cdot 500 q^2 - 500 q = 0$ . That is,  $4 \cdot 3 q^2 - 500 q = 0$ , that is,  $q = \frac{500}{4 \cdot 3} = 375$  units. Ans.

NSOU • PGC0 - II 115 7. Given the total cost function  $C = 1000 + 10q - 0.9q^2 + 0.04q^3$ , determine the rate of output that leads to minimum AVC. Solution : Let us, first of all, find the MC.  $MC = \frac{dC}{dq} = \frac{d}{dq} [1000 + 10q - 0.9q^2 + 0.04q^3] = 10 - 1.8q + 0.12q^2$ . Now,  $TVC = TC - TFC = 10q - 0.9q^2 + 0.04q^3$ .  $AVC = \frac{TVC}{q} = 10 - 0.9q + 0.04q^2$ . Since the minimum point of AVC occurs at its intersection with MC, let us equate AVC and MC.  $10 - 0.9q + 0.04q^2 = 10 - 1.8q + 0.12q^2$ . That is,  $1.8q - 0.9q + 0.04q^2 - 0.12q^2 = 0$ . That is,  $0.9q - 0.08q^2 = 0$ . That is,  $q(0.9 - 0.08q) = 0$ . That is,  $q = 0$  and  $q = \frac{0.9}{0.08} = 11.25 = 11$  (say) units. Therefore, the required amount of output is 11 units. 8. Express mathematically the relation between AC and MC. Solution : We know that when AC is falling,  $MC > AC$ . Now,  $AC = \frac{C}{Q}$ . When AC is falling,  $2C \frac{dc}{dQ} < C \frac{dC}{dQ}$ . That is,  $2 \frac{dc}{c} < \frac{dC}{C}$ . That is,  $2 \frac{dc}{c} - \frac{dC}{C} < 0$ . That is,  $2 \frac{dc}{c} - \frac{dC}{C} < 0$ .

116 NSOU • PGC0 - II That is,  $MC > AC$ . Again, when AC is constant,  $\frac{dc}{c} = \frac{dC}{C}$ . That is,  $MC = AC$ . Also, when AC is increasing,  $\frac{dc}{c} > \frac{dC}{C}$  and  $MC < AC$ . Therefore, the relation between AC and MC can be stated in plain language as: (a) When AC is constant,  $AC = MC$ . (b) When AC is increasing,  $AC > MC$ . (c) When AC is decreasing,  $AC < MC$ . 9. The total cost, C, of a firm is given by  $C = 1000 + 100q - 80q^2 + 13q^3$  where q is the quantity produced. (i) Find the marginal cost of production. (ii) At what value of q does marginal cost equal average variable cost? Solution : (i)  $MC = \frac{dC}{dq} = \frac{d}{dq} [1000 + 100q - 80q^2 + 13q^3] = 100 - 160q + 39q^2$ . (ii) In the given problem  $TVC = 100q - 80q^2 + 13q^3$ . Thus  $AVC = \frac{TVC}{q} = 100 - 80q + 13q^2$ . Now,  $MC = AVC \Rightarrow 100 - 160q + 39q^2 = 100 - 80q + 13q^2 \Rightarrow 26q^2 - 80q = 0 \Rightarrow 2q(13q - 40) = 0 \Rightarrow 2q = 0 \Rightarrow q = 0$  or  $13q - 40 = 0 \Rightarrow q = \frac{40}{13} \approx 3.08$ .

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$q = 120$ . Thus when $q = 120$ , $MC = AVC$ . 10. Express, mathematically, the relation between AC and MC. Show, further, that MC has no relation to fixed costs. Solution : The total cost function of a firm can be expressed as $C = K + f(Q)$ where K is TFC = Constant and $f(Q)$ is TVC, a function of output. The average cost function is $c(Q) = \frac{C}{Q} = \frac{K}{Q} + \frac{f(Q)}{Q} = AVC + AFC$ . The marginal cost function is $\frac{dC}{dQ} = \frac{d}{dQ} [K + f(Q)] = \frac{df(Q)}{dQ}$ as K is constant. Therefore, the marginal cost has no relation to fixed costs. 11. Suppose a firm's cost function is $C = 20 + 3Q + 0.2Q^2$ . Prove that MC equals AC when the latter is a minimum. Solution : Here $MC = \frac{dC}{dQ} = 3 + 0.4Q$ and $AC = \frac{C}{Q} = \frac{20}{Q} + 3 + 0.2Q$ . For minimization of cost let us differentiate AC w.r.t. Q and set the first derivative equal to zero. Now, $\frac{dAC}{dQ} = \frac{d}{dQ} [\frac{20}{Q} + 3 + 0.2Q] = -\frac{20}{Q^2} + 0.2 = 0$ . Hence, $0.2 = \frac{20}{Q^2} \Rightarrow 0.2Q^2 = 20 \Rightarrow Q^2 = 100 \Rightarrow Q = 10$ . When $Q = 10$ , $MC = 3 + 0.4(10) = 7$ and $AC = \frac{20}{10} + 3 + 0.2(10) = 2 + 3 + 2 = 7$ . Therefore, $MC = AC$ when the latter is a minimum. 118 NSOU • PGC0 - II 12. Suppose that the total cost function is given by $TC = 100 - 2q + 0.5q^2$ . Show that the slope of average cost (AC) is negative when output is less than 10. Solution : The AC is defined as $AC = \frac{TC}{q} = \frac{100 - 2q + 0.5q^2}{q} = \frac{100}{q} - 2 + 0.5q$ . Now, $\frac{dAC}{dq} = \frac{d}{dq} [\frac{100}{q} - 2 + 0.5q] = -\frac{100}{q^2} + 0.5$ . The slope of AC is $0.5 - \frac{100}{q^2}$ . When $q > 10$ , say, 9 the slope of AC will be negative, i.e. less than $-0.5$ . Hence proved. 4.8 Sample Questions A. Objective-type Questions (a) What kind of a curve is average fixed cost (AFC)? : (i) U-shaped, (ii) rectangular hyperbola, (iii) downward falling and (iv) upward rising. Ans. (ii) (b) The marginal cost curve cuts the average cost curve at its : (i) starting point, (ii) end point, (iii) minimum point, (iv) maximum point. Ans. (iii) (c) The shape of the short run average cost curve is : (i) rectangular hyperbola, (ii) inverted U-shaped, (iii) U-shaped and (iv) square shaped. Ans. (iii) (d) The marginal cost can be derived from : (i) total cost, (ii) variable cost, (iii) fixed cost, (iv) average cost. Ans. (ii)		

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$q = 10$ . Thus when $q = 10$ , $MC = AVC$ . 10. Express, mathematically, the relation between AC and MC. Show, further, that MC has no relation to fixed costs. Solution : The total cost function of a firm can be expressed as $C = K + f(Q)$ where K is TFC = Constant and $f(Q)$ is TVC, a function of output. The average cost function is $c(Q) = \frac{C}{Q} = \frac{K}{Q} + \frac{f(Q)}{Q} = AVC + AFC$ . The marginal cost function is $\frac{dC}{dQ} = \frac{d}{dQ} [K + f(Q)] = \frac{df(Q)}{dQ}$ as K is constant. Therefore, the marginal cost has no relation to fixed costs. 11. Suppose a firm's cost function is $C = 20 + 3Q + 0.2Q^2$ . Prove that MC equals AC when the latter is a minimum. Solution : Here $MC = \frac{dC}{dQ} = 3 + 0.4Q$ and $AC = \frac{C}{Q} = \frac{20}{Q} + 3 + 0.2Q$ . For minimization of cost let us differentiate AC w.r.t. Q and set the first derivative equal to zero. Now, $\frac{dAC}{dQ} = \frac{d}{dQ} [\frac{20}{Q} + 3 + 0.2Q] = -\frac{20}{Q^2} + 0.2 = 0$ . Hence, $0.2 = \frac{20}{Q^2} \Rightarrow 0.2Q^2 = 20 \Rightarrow Q^2 = 100 \Rightarrow Q = 10$ . When $Q = 10$ , $MC = 3 + 0.4(10) = 7$ and $AC = \frac{20}{10} + 3 + 0.2(10) = 2 + 3 + 2 = 7$ . Therefore, $MC = AC$ when the latter is a minimum. 118 NSOU • PGC0 - II 12. Suppose that the total cost function is given by $TC = 100 - 2q + 0.5q^2$ . Show that the slope of average cost (AC) is negative when output is less than 10. Solution : The AC is defined as $AC = \frac{TC}{q} = \frac{100 - 2q + 0.5q^2}{q} = \frac{100}{q} - 2 + 0.5q$ . Now, $\frac{dAC}{dq} = \frac{d}{dq} [\frac{100}{q} - 2 + 0.5q] = -\frac{100}{q^2} + 0.5$ . The slope of AC is $0.5 - \frac{100}{q^2}$ . When $q > 10$ , say, 9 the slope of AC will be negative, i.e. less than $-0.5$ . Hence proved. 4.8 Sample Questions A. Objective-type Questions (a) What kind of a curve is average fixed cost (AFC)? : (i) U-shaped, (ii) rectangular hyperbola, (iii) downward falling and (iv) upward rising. Ans. (ii) (b) The marginal cost curve cuts the average cost curve at its : (i) starting point, (ii) end point, (iii) minimum point, (iv) maximum point. Ans. (iii) (c) The shape of the short run average cost curve is : (i) rectangular hyperbola, (ii) inverted U-shaped, (iii) U-shaped and (iv) square shaped. Ans. (iii) (d) The marginal cost can be derived from : (i) total cost, (ii) variable cost, (iii) fixed cost, (iv) average cost. Ans. (ii)		

$q = 10$ . Thus when  $q = 10$ ,  $MC = AVC$ . 10. Express, mathematically, the relation between AC and MC. Show, further, that MC has no relation to fixed costs. Solution : The total cost function of a firm can be expressed as  $C = K + f(Q)$  where K is TFC = Constant and  $f(Q)$  is TVC, a function of output. The average cost function is  $c(Q) = \frac{C}{Q} = \frac{K}{Q} + \frac{f(Q)}{Q} = AVC + AFC$ . The marginal cost function is  $\frac{dC}{dQ} = \frac{d}{dQ} [K + f(Q)] = \frac{df(Q)}{dQ}$  as K is constant. Therefore, the marginal cost has no relation to fixed costs. 11. Suppose a firm's cost function is  $C = 20 + 3Q + 0.2Q^2$ . Prove that MC equals AC when the latter is a minimum. Solution : Here  $MC = \frac{dC}{dQ} = 3 + 0.4Q$  and  $AC = \frac{C}{Q} = \frac{20}{Q} + 3 + 0.2Q$ . For minimization of cost let us differentiate AC w.r.t. Q and set the first derivative equal to zero. Now,  $\frac{dAC}{dQ} = \frac{d}{dQ} [\frac{20}{Q} + 3 + 0.2Q] = -\frac{20}{Q^2} + 0.2 = 0$ . Hence,  $0.2 = \frac{20}{Q^2} \Rightarrow 0.2Q^2 = 20 \Rightarrow Q^2 = 100 \Rightarrow Q = 10$ . When  $Q = 10$ ,  $MC = 3 + 0.4(10) = 7$  and  $AC = \frac{20}{10} + 3 + 0.2(10) = 2 + 3 + 2 = 7$ . Therefore,  $MC = AC$  when the latter is a minimum. 118 NSOU • PGC0 - II 119 (e) In the long run all costs are ----- Fill in the gap. : (i) fixed, (ii) variable, (iii) partly fixed and partly variable, (iv) uncountable. Ans. (ii) (f) Which cost increases continuously with the increase in production? (i) average cost, (ii) marginal cost, (iii) fixed cost and (iv) variable cost. Ans. (ii) (g) Which of the following cost curves is never 'U'-shaped? (i) average cost curve, (ii) marginal cost curve, (iii) average variable cost curve, (iv) average fixed cost curve. Ans. (iv) (h) Which of the following statements is correct? (i)

when the average cost is rising the marginal cost must also be rising, (ii)

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when the average cost is rising, the marginal cost must be falling, (iii) when the average cost is rising, the marginal cost is above the average cost, (iv) when the average cost

is falling, the marginal cost must be rising. Ans. (iii). B. Short-type Questions : 1. Explain the relationship between average cost and marginal cost. 2. Prove mathematically or graphically that the marginal cost cuts the average cost at the minimum point of the latter. 3. What is the shape of the average fixed cost curve of a firm? Explain the nature of this curve. 4. Explain the concepts of fixed cost and variable cost. Do you think that these concepts are always valid ? 5. In the short run what will be total cost if total production is zero ? Give reasons for your answer.

120 NSOU • PGCO - II Output Total fixed Total Variable Total Marginal (Unit) Cost Cost Cost Cost 1 45 2 30 3 90 4 120 5 10 6 10 6. Let the equation of the total variable cost curve be  $TVC = aQ - bQ^2 + cQ^3$ . Prove that marginal cost equals AVC at the minimum point on the average variable cost curve. C. Essay-type Questions : 1. Define AVC, AFC, AC and MC. Draw a graph showing all these curves. Also explain their shapes, giving suitable reasons. 2. Why is the short run average cost curve of a firm U-shaped ? Explain your answer graphically, giving sufficient reasons. 3. Explain the procedure for deriving the LAC curve from the SAC curves. 4. Suppose the total cost function of a firm is given by  $C = 2Q - 2Q^2 + Q^3$ . (i) Find out the average cost and marginal cost. (ii) At what level of output will AC be minimum? (iii) Show, further that at the minimum point of AC, AC and MC are identical. 5. In the context of cost analysis of a firm complete the following table :

NSOU • PGCO - II 121 Unit 5(a)  Market and Market Structures Structure 5a.1 Objectives 5a.2 Introduction 5a.3 Meaning of A Market 5a.4 Features of A Market 5a.5 Classification of Markets 5a.6 Factors Affecting the size of a Market 5a.7 General Conditions Affecting the Demand for a Commodity 5a.8 The Concept of Revenue 5a.9 The Relationship Between Average Revenue, Marginal Revenue and the Price Elasticity of Demand 5a.10 Relation Between MR And AR Curves Under Different Forms of a Market 5a.11 Marginal Revenue And Marginal Cost Approach 5a.12 Graphical Presentation of the Short Run Equilibrium of a Perfectly Competitive Firm Under the Perfectly Competitive Market 5a.13 Long Run Equilibrium 5a.14 Sample Questions 5a.1 Objectives The basic objectives of this unit are as follows : i. Meaning and features of a market, classification of markets. ii. Various aspects of Revenue in different markets. iii. Perfectly competitive market and its various aspects. iv. Supply curve of a firm under perfectly competitive market.

122 NSOU • PGCO - II 5a.2 Introduction Market occupies a very important position in the modern complex monetary organization. Adam Smith, the Father of Economics, in his great book "Wealth of Nations" published in 1776 in two volumes had, very rightly, pointed out that division of labour is limited by the extent of the market. Market helps the producers to take the economic decisions which are of basic nature : what to produce and how to produce. Naturally, market highly affects the producers, consumers and various other sections of a society. Professor Wicksteed had, rightly, recommended : "The market is the characteristic phenomenon of economic life. The constitution of markets and market prices are the central problems of Economics." 5a.3 Meaning of a Market In ordinary language, "market" refers to a place where commodities are bought and sold. In this sense we talk of Hong Kong Market, Mumbai Market, Howrah Market and the like. However, in Economics, "market" has no reference to a place but to a particular commodity which is being bought and sold. In reality, we very often speak of tea market, bullion market, labour market, share market and so on. In Economics "market" refers to a group of buyers and sellers taking part in the exchange of a commodity. The buyers and sellers may be scattered within a country or may be abroad. However, there must be some contact by means of meetings, fairs, published price lists or through telephone, e-mail, whatsapp, fax or some other forms of communication. 5a.4 Features of a Market Thus, in Economics, there are four basic features of a market : (i) Buyers and sellers : In a market there must have the existence of buyers and sellers. However, there is no definite limit to these numbers. (ii) There must be some contact : There must have some contact among the buyers and sellets. This contact may be either direct or indirect. (iii) There must be the existence of a commodity : In a market there should be a commodity to deal with. In case there are different commodities there will be different markets.

NSOU • PGCO - II 123 (iv) The existence of a price : In the market there should be price for the commodity that is bought and sold. 5a.5 Classification of Markets Markets may be classified into various ways : 1. On the basis of Area : According to the area covered, markets

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may be classified into local markets, regional markets, national markets and international markets. (a) Local

Market : Local markets refer to a market in a particular village or locality. Generally, perishable goods like milk, butter, vegetables have local markets. (b) Regional Market : Regional market refers to a market which covers a particular region. Generally, bulky articles like bricks and stones have regional markets. (c) National Market : If the demand for and supply of a commodity is spread over the entire country, the market is said to be a national market. Generally, jute, cotton, wheat, rice and tobacco etc. have national markets. (d) International Market : When the demand for and supply of a commodity is at the global level, the market is said to be an international market. Normally, valuable metals like gold, diamond, silver etc. have an international market. 2. On the basis of Time : On the basis of time element, a market has been classified into very short period, short period and long period markets. (a) Very short period markets : A very short period is that in which supply can neither be increased nor can it be decreased to adjust to demand. This period is also known as market period. Vegetables market, fruit market and markets for perishable goods are examples of such markets. (b) Short Period : Short period refers to a period of time in which the rate of production is variable. An increase in production is possible by an intensive use of capital or by enlarging the size of the plant. (c) Long Period : By long period we mean a period of time in which the supply of the commodity can be varied according to the conditions of demand. Long period involves many years. 3. On the basis of a Commodity : On the basis of a commodity concerned markets may be classified as (a) Share Market : A share market is a place in which shares are bought and sold. Thus Calcutta share market, Mumbai share market are examples of a share market. (b) Bullion Market : A bullion market is a place in which valuable metals like diamonds, gold, silver etc. are traded.

124 NSOU • PGCO - II (c) Money Market : A money market is a place in which short term credit instruments are bought and sold. London money market, Mumbai money market, New York money market, etc. are some of the money markets in the world. (d) Capital Market : A capital market is meant for very long period loans of capitals. 4. On the basis of

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the volume of Business : On the basis of the volume of business also sometimes markets have been classified into wholesale markets and retail markets.

In the former market goods are transacted in large quantities whereas in the latter market goods are transacted in small quantities. 5. Classification on the basis of transactions : Markets may be classified, on the basis of transactions, into the spot market and the future market. A spot market is that market where goods are physically exchanged on the spot. On the other hand, future market is one where an agreement is made on the spot while exchange of goods takes place in future, as agreed upon by the parties. 6. Classification on the basis of

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the "status of sellers" : On the basis of the status of sellers, markets have, broadly, been classified into primary markets, secondary markets and terminal markets.

A primary market is a market where goods are transacted from the producers to the wholesalers. A secondary market is a market where the wholesalers act as an intermediate link between the producers and the retailers. A terminal market is one where the goods are transferred from the retailers to the ultimate consumers. 7. Classification on the basis of Government Regulations : On the basis of the Govt. regulations, markets may also be classified as regulated markets and unregulated markets. A regulated market is one where transactions are governed by various rules and regulations as framed by the Government. On the other hand, a market where transactions of goods and services are left to market forces of demand and supply is known as an unregulated market. 8. On the basis of Competition : According to the degree of competition, markets may be classified into perfect markets and imperfect markets. Perfect markets : A perfect market is one where there is perfect competition. Sometimes a distinction is made between pure competition and perfect competition. Perfect competition is a wider concept which includes not only the conditions of pure competition but also a few more imperfect market. A market is imperfectly competitive if the actions of one or more buyers or sellers have a perceptible influence on price. An imperfect market may assume the following forms :

NSOU • PGCO - II 125 (a) Monopoly market. (b) Monopolistically competitive market. (c) Oligopoly market. (d) Duopoly market. (e) Bilateral monopoly. (f) Monopsony. (g) Duopsony. and (h) Oligopsony. 5a.6 Factors Affecting the Size of a Market The size or extent of a market depends upon a number of factors : (i) Nature of the commodity and (ii) General Conditions. NATURE OF THE COMMODITY (a) Wide demand : A commodity which is of universal demand will have a wide market. The best example of a commodity having wide demand is fuel oil which has wide demand and has unlimited market. On the other hand, a commodity which is local in character will have a limited market. Thus Malayalam novels and Tamil films have only a regional market. (b) Durability : A commodity being durable in nature will have wide market. Thus goods like gold, silver etc. have very wide markets since these commodities can be preserved for a long time and can also be transported without any damage. On the other hand, perishable commodities like vegetables, milk and flowers have only limited markets. However, the development of processing facilities, refrigeration and air lifting have greatly increased the size of the market for perishable goods also. (c) Portability : An important pre-requisite for wide markets is that the commodity should be easily portable. It must be small in size but possess a high value. Goods like machines and cotton textiles are easily portable and thus they command wide markets. On the other hand, bricks and stones enjoy only a narrow market. (d) Grading and Sampling : Grading means dividing the goods on the basis of 126 NSOU • PGCO - II quality. Sampling means a part representing the whole. Goods which are amenable to grading and sampling normally command an international market. Grading helps the purchasers to identify the quality of the product without making the inspection. (e) Adequate Supply : To have a wider market the commodities should have an adequate supply. However, rare pictures and paintings though they could not be supplied in plenty, enjoy international markets because of their prestige value. 5a.7 General Conditions Affecting the Demand for a Commodity The demand for a commodity is highly affected by the general conditions prevailing in the country : 1. Peace and security : The existence of political stability, peace and security are of vital importance for a smooth trade. If the law and order situation in a country due to political unrest and revolutionary attitudes of some groups become very bad, markets will get hampered. 2. Stable Currency and Efficient Financial Institutions : With the help of well- developed banks and other financial institutions, marketing can be profitable and easily carried on over wide and extensive areas. In the modern world, international trade depends on the value of the home currency and the confidence it inspires among foreigners. 3. Government Policy : The import and export policy of the Government of a country has also a considerable impact on the size of the market. If the Government imposes a lot of restrictions in the form of quotas and duties, trade will be affected. Likewise restrictive policies of the importing country will also have an adverse effect on the exporting country. 4. Transport and Communication : A properly developed transport system in the form of roads, railways, steamships and aeroplanes is highly useful for the widening of both internal and international trade. Likewise, efficient means of communications, like post office and telegraphs, telephones, email etc. help the traders to keep in touch with their distant markets and send information regarding market trends. 5. Degree of Division of Labour : Adam Smith, the Father of Economics, said "Division of Labour is limited by the extent of a market". However, the extent of the market also depends upon division of labour. Division of labour by reducing the average cost of production increases the size of the market.

NSOU • PGCO - II 127 REVENUE ANALYSIS A very important component of the equilibrium position of a firm under any form of a market is the revenue, the other component being cost which has already been dealt with, in detail, in a previous chapter (i.e., chapter 4) Hence in this section we will concentrate our attention on revenue analysis only. 5a.8 The Concept of Revenue By revenue we mean receipts derived from sales.

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Revenue depends upon the price at which, quantities of output are sold by the firm. A firm's revenue can be categorised as : (

a) total revenue (TR), (b) average revenue (AR) and (c) marginal revenue (MR).

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Total Revenue : Total revenue is the total sales receipts of output produced over a given period of time. Total revenue depends on two factors : (

a)

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the price of the product and (b) the quantity sold of the product. By multiplying the quantity sold (Q), by its selling price (P),

we get total revenue. Thus  $TR = P \times Q$ . It may be illustrated with the following example. Suppose a producer intends to sell 1,00 units of a commodity at a price of Rs. 300 each. In this case total revenue will be  $TR = Rs. 300 \times 100 = Rs. 30000/-$ .  
AVERAGE REVENUE : By 'average revenue' we mean

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revenue obtained per unit of output sold. This is obtained by dividing total revenue by the number of units of output sold. That means,  $AR = \frac{TR}{Q}$ , Q being total units of output sold. In our previous example, total revenue is

Rs. 30000/- and total output sold is 100 units. Hence, Average revenue =  $\frac{Rs.30000}{100 \text{ units}} = Rs. 300/-$

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By definition, 'average revenue' is the price. Price is always expressed per unit. Per unit sales receipt is also called average revenue. Since sellers receive according to price, price and average revenue are one and the same thing.

It may be proved in the following manner :  $AR = \frac{TR}{Q} = \frac{P \times Q}{Q} = P$ .  
MARGINAL REVENUE : Marginal revenue is the additional or extra revenue that a firm gets by selling one more unit of an item. It may simply be stated as the revenue

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or sales receipt of the marginal unit of the firm's output. Algebraically, the marginal revenue of

the n-th



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unit per period of time of a given product is the difference between the total revenue earned by selling  $(n - 1)$  units from the total revenue by selling  $n$  units per period of time. That is,  $MR_n = TR_n - TR_{(n-1)}$ . Here  $n$  stands for the number of units of output sold.

It may be illustrated in the following manner. If a firm sells 10 units of output  $X$  for Rs. 300

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each, its total revenue will be Rs. 3000/-. If it were to sell one more unit, i.e., a total of 11 units of  $X$ , it could do it at a lower price, say,

Rs. 280 per unit. Its total revenue in that case will be Rs. 3080/-.

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In other words, the eleventh unit has made a net addition

to only Rs. 80/- to its previous total revenue of Rs. 3000/- from the sale of 10 units. By applying the above formula we get  $MR_{11} = TR_{11} - TR_{10}$ . That is,  $MR = Rs. 3080/- - Rs. 3000/- = Rs. 80/-$ . Marginal revenue is also defined to be

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the rate of change in total revenue when the increment in the sale of output is assumed to be one unit more. Hence, marginal revenue may also

be

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defined as the ratio of change in total revenue to a unit change in output sold.

It may, symbolically, be expressed as  $MR = \frac{dTR}{dQ}$ . When the revenue function is given in the algebraic form, then to find marginal revenue we can, more easily, apply this form. Example : Suppose the revenue function of a firm is given by  $R = 500Q - 2Q^2$ . Then the marginal revenue will be  $MR = \frac{dR}{dQ} = \frac{d}{dQ} [500Q - 2Q^2] = 500 - 2 \times 2Q = 500 - 4Q$ . 5a.9 The Relationship Between Average Revenue, Marginal Revenue and the Price Elasticity of Demand We know that total revenue = Price  $\times$  Quantity sold That is,  $TR = P \times Q$ . Now,  $MR = \frac{dTR}{dQ} = \frac{d}{dQ} [P \times Q] = Q \frac{dP}{dQ} + P$ .

NSOU • PGCO - II 129 =  $1 + P \frac{dQ}{dP} = 1 + \frac{1}{e_d}$ . . . ed =  $\frac{dQ}{dP} \frac{P}{Q}$ . That means,  $MR = Price \left[ 1 + \frac{1}{e_d} \right]$ . Some observations on this relation : Observation 1 : Let  $e_d = 1$ . That is, the commodity has unitary elasticity. In this case,  $MR = P \left[ 1 + \frac{1}{1} \right] = 0$ . That is, MR is zero. So when the commodity has unitary elasticity, MR is zero. That means, total revenue is maximum. Thus, for maximization of total revenue, the commodity concerned should have unitary elasticity of demand. Observation 2 : Let  $e_d$  be greater than 1 (one), say, 3. In this case  $MR = P \left[ 1 + \frac{1}{3} \right] = P \times \text{a positive fraction} = \text{Positive}$ . So, MR is positive. MR is positive means with more sale, total revenue will go on increasing. Observation 3 : Let  $e_d$  be less than one, say,  $\frac{1}{3}$ . In this case,  $MR = P \left[ 1 + \frac{1}{\frac{1}{3}} \right] = P(1 - 3) = \text{Negative}$ . That is, MR is negative. MR is negative means with more sale, total revenue will go on decreasing. This is, however, an unrealistic case. Of the above three observations, only the first two are realistic. However, many firms now-a-days intend to maximise revenue. For this the necessary condition is that the commodity concerned should have unitary elasticity of demand. This is also the condition for maximising the sales or revenue of a firm.

130 NSOU • PGCO - II 5a.10 Relation Between MR And AR Curves Under Different Forms of a Market 1. Since price elasticity of demand ( $e_d$ ) is, by definition, non-negative, the MR will always be less than price ( $=$  average revenue) at all levels of output. This is obvious because  $MR = P(1 - e_d)$  and  $MR = AR = P$ . Thus, graphically, the MR curve always lies below the AR curve. 2. Under a perfectly competitive market  $e_d$  is infinity ( $\infty$ ). Hence in this form of market  $MR = P(1 - e_d) = P(1 - \infty) = P(1 - 0) = P$ . Therefore, under perfect competition  $MR = Price = AR$ , that is, under perfect competition  $MR = Price = AR$ , that is, under perfect competition  $MR$  curve =  $AR$  curve and both are horizontal straight lines, being parallel to the horizontal axis. This has been demonstrated in the following diagram. (Fig. 5.1) Fig : 5.1 Perfect competition Also, since under perfect competition  $MR = AR = Price$ , we have  $MR = price(1 - e_d)$ .  
Revenue Quantity

NSOU • PGCO - II 131 That is,  $MR = Price = AR$ . This means that under perfect competition  $1 - e_d = 0$ . This implies that  $e_d = \infty$ . Therefore, under perfect competition the commodity concerned has perfectly elastic demand. 3. Under monopoly, price or average revenue is always greater than marginal revenue. We have  $e_d = AR - MR$ . However, under monopoly  $e_d$  is greater than zero but less than 1. Therefore, monopoly demand is inelastic. Hence, monopoly demand curve is always downward sloping. This has been presented in the following diagram. (Fig 5.2) Fig : 5.2 Monopoly  
RELATION BETWEEN AVERAGE REVENUE (AR) AND MARGINAL REVENUE (MR) From the above analysis let us now summarise the relation between AR and MR as under : 1. When AR is constant, MR is also constant and AR and MR are identical. Revenue Quantity

132 NSOU • PGCO - II 2. When AR increases, MR also increases. However, the rate of increase of MR is greater than the rate of increase of AR. 3. When AR decreases, MR also decreases. However, the rate of decrease of MR is greater than the rate of decrease of AR. These three relations may be illustrated graphically in the following manner : Fig : 5.3  
GENERAL DISCUSSION OVER EQUILIBRIUM OF THE FIRM AND INDUSTRY In Economics, equilibrium means a state of balance or a state of no change. This means that whenever an economic unit attains equilibrium, it does not want any further change from its position already attained. Thus a producer is said to be in equilibrium when he gets maximum output with the least cost combination of various inputs. THE CONCEPT OF A FIRM A firm is, generally, a decision making business unit which organizes and directs the production of goods and services. Professor Watson in his "Price Theory and Its Uses" stated, "A firm is a unit engaged in production for sale at a profit and with the objective of maximizing the profit".  
Naturally,

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a firm is in equilibrium when it has no intention either to expand or to contract its output.

According to Professor Hanson, "A firm is said to be in equilibrium when the entrepreneur has no motivation to change its organization or its scale of production".  
Revenue Quantity  
Revenue Quantity  
Quantity  
NSOU • PGCO - II 133 ASSUMPTIONS MADE FOR DISCUSSING EQUILIBRIUM OF A FIRM A. APPROACH OF TOTAL REVENUE AND TOTAL COST : It is known to us that Total profit = Total Revenue – Total Cost. That is,  $\pi = TR - TC$ . Thus, profits are

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the difference between total revenue (TR) and total cost (TC)

per period of sales. If TR and TC curves of the firm are given, the profit maximizing level of output will be that level where the vertical distance between TR and TC is the greatest. Moving either to the left or to the right will reduce the amount of profit that will be earned by the firm. Naturally, the firm will alter its production upto the point where

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the difference between total revenue and total cost will be maximum. At this level of output the

firm will have no intention to change its output and, naturally, the equilibrium will be a stable one. EQUILIBRIUM OF THE FIRM UNDER THE PERFECTLY COMPETITIVE MARKET Because of the various characteristics of a firm under a perfectly competitive market each firm in this market is just a price taker, not a price maker. Since the firm is simply Fig. 5.4 Price and Cost Profit Maximising point Total Loss TR Break-even point Total Loss Maximum Total Profit Curve Best Output Output Profit

134 NSOU • PGCO - II a price taker, a firm can sell as much as it wishes though only at a given price. This is the reason why the total revenue curve of a firm in this market is an upward sloping straight line drawn at an angle of 45°. The shape of the TR curve shows that the total revenue of the firm is increasing with an increase in production at the same ratio. It has been demonstrated in the above diagram (Fig 5.4) measuring output horizontally while revenue and cost have been measured vertically. In the above figure 5.4 TR is the total revenue curve while TC is the total cost curve of a firm under the perfectly competitive market. Initially, the firm has been incurring loss upto OQ 1 level of output. At point A where OQ 1 level of output gets produced, total revenue just covers total cost and so A is the break-even point. Beyond the point A any further increase in production leads to an increase in profits. Hence between outputs OQ 1 and OQ 2 , total revenue is in excess of total cost. So profitable range of production is Q 1 Q 2 . However, profit is not maximum at all levels of output in the range between OQ 1 and OQ 2 . Total profit is maximum at that point where the vertical distance between TR and TC becomes maximum. Such an output can be obtained by drawing a tangent to TC and that to TR. These two tangents are parallel to each other. The maximum distance between TR and TC is PS. The equilibrium level of output is OQ where total profit is maximum. DEFECTS OF THE TR AND TC APPROACH However, according to many economists, explanation of equilibrium of a firm by total revenue and total cost approach is cumbersome because of the following two reasons : 1. The maximum vertical distance between total revenue and total cost is not always easy to see at a glance. 2. Besides, it is not possible to discover the price per unit of the product at the first sight. To get the price per unit of output, we are to divide total revenue by total output sold. 5a.11 Marginal Revenue And Marginal Cost Approach Because of the above-mentioned defects of TR and TC approach for explaining the equilibrium position of a firm another approach, that is, i.e., Marginal Revenue and Marginal Cost Approach has been introduced. Mrs. Joan Robinson in her book, 'The Economics of Imperfect Competition' had used the tools of marginal revenue and marginal cost to explain the equilibrium of a firm.

NSOU • PGCO - II 135 We know that Total Profit = Total Revenue – Total Cost. In symbols,  $\pi = TR - TC = R(Q) - C(Q)$ , Q being the quantity of output. For the maximisation of profit there are two conditions : (a) Necessary or first order condition : According to this condition,  $\frac{d\pi}{dQ} = 0$ . That is,  $\frac{dR(Q)}{dQ} - \frac{dC(Q)}{dQ} = 0$ . That is,  $R'(Q) - C'(Q) = 0$ . That is,  $MR - MC = 0$ . That is,  $MR = MC$ . Therefore, the equality between the marginal revenue and marginal cost is the necessary or the first order condition for the maximisation of profit. (b) Sufficient or the second order condition According to this condition,  $\frac{d^2\pi}{dQ^2} < 0$ . This means that  $\frac{d^2R(Q)}{dQ^2} - \frac{d^2C(Q)}{dQ^2} < 0$ . That is,  $\frac{d^2R(Q)}{dQ^2} < \frac{d^2C(Q)}{dQ^2}$ . In language, this means that at the profit maximising point the rate of change in marginal revenue is less than the rate of change in marginal cost. To simplify this further, this condition states that just before attaining maximum profit, marginal revenue is more than marginal cost and just after attaining maximum profit marginal cost is greater than marginal revenue. To be more specific, at the profit maximising point the marginal cost curve will cut the marginal revenue curve from below. A FIRM UNDER PERFECTLY COMPETITIVE MARKET A perfectly competitive market is one

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in which there are a large number of buyers and sellers

of a homogeneous product and neither a buyer nor a seller has any control over the price of the product. Such a market is characterised by the following features :

136 NSOU • PGCO - II FEATURES OF A PERFECTLY COMPETITIVE MARKET 1. INNUMERABLE SELLERS AND BUYERS : Under perfect competition the number of sellers is assumed to be so large that the share of each seller in the total supply of the product is very small. Therefore, not a single seller can have any influence on the market price by changing his supply or can charge a higher or lower price. Obviously, firms are mere price takers, not price makers. In the same way, the number of buyers is so large that the share of each buyer in the total demand for the product is very small and that not a single buyer or a group of buyers can influence the market price. 2. HOMOGENEOUS PRODUCT : The commodities supplied by all the firms of an industry are assumed to be homogeneous or almost identical. Homogeneity of the product implies that buyers do not make any distinction between product supplied by various firms of an industry. Product of each firm is regarded as a perfect substitute for the products of all other firms. Hence, no firm can gain any competitive advantage over other firms. This assumption eliminates the power of all the suppliers of the firms to charge a price higher than

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the market price. 3. PERFECT MOBILITY OF FACTORS OF PRODUCTION : Factors of production are freely mobile between the firms. Labour can freely move from one firm to another

or from one occupation to another, as there is no barrier to labour mobility. Similarly, capital can also move freely from one firm to another. 4. FREE ENTRY AND FREE EXIT : There is no legal or market barrier on the entry of new firms to the industry, nor is there any restriction on exit of the firms from the industry. 5. PERFECT KNOWLEDGE : Both the buyers and sellers have perfect knowledge about the market conditions. It means that all the buyers and sellers have full information regarding the prevailing and future prices and availability of the commodity concerned. 6. NO GOVERNMENT INTERFERENCE : There is no Government intervention in the market. This means that tariff,

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subsidies, rationing of production or demand and so on are ruled out.

NSOU • PGCO - II 137 7. ABSENCE OF COLLUSION AND INDEPENDENT DECISION MAKING BY FIRMS : In this market there is no collusion between the firms; they are not in league with one another in the form of guild or cartel. Nor are the buyers in any kind of collusion among themselves. 5a.12 Graphical Presentation of the Short Run Equilibrium of a Perfectly Competitive Firm. Under the perfectly competitive market, Total Revenue = price × quantity sold. or,  $TR = pq$ . Hence, Average Revenue,

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$AR = \frac{TR}{q} = \frac{p \times q}{q} = p$ . Thus, under perfect competition, AR is identical with price. Now, marginal revenue,  $MR =$

$dTR/dq = p$ . Hence under perfect competition,  $p = AR = MR$  will be simply a horizontal straight line parallel to the horizontal axis as has been shown in figure 5.5(a) Fig. 5.5(a) Revenue P Quantity

138 NSOU • PGCO - II Fig. 5.5(b) Since AR is a horizontal straight line, MR is also so and AR and MR coincide. In diagram 5.5(b)  $PAR = MR$  represents this feature of the market. Besides, SAC, SAVC and SMC have all usual shapes. Naturally, the vertical distance between SAC and SAVC indicates the AFC (= the average fixed cost). In figure 5.5(b) at points e and e<sub>1</sub>,  $MR = MC$ . Hence by virtue of the necessary condition, the firm should attain equilibrium at both these points. However, it cannot attain equilibrium at point e where  $AC < AR = \text{price}$  as this will lead to loss to the firm. Hence it will proceed to point e<sub>1</sub> where it will produce and will sell  $oq_1$  units of output. At this stage its  $AR = OP = e_1q_1$  so that its  $TR = e_1q_1 \times oq_1 = oPe_1q_1$ . Here  $AC$  is  $C_1q_1$  so that  $TC$  is  $oq_1 \times C_1q_1 = op_1c_1q_1$ . Obviously, the firm attains profit to the tune of the area  $PP_1c_1e_1$  which is referred to as abnormal or supernormal profit. The difference between points e and e<sub>1</sub> is that at e only the necessary condition for the maximization of profit is getting satisfied while at e<sub>1</sub> both the necessary and sufficient conditions are satisfied. Hence it is usually said that "for maximization of profit the equality between MR and MC is only the necessary condition but not the sufficient one". Since the firm does not attain equilibrium at point e, it is generally said that "perfect competition is incompatible (inconsistent) with increasing returns to scale". Revenue, Cost, Price and Profit Break even point Shut down point Quantity  $AR_2 = MR_2$

NSOU • PGCO - II 139 The possibility of earning supernormal profit will attract other firms to enter into the industry and as a consequence supply of the commodity will go on increasing. This will, obviously, lead to a fall in price of the commodity. Hence the new average revenue curve will be  $AR_1$  and  $AR_1 = MR_1$  and the new equilibrium point is e<sub>2</sub> where both the conditions for maximization of profit get satisfied. At e<sub>2</sub> the firm produces and sells  $oq_2$  units of output and it is here where  $AC = AR = MR = \text{price}$ . This means that at e<sub>2</sub> only normal profit is attained : at e<sub>2</sub>, SAC is tangent to AR and the point e<sub>2</sub> is referred to as the "break-even point" (that is, the normal profit-earning point). The break-even point is the point of tangency between the SAC curve and the AR curve. Even at this stage new firms will make entry into the market, leading to more supply, causing less price. So long as  $P > AC$ , the firm will incur loss but it will stay in the market in the hope of earning profit in near future. If  $\text{price} > AC$ , but  $p < AVC$ , then the entire amount of SAVC will be covered and a part of AFC will be covered. The firm will consider worthwhile to stay in the market so long as  $P > AVC$  &lt;  $=$  . However, if  $P > AVC$ , it will be uneconomic on the part of the firm to stay in the market. Hence the firm will remain in equilibrium at point e<sub>3</sub> where SAVC has become tangent to the  $AR_2 = MR_2$ . However, if  $\text{price} > SAVC$ , the firm will totally close down the business. That is why, the point 'e<sub>3</sub>' is referred to as the "shut down point" where only total variable cost gets covered. So the shut down point is the point of tangency between SAVC and the AR curve. From the above analysis we may thus say that a firm under perfectly competitive market will attain equilibrium in the short run if the following conditions are simultaneously satisfied : 1.  $MR = MC$ . 2. MC cuts MR from below. 3.  $\text{Price} < AC$  &lt;  $>$ ; = but  $\text{price} > AVC$ . 5a.13

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Long Run Equilibrium In the long run all costs are variable, there is no

question of having fixed cost. In the short run, there is the possibility of getting supernormal profit, normal profit and even incurring loss. In the long run, however, supernormal profit will be competed away and the inefficient firms will leave the industry. Only the efficient firms will survive in the long run when they will have to be satisfied with the attainment of only normal profit. This situation has been demonstrated in figure 5.6 where along the horizontal axis we measure quantity of output produced and sold whereas along the vertical axis revenue, cost, price and profit have been measured.

140 NSOU • PGCO - II Revenue, Cost, Price and Profit Quantity Fig. 5.6 In figure 5.6 the firm has attained equilibrium at point e\*, satisfying both the conditions for the attainment of maximum profit. Hence in the long run a firm under perfectly competitive market will attain equilibrium when 1.  $MR = MC$  2. MC cuts MR from below and 3.  $MC = MR = AR = \text{price} = AC$ . That means that in the long run,  $\text{Price} = \text{Average cost}$ . Therefore, in the long run the firm attains only normal profit and at the same time it produces at the minimum cost.

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THE SHORT RUN SUPPLY CURVE OF A FIRM UNDER PERFECT COMPETITION

After discussing the profit maximizing level of output of a firm under the perfectly competitive market now we are interested in discussing how a firm under this market derives its supply curve. The supply curve of a firm under a perfectly competitive market can be derived from the principle of the maximisation of profit. It is known to us that under the ceteris paribus clause (other things remaining the same), a supply curve gives a unique relationship between price and quantity supplied and the supply function is given by  $s = f(p)$

NSOU • PGCO - II 141 with  $ds dp > 0$ , that is, the slope of the supply curve is positive. We know that a firm under the perfectly competitive market attains equilibrium at the points of intersection of its marginal cost curve with successive average revenue curves. This can be illustrated in diagram 5.7 where along the horizontal axis we measure quantity while along the vertical axis revenue and cost have been measured. The firm under consideration is initially in equilibrium at point  $e_3$  where two conditions for attaining equilibrium have been satisfied. The firm produces and sells  $oq_3$  amount of output at price  $op_3$  and it attains supernormal profit. When price comes down from  $OP_3$  to  $OP_2$  the profit maximizing conditions are satisfied at  $e_2$  and the firm attains equilibrium at  $e_2$  producing and supplying  $oq_2$  amount of output at price  $OP_2$ . At this point price =  $OP_2 = e_2 q_2 =$  average cost. Thus at point  $e_2$  the firm is in a position to cover its entire cost, there is neither profit nor loss. The point  $e_2$  is called the "break- even" point where only normal profit is earned. However, if price becomes less than  $OP_2$  but more than  $OP_0$ , the firm will be in a position to cover the entire amount of the fixed cost (the vertical distance between AC and AVC is the Fig. 5.7 average fixed cost) and a part of the variable cost. The firm will continue production and supply Revenue, Cost, Price, Profit Quantity

142 NSOU • PGCO - II it in the market as it will be able to cover the total variable cost. Thus when price falls from  $OP_2$  to  $OP_1$  the firm produces and supplies  $oq_1$  amount of output. In the same way when price comes down to  $OP_0$  the firm attains equilibrium at point  $e_0$  where both the conditions of attaining equilibrium get satisfied. So at price  $OP_0$  the firm produces and supplies  $oq_0$  amount of output. The point  $e_0$ , that is, the point of tangency between  $AVC$  and  $AR = MR$  line is known as the shut down point where the firm is able to cover only the variable cost (not even a portion of the fixed cost). If price comes below  $OP_0$  the firm will not produce anything and will not supply any amount also. From what has been stated above it is clear that the points  $e_0$ ,  $e_1$ ,  $e_2$  and  $e_3$  on the MC curve of a firm under the perfectly competitive market, in the short run, are

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on the supply curve. By joining these points, we get a curve known as

the supply curve. This curve corresponds to SMC curve. Therefore, under the perfectly competitive market in the short run,

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the MC curve that lies above the AVC curve is the firm's supply curve in the short run.

This may also be stated as the

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MC curve above the shut down point is the supply curve

of a firm under perfect competition in the short run. Naturally, supply falls to zero if price of the commodity falls below AVC. We may sum up the above analysis by stating that  $S = S(P)$  such that  $S(P) > 0$  when  $P \geq AVC$  and  $S = 0$  when  $P < AVC$ . However, there are many firms in a competitive industry, each producing that quantity of goods where its MC curve intersects  $AR = MR$  curve. All firms sell the product at the same price. Naturally, it is apparent that the industry supply curve, of course, in the short run under the perfectly competitive market, is equal to the horizontal summation of all firms' supply curve or MC curve above the minimum point of the AVC. Naturally, like the individual supply curve, the short run industry supply curve is upward sloping. We end our discussion of the supply curve by saying the statement of Professor R. G. Lipsey : "The supply curve for a competitive industry is the horizontal sum

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of the marginal cost curves of all individual firms in the industry". 5

a.14 Sample Questions 1.

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What are the main features of a perfectly competitive market? 2.

What is

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the relation between Average Revenue, Marginal Revenue and Elasticity of demand? 3.

What are the conditions of profit maximization by perfectly competitive firm? 4. How do you get the supply curve of a competitive firm? What is the relation between a short run supply curve and a long run supply curve?

NSOU • PGCO - II 143 Unit 5(b)      Monopoly Structure 5b.1 Objectives 5b.2 Introduction 5b.3 Characteristics of Monopoly 5b.4 Causes for the Growth of Monopoly 5b.5 Objectives of the Monopolist 5b.6 Equilibrium of A Monopolist 5b.7 Short Run Equilibrium 5b.8 Long Run Equilibrium 5b.9 Some Interesting Points About Monopoly Equilibrium 5b.10 Monopoly Supply Curve 5b.11 Price Discriminating Monopolist 5b.12 Forms of Price Discrimination 5b.13 Necessary Conditions For making Price Discrimination Possible 5b.14 Conditions for Successful Price Discrimination 5b.15 Relation between Elasticity of Demand and the Policy of Price Discrimination 5b.16 Equilibrium Conditions Under Price Discrimination 5b.17 Graphical Presentation of Equilibrium of a Discriminating Monopolist 5b.18 Degree of Monopoly Power 5b.19 Multiplant Monopoly 5b.20 Degrees of Price Discrimination 5b.21 Sample Questions 144 NSOU • PGCO - II 5b.1 Objectives The basic objectives of this unit are to discuss : i. The Characteristics of Monopoly ii. Causes for the Growth of Monopoly iii. Objectives of the Monopolist iv. Equilibrium of A Monopolist 5b.2 Introduction The word 'monopoly' has been derived from the Greek word monopolein which means "alone to sell". This single seller is called a 'monopolist'. Thus monopoly has been defined to be

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a market situation in which there is a single seller of a commodity

for which there are no very close substitutes. 5b.3 Characteristics

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of Monopoly The following are the main features of monopoly : 1. There is only one seller while there are

a large number of buyers. This single seller is called a monopolist. However, there may be a group of sellers who may be called monopolists. For example, OPEC (Organisation of Petroleum Exporting Countries), an association of eleven "major producers of oil, has the monopoly power". 2.

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There is absence of competition. 3. There are no close substitutes

of the product of the monopolist. 4. In case of monopoly the distinction between a firm and an industry disappears. 5. It is difficult for new firms to enter the market. 6. The monopolist has full control over the supply of the product. 7. Cross price elasticity of demand for a monopolist's

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product is zero in case of pure monopoly and very low in the case of simple monopoly (

who will charge the same price for all the buyers).

NSOU • PGCO - II 145 5b.4 Causes for The Growth of Monopoly There are a number of causes leading to the growth of monopoly : 1. There may be ownership of the strategic raw materials or exclusive knowledge of production techniques. 2. There may be patent rights for a particular product or for a production process. 3. There may be

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Government licensing or the imposition of foreign trade business to exclude foreign competition. 4. The size of the market may be such as not to support more than one plant of optimum size. 5. The

monopolist may set limit price to prevent entry of new firms. 5b.5 Objectives of The Monopolist The natural objective of the monopolist is, obviously, to maximize profit which

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is the difference between total revenue (TR) and total cost (TC).

This objective of the monopolist will, obviously, be fulfilled if two conditions are simultaneously fulfilled : (i) Necessary or first order condition : This condition is the equality between marginal revenue (MR) and marginal cost (MC) and (ii) Sufficient or the second order condition which states that at the profit maximizing point the marginal cost curve should cut the marginal revenue curve from below. 5b.6 Equilibrium of A Monopolist (A) SHORT RUN EQUILIBRIUM : A monopolist faces a negatively sloping demand curve or average revenue (AR) curve. The reason behind this is that though he is a monopolist, if he wants to sell more he must lower down the price of his product. Since the average revenue curve is downward sloping, the corresponding MR curve lies below the AR curve, that is,  $AR \neq MR$ . Since the monopolist is a price maker, he should take both price and output decisions.

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However, given the downward sloping demand curve, these two decisions are interdependent :

fulfilment of one decision leads to the fulfilment of another decision. That is why, the monopolist will either set the price and sell the amount that the market will absorb or determine output which will be sold at the corresponding



146 NSOU • PGCO - II price. However, for the monopolist the essential point for profit maximization is the fulfilment of both the first order and the second order conditions.

**5b.7 Short Run Equilibrium** In the short run a monopolist can earn pure profit or economic profit as well as normal profit. In the short run a monopolist may also incur a loss. All these possibilities appear in the following figure where there are three diagrams : (a), (b) and (c). In each of these diagrams we measure output along the horizontal axis while revenue, cost and price have been measured along the vertical axis. The equilibrium point in each diagram is corresponding to this equilibrium point the monopolist produces OQ amount of output and sells it at a price OP. Fig. 5.8 : (a) Supernormal profit, (b) Normal profit and (c) Loss From diagram (a) we see that the monopolist earns supernormal profit since at OQ level of output total revenue OPRQ is in excess of total cost OTSQ by TPRS which is the amount of supernormal profit. Thus the monopolist will earn supernormal profit after attaining equilibrium when  $MC = MR > AR < AC$ . In other words, a monopolist will earn supernormal profit when the average cost curve will lie below the demand curve. Diagram (b) demonstrates the situation of earning normal profit since here total revenue OPRQ equals total cost OPRQ. Therefore, the condition for getting normal profit, that is,  $MC = MR > AR = AC$  has been satisfied. That means that a monopolist will be satisfied with normal profit when the AC curve at a particular point coincides with the AR curve. In the short run, the monopolist may also incur loss. This case has been demonstrated in figure (c) above where at the equilibrium point e total revenue of the monopolist (a) (b) (c) NSOU • PGCO - II 147 is OPRQ while total cost is OTSQ and consequently, the amount of loss is TPRS. Thus a monopolist will incur loss in the short run when the AC curve lies above the AR curve at the equilibrium level of output. But the monopolist will continue production in the short run if he can cover up only average variable cost. This implies that if the loss of the monopolist equals total fixed cost, the monopolist will stay in business. However, if the monopolist fails to cover up the variable cost, that is, if  $P > AVC$ , only then he will stop production. It may be noted that there cannot be loss in the long run.

**5b.8 Long Run Equilibrium** In the long run, the monopolist can change his scale of production in such a way that he may attain the greatest amount of profit. However, since entry is blocked, excess profit will be enjoyed by the monopolist.

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In the long run a monopolist may also earn normal profit. However, in the long run

a monopolist will not incur any loss.

**5b.9 Some Interesting Points About Monopoly Equilibrium**

**1. The monopolist will never attain equilibrium in the inelastic portion of his demand curve or AR curve.** This means that a monopolist attains equilibrium at the elastic range of his demand curve. The primary goal of the monopolist is to attain maximum profit. This can be attained when  $MC = MR$ . But  $MR = AR \times \frac{1}{n}$  (where  $n > 1$ ). If  $n < 1$  at a particular point on a straight line demand curve, then naturally, MR becomes positive (that is,  $MR > 0$ ). Costs are always positive (costs can never be negative or it cannot be zero also). Equilibrium must occur when positive MC equals positive MR. However, if  $n > 1$ , MR will be negative. Negative MR can never be equal to positive MC. Therefore, in this range of the demand curve, a monopolist can not attain equilibrium. Finally, when  $n = 0$ , MR will be zero. Equilibrium can not be attained even in this case because positive MC cannot be matched with zero MR. From what has been stated above, it follows that a monopolist always operates and attains equilibrium only at the elastic zone ( $n > 1$ ) of his demand curve in order to attain maximum profit.

**148 NSOU • PGCO - II 2. A monopolist never operates at the lowest point of his average cost curve where cost comes to be the least.** More specifically, the monopolist operates somewhere to the left of the minimum point of his AC curve, whether in the short run or in the long run. This happens because of the nature of the demand curve. Since the demand curve is downward falling, it must be tangent to the falling portion of the AC curve. Since the monopolist operates at this point, it implies that the monopolist firm cannot utilise its plant optimally. This also implies the under-utilisation of resource. Since entry is closed, there is no urgency on the part of the monopolist to operate at the lowest point of its AC curve. On the contrary, a competitive firm always operates at the lowest point of its AC curve since in this case the demand curve is perfectly elastic.

**5b.10 Monopoly Supply Curve** It is interesting to note that a monopoly firm has no well-defined supply curve. This may be due the fact

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that there is no unique supply curve for the monopolist

to be derived from his marginal cost curve. We know that under perfect competition, the

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short run MC curve above the shut down point is the supply curve which shows a unique relationship between price and quantity. At a particular price, a particular amount of the commodity will be supplied. However, under monopoly, there is no such one-to-one correspondence between price and quantity supplied. This is

due to

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the fact that output decision of a monopolist does not only depend on

MC

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but also on the shape of the demand curve. Consequently, shifts in demand do not trace out a series of prices and quantities as happens with a competitive supply curve. It may happen that a monopolist, given his MC curve, may supply a particular quantity at different prices depending on the elasticity of demand. Hence, the construction of a supply curve from the

marginal cost curve is not possible under monopoly and for that matter under any branch of imperfect competition. 5b.11 Price Discriminating Monopolist A monopolist may, very often, charge different prices for his product to different customers without making any qualitative change for his product. This practice of charging different prices for the same product to different customers is known as price discrimination. A monopoly firm being the only one seller in the market is free to charge different prices to different markets or buyers when conditions are appropriate for this. If the firm follows such a policy in practice, we will call it price discrimination. Instead of selling all output at a single price, the monopoly firm charges higher price for a part of its output and thereby increases its revenue.

NSOU • PGCO - II 149 5b.12 Forms of Price Discrimination Price discrimination may take many forms. The common forms of price discrimination may, briefly, be stated as follows : (A) PERSONAL DISCRIMINATION : Generally, depending upon the economic status of buyers, different prices may be charged to different buyers in providing similar service. For instance, a surgeon may charge a high operation fee to a rich patient and a lower one to a poor patient. (B) AGE DISCRIMINATION : On the basis of age of the buyers price discrimination may be possible. For example, a barber may charge lower rates for children's hair cuts than those for adults. In railways and bus transport services, it is a commonly adopted form of price discrimination that persons below 12 years of age are charged at half the rate. (C) SEX DISCRIMINATION : In selling some goods, producers may discriminate between male and female buyers by charging low prices to females. For example, an organizing firm may provide seats to ladies at concessional rates. (D) SIZE DISCRIMINATION : On the basis of size of quantity of the product, different prices may be charged. For example, an economy size tooth paste tube is relatively cheaper than a small size tube. Similarly, a product is sold in the retail market at a higher price than in the wholesale market by the producer. (E) USE DISCRIMINATION : Sometimes, depending upon the kind of use of the product, different rates may be charged. For example, an electricity distribution company may charge low rates for industrial use as compared to the high rates for AC. (F) NATURE OF COMMODITY DISCRIMINATION : Sometimes, because of the nature of a commodity, price discrimination may be made. For example, freight charges by the railways are different for coal and iron for the same distance. (G). TIME DISCRIMINATION : On the basis of time of service, different rates may be charged. For example, cinema houses charge lower rates of admission for mornings and matinee shows than for regular shows. 5b.13 Necessary Conditions For Making Price Discrimination Possible Under price discrimination different buyers pay different prices. So, price in one market must be higher and lower in another market. The following two necessary conditions must be satisfied for the system of price discrimination to function. 150 NSOU • PGCO - II (i) For making price discrimination possible, goods must not be transferred from one market to another. That means, price discrimination must preclude resale of the goods. To be more specific, price discrimination will break down if buyers purchase the monopoly product from the low-priced market and sell it in the high-priced market. (ii) Demand must not be shifted from the dearer market to the cheaper one. This means that price discrimination will not be possible if buyers of the product transfer themselves from one market to another market. (iii) It may happen that buyers do not know what prices that the monopolist charges are prevailing in different markets. Such ignorance on the part of the buyers may cause price discrimination to exist. Besides, laziness of consumers may lead to differences in prices of the monopoly product. Customers may care little for the difference in prices though they know the difference in prices. Moreover, customers may care little for the differences in prices though they know the difference in prices. Nature of the product may demand price discrimination to stay. Personal services of say, doctors, lawyers are such that price discrimination is supposed to exist. Finally, there may be legal sanction for price discrimination. For illustration, the railway charges different fares to different passengers. 5b.14 Conditions for Successful Price Discrimination We may point out that even if price discrimination is possible, it may not be profitable for the monopolist to discriminate prices. Charging two different prices to different buyers may not necessarily result in higher profit. To make price discrimination profitable, the following three conditions must be fulfilled : (1) The seller must have a monopoly power. This means that it can be maintained only under monopoly. It can not be done either in perfect competition or in monopolistic competition. (2)

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The elasticities of demand in different markets must be different.

Under this situation the monopolist will charge higher price in the market having relatively inelastic demand and lower price in the market having relatively elastic demand. Proof : Let there be two markets 1 and 2 having respective prices  $p_1$  and  $p_2$  and respective elasticities of demand  $e_1$  and  $e_2$  .

NSOU • PGCO - II 151 Naturally,  $MR_1 = p_1 \frac{1}{e_1}$  and  $MR_2 = p_2 \frac{1}{e_2}$ . The condition for equilibrium is  $MR_1 = MC$  and  $MR_2 = MC$  so that  $MR_1 = MR_2$ . Hence  $p_1 \frac{1}{e_1} = p_2 \frac{1}{e_2}$ . That means,  $p_1 = p_2 \frac{e_1}{e_2}$ . Now, assume  $e_1 = 3$  and  $e_2 = 5$  so that  $p_1 = p_2 \frac{3}{5}$ . Thus  $p_1 < p_2$ . That is,  $p_1 < p_2$ . Hence when  $e_1 > e_2$ ,  $p_1 < p_2$  proved. 5b.15 Relation Between Elasticity Of Demand And The Policy Of Price Discrimination Let there be two markets 1 and 2 having respective elasticities  $e_1$  and  $e_2$ , respective prices  $p_1$  and  $p_2$  and respective marginal revenues  $MR_1$  and  $MR_2$ . Hence,  $MR_1 = AR_1 \frac{1}{e_1}$  and  $MR_2 = AR_2 \frac{1}{e_2}$ . For equilibrium,  $MR_1 = MR_2 = MC$ .

152 NSOU • PGCO - II That means  $AR_1 \frac{1}{e_1} = AR_2 \frac{1}{e_2}$ . That is,  $AR_1 = AR_2 \frac{e_1}{e_2}$ . If  $e_1 = e_2$ , then  $AR_1 = AR_2$ . That is,  $P_1 = P_2$ . This amounts to saying that if elasticities of demand are of uniform nature in all markets, it will not be possible and also profitable too, to discriminate between buyers. That means, the monopolist will charge the same price to all buyers. On the other hand, if  $e_1 < e_2$  then  $AR_1 < AR_2$ . That is,  $MR_1 < MR_2$ . That is,  $p_1 > p_2$ . That is, the monopolist will charge a higher (lower) price in the market in which demand is less (more) elastic. But it must be noted that the coefficient of elasticities of demand for the product in all markets should have a value greater than one. This is because of the fact that the monopolist does always operate at the elastic zone ( $e > 1$ ) of his demand curve. 5b.16 Equilibrium Conditions Under Price Discrimination Let us assume that the monopolist concerned produces  $q$  units of a commodity. Of these  $q$  units he intends to sell  $q_1$  units in market 1 and  $q_2$  units in market 2 so that  $q_1 + q_2 = q$ . Naturally, profit of the monopolist will be

NSOU • PGCO - II 153  $\pi = TR - TC = TR_1 + TR_2 - TC = R_1(q_1) + R_2(q_2) - C(q_1 + q_2)$ . For maximization of profit we are to set  $\frac{\partial \pi}{\partial q_1} = 0$  and  $\frac{\partial \pi}{\partial q_2} = 0$ . Now,  $\frac{\partial \pi}{\partial q_1} = R_1 - C = 0$ . That is,  $R_1(q_1) = C(q_1 + q_2)$ . That is,  $MR_1 = MC$ . (a) Again,  $\frac{\partial \pi}{\partial q_2} = R_2 - C = 0$ . That is,  $R_2(q_2) = C(q_1 + q_2)$ . That is,  $MR_2 = MC$ . (b) Hence, for equilibrium under price discrimination,  $MR_1 = MR_2 = MC$ . This is the necessary condition for equilibrium. We are to remember that at the stage of production no discrimination had been made. The sufficient condition is that at the profit maximizing point the MC curve should cut the MR curve from below. 5b.17 Graphical Presentation of Equilibrium of a Discriminating Monopolist The equilibrium position of a price discriminatory monopolist can, graphically, be, presented in the following diagram where there are three diagrams : 1, 2 and 3. In diagram 1 the

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AR and MR curves show the average and marginal revenue curves of the monopolist

in market 1 where a part of his total output is being sold. Diagram 2 reveals the corresponding AR and MR curves of the monopolist in market 2. Finally, diagram 3 reveals

154 NSOU • PGCO - II the equilibrium situation of the discriminatory monopolist. From the diagrams it is clear that the demand curve in market 1 is relatively inelastic while that in market 2 is relatively elastic. In diagram 3, the combined marginal revenue curve, that is,  $MR_i = \sum$  has been obtained by the lateral summation of the two marginal revenue curves in the two markets. In this diagram the equilibrium point has been attained where  $MR_i = MC = \sum$  and the MC cuts the  $MR_i = \sum$  from below. Therefore, the monopolist sells  $oq$  units of his output Fig. 5.9 The monopolist has to allocate total output  $oq$  in the two sub-markets in such a way that MR in each of the two sub-markets is equal to  $oq$ . From the diagrams it is clear that the monopolist sells  $oq_1$  units of output  $oq$  in market 1 at price  $OP_1$  and  $oq_2$  units of output  $oq$  in market 2 at price  $OP_2$ . Naturally,  $oq_1 + oq_2 = oq$ . It is to be noted here that demand for the monopolist's output in market 1 is relatively inelastic while that in market 2 is relatively elastic, that is,  $e_1 > e_2$ . Obviously,  $OP_1 > OP_2$ . Quantity Diagram-1 Market-1 Quantity Diagram-2 Market-2 Quantity Diagram-3 P 2 R 1

NSOU • PGCO - II 155 5b.18 Degree of Monopoly Power An important feature of Monopoly is that the monopolist enjoys some power commonly known as monopoly power. By this power is meant the amount of discretion which a monopolist enjoys with regard to price and output policy. That means, the monopoly power indicates the degree of control which a seller exerts over the price and output level of his product. It may also indicate the deviation from perfect competition. There are a number of measures of this degree of monopoly power. 1. Lerner's Measure : The divergence between price and marginal cost is the main source of monopolistic exploitation. Professor Abba P. Lerner has expressed this gap per unit of price as  $DMP = \frac{P - MC}{P} = \frac{P - MR}{P} = \frac{1}{|e|}$ . Thus the index of monopoly power varies inversely with the elasticity of demand. The greater the absolute price elasticity of demand the lower the degree of monopoly power and vice versa. Since under perfect competition,  $P = MC$ , the degree of monopoly power is zero under this form of market. Alternatively, we know that under perfect competition  $|e| = \infty$ . Hence under

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perfect competition, index of monopoly power =  $\frac{1}{|e|} = \frac{1}{\infty} = 0$ . On the other hand, when the monopolist has no cost of production, that is,

$MC = 0$ , then the index of monopoly power is unity. Hence Lerner's measure of the index of monopoly power lies between zero (0) and unity (1). It is zero under perfect competition while unity when there is costless monopoly. 2. Size of supernormal profits : Another indicator of the strength of monopoly power is the size of supernormal profits. Supernormal profit, under perfect competition, in the long run, is zero. However, it is, generally, positive under monopoly. Hence the size of supernormal profits has been a measure of the degree of monopoly power. We know that supernormal profits arise when  $P > AC$ . Hence  $(P - AC)$  may be regarded as an indicator of monopoly power. 156 NSOU • PGCO - II 3. Rate of profit : The rate of profit may also be used as a measure of the degree of monopoly power. The rate of profit has been defined as the ratio of total profit to total capital employed. The higher the rate of profit, the greater is the degree of monopoly power. The rate of profit is zero in the long run under perfect competition and hence the monopoly power is zero, though it is positive under monopoly. 4. Cross price elasticity as a measure : The concept

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of cross price elasticity of demand as a measure of the degree of

monopoly power has been used by Professor Triffin. The cross price elasticity of demand has been defined as the percentage change in sales of the  $i$ -th firm due to one percentage change in price charged by the  $j$ -th firm. In symbols,  $e_{ij} = \frac{dQ_i}{Q_i} \div \frac{dP_j}{P_j}$ . Obviously,  $e_{ij}$  will be zero under pure monopoly while for perfect competition  $e_{ij}$  is infinity ( $\infty$ ). Hence  $e_{ij}$  will be zero for pure monopoly whereas  $e_{ij}$  is infinity under perfect competition. Therefore,

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the lower the value of cross price elasticity of demand, the greater the

degree of monopoly power and vice versa. However, if this cross price elasticity is finite, there is neither pure competition nor is there pure monopoly. 5b.19 Multiplant Monopoly Sometimes a monopolist may produce his output to be sold in the market in several plants with, obviously, different cost conditions. In this case the market is said to be the multiplant monopoly. Let us assume that the monopolist produces his entire output in two different plants with different cost structures. We also assume that the monopolist knows his market demand. In such a situation the monopolist has to solve two problems : (a) how much total output is to be produced and sold and (b) how much total amount of output is to be distributed between the two plants. We assume that the monopolist wants to maximize his profits.

NSOU • PGCO - II 157 Let us assume that  $q_i$  is the amount of output to plant, be produced in the  $i$ -th plant,  $i = 1, 2$ . Let  $c_i$  be the total cost to be incurred by the  $i$ -th plant  $i = 1, 2$ . Hence the cost functions of the two plants are  $c_1 = c_1(q_1)$  and  $c_2 = c_2(q_2)$ . The revenue function can be written as  $R = R(q_1 + q_2)$ . Hence total profit of the monopolist will be  $\pi = R(q_1 + q_2) - C_1(q_1) - C_2(q_2)$ . The first order condition for maximization of profit needs:  $\frac{\partial \pi}{\partial q_1} = 0$ . That is,  $R'(q_1 + q_2) = C_1'(q_1)$ . Also,  $\frac{\partial \pi}{\partial q_2} = 0$ . That is,  $R'(q_1 + q_2) = C_2'(q_2)$ . Hence the first order condition for the maximization of the monopoly profit is  $MR = MC_1 = MC_2$ . The second order condition for the maximization of profit needs  $\frac{\partial^2 \pi}{\partial q_1^2} < 0$  or,  $\frac{\partial^2 \pi}{\partial q_2^2} < 0$ . That is,  $\frac{\partial^2 \pi}{\partial q_1^2} < 0$ ;  $\frac{\partial^2 \pi}{\partial q_2^2} < 0$ . In language,

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the second order condition for profit maximization requires that the

monopolist's MC in each plant should be steeper than MR. The equilibrium of the multiplant monopolist can, clearly, be explained with the help of the following diagram where along the horizontal axis quantity sold is measured while revenue and cost are measured along the vertical axis.

158 NSOU • PGCO - II Fig. 5.10 In the first panel of the above diagram we have drawn the AC and MC curves for plant A in panel A and those for plant B in panel B. By the horizontal summation of the MC curves, we get the combined MC curve in panel C. In this panel AR and MR curves have also been drawn. The equilibrium price and output levels have been determined at the intersection point of the MR and MC curves, that is, at point E. Obviously, the equilibrium level of output is  $OQ_0$  while the equilibrium price is  $OP_0$ . The multiplant monopolist, in this way, will decide how much output is to be produced and at what price it is to be sold. The next task of the monopolist will be to determine the levels of output to be produced in each plant. For that we have drawn a horizontal line from E towards the left. This line has cut  $MC_2$  at H while  $MC_1$  at E<sub>1</sub>. At these points the profit maximizing conditions (that is,  $MR = MC_1 = MC_2$ ) have been satisfied. From the diagram we note that  $OQ_1$  amount of output will be produced in plant 1 while  $OQ_2$  amount of output will be produced in plant 2. Naturally,  $OQ_1 + OQ_2 = OQ_0$ . The multiplant monopolist will, in this way, distribute his output among his plants for the maximization of profit. Finally, by drawing the respective AC curves for the two plants we can find out the profits of the monopolist from the two plants. From the diagram we note that the monopolist will get profit equalling to the area ABCD from the first plant while he will get profit equalling to the area KLHG from the second plant. AC<sub>1</sub>, MC<sub>1</sub> Panel A Panel B Panel C AC<sub>2</sub> MC<sub>2</sub> K E<sub>2</sub> P<sub>0</sub> Rev. and Cost AR Q<sub>2</sub> Q<sub>0</sub> Quantity Quantity Quantity H

NSOU • PGCO - II 159 5b.20 Degrees of Price Discrimination Professor Pigou has distinguished between different types of price discrimination in the following three manners : 1.

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Price discrimination of the first degree. 2. Price discrimination of the second degree.

and 3. Price discrimination of the third degree. Let us discuss these three degrees of price discrimination one by one. 1.

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Price discrimination of the first degree : This type of price discrimination is said to occur when the monopolist is able to sell separate unit of the output at a different price

to the same buyer. That means, it involves maximum possible exploitation of each buyer. That means, it involves a complete shift of consumers' surplus to the seller. Such discrimination is also called perfect price discrimination. In negotiating with each buyer the monopolist charges him the maximum price he is willing to pay under the threat of denying selling of any quantity to him. That means, he offers every buyer a "take- it-or-leave it" choice. This type of price discrimination has been presented in the following figure where

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the demand curve also becomes the MR curve of the monopolist

whose total revenue for OX amount of output has been shown by the shaded area. Fig. 5.11 2. Price discrimination of the second degree : In such cases the goods are divided into different blocks of units and for each block a different price is charged. Such a price discrimination is possible if each individual buyer has perfectly inelastic demand for the product below and above a certain price. Such a case has been shown in figure 5.11 where DD is the market demand curve. This market is divided into four groups. In Revenue and Price Output

160 NSOU • PGCO - II Fig. 5.12 the first group the X 1 th unit of the good has demand price equal to OP 1 . So all the buyers in this group pay OP 1 price and the group gets DK 1 P 1 as consumer's surplus. Similarly, for group 2, 3 and 4 consumers pay OP 2 , OP 3 and OP 4 and get the consumers' surplus equivalent to DK 2 P 2 ; DK 3 P 3 and DK 4 P 4 respectively. In this manner the seller divides the total output into different groups and sub-groups in such a way that for each group/sub-groups he charges a different price. 3.

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Price discrimination of the third degree : This is said to occur when the seller divides buyers

according to their income, location, types of uses of the product etc. and charges different prices from each group of buyers. Thus the seller is at an advantage segregating the buyers into different groups and charging them different prices so long as the demand elasticities of these groups differ. Naturally, this is the most common type of price discrimination. 5b.21 Sample Questions A. Objective-type Questions : (a) (i) A monopolist can charge any price to maximise profits, (ii) A monopoly firm can fix its price any where along the demand curve, (iii) If monopoly's Revenue and Price Output

NSOU • PGCO - II 161 MC = 0, it fixes its price where e = 0, (iv) The slope of the monopoly's MR curve is twice that of AR curve. Ans. (iv) (b) Under monopoly the supply curve has (i) A positive slope, (ii) A negative slope, (iii) A slope = 0, (iv) None of the above. Ans. (iv) (c) What is the shape of the demand curve faced by a firm under perfect competition? (i) Horizontal, (ii) Vertical, (iii) Positively sloped, (iv) Negatively sloped. Ans. (i) (d) Which is the other name that is given to the average revenue curve? (i) Profit curve, (ii) Demand curve, (iii) Indifference curve, (iv) Average cost curve. Ans. (ii) (e) Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is (i) Uniform, (ii) Different, (iii) Less, (iv) Zero. Ans. (ii) (f) Discriminating monopoly implies that the monopolist charges different prices for his commodity : (i) From different groups of consumers, (ii) For different uses, (iii) At different places, (iv) Any of the above. Ans. (iv) (g) Which is the first order condition for the profit of a firm to be maximum? (i) AC = MR, (ii) MC = MR, (iii) MR = AR, (iv) AC = AR. Ans. (ii) (h) Under which of the following forms of market structure does a firm have no control over the price of its product? (i) Monopoly, (ii) Monopolistic competition, (iii) Oligopoly, (iv) Perfect competition. Ans. (iv) B. Short-type Questions : (a) Explain the shape of the demand curve of a firm operating under a perfectly competitive market. (b) Calculate the ratio of prices charged by a discriminating monopolist in two markets, A and B, having price elasticities of demands as -0.5 and -1.5 respectively.

162 NSOU • PGCO - II (c) A monopolist's marginal cost is  $MC = 50 + 3Q$  and the demand for its product is  $Q = 150 - P$ . Find out the profit maximizing output and also the equilibrium price. (d) A monopolist's demand curve is  $P = 200 - 5q$ . Find the MR function of the monopolist. (e) Suppose the demand function of a firm is given by  $P = 20 - Q$  and the total cost function is given by  $C = Q^2 + 8Q + 2$ . Find out the output level that maximizes total profit. Also find out the corresponding price. (f) Show that the profit-maximizing quantity for

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a monopolist will always lie in the elastic region of the demand curve. (

g) If perfect competition is rare in the world of business, why do we study it? (h) Explain the different types of market structure. (i) Make a clear distinction between break even point and shut down point. (j) Explain the reasons behind the growth of monopoly. C. Essay-type Questions : 1. Analyse the conditions for equilibrium of a perfectly competitive firm in the short run. 2. Explain how

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the short run supply curve of a perfectly competitive firm

is related to its marginal cost curve. 3. "The

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equality between marginal revenue and marginal cost is only necessary but not a sufficient condition

for maximization of profit in a perfectly competitive market". Explain, in detail. 4. What is monopoly? What are its basic features? How does monopoly arise? 5. What is price discrimination? When is price discrimination possible and when is it profitable? 6. Discuss how the equilibrium price and quantity are determined under monopoly. 7. A monopolist faces the demand curve given by  $p = 20 - q$  and his cost function is given as  $c = q^2 + 8q + 2$ . Determine the profit maximizing output and the corresponding price of the monopolist.

NSOU • PGCO - II 163 Unit 6(a)  Monopolistic Competition Structure 6a.1 Objectives 6a.2 Introduction 6a.3 Characteristics of Monopolistic Competition 6a.4 Proportional Demand Curve Vis-a-vis Perceived Demand Curve 6a.5 Equilibrium situation of a Firm under Monopolistic Competition 6a.5.1 Short Run Equilibrium 6a.5.2 Long Run Equilibrium 6a.6 Product Differentiation 6a.7 Analysis of Selling Cost or Advertisement Expenditure in Monopolistic Competition 6a.8 A Comparative study among Perfect Competition, Monopoly and Monopolistic Competition 6a.9 Sample Question 6a.1 Objectives The primary objectives of this unit are : i. To define Monopolistic Competition, indicate its characteristic features and explain its equilibrium. ii. To explain the concept of product differentiation. iii. To discuss selling cost and its implications. 6a.2 Introduction Till 1920's perfect competition and monopoly had been the two favourite analytical models of the economists. However, these two extreme market forms are far from reality. What we find in reality is some sort of a middle group between these two extreme forms. Most of the producing firms are not monopolists since they are to face competition against each other. On the other hand, these firms are not price-takers since they do not operate under perfectly competitive conditions. This sort of intermediate market structure was built up independently by late Professor Mrs. Joan Robinson of England in 1933 and Professor E. C. Chamberlin of the USA also in 1933. It may be mentioned

164 NSOU • PGCO - II that Professor Robinson called this newly built but realistic market form as "Imperfect Competition" whereas Professor Chamberlin called his market as "Monopolistic Competition". However, we are interested in going through Chamberlin's model of "Monopolistic Competition". DEFINITION : Monopolistic Competition refers to a market structure in which a large number of sellers sell differentiated products which are close substitutes for one another. It may be recalled that a close substitute is one whose cross elasticity is unity or greater. This form of market combines the basic elements of both perfect competition and monopoly. The element of monopoly in monopolistic competition arises from the fact that each firm has an absolute right to produce and sell a branded or patented product. Other firms are prevented by laws from producing and selling a branded product of other firms. This gives a firm monopoly power over production, pricing and sale of its own branded product. The element of competition comes from the fact that each branded product is a close substitute for another and firms selling branded products of the same generic category have to compete for the market share. 6a.3 Characteristics of Monopolistic Competition The monopolistically competitive market has the following characteristics : 1. There are a large number of buyers and sellers. However, the number of sellers is not as large as that under perfect competition. 2. Product differentiation : Each seller sells a differentiated product. This implies that the product of each seller is different from that of others. The difference between the products of different sellers is either in quality or in labels or trade marks. Hence, the product of every seller is different. Viewing from this angle, each seller is a monopolist. However, under pure monopoly the product has no close substitutes. But under monopolistic competition



the products of different sellers are close substitutes of one another. One product can be

used in place of the other. Hence, under monopolistic competition, firms have monopoly in production but competition in selling. Hence, the market has been termed as "Monopolistic Competition". 3. Free entry and free exit : In this market there is no barrier on the entry of new firms and exit of old firms from the industry. Entry of new firms reduces the market share of the existing ones and exit of firms does the opposite. The consequences of free entry and exit of firms lead to intensive competition among the firms for both retaining and increasing their market share. 4. As each seller is a monopolist, his AR curve is downward sloping and naturally,  $MR > AR$ . Each seller is a price maker, not a price taker. This implies that every seller can influence the price. Evidently, he can sell more at a lower price or sell less at a higher price.

NSOU • PGCO - II 165 5. Selling Costs : Since each firm produces a differentiated product, each firm has to make some heavy expenditure on advertisement and other sales promotional schemes for his product. However, there is no such advertising costs under monopoly or under perfect competition. In a perfectly competitive market we discuss the equilibrium of a firm and equilibrium of the industry. By industry we mean the whole set of those firms which produce a homogeneous product. However, under monopolistic competition the firms do not produce a homogeneous product. Hence the concept of an industry is not applicable here. Instead, the concept of "product group" has been used by Chamberlin. By product group we mean as a collection of firms producing almost similar goods but not identical goods. Under monopolistic competition each firm is a monopolist seller. He is producing a single product. No one is producing exactly that commodity. For example, there are tooth pastes of various brands in the market. However, only one firm is producing Colgate tooth paste. Thus the producer of Colgae toothpaste is a monopolist and the equilibrium of this producer will be determined in the same manner as in a monopoly market. 6a.4 Proportional Demand Curve Vis-a-vis Perceived Demand Curve We know that monopolistic competition is an amalgam of perfect competition and monopoly. Naturally, a monopolistically competitive firm does not face a horizontal demand curve. However, a competitive firm has experience of facing a horizontal demand curve since goods produced by all firms are homogeneous in nature. Product differentiation is one of the vital assumptions of monopolistic competition where goods are not perfect substitutes like those under perfect competition. Goods produced by a large number of monopolistic competitors are very closely related to each other. Each product is a very close substitute for the product of others. It is because of this product differentiation that every firm enjoys some sort of monopoly power since each product is of unique nature. Therefore, the demand curve faced by a monopolistically competitive firm is negatively sloping. For explaining his theory of monopolistic competition Professor Chamberlin has considered two types of demand curves : (a) proportional demand curve or actual sales curve and (b) perceived demand curve or anticipated demand curve. The first type of demand curve can be drawn by assuming that all the monopolistically competitive firms charge the same price while the latter demand curve is drawn on the assumption that the competitor sellers will not change the original price. In the following diagram, Fig 6.1 D P is the proportional demand curve faced by a particular firm when all the sellers

166 NSOU • PGCO - II Price Output charge the same price whereas DA is the anticipated demand curve facing the firm if all sellers maintain the original price. Fig. 6.1 Two types of demand curve We start with a price OP 1 at which OQ 1 amount of output gets sold. Let us now assume that a typical firm wishes a cut in price from OP 1 and he will expect his sales to go up. This, according to Chamberlin, is due to the fact that all other firms will keep this price at OP 1 . In the same way, if the particular seller wishes to raise the price of the product, he can expect that there will be a drastic fall in sales because of the fact that all other sellers will keep their price at OP 1 . Therefore, the individual firm perceives a demand curve DA at OP 1 price since every seller expects that his action to go, will remain unnoticed by his rivals. In the diagram the DA curve is more elastic than DP because each firm, in this model, believes that no other firms will react to changes in its price. Expecting elastic demand, each firm has an incentive to lower the price of its product for capturing a lower share of the market. That means, if a particular firm reduces price of its product from OP 1 to OP 2 , it can expect its sales to increase to OQ 3 . Since every firm expects that no other firms will cut price, the gain in the ultimate analysis will be smaller. If all firms reduce price to OP 2 , the actual sales will be OQ 2 , not OQ 3 . Because of this reason, the D P curve is more steep or less elastic than the DA curve. The D P curve shows the actual sales as it takes into account the effects of the actions of the competing sellers to the price changes by the firm. However, the DA curve shows anticipated changes in quantity sold when it contemplates a change in price. Under this form of market, each seller has the belief that his actions will go unnoticed. Hence every

NSOU • PGCO - II 167 firm ignores the reaction of rival sellers and, thus he behaves independently. All firms, acting independently, do actually sell less than what they do anticipate. But in the present context we have not used anticipated or perceived demand curves to describe the equilibrium situation of a firm under monopolistic competition. 6a.5 Equilibrium situation of a Firm under Monopolistic Competition We know that the basic condition for attaining maximum profit is to produce that level of output at which  $MR = MC$  and at the same time at which the MC curve cuts the MR curve from below. In this market product differentiation gives rise to a negatively sloped demand curve or AR curve. In this form of market the demand curve or the AR curve facing the firm has been drawn on the assumption that all the rival firms do not change their prices. However, the demand curve is relatively more elastic. The corresponding MR curve lies below it. 6a.5.1 Short Run Equilibrium The short run equilibrium of a firm under monopolistic competition has been illustrated in the following diagram fig. (6.2) where quantity of output has been measured horizontally whereas revenue, cost, price and profit have been measured vertically. In the diagram both the conditions for the attainment of maximum profit have been satisfied at point e which is the point of equilibrium. Fig. 6.2 Revenue, Cost and Profit Qyantity of Output 168 NSOU • PGCO - II From the diagram it is seen that the firm sells OQ units of output at price OA so that its total revenue becomes  $OA \times OQ = OABQ$ . For producing OQ units of output the average cost is CQ so that total cost becomes  $OQ \times CQ = ODCQ$ . Hence the amount of pure profit is  $OABQ - ODCQ = ABCD$ . A firm,

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in the short run, may earn only normal profit if  $MC = MR$  &gt; AR =

AC happens. A loss may take place in the short run also if  $MC = MR$  &gt; AR &gt; AC takes place. 6a.5.2 Long Run Equilibrium In the long run, the monopolistic competition comes closer to the perfect competition because the freedom of entry and exit allows firms to enjoy only normal profit. Whenever some firms earn pure profit in the long run some other firms may be attracted to join this product group thereby driving excess profit to zero. Experiencing losses for a long time, losing firms may be induced to leave the product group, thereby eliminating losses. Therefore, all firms in the long run are to be satisfied only with normal profit. In the following diagram (Fig. 6.3) the long run equilibrium has been attained at point E where LMC equals MR. Fig. 6.3 The equilibrium output determined in this way is oq 1 at which AR equals AC. The firm will get normal profit by selling oq 1 units of output at price OP 1 . We may note here that a monopolistically competitive firm always operates somewhere to the left of Price Revenue and Cost Output

NSOU • PGCO - II 169 the minimum point of its AC curve. It may be noted that as the demand curve is not perfectly elastic or as the demand curve is negatively sloping, the AR curve becomes tangent above the lowest point of the AC curve (i.e., point T). Thus each firm produces at a cost higher than the minimum one and attains only normal profit. Under perfectly competitive market, the long run equilibrium is attained at that point at which  $MR = MC = AC = AR = \text{Price}$ . Since the AR curve is perfectly elastic, a tangency between AR and AC takes place only on the lowest point of the AC curve. In the above diagram fig. 6.3, the dotted  $AR = MR$  curve is the demand curve faced by a competitive firm. Equilibrium has been attained at point S where  $LMC = MR = AR = \text{lowest point of LAC}$ . The competitive output determined in this way is  $oq_2$  and this will be sold at the price  $op_2$ . Therefore, we may conclude that the monopolistically competitive

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output ( $oq_1$ ) is less than the perfectly competitive output ( $oq_2$ ) and monopolistically competitive price ( $op_1$ ) is higher than the competitive price (

$op_2$ ). Naturally, the difference in output to the extent of  $q_1 - q_2$  measures excess capacity or unused capacity faced by a monopolistically competitive firm. Production at a higher cost means wastage of resources or underutilization of resources. Under perfect competition since production takes place at the lowest point of the AC curve, there does not occur any wastage of resources in this market. The society gets the larger amount of output and the consumers also get output at a lower price. Therefore, as perfect competition maximizes social welfare, it is an ideal form of market. However, social welfare is not maximised under monopolistic competition since the society gets lower output compared to the perfectly competitive output and buyers purchase the differentiated products at a high price. From what has been stated and verified above, it may be observed that "perfect competition is the ideal form of market".

**6a.6 Product Differentiation** We know that in the modern business goods are not identical or homogeneous in quality. We notice that goods are very closely related or slightly differentiated. Professor Chamberlin's monopolistic competition is featured by the existence of commodities that have fairly good, though not perfect substitutes. This trend has put its shadow in modern markets. In our daily life we see various types of detergent, toilet soaps etc. Each variety is close to the other and that is why buyers do not mind much if they fail to get their chosen item, because very close alternatives appear before them. Product differentiation is usually of two varieties : (a) real and (b) spurious. A real product differentiation is noticed when the inherent characteristics of the products (for

170 NSOU • PGCO - II example, chemical composition of say, margo soap is different from that of Haman soap) are different. Again, product differentiation may be spurious or fancied. That means the product is basically the same but through advertisements or packaging differences get established. The above-mentioned product differentiation makes the sellers enjoy some degree of monopoly power. Buyers get usually fascinated to buy a particular variety of a product. It is the brand loyalty that creates some sort of monopoly. Naturally, product differentiation leads to a negatively sloping demand curve. But the monopoly power is limited since rival firms' products are in the market and the customers may move to these products. That means, the monopoly sellers face some sort of competition. This implies that the demand curve faced by a monopolistically competitive seller will be really elastic. Moreover, modern sellers very often engage themselves in price war for promoting their sales. So, Professor Chamberlin, besides stressing on price competition, had given stress on non-price competition. Product differentiation, in modern business, has justified the importance of selling expenses or selling costs. According to Chamberlin, product differentiation and selling costs are two basic forms of non-price competition. In modern days by spending on attractive advertisement expenditure many buyers may be induced to purchase the product even without price-cutting. This implies that selling expenses have a great influence on demand for a product. That means in Chamberlin's model,

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demand is influenced not only by the price of the product but also by the style of the product, the services associated with it and the selling activities of the firm.

Just to attract more customers in their favour, sellers very often compete with each other that may have high influence on demand for the product. These demand influencing variables (not the price of the product) are the elements of non-price competition. 6a.7 Analysis of Selling Cost or Advertisement Cost in Monopolistic Competition There is a vital difference between monopolistic competition and perfect competition. Under perfect competition since products of all firms are homogeneous or identical in quality, no individual firm has any incentive for making any sort of advertisement for its product. Gains from advertisement by an individual firm have spill over effects in the sense that the gains will get distributed among all firms in the industry. However, such is not the case for monopolistic competition as different sellers produce slightly different goods. It is the very product differentiation that enables a monopolistically competitive seller to exercise some type of monopoly power. Naturally, sales promotional activities are undertaken by sellers to persuade many buyers to buy their products. Sales promotion,

NSOU • PGCO - II 171 in this way, involves selling cost which is, obviously, to be distinguished from production cost. Naturally, under monopolistically competitive market, total cost of producing a product is the sum total of production cost and selling cost. Professor Chamberlin was the first economist to introduce the concept of selling cost. Through various sales promotional activities and advertising every firm claims that his product is better than his rival's one. Naturally, selling costs are those costs which are incurred by a firm to influence or persuade buyers to buy its product in place of products of others. In the language of Professor Chamberlin, selling costs are those costs which are incurred by a monopolistically competitive firm in order to alter the position or shape of the demand curve for a product. The obvious purpose of selling cost is, therefore, to capture the saleable markets in order to increase total revenue and, ultimately, profit. As the buyers have imperfect knowledge about the firm, price, quality of the product, existence of rival sellers etc. and since there is the possibility of altering wants of buyers through advertisement and other sales promotional activities, sellers are tempted to incur selling costs. Naturally, selling costs increase and shift the demand curve to the right. Let us now consider the effect of advertising on price-output decision of a monopolistically competitive seller. We are interested in finding out the optimum output, price and also selling cost. This has been demonstrated in the following diagram, Fig 6.4. Fig. 6.4 Selling Cost and Equilibrium Revenue, Cost and Price P b P a O AC b AC a AR b AR a

172 NSOU • PGCO - II We know that advertisement has got two roles to play : (a) It leads to an increment in cost and (b) it leads to a shift in the demand curve in the upward direction. In the diagram AR is the average revenue of the firm before the introduction of any selling expenses. AC is the average cost of production and this does not take into account advertisement costs or selling costs. The profit maximizing output is determined at the point of intersection between MR and MC, which have not been shown in the figure. 6a.8 A Comparative study among

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Perfect Competition, Monopoly and Monopolistic Competition Perfect competition and monopoly are two extreme forms of market.

In reality, neither of these markets is found. In the real world many industries fall in between. One realistic market is monopolistically competitive market, named by Professor Chamberlin. It is so called because it has elements of both monopoly and perfect competition. But the fundamental aim of all sellers of all these market forms is the maximisation of profit which gets satisfied when MR equals MC and MC cuts MR from below. The fundamental differences between perfect competition, monopoly and monopolistic competition may be pointed out in the following paragraphs :

(a) Structural Differences : Under the perfectly competitive market, there are innumerable number of firms each producing homogenous goods. However, each firm in the market is so small that it fails to exert any influence on either price or quantity of output. Naturally, the firms are merely price-takers. However, under monopolistic competition there are a large number of sellers, each selling slightly different products. Product differentiation enables a firm to exercise some power over price and output. That is, sellers in this model, behave as "price-makers". A monopolist seller has full control over his price-output decision. In both perfect competition and in monopolistic competition there is complete freedom of entry and exit of firms. This condition is true only during the long period. In the short period, however, entry or exit of new firm is legally prohibited in monopoly.

(b) Behavioural Differences : A firm under perfect competition behaves as a price-taker. So the demand curve faced by it is a horizontal straight line. Under perfect competition since price is fixed, the AR curve coincides with the MR curve. A monopolist faces a negatively sloped demand curve and it can have perceptible

NSOU • PGCO - II 173 influence over price and output. Naturally, in this market the MR curve is negatively sloping and it lies below the AR curve. Under monopolistic competition this is also true. From this point of view the difference between monopoly and monopolistic competition is that the demand faced by a monopolistically competitive seller is relatively more elastic. Under perfect competition price is fixed and so the firm has to undertake only output decisions. Besides, goods sold by competitive firms are perfect substitutes. Because of absolute product homogeneity, no firm reveals any eagerness to spend money on any kind of promotional activity. Similar is the case with a monopolist who does not find any urgency to spend money on advertisement as there is no rival seller. However, a monopolistically competitive seller has to incur some kind of "selling costs" in order to give information about its product or rivals' products. In reality, in order to attract more and more customers in its favour, additional expenditure on selling cost is a mere necessity. In every market sellers adopt the technique of independent price decision. However, all sellers of all markets form a basic principle which is that at the point of equilibrium there will be equality between MR and MC. Under perfect competition  $MR = AR$ ,  $MC = MR = AR = P = \text{price}$ . However, in both monopoly and monopolistic competition this behavioural rule is slightly modified to  $MC = MR > AR = \text{price}$ , simply because in both these two markets  $AR < MR$ . Both a monopoly firm and a monopolistically competitive firm produce at that region of its demand curve where the coefficient of elasticity of demand is greater than one. However, under perfect competition the coefficient of elasticity of demand is infinite.

(c) Optimum Capacity and Sub-Optimal Capacity of Production : A competitive firm always produces at the minimum point of its AC curve. This amounts to saying that a firm utilises its plant optimally. As the AR curve is a horizontal straight line, a competitive firm will always produce at the lowest point of its AC curve. However, in both monopoly and monopolistic competition the demand curve is negatively sloping. Thus it is due to the nature of the demand curve that a firm fails to operate at the minimum point of its AC curve. It operates somewhere

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to the left of the lowest point of the AC curve.

This implies that resources are not optimally utilised. Consequently, a higher price for the product is charged and a lower amount of output is produced. From

174 NSOU • PGCO - II this point of view perfect competition is an ideal market where social welfare becomes maximum. However, this welfare gets reduced in both monopoly and monopolistic competition. (D) Supply Curve : Under perfect competition the MC curve above the shut down point is the short run supply curve. However, under monopoly or monopolistic competition the supply curve remains indeterminate. This means that in these two forms of market the MC curve is not the supply curve. 6a.9 Sample Questions 1. What are the characteristics of monopolistic competition? 2. Distinguish between short run and long run equilibrium under monopolistic competition. 3. What is product differentiation? How does the producer make product differentiation? 4. What is the significance of selling cost under monopolistic competition? Explain.

NSOU • PGCO - II 175 Unit 6(B)  Oligopoly Structure 6a.1 Objectives 6b.2 Introduction 6b.3 Main Features of Oligopoly 6b.3.1 Classification of Oligopoly 6b.3.2 Collusive Oligopoly 6b.4 Cournot's Duopoly Model 6b.5 Kinked Demand Curve Model of Oligopoly 6b.6 Sample Questions 6a.1 Objectives The basic objectives of this unit are to indicate : i. Main features of oligopoly. ii. Classification of oligopoly. iii. Discuss equilibrium under different forms of oligopoly. 6b.2 Introduction Many of the markets resemble monopolistic competition where sellers behave independently, that means, actions of one seller go unnoticed by his rival sellers. In contrast, many of the markets, in reality, are dominated by a few sellers where interdependence among themselves is the basic element. While taking price-output decision, each seller takes into account the actions of other sellers. Such a market form is popularly known as oligopoly. This term has been derived from 'Oligos' which means few and 'polis' which means sellers. This means that oligopoly is said to exist when there are few sellers. However, many economists opine that when the number of sellers varies between 2 and 20, the market is said to be an oligopolistic market. The extreme form of this oligopoly is 'duopoly' when the number of sellers is exactly two. However, there is no such precise 'number limit'. Precisely, it may be stated that the key issue is not numbers but rather interdependence among sellers. Thus it is said that oligopoly is said to prevail when there

176 NSOU • PGCO - II are few firms or sellers in the market producing and selling a homogeneous or differentiated product. That is why it is often referred to as "competition among the few". Under oligopoly there is no fixed number of sellers. However, we may say that the number of sellers should be such that there will be interdependence among the sellers regarding their behaviour. If the product is homogeneous, we call it pure oligopoly or oligopoly without product differentiation. However, if products are differentiated, we call it imperfect oligopoly or oligopoly with product differentiation. According to Professor Baumol, "An oligopoly is a market dominated by a few sellers at least several of which are large enough relative to the total market to be able to influence the market prices". 6b.3 Main Features of Oligopoly There are some special characteristics of oligopoly. These are as follows : (1) Few sellers :

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Oligopoly is a market structure in which a small number of			

rival firms dominate the industry. It is under oligopoly that rivalry among firms takes its most direct and active forms. (2) Product : Products sold by oligopolistic firms can either be homogeneous or differentiated. For example, industries producing bread, cement, steel, petrol, cooking gas, chemicals, aluminium and sugar are industries characterised by homogeneous oligopoly. If firms of an oligopoly industry sell differentiated products, it is called differentiated or heterogeneous oligopoly. Automobiles, television sets, soaps and detergents, refrigerators, soft drinks, computers, cigarettes etc. are some examples of heterogeneous oligopoly. (3) Lack of Uniformity : Lack of uniformity in the size of firms is a unique feature of oligopoly. Some firms may be small while others may be large. (4) Importance of advertising and selling costs : Under oligopoly each seller has to inform his buyers about the quality of his product. Consequently, he has to incur advertising and selling costs. (5) Competition : Competition implying struggle of rivals against rivals is a very unique feature in the oligopolistic market. (6) Uncertainty : Uncertainty in the behaviour of firms is a special feature of oligopoly. (7) Elements of monopoly : Under oligopoly there are only a few firms in the market. The existence of product differentiation creates "brand loyalty" on the part of the consumers,

NSOU • PGCO - II 177 which is the basic source of monopoly power. Again, through collusion, the existing firms can raise price and earn some monopoly income. 6b.3.1 Classification of Oligopoly An oligopoly market is beset with the problem of price determination as the actions and reactions of rival firms vary from one industry to another. We shall classify oligopoly market on the basis of (a) specific assumptions about the actions and reactions between firms and (b) nature of the product. On the basis of the nature of the product the oligopoly model may be either homogeneous or differentiated. In case of the homogeneous oligopoly or pure oligopoly the products of different firms are homogeneous. If oligopoly sellers sell homogeneous goods, price differences between products will be, to some extent, insignificant. That means, greater the homogeneity of the product, greater will be interdependence among sellers. This implies that whenever a seller changes the price of his product, the sales of the rival sellers will be affected. Naturally, the rival sellers will change their pricing policy. In case of differentiated oligopoly sellers sell slightly different products. The change in price by one seller will now have less direct effect upon his rival sellers. Hence, under differentiated oligopoly the assumption of interdependence among few sellers becomes less significant. Insignificant rival consciousness greatly complicates the price- output determination model of oligopoly. However, most of our oligopoly models belong to this category. Again, oligopoly market has been characterised by 'Competition' and 'collusion'. Interdependence of a firm may encourage firms to compete with their rivals or may cause sellers to collude with each other. The former oligopoly market is known as non-collusive oligopoly while the latter is known as collusive oligopoly. Non-collusive Oligopoly : In case of non-collusive oligopoly market, even though the firms are interdependent in the market, they go on behaving independently. Under this category of oligopoly the behaviour of a seller will depend upon how he thinks his rivals will react to his decision making. The seller just makes a guess about the reaction of the competing firms, selling homogeneous goods. Therefore, an autonomous or conjectural behaviour is studied by firms of rival firms while setting the price of his product, the firm believes that rival firms will not make any counter move when he changes price of his product. Such behaviour is called autonomous behaviour. However, for oligopoly market this kind of autonomous behaviour is self-contradictory. So the classical non-collusive models of oligopoly, namely the Cournot model, Bertrand's

178 NSOU • PGCO - II model and Edge Worth's model fail to determine equilibrium of a firm and an industry. Assuming the absence of collusion some economists have been successful in explaining equilibrium of a firm. Of these non-collusive oligopoly models the followings are worth mentioning : (a) Cournot's duopoly model, (ii) Kinked demand curve model of P. Sweezy and (iii) Stackleberg's leadership model. 6b.3.2 Collusive Oligopoly In case the firms collude we get the case of collusive oligopoly. Very often non-collusive oligopoly may lead to a cut-throat competition among sellers, leading ultimately towards monopoly business. Sellers having influence may retaliate. Just to prevent this competitive price cutting or retaliation sellers very often make a collusive agreement which may be open or tacit. Formation of cartel is one form of open collusive agreement. 6b.4 Cournot's Duopoly Model In Economics a market with two sellers and a large number of buyers is called a duopoly market. Duopoly is a special case of oligopoly where there are a few sellers. This model of duopoly

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is based on the following assumptions : (i) There are only two

interdependent sellers selling a homogeneous commodity. (ii) There are a large number of buyers in the market. (iii) Both the duopolists have identical cost curves. It is assumed that each duopolist has zero cost of production. (iv) Each duopolist wants to maximize his total profit in each period. (v) Each duopolist makes an output plan during a period and this can not be revised in that period. (vi) No duopolist sets the price. However, each accepts the price of his product at which total planned output can be sold. (vii) Each duopolist is fully aware of the mutual interdependence between their output plans. However, each is quite ignorant of the direction and magnitudes of the revision in his rival's plan that would be induced by any given change in his own. Each duopolist assumes that the output level of his rival is constant at a certain level and adjusts his own output in order to maximise his total profit. Let  $q_i$  be the output level of the  $i$ -th seller,  $i = 1, 2$ . Hence total output is  $q = q_1 + q_2$ . We assume that the demand curve faced by each duopolist is a straight line,

NSOU • PGCO - II 179 given by  $p = a + bq$ ,  $p$  being price,  $a$  and  $b$  are constants,  $a > 0$ ,  $b > 0$ . Total profit of the first duopolist is given by  $\pi = pq_1 = (a + bq_1)q_1 = [a + b(q_1 + q_2)]q_1 = aq_1 + bq_1^2 + bq_1q_2$  ....(A) That is,  $\pi_1 = \pi_1(q_1, q_2)$ .....(B) We can get various combinations of  $q_1$  and  $q_2$  from which a fixed level of profit of the first duopolist can be obtained. Naturally, the locus of all such combinations of  $q_1$  and  $q_2$  will be an iso-profit curve or a profit indifference curve of the first seller. For each level of  $\pi_1$  we get one such profit indifference curve of the first seller. As per our assumption the objective of the first duopolist is to maximize  $\pi_1$  for variations in  $q_1$ , assuming  $q_2$  to be constant. To do that we are to set  $\frac{d\pi_1}{dq_1} = 0$ . That is,  $a + 2bq_1 + bq_2 = 0$ ....(C) That is,  $bq_2 = -a - 2bq_1$  whence  $q_2 = -\frac{a}{b} - 2q_1$  . This is a straight line having slope  $-2$  and intercept  $\frac{a}{b}$  - (positive, assuming  $a > 0$  and  $b > 0$ ). In the following diagram  $R_1R_1$  is a straight line reaction function of the first seller. This function gives us those combinations of  $q_1$  and  $q_2$  for which the profit of the first duopolist will be maximum. Naturally, all points on  $R_1R_1$  fulfil condition (C). In the same way the profit level of the second duopolist is given by  $\pi_2 = pq_2 = [a + b(q_1 + q_2)]q_2 = aq_2 + bq_2^2 + bq_1q_2$  . That is,  $\pi_2 = \pi_2(q_1, q_2)$  . We can get the profit indifference curve of the second duopolist as  $\pi_2 = aq_2 + bq_2^2 + bq_1q_2$  .....(D) The objective of the second duopolist is to maximize  $\pi_2$  for variations in  $q_2$  assuming  $q_1$  to be constant. That is,  $\frac{d\pi_2}{dq_2} = a + 2bq_2 + bq_1 = 0$  .....(E)

180 NSOU • PGCO - II That is,  $2bq_2 = -a - bq_1$ , whence  $q_2 = -\frac{1}{2} \frac{a}{b} - \frac{1}{2} q_1$  . This is also the equation of a straight line having slope  $-\frac{1}{2}$  - and an intercept of  $\frac{a}{2b}$  . This straight line is  $R_2R_2$  in the diagram Fig (6.5) and it is the reaction function of the second Fig. 6.5  $q_2$   $q_1$  duopolist. This line will be downward sloping with a positive intercept. We see from the diagram that the intercept of  $R_2R_2$  is less than that of  $R_1R_1$  . Also, the absolute value of the slope of  $R_2R_2$  is less than that of  $R_1R_1$  . Thus the reaction function of the second duopolist is flatter than that of the first one. The first duopolist remaining on  $R_1R_1$  intends to maximise his profit and the second one remaining on  $R_2R_2$  will try to maximise his profit.  $F$  is the point of intersection of both the reaction curves and it is here that both the sellers maximise their profits. At this equilibrium point the first duopolist's output level is  $q_1^*$  while that of the second one is  $q_2^*$ , which are, obviously, the equilibrium output levels. Both the conditions (C) and (E) get fulfilled at the intersecting point  $F$ . Thus there are two equations (C) and (E) and also there are two unknowns. By solving the equations we can determine the values of  $q_1$  and  $q_2$  . We have already seen that  $a + 2bq_1 + bq_2 = 0$  and  $a + 2bq_2 + bq_1 = 0$ . Hence, adding both sides we get  $2a + 2b(q_1 + q_2) + b(q_1 + q_2) = 0$ . That is,  $2a + 2bq_1 + bq_1 = 0$  . . .  $q_1 + q_2 = q$ . That is,  $2a + 3bq = 0$  whence  $q = \frac{2a}{3b}$  .

NSOU • PGCO - II 181 If  $q = \frac{2a}{3b}$ , then  $p = a + bq = a + \frac{2a}{3} = \frac{5a}{3}$  . Thus price in the duopoly market will be  $\frac{5a}{3}$  . Had there been perfectly competitive market having demand curve  $p = a + bq$  (assuming zero cost), the equilibrium will be attained where price equals marginal cost, i.e., price = 0, that is,  $p = a + bq = 0$  or  $q = -\frac{a}{b}$  . Now, assume that there was monopoly with zero costs and with the same demand function  $p = a + bq$ , equilibrium will be achieved when  $MR = 0$ , i.e.,  $a + 2bq = 0$  or  $bq = -\frac{a}{2}$  - or  $q = -\frac{a}{2b}$  . Therefore, we see that the monopoly output is  $\frac{a}{2b}$  . That means, we get the result that with zero costs and straight line demand curve the monopoly output is half of the competitive output and duopoly output is two-thirds of the competitive output. It can be proved that equilibrium in the cournot model of duopoly is actually stable. 6b.5 Kinked Demand Curve Model of Oligopoly

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The Kinked demand curve model of oligopoly was originally developed by Paul M. Sweezy in 1939

and later by Professors Hall and Hitch. However, this is not a theory of equilibrium price-output determination under oligopoly. It has been found, empirically, that price under oligopoly, if determined once, will remain rigid or sticky at that very level. This model of oligopoly seeks to explain this price rigidity in terms of a "Kink" on the demand curve. According to this model of oligopoly, the demand curve that any individual seller faces, has a Kink at the prevailing price-quantity combination. Due to the existence of such a "Kink" on the demand curve the marginal revenue curve becomes discontinuous. It is this very discontinuity in the MR curve that leads to price rigidity under oligopoly. This model of oligopoly does not deal with price and output determination. Rather, it seeks to establish that once a price-quantity combination is determined, an oligopoly firm does not find it profitable to change its price even when there is a considerable change in the cost of production and also a change in demand for the product.



182 NSOU • PGCO - II The "Kink" in the demand curve stems from the asymmetric behavioural pattern of the sellers. According to Professor Sweezy each duopolist has the belief that if he lowers the price of his product, his competitors will not follow him. But, in reality, his rivals must react by reducing their prices. Again, he believes that

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if he raises the price above the prevailing price, his competitors will

also raise their prices. However, in reality, the rivals will not follow his price-rise. It is this very particular assumption that gives rise to a "Kink" in the demand curve under oligopoly. We assume that the prevailing price of an oligopoly product in the market is AE or OP in the following figure.

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If one particular seller increases the price above OP, the rival sellers will go on keeping the prices of their products at OP.

In consequence of high price charged by the firm, the buyers will shift to products supplied by other sellers who have kept their prices at the old market rate. Naturally, sales of the first seller will sharply drop. It is because of this reason that the demand curve in the zone (dE) is relatively elastic.

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On the other hand, if a seller reduces the price of his product

below AE, others will follow him so that demands for their products do not diminish. Naturally, the demand curve in this region (ED) is relatively inelastic. It is this behavioural pattern that explains why in the oligopoly market prices are inflexible even when costs and demand change. The resulting demand curve is, therefore, dED shown in diagram 6.6.

Price Fig. 6.6 Quantity

NSOU • PGCO - II 183 The "Kink" in the demand curve at point E results in a discontinuous MR curve. The marginal revenue (MR) curve has two segments at the level of output less than OA, the MR curve (that is dG) will correspond to dE portion of the AR curve and for output greater than OA, HMR the MR curve (that is, HMR) will correspond to the demand curve ED. Therefore, discontinuity in the MR curve has occurred between points G and H. This means that between these two points, the MR curve is vertical. The length of this discontinuity depends upon the relative elasticity at E on dE and the relative inelasticity of the demand curve at E on ED. We may mention here that dE is relatively elastic while ED is relatively inelastic. Proof : We know that  $MR = price \times (1 - \frac{1}{e})$ . Let price be Rs. 10 and e be 2 and 3. Hence,  $MR_1 = 10 \times (1 - \frac{1}{2}) = 5$  and  $MR_2 = 10 \times (1 - \frac{1}{3}) = 6.7$ . Hence the gap between MR 1 and MR 2 is 1.7. Further, let e 3 = 5 so that  $MR_3 = 10 \times (1 - \frac{1}{5}) = 8$ . Hence the gap between MR 1 and MR 3 will be 3. This proves that the larger the elasticity at E on dE and the smaller the elasticity at E on ED the greater is the length of the discontinuous zone on the MR curve. In diagram 6.7 the length of the discontinuity is GH. The marginal rule tells us that both the conditions for profit maximisation, that is, (i)  $MR = MC$  and (ii) the slope of the MR curve is less than that of the MC curve are satisfied in the discontinuous range of the MR curve. Hence, the equilibrium level of price and output are determined as OP o and OQ respectively.

184 NSOU • PGCO - II Fig. 6.7 We now suppose that

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the marginal cost curve of the firm passes through the discontinuous range of the MR curve. Naturally, the

equilibrium of the oligopolistic firm is given by the Kinked point. The equilibrium price is  $OP^0$  and quantity is  $OQ$ . For any level of output less than  $OQ$ ,  $MR < MC$ . Hence the oligopolistic firm will raise the levels of output. Again, for any amount of output greater than  $OQ$ ,  $MR > MC$ . Naturally, the oligopolistic firm will reduce the level of output. Thus, total amount of output gets maximized at the Kink though the profit - maximizing condition ( $MR = MC$ ) is not fulfilled. The discontinuous portion (that is,  $GH$ ) of the  $MR$  curve implies that there is a range within which costs or demand may change without affecting the equilibrium price (i.e.,  $OP^0$ ) and output (that is,  $OQ$ ). For instance, if the cost condition of the oligopolist rises, the  $MC$  curve shifts to  $MC_1$ , though the equilibrium price remains unchanged at  $OP^0$ . Again, if the total cost falls so that the  $MC$  curve shifts to  $MC_2$  but it still passes through the discontinuous portion of the  $MR$  curve, then also price remains unchanged at  $OP^0$ . Hence, for the existence of a discontinuous portion of the  $MR$  curve, price is rigid or sticky under oligopoly. The main difficulty

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of the Kinked demand curve theory is that it does not explain

AR, MR, MC Quantity  $P^0$

NSOU • PGCO - II 185 the price-output determination. It does not define the level at which price will be set to maximise profits. The Kinked demand curve model of oligopoly can explain the rigidity of prices in a situation of changing costs and of strong rivalry. However, it fails to explain the level of the price at which the Kink will take place. That means, the Kinked demand curve model fails to explain the height of the kink. Thus, it is not a theory of pricing, but merely a tool for explaining why the price, once determined in some way or another, will tend to remain fixed there. Sweezy had introduced the Kinked demand curve as an operative tool for the determination of equilibrium in oligopolistic markets. Later, Hall and Hitch used this model not as a tool of analysis for the determination of output and price in markets forming oligopoly but to explain why the price, once determined by virtue of average cost pricing principle, will remain sticky. Hall and Hitch had used the Kinked demand curve for explaining the stickiness of prices in oligopolistic markets and not as a tool for the determination of price.

6b.6 Sample Questions A. Objective-type Questions : (a) The monopolistically competitive market is associated with : (i) P. A. Samuelson, (ii) J. R. Hicks, (iii) J. M. Keynes, (iv) Chamberlin. Ans. (iv) (b) What does a monopolistic competition have in common with monopoly? (i) A large number of firms, (ii) A downward sloping demand curve, (iii) The ability to collect with respect to price, (iv) Mutual inter-dependence. Ans. (ii) (c) The key feature of oligopoly is : (i) Excess Capacity, (ii) Product differentiation, (iii) High profitability, (iv) Interdependence of firms. Ans. (iv) (d) Which one is true for a monopoly? (i) The product cannot be produced by small firms, (ii) There can be close substitutes for the product, (iii) There is a uniproduct with no close substitutes, (iv) Products are high-priced. Ans. (iii)

186 NSOU • PGCO - II (e) Under which of the following forms of market structure does a firm has no control over the price of its products? (i) Monopoly, (ii) Monopolistic competition, (iii) Oligopoly and (iv) Perfect competition. Ans. (iv) (f) To which of the market situations does the market for cars conform? (i) Monopoly, (ii) Perfect competition, (iii) Monopolistic competition and (iv) Oligopoly. Ans. (iv) (g) The length of the discontinuous zone of the  $MR$  curve corresponding to the demand curve under the Kinked demand curve model of oligopoly depends on (i) Elasticity of demand, (ii) Cost of production, (iii) Revenue and (iv) Price. Ans. (i). B. Short-type Questions : 1. Explain the features of a monopolistically competitive market. 2. Explain your understanding of "selling cost". 3. Make a clear distinction between profitable demand curve and perceived demand curve. 4. Write a brief note on "product differentiation". In which form of market it is found? 5. Explain the basic features of oligopoly. 6. Make a brief classification of oligopoly. 7. Explain the implication of the concept of "Kink" at the kinked demand curve model of oligopoly. 8. Whose name is associated with the Kinked demand curve model of oligopoly? What is the implication of the existence of the Kink? C. Essay-type Questions : 1. What are the characteristics of a monopolistically competitive market? Why do firms under such a market have excess capacity even in the long run?

NSOU • PGCO - II 187 2. Mention the main features of monopolistic competition. Discuss the conditions of

equilibrium of a firm under monopolistic competition in both the short run and the long run. 3. "

Monopolistic competition is more like perfect competition than like monopoly". Do you agree with this view? If so, substantiate arguments in favour of your answer. 4. What are selling costs? Why are they peculiar to monopolistic competition? 5. Why does a Kink arise at the going price in the market demand curve under oligopoly? Explain the implications of this Kink. 6. What is an oligopoly market? Explain the main features of oligopoly. Make a brief classification of oligopoly. 7. Explain, in detail, the Cournot's model of duopoly. 8. What is the Kinked demand curve hypothesis? What is the implication of this Kink? Explain, graphically, how price and quantity are determined in this model of oligopoly. 188 NSOU • PGCO - II Unit 7 □□□□□ Theories of the firm Structure 7.0. Objective 7.1. Introduction 7.1. Alternative Theories of the Firm : Sales Maximisation, Williamson's Expense Preference Model 7.1.1. Baumol's Sales Maximisation Model 7.1.2. Williamson's Expense Preference Model 7.2. Marris's Growth Maximisation Hypothesis 7.2.1. Behavioural Theory 7.3. Multi-Product Firm and Multi-Product Pricing 7.3.1. Multi-Product Firm 7.3.2. Multi-Product Pricing 7.4. Some Special Pricing Techniques 7.4.1. Peak-load Pricing 7.6. Summary 7.7. Sample Questions 7.0. Objective The primary objectives of this unit are to : i. Bring out alternative theories of the firm. ii. Discuss Baumol's sales maximisation principle. iii. Discuss Williamson's Expense Preference Model. iv. Bring out Behavioural Theories. 7.0. Introduction In this unit, we will study a number of topics which are outside the purview of the mainstream neo-classical analysis of the firm. Firstly, we will study some alternative theories of the firm. Next, we will study the case of a multi-product firm and how it settles prices of its products. Then, we will go into some special pricing techniques, like peak-load.

NSOU • PGCO - II 189 7.1 Alternative Theories of the Firm Neo-classical theories characterised the firm as a 'black-box', which transforms inputs into outputs to earn the maximum profit. This is convenient for tackling issues like pricing, output, entry etc. as it ignores the details about the internal structure of the firm, along with its contractual and organisational basis. It also suggests that the optimal size of the firm is simultaneously determined with the number of firms in the industry. In case of a free entry situation, the size and number are determined by the extent of the demand for the product and the structure of technology. The economies of scale and scope are limited to the extent. If the question is asked: what limits the size of the firm? The focus on technology, demand, externalities suggest no obvious reason why a firm cannot monopolise the market. If there are diseconomies of scale associated with a single plant, the firm will surely go for multi-plant operation. So, it is necessary to spin the 'black belt'. In fact, in the last seventy years, the neo-classical methodology has tried to open the box. The early works on managerial discretion focussed on the organisational structure and the goal of the firm and its consequences. They recognised the separation of ownership from control in the corporate enterprise. This section gives a brief review of the earlier work on discretion and related theories. 7.1.1. Baumol's Sales Maximisation Model Baumol (1958) argued that the goals pursued by managers (e.g., salaries, status, power, prestige, security etc.) are correlated with sales revenue. He suggested that the main objective of the firms is sales maximisation. For maximising sales revenue, the firm will set a lower price to produce a greater output than that would be under profit maximisation. The underperformance of a firm is visible by its decreasing level of profit and the firm has to take some action. If a firm earns below a minimum accepted level profit (MALP), then the management is at a risk from either shareholder action or take-over raiders. Thus the pursuit of sales is tempered by the need to earn enough profit. This model assumes that MALP has defined a value, above which there would be no chance of intervention. In the absence of any profit constraint, the firm maximises revenue by choosing price  $P$  and output  $q$  such that  $MR = 0$ , as per figure 7.1. This maximises revenue but pays no attention to the resulting profit in this figure, the profit is  $\pi$ . If MALP is  $\pi -$ , then the firm's objective is to choose  $P$  and  $q$  such as to maximise  $R$  subject to profit  $\pi \geq \pi -$ .

190 NSOU • PGCO - II Figure 7.1 : Baumol's Sales Maximisation If MALP is at the level  $2\pi$ , then the solution is unconstrained, i.e., revenue is maximised by setting  $MR = 0$  where  $\pi \geq 2\pi$  and the profit. So long as the MALP is less than the maximum attainable level of profit, the firm sets a price below the profit maximising level. The sales revenue maximising firm (Baumol) and the profit maximising firm behave differently, when the environmental variables change. In figure 7.2, we will show some simple cases. In panel A, we have the consequence of an increase in fixed cost (or  $q$   $m$  =point that maximises output  $q$   $l$  = profit constrained sales maximising output  $q$   $R$  =Free sales maximising output

NSOU • PGCO - II 191 lump sum tax); here the profit curve would fall everywhere by the amount of increase. Panel B shows the effect of an increase in corporate tax rate. In both of these cases, the Baumol firm reduces output and increases price. Lane C, on the other hand, shows the imposition of a per unit sales tax (or VAT). This leads to a fall in the would-be- net-profit function which is proportional to the level of output. The impact of this for both a profit maximising firm and a Baumol firm would be change in output, of course, and the Baumol firm would be more sensitive. Figure 7.2 : Some Comparative states of Baumol's firm The firm would be cost-efficient if the MALP constraint binds, otherwise not. This is, again, not at all realistic, the managers will always have some preference for more profit rather than loss. From the welfare perspective, the Baumol firm is likely to be cost-efficient, the set price would be lower than that of the profit-maximising firm. One of the weaknesses of the model is that it implies that the management prefers more sales to less and does not care about profit, till it falls below the MALP. At the point, profit becomes all important. In reality, of course, it is expected that the management would be concerned about both profit and revenue. So, this model can be modified by assuming that the managers maximise a utility function of the form  $U(\pi, R)$ . Here utility is increasing for both  $\pi$  and  $R$  and the indifference curves have usual shape. In Figure 7.3, the locus of attainable combinations of  $\pi$  and  $R$  have been derived from Figure 7.1. a) Effect of increase in fixed cost of increase in lumpsum tax (b) Effect of corporation tax increase (c) Effect of sales tax increase

192 NSOU • PGCO - II Figure 7.3 : Alternative Version of the Baumol Model When output is zero, both profit and revenue are also zero. As output increases, both of them increase, until  $\pi$  reaches a maximum ( $R$  would be still increasing). As output further increases,  $\pi$  starts falling whilst  $R$  increases till it reaches a maximum value. Further increases in output lead to a fall in both  $\pi$  and  $R$ . The optimum output is characterised by the usual tangency solution, which is less than maximum revenue and also less than maximum profit. 7.1.1. Williamson's Expense Preference Model Williamson (1964) suggested that managers show preference for expense; they derive utility from expenditure on staff, managerial emoluments and discretionary profits. Higher profits reduce the risk of embarrassment in case of adverse environmental fluctuations or take-over or profit-related payments. Excess may be partly attractive because not only it increases the dimensions of the managerial pyramid but also the pressure on manager concerned. Here we will present a compact version of the model by focusing simply on the profit and expenses  $S$  ( $S$  is the composite expenditure on perquisites, on-line staffing etc.) The Williamson constraint of MALP necessary for survival and constraint on minimum expenditure necessary on staff are ignored.

NSOU • PGCO - II 193 Figure 7.4 : Williamson's Expense Preference Model The managerial utility function  $U(\pi, S)$  gives rise to a usual form of indifference curves, as depicted in Figure 7.4. If the gross profit is denoted by  $\pi_g = R(q) - C(q)$ , then there must be a profit-maximising price and output for the firm to attain a maximum level of gross profit. This is denoted by  $\pi_m$  as shown in Figure 7.4. The actual net profit depends on the level of staff and related expenses :  $\pi = \pi_m - S$ . As  $\pi_m$  is a constant, the graph of the attainable combinations of  $(\pi, S)$  is the straight line AB in Figure 7.4. The optimal choice  $(\pi_w, S_w)$  is given by the point of tangency with the highest attainable managerial indifference curve. This implies cost inefficiency as expenditures on staff are positive but 'unnecessary', The original Williamson model is richer than this simplistic version, but the message remains the same. Managers have utility by spending resources on themselves and so, such firms will not be cost-efficient. The welfare implication of such a firm is more difficult to assess than in the Baumol case. The firm is maximising profit as it is cost-inefficient, for those who receive it. If  $S$  consists solely of staff perks and payments, this would imply a simple transfer of money from shareholders to managers; the consequence would be welfare neutral. But if  $S$  includes employment of excess staff, this involves loss of welfare.

194 NSOU • PGCO - II 7.2. Marris's Growth Maximisation Hypothesis Marris (1963, 1964) developed a dynamic model of firm. He proposed that managers are concerned with growth maximisation, with expanding product demand and variety over time. Empirical evidences are there to show that managers prefer internal to external promotions as the latter implied adopting new working practices and less job security. Marris's model implies a growing firm gives the managers the opportunity for internal promotions, career development and job security. It also examines the implication of the means of financing the growth. We are not going into a detailed exposition of the model as it is quite complex and a number of ad hoc assumptions (specially with respect to pricing and demand for the product, alignment of manager's and owners' interest etc.) are also criticised. Its main merit lies in its focus on the dynamic factors.

7.2.1. Behavioural Theories The behavioural theories (Simon 1957, Cyert and March 1963) viewed the firm as a coalition or participants or groups or participants (e.g. shareholders, creditors, suppliers, consumers and various categories of managers and workers). who work for the interest of the firm in a variety of payment The goals of the firms result in implicit bargain between various interested parties, influence of the parties on the overall direction of the firm is dependent on their bargaining power. All these elements are consistent with the game-theoretic treatment of the firm, where the individuals are seen self-interested utility-maximisers. But the behavioural theories do not agree to the neo-classical paradigm of homo economicus. As for example, the employees may have aspiration levels rather than a reservation wage. Aspiration levels can increase upward with increase in experience but there will be no active job seeking until current wage is sufficiently below the aspiration level. The same idea applies to consumer behaviour, brand loyalty to mismatch between price quality. The difference between the payments required to keep the persons in their posts and the total possible revenues of the organisation is called organisational slack. In a stable environment, it may be thought that wages should converge on aspiration levels and competitive pressure may lead firms zero (or close to it) organisational slack. As the environments are not stationary (business) cycles, technological progress), the firms must strive to maintain themselves an ever-moving best-practice frontier. The main features of the behavioural theory are as follows :

NSOU • PGCO - II 195 (i) it argues that only individuals (not firms) have goals; (ii) it argues that agents have bounded rationality and satisfies rather optimise); (iii) It recognises that information is costly; (iv) It views firms as coalition of agents. Many of these ideas are incorporated in the 'optimising perspective' of neo-classical economics.

7.3. Multi-Product Firms and Multi-Product Pricing Most of the text books in Economics focus the single-product firm, whereas, in practice, most firms produce more than one product The reasons for this can be traced to either technological or organisational advantages of the firm. Conglomerate firms may produce products which are not very related to one another and whose production processes may be largely independent. In such cases, where there is independence of the products both on the demand and the production side, the problem of pricing and marketing of the products is almost the same as the single-product firm. However, usually firms produce a product line where products are usually substitutes or complements. Apart from demand inter-dependencies, there are cost dependencies too. These arise when products utilise common production process, common inputs, common inventory etc. These interdependencies imply that theoretically, it is no longer possible to determine the profit-maximising price of each product in isolation. Pricing of the whole range of a firm's product has to be undertaken simultaneously in a system-wise solution.

7.3.1. Multi-product Firms Multiple products are likely to be produced within a single organisational structure, if it is more profitable to do so. The reasons can, loosely, be categorised as demand or cost-related. (a) Demand-related reasons : The argument is that drawing products under umbrella of a single matter may help to facilitate price discrimination, to create barriers to entry to leverage monopoly power. (i) Price Discrimination A firm with monopoly power could improve its profitability by designing non-linear schedules by which it sells its products. Typically, it involves quantity discounts. Firms usually apply this technique when they bundle products. A car manufacturer will typically

196 NSOU • PGCO - II offer a model with wide range of specifications, such that the higher specification model is cheaper than the cost of buying a lower-specification model and buying separately the additional specifications. If we think of a situation where different firms provide different items having monopoly power over its item, then if they can be brought under the single umbrella, there may be no savings in cost, only in organisational benefits, pricing of different commodity bundles is likely to be better co-ordinated and controlled within a single firm. (ii) Barriers of Entry and Monopoly Leveraging Monopoly leveraging of exploit monopoly power in one market either to prevent others being able to enter, or to achieve a dominant position in another market. Microsoft forced PC manufacturers to install Internet Explorer (its internet browser software) as a condition of obtaining licenses for windows 95 operating system. This internet browser is not superior to the others in the market, but as Microsoft has a stranglehold over the market for operating systems, it is able to leverage a significant market share for that product. The dominant firm gains by setting the price above its marginal cost and earning additional profit. Thus, tying together can be beneficial for the multi-product firm. In principle, separate firms can also sell their products too and such practices are quite common. But generally, such interfirm collusive agreements are illegal and subject to government intervention. But if it happened within the firm, it becomes difficult to track such processes. So this is also another rationale for multi-product firms alongside other organisational economies. (b) Cost-Related Reasons The cost based rationale for multi-product firm is based on the concept of economies of scope, which is a special case of cost-sub-additivity. A cost function is sub-additive if it is cheaper to produce any given output vector in one batch than in a set of smaller batches. In the two-product case, this simply means that  $C(q_1, q_2) < C(q_1) + C(q_2)$ . In general, economies of scope arise because input resources have the characteristics of a public good, i.e., the use of the input does not deplete its availability for other users. Examples can be given of a database with many users or using electricity at night for other purpose, once it is installed day time production only. Of course, these examples of natural economies of scope associated with productions such as beef and hide or refining oil in a multiplicity of products. Multi-product firms facilitate a capacity utilisation over time by reducing indivisibilities or lumpiness in the production process. Apart from overall firm economies of scope, one can distinguish the technological or plant economies of scope. These are with the production process itself while firm economies additionally include organisational economies.

NSOU • PGCO - II 197 (c) Financial Reasons It is sometimes argued that by diversification and production of a wide range of outputs the firm spreads its risks, specially if the products are not close substitutes and thus likely to be affected by some environmental products of market movements. This argument is not very tenable as such diversification does not add value to the company. As the shareholders are already diversified, they can get more advantage by diversifying their own portions, rather than the products. (i) there may be some tax advantages associated with such diversification; (ii) diversification facilitates dividend smoothing; (iii) Diversification would benefit managers as it reduces a company's total risk; (iv) larger the enterprise, the lower the costs of raising finance, thus benefiting the firm. Thus, there is an assorted range of financial pressures which tend to encourage the formation of multi-product firms. 7.3.2. Multi-Product Pricing Till now, we have shown that when there are economies of scope, there is an incentive to set up a multi-product firm. With common provision and use of common facilities, the cost function will feature some degree of interdependency in the sense that the marginal cost of production of each product may be affected not only by its output level, but also by that of the other products in the range. Similarly, as the products in product range are often related and hence they have substitutes, demand. Independence is also common. In such cases, profit-maximising prices cannot be determined independently. Table 7.1 shows the point. Table 7.1 : The Multi-product pricing problem

Demand	Independent (zero cross-price elasticities)	Non-zero cross-price elasticities	Cost Independent	Price each product System
Independent	Independent System solution	System solution required	Independent System solution	System solution required
Dependent	System solution required	System solution required	System solution required	System solution required

198 NSOU • PGCO - II If there is interdependence either on the cost or on the demand side, then the theoretical problem of setting prices in order to maximise profits requires the solution of a set of simultaneous equations (equal to the number of products). It is not possible to identify this optimum by setting prices for the various products either sequentially or independently. If there is independence on both cost and the demand side, then the products may be priced in isolation. Here for optimising prices for multiple products, the demand and cost functions for each product are necessary. Here we would assume that demand and cost functions (also how cost varies with changes in output mix and volume) are known with certainty. Suppose the firm manufactures  $n$  products. Ordinary demand functions would be of the form :  $q_i = f_i(p_i)$ ,  $i = 1, 2, \dots, n$ .....(7.1) where  $q_i = 1, \dots, n$  are the quantities demanded and  $p_i = (p_1, p_2, \dots, p_n)$ .....(7.2) are the prices set by the firm. The prices of each of the firm's  $n$  products may have influence on the sales of each product although typically the own price would be the major determinant of an individual's sales of products. The total cost of producing output  $q$  is assumed to be a smooth cost function  $C(q)$ . The firm's profits are thus given as  $\pi = \sum_{i=1}^n p_i q_i - C(q)$ .....(7.3) Given the ordinary demand function (7.1), the first-order necessary conditions for maximum profits are more easily obtained through analysis in price space. This treats  $n$  prices as choice variables and the first order conditions are thus :  $\frac{\partial \pi}{\partial p_j} = q_j + \sum_{i=1}^n (p_i - \frac{\partial C(q)}{\partial p_i}) (\frac{\partial q_i}{\partial p_j}) = 0$ ,  $j = 1, 2, \dots, n$ .....(7.4) In fact, so long as the demand and cost functions are reasonably well-behaved in conjunction with the demand equation (7.1), are sufficient to identify the optimum prices, outputs and attainable profit for the firm.

7.4. Some Special Pricing Techniques  
7.4.1 Peak-load pricing Many firms face a systematically varying demand for their product. The most common

NSOU • PGCO - II 199 examples are utilities like electricity, gas and telephone. Demand may fluctuate over a daily or weekly cycle or even an annual cycle. This implies that it may pay the firm to vary price systematically over time as well. The advantages of varying price will depend on (i) substitutability of demand : the extent to which consumers can substitute demand at one point of time to another, (ii) the extent to which the firm has to produce for demand just in time (rather than through accumulation of inventory). Here we can show the example of electricity where demand during the daytime is considerably higher than at night. Consumers are unable to store electricity; if the firm charges a lower price electricity at night (the off-peak rate), this gives the consumers an incentive to purchase at night to use it during the day. If storage was costless, then purchase would have been done only at lower price (then it would be no more off-peak). So storage has to be difficult or costly for the consumers if peak pricing has to be sustainable. These are special types of perishable goods. This difficulty also affects the producer. If it is costly for the producer to store the product, he will also go for just-in-time production, This implies that peak level demand has to be dealt with directly, i.e., the installed capacity needs to cope with the anticipated peak level of demand and so, by opportunity cost reasoning, peak demand is more costly to provide than off peak. The marginal cost of providing one more unit of output at the peak is the sum of the marginal running costs plus the marginal cost of providing the additional unit of capacity, whereas since the capacity is already there, the marginal cost of off-peak period is simply the running cost. These differences in cost would also provoke the firm to differentiate in pricing between the peak and off peak periods, peak load pricing differs depending on the objective of the firm. Usually, peak-load pricing deal with welfare-maximising objective as in most of the cases. The firm is a public utility. However, following extensive privatisation all over the world, the profit maximizing firms should be studied. SOME PROBLEMS AND THEIR SOLUTIONS : 1. The demand curve faced by a firm is  $p = 110 - 2q$  and  $c = q^3 - 3q^2 + 50q + 10$  is the cost function. Obtain the profit maximising output of the firm. Also obtain the Lerner's index of monopoly power,  $\frac{p - MC}{p}$  in the concerned market. Solution : We know that  $\pi = TR - TC = pq - c = (110 - 2q)q - (q^3 - 3q^2 + 50q + 10)$

200 NSOU • PGCO - II That is,  $\pi = 110q - 2q^2 - q^3 + 3q^2 - 50q - 10 = -q^3 + q^2 + 60q - 10$  To maximise  $\pi$  we are to set the first order condition  $\frac{d\pi}{dq} = 0$ . But  $\frac{d\pi}{dq} = -3q^2 + 2q + 60 = 0$  That is,  $3q^2 - 2q - 60 = 0$ . That is,  $q = \frac{2 \pm \sqrt{4 + 720}}{6} = \frac{2 \pm 26.96}{6} = 4.8$ . The second order condition needs  $\frac{d^2\pi}{dq^2} = -6q + 2 = -6(4.8) + 2 = -26.8 < 0$ . Thus the profit maximizing level of output is 4.8 units. The price is  $p = 110 - 2 \times 4.8 = 100.4$  Also,  $MC = \frac{dc}{dq} = 3q^2 - 6q + 50$ . When  $q = 4.8$ ,  $MC = 3(4.8)^2 - 6(4.8) + 50 = 90.3$ . Now, monopoly power is  $\frac{p - MC}{p} = \frac{100.4 - 90.3}{100.4} = 0.10$  Thus, Lerner's index of monopoly power = 0.10. 2. X, the monopolist, has the demand curve given by  $p = 20 - q$  and his cost function is  $c = q^2 + 8q + 2$ . Obtain the profit maximising output and the corresponding price of the monopolist. Solution : We know that  $\pi = TR - TC$  Now,

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$$TR = pq = (20 - q)q = 20q - q^2 \text{ Thus } \pi = 20q - q^2 - 8q - 2 = 12q - 2$$

$q^2 - 2$  Naturally, the monopolist will want to maximise  $\pi$ . For this we are to set  $d/dq \pi = 0$ .

NSOU • PGCO - II 201 Now  $d/dq \pi = 0$  means  $d/dq (12q - 2q^2 - 2) = 0$  That is,  $12 - 4q = 0$ , That is,  $q = 3$ . Besides,  $d^2/dq^2 \pi = -4 < 0$ . That is, the second order condition is also satisfied. Hence, the profit maximising level of output of the monopolist is 3. Naturally,  $p = 20 - 3 = 17$ . 3. The revenue function and the cost function of a firm are  $R = 1000Q - 2Q^2$  and  $C = Q^3 - 59Q^2 + 315Q + 2000$ . Obtain the profit maximizing level of output. Solution : Here  $\pi = R - C = 1000$

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$$Q - 2Q^2 - (Q^3 - 59Q^2 + 315Q + 2000) = 1000Q - 2Q^2 - Q^3 + 59Q^2 - 315Q - 2000 = -Q^3 + 57Q^2 - 315Q - 2000.$$

Now,  $d/dQ \pi = 0 \Rightarrow d/dQ [-Q^3 + 57Q^2 - 315Q - 2000] = 0$  That is,  $-3Q^2 + 114Q - 315 = 0$  That is,  $-3(Q^2 - 38Q + 105) = 0$  That is,  $Q^2 - 38Q + 105 = 0$  That is,  $Q^2 - 35Q - 3Q + 105 = 0$  That is,  $Q(Q - 35) - 3(Q - 35) = 0$  That is,  $(Q - 35)(Q - 3) = 0$  Thus  $Q$  is either 3 or  $Q$  is 35. Now,  $d^2/dQ^2 \pi = -6Q + 114$  At  $Q = 3$ ,  $d^2/dQ^2 \pi < 0$  and at  $Q = 35$ ,  $d^2/dQ^2 \pi > 0$ . This means that the profit maximising level of output is 35 units. 7.7. Sample Questions 1. Consider a single-product firm for which the demand function is  $p = 100 - q$  and total costs are  $C(q) = q^2$ . Find out the profit-maximising price, output and profitability of the firm. If the firm is a Baumol sales revenue maximiser, what is the choice of price and output if the MALP is 450? What is the difference in economic welfare in the two cases?

202 NSOU • PGCO - II 2. Critically discuss Williamson's Expense Preference Model. 3. Do you think that Marris's growth Maximisation Hypothesis gives a sufficient explanation of a firm's objective? 4. Why does a firm decide to produce multiple products? 5. Discuss the problem of multi-product pricing for demand-independent and demand-interdependent products. What are the problems of getting a solution for cost-dependent and cost-interdependent products? SOME NUMERICAL PROBLEMS 4. You are given the following demand and cost functions  $p = 250 - 3q$  and  $c = 3q + 5q^2$  respectively. Obtain the profit maximizing price and output. Solution : Let  $\pi$  stand for total profit and  $R$  stand for total revenue. Now,

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$$\pi = TR - TC = pq - TC = (250 - 3q)q - 3q - 5q^2 = 250q - 3q^2 - 3q - 5q^2 = -8q^2 + 247q$$

For maximisation of profit  $d/dq \pi = 0$ . That is,  $d/dq [-8q^2 + 247q] = 0$  That is,  $-16q + 247 = 0$ . That is,  $q = 247/16 = 15.4$ . Also,  $d^2/dq^2 \pi = -16 < 0$ . Hence the second order condition is also satisfied. Therefore, the profit maximising level of output is  $q = 15.4$  units = 15 units; price =  $250 - 3 \times 15 = 205$  Ans. 5. A competitive firm sells its output at a fixed price of Rs. 4 per unit. The cost function of the firm is given as  $c = 0.04q^3 - 0.9q^2 + 10q + 5$ . Find the profit maximising output level of the firm and determine the corresponding total profit, total revenue and total variable cost. Solution : We have

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$$\pi = TR - TC = 4q - [0.04q^3 - 0.9q^2 + 10q + 5] = 4q - 0.04q^3 + 0.9q^2 - 10q - 5 = -0.04q^3 + 0.9q^2 - 6q - 5$$

Now,  $d/dq \pi = -12$



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$$q^2 + 1.8q - 6 = 0 \text{ NSOU} \bullet \text{PGCO - II 203} \Rightarrow -12q^2 + 180q - 600 = 0 \Rightarrow 12q^2 - 180q + 600 = 0 \Rightarrow q^2 - 5q + 50 = 0$$

$$\Rightarrow q^2 - 10q - 5q + 50 = 0 \Rightarrow (q - 5)(q - 10) = 0$$

Thus  $q = 5$  or  $10$ . The second order condition for maximisation needs  $\frac{d^2 \pi}{dq^2} < 0$ . That is,  $-0.24q + 1.8 < 0$   
 When  $q = 5$ ,  $\frac{d^2 \pi}{dq^2} = 0.6 > 0$ . When  $q = 10$ ,  $\frac{d^2 \pi}{dq^2} = -0.6 < 0$  Therefore, when  $q = 10$ , profit will be maximum Here  $TR = \text{Total Revenue} = pq = 4 \times 10 = 40$   $\pi = -15$ . That is, negative profit.  $TVC = 0.04q^3 - 0.9q^2 + 10q$   
 When  $q = 10$ ,  $TVC = 50$ ,  $TFC = 5$ . Thus,  $TC = 55$  and  $TR = 40$  Thus,  $\pi = TR - TC = 40 - 55 = -15$ . 6. A revenue maximising firm requires profit of at least Rs. 1500. Its demand and cost functions are :  $p = 304 - 2q$  and  $c = 500 + 4q + 8q^2$ . Determine his output level and price. Compare these values with those that would be achieved under profit maximisation. Solution : Here

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$$TR = PQ = (304 - 2q)q = 304q - 2q^2 = 300q - 10q^2 - 500 \text{ Now, } \pi = TR - TC = 304q - 2q^2 - 500 - 4q - 8q^2 = 300q - 10q^2 - 500$$

But the firm needs a minimum profit of Rs. 1500.  
 204 NSOU • PGCO - II Hence,  $\pi = 300$

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$$q - 10q^2 - 500 = 1500 \Rightarrow 300q - 10q^2 - 2000 = 0 \Rightarrow 30q - q^2 - 200 = 0 \Rightarrow q^2 - 30q + 200 = 0 \Rightarrow q^2 - 20q - 10q + 200 = 0 \Rightarrow q(q - 20) - 10(q - 20) = 0 \Rightarrow (q - 20)(q - 10) = 0$$

Thus,  $q$  is either 20 or 10. But the firm needs maximisation of revenue. Hence  $q = 20$ . Also, from  $q^2 - 30q + 200 = 0$  we get  $q = 30 \pm \sqrt{900 - 800} = 20$ . That is,  $q = 20$  or  $10$ . Now,  $p = 304 - 2 \times 20 = 264$   $TR = 304 \times 20 - 2 \times 20^2 = 6080 - 800 = 5280$   $C = 500 + 4 \times 20 + 8 \times 20^2 = 500 + 80 + 3200 = 3780$ . Under profit maximisation,  $\pi = -10q^2 + 300q - 500$  Now,  $\frac{d\pi}{dq} = 0 \Rightarrow -20q + 300 = 0 \Rightarrow q = 15$  Also,  $\frac{d^2 \pi}{dq^2} = -20 < 0$   $p = 304 - 2 \times 15 = 274$   $c = 500 + 4 \times 15 + 8 \times 15^2 = 500 + 60 + 1800 = 2360$   $\pi = pq - 2360 = 274 \times 15 - 2360 = 4110 - 2360 = 1750$ . 7. A fashion industry has the demand function  $p = -20 - Q$  and its total cost function is  $c = Q^2 + 8Q + 2$ . Determine the optimal output  $Q$ , price ( $p$ ), total revenue  $R$  and total profit. (a) under profit maximisation, (b) under sales revenue maximisation, (c) under sales revenue maximisation subject to the profit constraint of Rs. 10.

NSOU • PGCO - II 205 Solution : (a)  $\pi = TR - TC = PQ - TC = PQ -$

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$$TC = (20 - Q)Q - Q^2 - 8Q - 2 = 20Q - Q^2 - Q^2 - 8Q - 2 = -2Q^2 + 12Q - 2$$

Now,  $\frac{d\pi}{dQ} = -4Q + 12 = 0 \Rightarrow Q = 3$  Also,  $\frac{d^2 \pi}{dQ^2} = -4 < 0$ . (b) Total sales or total sales revenue,  $R = PQ = (20 - Q)Q = 20Q - Q^2$  Now,  $\frac{dR}{dQ} = 0 \Rightarrow 20 - 2Q = 0$  that is,  $Q = 10$  (c)  $\pi = TR - TC = -2Q^2 + 12Q - 2 = 10$  That is,  $\pi = -2Q^2 + 12Q - 12 = 0 \Rightarrow 2Q^2 - 12Q + 12 = 0$  That is,  $Q = 12 \pm \sqrt{144 - 96} = 12 \pm 4 = 8$  or  $4$ . Thus  $Q = 4.7$  and  $Q = 1.3$  Actually,  $Q = 4.7$  Ans. 8. The revenue function and the cost function of a firm are  $R = 1000Q - 2Q^2$  and  $C = Q^3 - 59Q^2 + 1315Q + 2000$ , respectively. Find out the profit maximising level of output of the firm. Solution : Here  $\pi = R - C = 1000$

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$$Q - 20Q^2 - (Q^3 - 59Q^2 + 1315Q + 2000) = 1000Q - 2Q^2 - Q^3 + 59Q^2 - 1315Q - 2000 = -Q^3 + 57Q^2 - 315Q - 2000$$

Now,  $d dQ \pi = 0 \Rightarrow d dQ [-Q^3 + 57Q^2 - 315Q - 2000] = 0$  That is,  $-3Q^2 + 114Q - 315 = 0$  That is,  $-3(Q^2 - 38Q + 105) = 0$

206 NSOU • PGCO - II That is,  $Q^2 - 38Q + 105 = 0$  That is,  $Q^2 - 35Q - 3Q + 105 = 0$  That is,  $(Q - 35)(Q - 3) = 0$   
Thus,  $Q$  is either 3 or  $Q$  is 35. Now,  $2 \frac{d dQ \pi}{d Q} = -6Q + 114$  At  $Q = 3$ ,  $2 \frac{d dQ \pi}{d Q} < 0$  and at  $Q = 35$ ,  $2 \frac{d dQ \pi}{d Q} > 0$ .  
That means, the profit maximizing level of output is 35 units. 7.5 Sample Questions A. Objective-type Questions : Choose the correct alternative : (a) Sales maximisation hypothesis was introduced by : (i) Baumol, (ii) Simon, (iii) Williamson, (iv) Madrid. Ans. (i) (b) One of the alternative theories of the firm is : (i) Theory of Simon, (ii) Theory of Baumol, (iii) Theory of Samuelson, (iv) Theory of Joan Robinson. Ans. (ii) (c) The condition for maximisation of profit is attained at the point where : (i)  $MR = MC$ , (ii)  $MR = 0$ , (iii)  $MC$  cuts  $MR$  from below, (iv)  $MC$  cuts  $MR$  from above. Ans. (i) (d) The condition for maximisation of revenue is : (i)  $MC = 0$ , (ii)  $MR = 0$ , (iii)  $AR = 0$ , (iv)  $AC = 0$ . Ans. (ii) (e) Williamson's theory of firm deals with the theory of profit maximisation : (i) Correct, (ii) incorrect, (iii) uncertain, (iv) cannot be said a-priori. Ans. (ii)  
NSOU • PGCO - II 207 B. Short-type Questions : (a) Write a short note on peak-load pricing (b) What do you know about multiple-product pricing? (c) How can you decide the condition for getting maximum sales? (d) Obtain, mathematically, the relation among  $MR$ ,  $AR$  (= price) and the price elasticity of demand. Hence derive the condition for attaining maximum revenue. (e) Explain, in brief, the welfare implications of Williamson's model. C. Essay-type Questions : (a) Explain the Marris's model of managerial discretion. How would you compare it with Williamson's model? (b) Explain why managers in many occasions consider sales maximisation as a more alternative goal vis-a-vis profit maximisation. "The objective of sales maximisation subject to a 'satisfactory' level of profit is attained at a level of output higher than that of profit maximisation." How can you arrive at such a statement? Give reasons for your answer. (c) Explain, clearly, Williamson's expense preference model. (d) Explain whether you think that Marris's growth maximisation hypothesis gives a sufficient explanation of a firm's objective. (e) What arguments can you prescribe against profit maximisation hypothesis?

208 NSOU • PGCO - II Unit 8  Inflation Structure 8.1 Objectives 8.2 Introduction 8.3 Definition 8.4 Different Types of Inflation 8.5 Demand-Pull Inflation Theory 8.5.1 Causes of Demand-Pull Inflation 8.6 Cost-Push Inflation Theory 8.6.1 Causes of Cost-Push Inflation 8.7 Inflationary Gap 8.8 Effects of Inflation 8.9 Effects on Real Income 8.10 Effects of Inflation on Distribution of Income and Wealth 8.11 Effects on Output 8.12 Effects of Inflation on Long-run Economic Growth 8.13 Bad Effect of Inflation on Economic Growth 8.14 Phillips Curve 8.15 Sample Questions 8.1. Objectives The primary objectives of this unit are : i. To give the definition of inflation. ii. To discuss different types of inflation. iii. To explain the effects of inflation. iv. To explain Phillips Curve. 8.2. Introduction Inflation which now-a-days confronts the economic policy makers throughout the whole world in the form of a dominant economic problem is, not at all, a new phenomenon since from the earliest days of recorded history, mankind has been puzzled by the rising prices. Besides, inflation is one of the major issues in Macroeconomics as it affects various aspects of an economy. It also assumes enormous importance in Managerial Economics because performance of business is closely linked to inflation. Naturally, it is essential to examine different types of inflation and various conditions that lead to inflationary situations.

NSOU • PGCO - II 209 8.3. Definition In Economics, the term "inflation" has been defined differently by different authors and there is no unanimity among these definitions. Some economists have defined inflation as a stage of rising price, not as a stage of rise in prices. There may be some situations where there is a rise in prices, but after a period of time this rise in prices gets stopped. In such a situation we say that this is not an inflationary situation. There may be different definitions of inflation. However, we shall give here the definition of inflation as had been advanced by Gardner Ackley in his Macroeconomic Theory. According to Professor Ackley, "Inflation is a persistent and appreciable rise in the general or average of prices". According to this definition, a sporadic price spurt or an imperceptible rise in prices will not be inflation. Professor Ackley has, further, stated that we define inflation as rising prices, not as "high" prices. In some sense inflation is, thus, a state of disequilibrium; it must be analysed dynamically rather than with the tools of statics. 8.4. Different Types of Inflation Inflation is mainly caused by excess demand or decline in aggregate supply or output. The former leads to a rightward shift of the aggregate demand curve while the latter causes the aggregate supply curve to shift leftward. The former is called (1) demand- pull inflation (DPI) while the latter is called (2) the cost-push inflation (CPI). 8.5 Demand-pull Inflation Theory There are two theoretical approaches to the demand-pull inflation : (a) the classical approach and (b) the Keynesian approach. According to the classical economists or monetarists, inflation is caused by an increase in money supply which leads to a rightward shift in the negatively sloping aggregate demand curve. Given a situation of full employment, classical economists maintained that a change in money supply brings about an equiproportionate change in the price level. That is why monetarists argue that inflation is always and everywhere a monetary phenomenon. The Keynesians do not find any link between money supply and price level causing an upward shift in aggregate demand. According to Keynesians, aggregate demand may rise due to a rise in consumer demand or investment demand or Government expenditure or net exports or the combinations of these four components of aggregate demand. Given full employment, such increase in aggregate demand leads to an upward pressure in prices. Such a situation is referred to as "Demand-Pull Inflation" which can, graphically, be explained in the following diagram (Diagram 8.1).

210 NSOU • PGCO - II Figure 8.1 : Demand-Pull Inflation : Shifts in AD curves Just like the determination of price of a commodity, the level of prices is determined by the interaction of aggregate demand and aggregate supply. In diagram 8.1, the aggregate supply curve before the full employment stage is positively sloping and becomes vertical after the full employment stage is reached. AD 1 is the initial aggregate demand curve that intersects the aggregate supply curve AS at point E 1 . The determined price is thus OP 1 . As the aggregate demand curve shifts from AD 1 to AD 2 , price level rises to OP 2 . Thus, an increase in aggregate demand at the full employment stage leads to an increase in the price level only, rather than the level of output. However, how much price level will rise following an increase in aggregate demand depends on the slope of the AS curve. 8.5.1 Causes of Demand-Pull Inflation The DPI originates in the monetary sector. Monetarists' argument that "only money matters" is based on the assumption that at or near full employment excessive money supply will increase aggregate demand and will, thus, cause inflation. Price level National output

NSOU • PGCO - II 211 An increase in nominal money supply shifts aggregate demand curve rightward. This enables people to hold excess cash balances. Spending of excess cash balances by them causes price level to rise. Price level will continue to rise until aggregate demand equals aggregate supply. Keynesians argue that inflation originates in the non-monetary sector or the real sector. Aggregate demand may rise if there is an increase in consumption expenditure following a tax cut. There may be an autonomous increase in business investment or Government expenditure. Government expenditure is inflationary if the needed money is procured by the Government by printing additional money. In brief, increase in aggregate demand, that is, increase in  $(C + I + G + X - M)$  causes price level to rise. However, aggregate demand may rise following an increase in money supply generated by the printing of additional money (Classical argument) which drives prices upward. Therefore, money plays a vital role. That is why Milton Friedman argues that inflation is always and everywhere a monetary phenomenon. There are other reasons that may push aggregate demand and, hence, price level upwards. For instance, growth of population stimulates aggregate demand. Higher export earnings increase the purchasing power of the exporting countries. Additional purchasing power means additional aggregate demand. Purchasing power and hence, aggregate demand may also go up, if Government repays public debt. Again, there is a tendency on the part of the holders of black money to spend more on conspicuous consumption goods. Such a tendency fuels inflationary fire. So, demand pull inflation is caused by a variety of factors.

8.6 Cost-push Inflation Like aggregate demand, aggregate supply also generates inflationary process. As inflation is caused by a leftward shift of the aggregate supply we call it the cost push inflation (CPI). The CPI is normally associated with non-monetary factors. The CPI arises due to the increase in cost of production. The cost of production may rise due to a rise in cost of raw materials or increase in wages. However, wage increase may lead to an increase in productivity of workers. If this happens, the aggregate supply (AS) curve will shift to the rightward, not leftward direction. Here we assume that productivity does not change in spite of an increase in wages. Such increase in costs are passed on to consumers by firms by raising the prices of the products. Rising wages lead to rising costs. Rising costs, again, lead to rising prices. Again, rising prices prompt trade unions to demand higher wages. Therefore, an inflationary wage-price spiral starts. This causes the aggregate supply curve to shift leftward.

212 NSOU • PGCO - II The cost push inflation has been demonstrated in diagram 8.2 where national output has been measured horizontally while price level has been measured vertically. Below the full employment stage this AS curve is positively sloping and at full employment stage it becomes perfectly inelastic. Figure. 8.2 : National Output The point E 1, that is, the intersection point between AD 1 and AS 1 curves determine the price level (OP 1). There is now a leftward shift of aggregate supply curve to AS 2. With no change in aggregate demand, this causes price level to rise to OP 2 and output to fall to OY 2. With the reduction in output, employment in the economy declines or unemployment rises. Further shift in AS curve to AS 3 results in the higher price level, OP 3 and a lower volume of aggregate output (OY 3). Therefore, cost push inflation may arise even below the full employment (Y F) stage.

8.6.1 Causes of Cost-Push Inflation It is the cost factors that pull the prices upward. One of the important causes of price rise is the rise in price of raw materials. For instance, by an administrative order the Government may hike the price of petrol or diesel or freight rate. Now at higher prices the firms have to buy these inputs. This leads to an upward pressure on cost of production. Not only this the CPI is sometimes imported from outside the economy. Price level

NSOU • PGCO - II 213 Increase in the price of petrol from OPEC compels the Govt. to increase the price of petrol and diesel. These two important raw materials are needed by every sector, especially the transport sector. As a result, transport costs go up resulting in higher general price. Besides, the CPI may be induced by wage-push inflation or profit-push inflation. Trade unions demand higher money wages as a compensation against inflationary price rise. If increase in money wages exceed labour productivity, aggregate supply will shift upward and leftward. Firms often exercise power by pushing prices up independently by pushing prices, up independently of consumer demand to expand their profit margins. Fiscal policy changes, such as increase in tax rates also leads to an upward pressure in cost of production. For example, an overall increase in excise tax of mass consumption goods is inflationary. That is why, the Government is, then, accused of causing inflation. Finally, production setbacks may result in decreases in output. Natural disaster, gradual exhaustion of natural resources, work stoppages, electric power cuts etc. may cause aggregate output to decline. In the midst of this output reduction, artificial scarcity of any goods created by traders and hoarders just simply ignite the situation. Inefficiency, corruption, mismanagement of the economy may also be the other reasons. Thus, inflation is caused by the interplay of various factors. A particular factor cannot be held responsible for any inflationary price rise.

8.7 Inflationary Gap A very important concept in connection with the theory of inflation is "Inflationary Gap". Moreover, the excess demand inflationary analysis has been described in terms of this inflationary gap. This gap is measured as the excess of the aggregate demand, that is,  $C + I + G$  over the full-employment aggregate supply  $Y_F$  as has been demonstrated in diagram 8.3. That means, the situation  $C + I + G < Y_F$  is an indicator of the presence of inflationary gap in an economy. On the other hand, if  $C + I + G > Y_F$  there is presence of deflationary gap in the economy. Obviously, both the situations of inflationary gap and deflationary gap are situations of disequilibrium. The concept of 'inflationary gap' may be defined as the positive difference between the actual level of aggregate demand which exists in an economy at the full employment level of income and the amount of aggregate demand which is needed to attain full employment. Again, since the amount of aggregate demand needed for attaining full employment should be equal to the amount of aggregate supply at full employment, we may also say that inflationary gap is the excess of the actual aggregate effective demand in the economy over the aggregate supply at the full employment level. Let us draw, in diagram 8.3, a vertical line  $Y_F K$  at the full employment income  $Y_F$

214 NSOU • PGCO - II and we see that for full employment to exist in the economy, the aggregate demand function,  $C + I + G$ , in the said diagram should cut the 45° line at its intersection with the full employment line  $Y_F K$ . Since the aggregate demand schedule cuts the 45° line  $Y \equiv C + I + G$  at point E which is located to the right and above B, the point of intersection of the 45° line with the full employment line  $Y_F K$ , in the economy there is inflationary gap of the magnitude of AB present in the economy. This gap has been measured as a distance between the aggregate demand schedule  $C + I + G$  and the 45°-line indicating  $Y = C + I + G$  at the full employment income,  $Y_F$ . In the figure aggregate consumption has been shown as a function of aggregate income  $Y$ , and the linear consumption function assumed to be of the form  $C = a + by$ ,  $a$  being autonomous consumption while  $b$  being the marginal propensity to consume (mpc),  $0 < b < 1$ .

Figure 8.3 : Aggregate Income ( $Y$ ) Aggregate investment,  $I$ , and government spending,  $G$ , are both autonomously determined. Hence the aggregate demand function  $C + I + G$  has been drawn parallel to the consumption function, the distance between the two being  $I + G$ . If aggregate real output could increase without limit, then aggregate real income would increase to  $Y_C$  at which level the aggregate real output (that is, supply) and aggregate real expenditure will be in equilibrium. If, on the other hand, aggregate real output or supply cannot increase beyond  $Y_F$ , the real income cannot also exceed  $Y_F$  at which the  $C, I, G$  Inflationary Gap  $K E Y = C + I + G$  45°  $Y_C$

NSOU • PGCO - II 215 aggregate demand ( $C + I + G$ ) exceeds the aggregate output by  $AB$ , that is,  $Y F + AB = C + I + G$ . Naturally,  $AB$  is the magnitude of inflationary gap which, obviously, will raise the general price level. This gap will disappear only when the aggregate money in the general price level increases from  $Y F$  to  $Y C$  causing an increase in the general price level. The increase in the money income is wholly due to the increase in prices as the aggregate real output is constant at the full employment output,  $Y F$ . The magnitude of inflationary gap gets eliminated and the inflationary process is halted when the new equilibrium aggregate money income is established at  $Y C$ . The change (increase) in the aggregate money income from  $Y F$  to  $Y C$  is wholly accounted for by the increase in prices with no increase having taken place in the aggregate real output remaining fixed at the full employment output,  $Y F$ .

8.8 Effects of Inflation From the standpoint of reality inflation is a very unpopular matter in any economy. Various opinion surveys conducted in the USA, India and many other countries of the world reveal that inflation is the most important concern of the people of any society as it badly affects their standard of living. Many people are of the opinion that inflation is enemy number one. A high rate of inflation makes the life of the poor really miserable. It redistributes income and wealth in favour of some and harms others greatly. By making the rich richer and also the poor poorer, it militates against social justice. Moreover, inflation lowers national output and employment and impedes long run economic growth. This is specially true in many developing countries like India. The effects of inflation can, broadly, be divided into the following categories : (a) Effects on real income (b) Effects on distribution of income and wealth (c) Effects on output and (d) Effects on long-run economic growth. Let us now discuss the above-mentioned effects of inflation, in brief :

8.9 Effects on Real Income Inflation erodes real incomes of the people. The effects of inflation can be examined if the difference between money income or nominal income and real income can, clearly, be understood. It is the change in the general price level that makes the crucial difference between these two concepts. We know that money income means the income such as wages, interest and rent received in terms of rupees. Real income, on the other hand, implies amount of goods and services which we can buy with the money income. That

216 NSOU • PGCO - II means, real income is the purchasing power of a person's money income. If our nominal income or money income increases at a lower rate than the rate of increase in the general price level (that means, the rate of inflation) people will be able to buy less goods and services, that is, people's real income will be lower. Real income will increase only if nominal income rises faster than the rate of inflation. Inflation, obviously, reduces the purchasing power of money and, therefore, it, adversely, affects real income of the people.

8.10 Effects of inflation on distribution of income and wealth A vital effect of inflation is that it redistributes income and also wealth in favour of some at the cost of some others. Inflation, adversely, affects those who receive relatively fixed income and goes in favour of businessmen, traders, producers and some others who get flexible incomes. It brings windfall profits for the producers and also traders. Naturally, all people do not lose as a result of inflation; rather some people gain from it. However, unanticipated inflation harms creditors and goes in favour of the debtors. Obviously, inflation, in this way, redistributes income in favour of the latter. Obviously, those who get fixed incomes, stand to lose from the effect of inflation. Workers and salaried people who earn from fixed wages and salaried people who earn from fixed wages and salaries, get hit extremely in consequence of unanticipated inflation. These people very often enter into contract with the employers regarding wages or salaries fixed in nominal terms. Naturally, when inflation occurs, the purchasing power of their nominal income falls to a great extent leading to a high fall in their levels of living. Obviously, when inflation persists for some years, we notice great demands for revision of wages and salaries. Pensioners also fall in this category of the people who get income in fixed nominal terms. Definitely, businessmen, that is, entrepreneurs and traders stand to get a gain by inflation. During periods of inflation the prices of goods produced by entrepreneurs rise relatively faster than the cost of production since wages lag behind the rise in prices of goods. Consequently, inflation leads to an increase in the profits of the businessmen. Inflation also, adversely, affects wealth holders who hold their wealth in the form of cash, demand deposits, savings and fixed deposits and also interest bearing bonds and debentures. Naturally, these wealth holders get severely hurt by inflation, as it reduces the real value of their wealth. Inflation reduces the real rate of interest earned by the depositors. Consequently, it has been observed that during periods of rapid inflation people like to convert their holdings of money into golds and physical property in order to avoid the loss due to inflation.

NSOU • PGCO - II 217 8.11 Effects on Output There is a good deal of uncertainty and at the same time disagreement as to whether inflation will favourably or adversely affect national output. It can be said that its effect on output also depends on whether it has been caused by demand-pull or cost-push factors. 8.12 Effects Of Inflation On Long-run Economic Growth Many economists argue that inflation of a mild nature has a tonic effect on the long- run economic growth. The driving force in the process of economic growth has been high profit margins created by inflation. They go on arguing that wages lag behind the rise in the general price level and thus create higher profit margins for businessmen and industrialists. This, naturally, tends to increase the profit share in national income. Obviously, savings go up and this, as a consequence, ensures higher rate of investment. With greater rate of inflation more accumulation of capital goods gets made possible. This accumulated capital generates a higher rate of long-run economic growth. 8.13 Bad Effect of Inflation on Economic Growth However, it is widely recognised that far from encouraging savings and encouraging higher rate of economic growth, inflation slows down the rate of capital accumulation. There are, however, many reasons behind this observation : (i) When because of rapid inflation value of money gets declined, people will not like to keep money with themselves and will, therefore, be eager to spend it before its value goes down heavily. This leads to an increase in the consumption demand and, therefore, lowers their saving. This discourages them to go on saving. (ii) Inflation leads to unproductive form of investment in gold, jewellery, real-estate, construction of houses etc. (iii) A highly considerable consequence of inflation is that it acclerates the problem of poverty in the underdeveloped countries. (iv) Finally, inflation adversely affects the balance of paymets (BOP) of a country and, thereby, hampers economic growth of the country concerned. 8.14 Phillips Curve The famous "Phillips Curve" has been discussed in the context of inflation. The relationship between inflation and unemployment had drawn considerable interest among economists throughout the world over the last seventy years or so. A noted British

218 NSOU • PGCO - II economist, A.W. Phillips, published an article in the year 1958. In doing so he used historical data on the rate of wage inflation and unemployment rate of the United Kingdom spanning almost a century from 1861 to 1957. In his study he showed that, in fact, there existed an inverse relationship between the rate of wage inflation and the rate of unemployment. It was also shown that a similar negative relationship holds for rate of change of prices (that is, inflation) and the unemployment level. However, the rate of wage increase had long been taken to be the primary determinant of the rate of price increase (or vice-versa). Hence a Phillips curve can, easily, be restated as a relationship between unemployment and the rate of price inflation. This inverse relationship implies that for reducing unemployment price in the form of a high rate of inflation has to be paid while for reducing the rate of inflation, price in terms of a higher rate of unemployment has to be done. On graphically fitting a curve to the historical data, a downward sloping curve exhibiting the inverse relationship between the rate of inflation and rate of unemployment was obtained. This trade-off is known to exist in the short run, not in the long run. This has been presented in diagram 8.4 where along the horizontal axis rate of unemployment has been measured while along the vertical axis rate of change in price and rate of change in wage have been indicated. Figure. 8.4 : Rate of Unemployment The Phillips curve drawn in diagram 8.4 is downward sloping from left to right. This suggests that there is a trade-off between inflation and unemployment. W W Δ P P Δ

NSOU • PGCO - II 219 Originally, the Phillips curve was constructed in terms of the negative relationship between the rate of increase in wage rate,  $\Delta W/W$  and unemployment rate ( $U$ ). Now, there is a direct relationship between the inflation rate and wage rate. For illustration, every thing being equal, if initially, money wage rate increases by 7% per year and labour productivity increases by 3% per year, then the price level will increase by 4%. This suggests, immediately, that there will be inflation rate to the tune of 4%. A rise in the money wage rate from 7% to 9% per year with no change in the 3% growth rate of labour productivity will tend to raise the inflation rate from 4% to 6%. Hence a rise in the wage rate without an increase in productivity will have a direct effect on inflation. Now, if in addition to this direct effect between the rate of wage increase and the price increase, there is also an inverse relationship between the rate of wage increase and rate of unemployment, then it follows that there is an inverse relationship between the inflation rate and the unemployment rate. This analysis of the particular relationship between the rate of increase in price and the unemployment rate has been shown in the short run version of the Phillips curve as has been demonstrated in diagram (8.4). In the above diagram both the rate of change of wage rate ( $\Delta W/W$ ) and the rate of inflation ( $\Delta P/P$ ) have been measured along the vertical axis while the rate of unemployment has been shown along the horizontal axis. The upper curve relates  $\Delta W/W$  to  $U$ , whereas the lower one relates  $\Delta P/P$  to  $U$ , which is based on the assumption of 3% increase in labour productivity per year. The relationship between the wage rate and the unemployment rate assumes that  $\Delta W/W$  will be 3% per year if  $U$  is 9%. Accordingly, the Phillips curve reveals that  $\Delta P/P$  will be zero or the price level will be stable if  $U$  is 9%. Again, if  $\Delta W/W$  is 9% with  $U$  of 6%,  $\Delta P/P$  is 6%. From the above analysis we can, easily, observe that there is a negative relationship between the unemployment, rate and rate of change in wage rate which, in turn, indirectly shows the negative relationship between the rate of change in inflation and unemployment.

220 NSOU • PGCO - II 8.15 Sample Questions A. Objective-type Questions : Choose the correct alternative : (1) Inflation-unemployment trade off had, first, been shown by : (a) Milton Friedman, (b) J. M. Keynes, (c) J. R. Hicks, (d) A. W. Phillips. Ans. (d) (2) Which of the following is the cause of inflation? : (a) Increase in money supply, given full employment, (b) Increase in cost of production, (c) Increase in aggregate demand over available output, (d) All of the above. Ans. (d) (3) One of the following is not true : (a) Cost-push inflation may appear only at the full-employment stage, (b) Demand-pull inflation appears after full employment, (c) Demand-pull inflation is caused by both monetary and non-monetary factors, (d) Cost-push inflation is also known as wage-push inflation. Ans. (a) (4) Phillips curve shows the relationship between inflation and unemployment as : (a) A positive one indicating trade-off between the two, (b) An inverse one indicating trade off between the two, (c) A direct and proportional one, (d) None of the above. Ans. (b) (5) One of the following is not true during inflation : (a) Wage-earners gain, (b) Profit-earners gain, (c) Real incomes decline, (d) Speculators gain. Ans. (a) (6) When there is inflation the economic condition of the pensioners gets : (a) Improved, (b) Deteriorated, (c) Remains unaltered, (d) Cannot be ascertained. Ans. (b). B. Short-type Questions : 1. How is inflation caused by demand-pull factors? 2. What is meant by inflation? It is said that during inflation the rich becomes richer and the poor becomes poorer. Justify the statement.

NSOU • PGCO - II 221 3. What is a Phillips curve? What does this curve indicate? 4. Distinguish between demand-pull and cost-push inflation. How do you separate them from each other? 5. What is Inflation? Briefly discuss the different types of inflation that are experienced in an economy. C. Essay-type Questions : 1. What do you mean by inflation? Show its effects on (i) income distribution and (ii) economic growth. 2. How do you describe demand-pull inflation and cost-push inflation in terms of aggregate demand and supply curves? How is the distinction between these varieties of inflation made? 3. Explain with the help of a neat diagram the causes of "inflationary gap". 4. What is a Phillips curve? Draw such a curve and explain its nature. 5. "From the standpoint of reality inflation is a very unpopular matter in an economy". Do you agree with this view? If so, substantiate reasons behind your opinion.



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	deals with the application of economic theory to business management,		deals with the application of economic theory to business management.	
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<p>of Managerial Economics comprehends all those economic concepts, theories and tools of analysis which can be used to analyse the business environment and to find solutions to practical business problems. That means, Managerial Economics</p>		<p>of managerial economics consists of all those economic concepts, theories and tools of analysis which can be used to analyse the business environment and to find out solution to practical business problems. Relationship of managerial economics</p>		
<p><b>W</b> <a href="http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html">http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html</a></p>				
<b>5/204</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>71% MATCHING TEXT</b>	22 WORDS
<p>Economics is the integration of economic theory in the business practice for the purpose of facilitating decision making and forward planning by management."</p>		<p>economics is "the integration of economic theory business practise for the purpose of facilitating decision-making and forward planning by management".</p>		
<p><b>W</b> <a href="http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html">http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html</a></p>				
<b>6/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>83% MATCHING TEXT</b>	12 WORDS
<p>The difference between total revenue and total cost is known as profit.</p>				
<p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>7/204</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>48% MATCHING TEXT</b>	50 WORDS
<p>Price Elasticity of Demand 2.10.1 Types of Own Price Elasticity of Demand 2.10.2 Measurement of Price Elasticity of Demand 2.10.3 Point Price Elasticity of Demand 2.10.4 Income Elasticity of Demand 2.10.5 Uses of Income Elasticity of Demand 2.10.6 Cross Price Elasticity of Demand 2.10.7 Uses of Cross Price Elasticity of Demand 2.11 Relation between Elasticity of Demand</p>				
<p><b>SA</b> Micro Economics Generic Elective-B.Com (H) (2).doc (D110479765)</p>				
<b>8/204</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>62% MATCHING TEXT</b>	20 WORDS
<p>price of the commodity itself, (b) income of the consumers, (c) prices of related commodities, (d) tastes and preferences of</p>		<p>price of the commodity x I = Income of the individual Pr = Prices of related commodities T = Tastes and preferences of</p>		
<p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>				

<b>9/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>If price of a commodity increases, the demand for that commodity will</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142294418)</p>				
<b>10/204</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>70% MATCHING TEXT</b>	21 WORDS
<p>and preferences of the Consumers : Tastes and preferences of the consumers also affect the consumers' demand for a commodity. If</p> <p><b>SA</b> microeco_compilation-FINAL.pdf (D143604282)</p>				
<b>11/204</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>39% MATCHING TEXT</b>	36 WORDS
<p>The law of demand is one of the most important laws of economic theory. According to this law, other things being equal, if the price of a commodity falls (increases), the quantity demanded for it will rise (</p> <p>The law of demand expresses the relationship between price and quantity According to the law of other things remaining constant, if the price of a commodity falls, the quantity demanded for commodity will rise,</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>				
<b>12/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>a commodity is inversely related to the price of the commodity itself. In</p> <p><b>SA</b> Principles of Economics book new.doc (D112051420)</p>				
<b>13/204</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>38% MATCHING TEXT</b>	29 WORDS
<p>consumer purchases 10 units of the commodity. However, when price falls to Rs. 4, the consumer purchases 15 units of it. Again, when the price further falls, the quantity demanded</p> <p>consumer purchases 10 unit of the commodity. When price of the commodity falls to Rs. 10, the consumer purchases 20 units of the commodity. Thus, with the fall in price of the commodity, the quantity demanded</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>				

<b>14/204</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>56% MATCHING TEXT</b>	21 WORDS
<p>there is an inverse relationship between price and quantity demanded for a commodity, other things being the same. The law of demand</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				
<b>15/204</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
<p>the various quantities demanded by the number of consumers in the market we can obtain the market demand</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>				
<b>16/204</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>65% MATCHING TEXT</b>	19 WORDS
<p>demand schedule and a demand curve. A demand schedule is a tabular presentation of different prices of a commodity</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142294418)</p>				
<b>17/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Exceptions to the Law of Demand According to the law of demand,</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>18/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>more bread and not less of it. This is something against the law of demand.</p> <p><b>SA</b> microeco_compilation-FINAL.pdf (D143604282)</p>				

<b>19/204</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>45% MATCHING TEXT</b>	32 WORDS
<p>elasticity of demand, (ii) Cross price elasticity of demand and (iii) Income elasticity of demand. However, by elasticity of demand we normally understand own price elasticity of demand or simply price elasticity of demand</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>20/204</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>50% MATCHING TEXT</b>	34 WORDS
<p>the percentage change in quantity demanded for a commodity is less than the percentage change in price of the commodity. 2. Let <math>e_p</math> be greater than one (that is, <math>e_p &gt; 1</math>). Naturally, in this case</p> <p>the percentage change in quantity demanded of a commodity is less than the percentage change in price price elasticity demand will be less than one and in this case</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>				
<b>21/204</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>44% MATCHING TEXT</b>	35 WORDS
<p>price elasticity of demand. 2.10 Price Elasticity of Demand By elasticity of demand we normally understand price elasticity of demand. It measures the degree of responsiveness of quantity demanded for a commodity following a change in own price</p> <p>Price elasticity of demand; ? elasticity of and ? Cross-price elasticity of demand. Price Elasticity of Demand: It measures the responsiveness of demand of a to a change in its price.</p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				
<b>22/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>84% MATCHING TEXT</b>	13 WORDS
<p>of change in demand is less than the rate of change in price.</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>23/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>89% MATCHING TEXT</b>	15 WORDS
<p>in quantity demanded is exactly equal to the percentage change in price. If this</p> <p>in quantity demanded is exactly equal to the percentage change in price. In this</p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>24/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>change in quantity demanded is greater than the rate of change in price.</p> <p><b>SA</b> GE-1 _ Principles of Microeconomics.pdf (D148607329)</p>				
<b>25/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>the percentage change in quantity demanded is greater than the percentage change in price. 3.</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>				
<b>26/204</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>57% MATCHING TEXT</b>	33 WORDS
<p>elasticity of demand is obtained as <math> ep  = \left( \frac{Q}{P} \right) \left( \frac{P}{Q} \right) \frac{\Delta Q}{Q} \frac{\Delta P}{P} = 0.1 \frac{0.1}{0.1} \frac{0.1}{0.1} = 1</math></p> <p><math>0.1 \frac{P}{P} / 2 \frac{Q}{Q} \frac{Q}{Q} / 2 \frac{P}{P} + x + . = 0.1 \frac{0.1}{0.1} \frac{0.1}{0.1} \frac{P}{P} \frac{Q}{Q}</math></p> <p>Q</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>				
<b>27/204</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>50% MATCHING TEXT</b>	22 WORDS
<p>Price Elasticity of Demand The point price elasticity of demand is the limiting value of the arc price elasticity of demand when the</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>				
<b>28/204</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>77% MATCHING TEXT</b>	19 WORDS
<p>lower segment of the demand curve below the point and the upper segment of the demand curve above the point.</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>29/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>demand curve the absolute value of the price elasticity of demand</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				

<b>30/204</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>46% MATCHING TEXT</b>	29 WORDS
<p>Income Elasticity of Demand The income elasticity of demand is defined as the responsiveness of the quantity demanded for a commodity resulting from a change in income of the consumer</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142294418)</p>				
<b>31/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>change in quantity demanded is greater than the rate of change in income.</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>32/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>change in quantity demanded is less than the rate of change in income</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				
<b>33/204</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>43% MATCHING TEXT</b>	61 WORDS
<p>The income elasticity of demand for various categories of goods may, however, vary from time to time and also from household to household, depending on the choice and preference of the consumers, levels of consumption and income and their susceptibility to "demonstration effect". The other factor which may cause deviation from the general pattern of income elasticities is the frequency of increase in income.</p> <p>The income elasticity of demand for different categories of goods may still show discrepancies from house to house and from time to time, as per the options, taste and preference of the consumers, degree of their consumption and income and their receptiveness to 'demonstration effect'. The other aspect which could bring about a deviation from the universal structure of income elasticity is the frequency of rise in income.</p> <p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p>				
<b>34/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>An increase in the price of chicken (tea) usually leads to an increase in the</p> <p>an increase in the price of one leads to an increase in the</p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>35/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>84% MATCHING TEXT</b>	13 WORDS
<p>change in quantity demanded for a commodity resulting from a change in price</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>36/204</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>46% MATCHING TEXT</b>	25 WORDS
<p>an increase in the price of y causes an increase in the quantity demanded for x and the two products are said to be substitutes.</p> <p><b>SA</b> Micro Economics Generic Elective-B.Com (H) (2).doc (D110479765)</p>				
<b>37/204</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>47% MATCHING TEXT</b>	24 WORDS
<p>an increase in the price of y causes a decrease in the quantity demanded for x and the two products are said to be</p> <p><b>SA</b> Micro Economics Generic Elective-B.Com (H) (2).doc (D110479765)</p>				
<b>38/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>an increase in the price of y leads to a reduction in the quantity demanded</p> <p><b>SA</b> Micro Economics Generic Elective-B.Com (H) (2).doc (D110479765)</p>				
<b>39/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>p is the price of the commodity and q is the quantity demanded</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>40/204</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>75% MATCHING TEXT</b>	18 WORDS
<p>When price falls from Rs. 10/- to Rs. 9/-, total expenditure increases from Rs. 600/- to Rs. 675/.</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>				



<b>41/204</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>32% MATCHING TEXT</b>	32 WORDS
<p>determinants of price elasticity of demand. (i) Number of substitutes available : Larger the number of substitutes available for a given commodity, the higher is the price elasticity of demand for it. The</p>		<p>determinants of the price elasticity of demand. 1. Availability of Substitutes One of the most significant determinants of elasticity of demand for a commodity is the availability of its substitutes. Closer the substitute, greater is the elasticity of demand for the</p>		
<p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p>				
<b>42/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>p is the price of the commodity and q is the quantity demanded</p>				
<p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>43/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>52% MATCHING TEXT</b>	15 WORDS
<p><math>Q_A Q_A \Delta \Delta = Q_A Q_A \Delta \times \Delta = Q_A A Q \Delta \times \Delta . = 2 1 2 1</math> Q Q A</p>				
<p><b>SA</b> DSC-10-Intermediate Microeconomics-II.pdf (D143881375)</p>				
<b>44/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>90% MATCHING TEXT</b>	11 WORDS
<p>of Elasticity of Demand The concept of elasticity of demand has</p>				
<p><b>SA</b> Micro Economics Generic Elective-B.Com (H) (2).doc (D110479765)</p>				
<b>45/204</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>82% MATCHING TEXT</b>	18 WORDS
<p>assuming the relationship to be linear. The equation will be of the form <math>Y = a + bx</math>. There</p>				
<p><b>SA</b> Block 02 Business Economics.pdf (D143762521)</p>				
<b>46/204</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>85% MATCHING TEXT</b>	21 WORDS
<p>regression equation is derived, the value of y, i.e. quantity demanded can be estimated, for any given value of x. The</p>				
<p><b>SA</b> Block 02 Business Economics.pdf (D143762521)</p>				

<b>47/204</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>64% MATCHING TEXT</b>	25 WORDS
<p>the price of a commodity increases from Rs. 200/- to Rs. 240/- and the quantity demanded for it decreases from 100 units to 75 units.</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>				
<b>48/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>all Giffen goods are inferior goods but all inferior goods are not Giffen goods. 10.</p> <p><b>SA</b> Introductory Micro-Sem-1.pdf (D110812531)</p>				
<b>49/204</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>64% MATCHING TEXT</b>	17 WORDS
<p>of price elasticity of demand is different at different points on the same straight line demand curve. 11.</p> <p><b>SA</b> Principles of Economics book new.doc (D112051420)</p>				
<b>50/204</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>52% MATCHING TEXT</b>	20 WORDS
<p>the distinction between "Change in demand" and "Change in quantity demanded". What are the exceptions to the law of demand? 6.</p> <p><b>SA</b> microeco_compilation-FINAL.pdf (D143604282)</p>				
<b>51/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>two types of production function : (a) Short run production function and (b) long run production function.</p> <p>two types of production functions: a. Short- run production function; and b. Long- run production function.</p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>52/204</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>43% MATCHING TEXT</b>	29 WORDS
<p>price elasticity of demand. What is the utility for studying cross price elasticity of demand? 8. Distinguish, clearly, between the own price elasticity of demand and cross price elasticity of demand.</p> <p><b>SA</b> Micro Economics Generic Elective-B.Com (H) (2).doc (D110479765)</p>				
<b>53/204</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>58% MATCHING TEXT</b>	21 WORDS
<p>is the locus of various combinations of <math>x_1</math> and <math>x_2</math> that produce the same level of output</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>54/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>study the behaviour of output in response to a change in the scale.      study the behaviour of output in response to changes in the scale.</p> <p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p>				
<b>55/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>91% MATCHING TEXT</b>	13 WORDS
<p>is subject to the law of returns to scale. 3.3 The Law of</p> <p><b>SA</b> Principles of Economics book new.doc (D112051420)</p>				
<b>56/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>The average product (AP) of an input is the total</p> <p><b>SA</b> Managerial Economics.pdf (D143428574)</p>				
<b>57/204</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>94% MATCHING TEXT</b>	18 WORDS
<p>is as follows : (a) When AP is rising, <math>MP &lt; AP</math>. (b) When AP is maximum, <math>MP = AP</math>.</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				

<b>58/204</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>95% MATCHING TEXT</b>	22 WORDS
<p>the study of changes in output as a consequence of changes in scale forms the subject matter of returns to scale. The</p> <p><b>SA</b> New MBA_Management Economics.docx (D109293830)</p>				
<b>59/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>76% MATCHING TEXT</b>	15 WORDS
<p>Greek word 'iso' means 'equal' or 'same']. Therefore, an isoquant is a curve along which</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>60/204</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>50% MATCHING TEXT</b>	21 WORDS
<p>An isoquant is a contour line showing different combinations of inputs that are physically capable of producing a given amount of output.</p> <p><b>SA</b> Managerial_Economics.pdf (D143729469)</p>				
<b>61/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>78% MATCHING TEXT</b>	13 WORDS
<p>C r is the ordinate intercept of the isocost line. Also, W r is</p> <p><b>SA</b> Managerial Economics.pdf (D143428574)</p>				
<b>62/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>83% MATCHING TEXT</b>	15 WORDS
<p>to maximise profit which is the difference between total revenue (TR) and total cost (TC).</p> <p><b>SA</b> Principles of Economics book new.doc (D112051420)</p>				
<b>63/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>58% MATCHING TEXT</b>	16 WORDS
<p>the ratio of marginal productivities of two factors of production must equal the ratio of factor prices.</p> <p>the ratio of marginal product of two factors is equal to the ratio of their factor prices. ....</p> <p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p>				

<b>64/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>89% MATCHING TEXT</b>	14 WORDS
<p>that the isoquant must be convex to the origin at the point of equilibrium.</p> <p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p>		<p>that the isoquant should be convex to the origin at the point of equilibrium.</p>		
<b>65/204</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>52% MATCHING TEXT</b>	18 WORDS
<p>the slope of the isocost line is <math>W/r</math>. The slope of the isoquant equals the negative of the</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>66/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>66% MATCHING TEXT</b>	15 WORDS
<p>expansion path of a linear homogeneous production function is a straight line through the origin.</p> <p><b>SA</b> Micro Economics Generic Elective-B.Com (H) (2).doc (D110479765)</p>				
<b>67/204</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>66% MATCHING TEXT</b>	21 WORDS
<p>elasticity of substitution is defined as the proportionate change in the ratio between the factors due to the proportional change in</p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>		<p>elasticity of substitution. is defined as the proportionate change in the ratio between the two goods divided by the proportionate change in</p>		
<b>68/204</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>the expansion path is a straight line through the origin. 3.9</p> <p><b>W</b> <a href="http://www.sxcsrannalibrary.co.in/sites/default/files/%5BSchaum%27s%20outline%20series.%2C%20Scha...">http://www.sxcsrannalibrary.co.in/sites/default/files/%5BSchaum%27s%20outline%20series.%2C%20Scha...</a></p>		<p>the expansion path is a straight line through the origin.</p>		
<b>69/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>the marginal rate of technical substitution between the factors. The slope of the</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>				

<b>70/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>paid according to its marginal product, total product will be fully exhausted. This is</p> <p><b>SA</b> 18 SLM Farhaqn Ahmad Assistant Prof Distance Education AMU.doc (D143003267)</p>				
<b>71/204</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>78% MATCHING TEXT</b>	25 WORDS
<p><math>L K L K \partial \partial + \partial \partial = L(8K - 2L) + K(8L - 2K) = 8LK - 2L^2 + 8KL - 2K^2 = 16</math></p> <p>L K L K L K L K L K L K L K 3 10 7 9 9 10 3 6 9 9 13 10 4 5 8 7 12 8 6 4 10 5 14 7 6 2 11 4 15 7 15 2 13 3 16 5 (</p> <p><b>W</b> <a href="http://www.sxcsrannalibrary.co.in/sites/default/files/%5BSchaum%27s%20outline%20series.%2C%20Scha...">http://www.sxcsrannalibrary.co.in/sites/default/files/%5BSchaum%27s%20outline%20series.%2C%20Scha...</a></p>				
<b>72/204</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>100% MATCHING TEXT</b>	41 WORDS
<p>K) <math>0.6 (2L) 0.5 = 20.2</math> <math>0.6 K 0.6 2 0.5 L 0.5 = 20.2</math> <math>1.1 K 0.6 L 0.5 = 20 \times 2.14 \times K 0.6 L 0.5 = 42.8</math> <math>K 0.6 L 0.5 \&amp;lt; 2</math></p> <p>K L K L K L K L K L</p> <p><b>W</b> <a href="http://www.sxcsrannalibrary.co.in/sites/default/files/%5BSchaum%27s%20outline%20series.%2C%20Scha...">http://www.sxcsrannalibrary.co.in/sites/default/files/%5BSchaum%27s%20outline%20series.%2C%20Scha...</a></p>				
<b>73/204</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>45% MATCHING TEXT</b>	23 WORDS
<p>elasticity of an input is defined as the ratio of the proportionate change in the output resulting from the proportionate change in the</p> <p><b>SA</b> 18 SLM Farhaqn Ahmad Assistant Prof Distance Education AMU.doc (D143003267)</p>				
<b>74/204</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>41% MATCHING TEXT</b>	23 WORDS
<p>are fixed in the short run, (ii) All costs are variable in the long run, (iii) All costs are variable in the short run, (</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>75/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>83% MATCHING TEXT</b>	13 WORDS
<p>the law of variable proportions. 6. Suppose the production function of a firm</p> <p>the law of variable proportions is derived. The production function of a firm</p> <p><b>W</b> <a href="http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html">http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html</a></p>				

<b>76/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>the law of variable proportions and the law of returns to scale.</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>				
<b>77/204</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>57% MATCHING TEXT</b>	20 WORDS
<p>cost function is a derived function and it has been derived from the production function. As the nature of production</p> <p>Cost function is a derived function. It is derived from the production function, which describes the efficient method of production</p> <p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p>				
<b>78/204</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>the study of business behaviour concentrates on the production process,</p> <p><b>SA</b> Block 02 Business Economics.pdf (D143762521)</p>				
<b>79/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Fixed Costs : Fixed costs are those costs which do not vary with</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>80/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>shaped because of the operation of the law of variable proportions.</p> <p>shaped because of the operation of the law of variable proportions.</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>				
<b>81/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>71% MATCHING TEXT</b>	14 WORDS
<p>fixed cost is independent of the level of output. Whatever the level of output (</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>				

<b>82/204</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>60% MATCHING TEXT</b>	23 WORDS
<p>total cost per unit of output produced. Thus AC is obtained by dividing total cost (TC) by output. That means, <math>AC = \frac{TC}{Q}</math></p> <p><b>W</b> <a href="http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html">http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html</a></p>		<p>total cost per unit of output, or it is obtained by dividing the total cost (TC) by the total output (Q), i.e. <math>AC = \frac{TC}{Q}</math></p>		
<b>83/204</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>66% MATCHING TEXT</b>	22 WORDS
<p>Short Run Cost Curves (i) Average Fixed Cost (AFC) : Fixed cost per unit of output produced is known as average fixed cost.</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>84/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>70% MATCHING TEXT</b>	16 WORDS
<p>the AC curve is U-shaped. It is U-shaped because of the operation of the law of variable proportions.</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>		<p>The AC curve is 'U' shaped because of the operation of the law of variable proportions.</p>		
<b>85/204</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>55% MATCHING TEXT</b>	18 WORDS
<p>Marginal cost is the change in total cost attributable to a change in output. That means, MC is</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>		<p>Marginal cost is the change in total cost per-unit change in output. <math>MC = \Delta TC</math>. MC curve is</p>		
<b>86/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>obtained by dividing TVC by the level of output (Q). That is, <math>AVC =</math></p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				
<b>87/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>78% MATCHING TEXT</b>	16 WORDS
<p>the shape of the AC curve is governed by the shapes of AFC and AVC curves.</p> <p><b>SA</b> microeco_compilation-FINAL.pdf (D143604282)</p>				



<b>88/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>the MC curve is U-shaped because of the operation of the law of variable proportions.</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>		<p>The AC curve is 'U' shaped because of the operation of the law of variable proportions.</p>		
<b>89/204</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>total cost when one more unit of output is produced.</p> <p><b>SA</b> Microeconomics- Theory and Applications-l1 (1).doc (D112011699)</p>				
<b>90/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>the shape of the MC curve is governed by the shape of the</p> <p><b>SA</b> microeco_compilation-FINAL.pdf (D143604282)</p>				
<b>91/204</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>83% MATCHING TEXT</b>	21 WORDS
<p>the law of variable proportions. However, the minimum point of AC lies to the right of the minimum point of AVC.</p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>		<p>the law of variable proportions. ? The minimum point of AC occurs to the right of the minimum point of the AVC.</p>		
<b>92/204</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>78% MATCHING TEXT</b>	17 WORDS
<p>is a part of AC, given <math>AC = AFC + AVC</math>. Moreover, both AVC and AC have U-</p> <p><b>SA</b> Principles of Economics book new.doc (D112051420)</p>				
<b>93/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>83% MATCHING TEXT</b>	14 WORDS
<p>the rise in AVC becomes stronger than the fall in AFC, so AC starts rising.</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				

<b>94/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>the rate of fall of MC is greater than the rate of fall of</p> <p><b>SA</b> microeco_compilation-FINAL.pdf (D143604282)</p>				
<b>95/204</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>45% MATCHING TEXT</b>	34 WORDS
<p>that time period when a firm under consideration can change all its inputs. In reality, in the long run there are no fixed inputs– all inputs are variable. This implies that in the long run</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>96/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>88% MATCHING TEXT</b>	12 WORDS
<p>there is no fixed cost–all costs are variable. In the long run,</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>97/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>a firm can change its scale of production according to its necessity. In the short run,</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>98/204</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>97% MATCHING TEXT</b>	17 WORDS
<p>size of a plant or scale remains fixed while, in the long run changes in plant size</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>99/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>90% MATCHING TEXT</b>	11 WORDS
<p>in the long run, can move from one plant to another</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				

<b>100/204</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
<p>build up a large-sized plant or a smaller one,</p> <p><b>SA</b> compiled file.docx (D137395535)</p>					
<b>101/204</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>79%</b>	<b>MATCHING TEXT</b>	24 WORDS
<p>long run, is a "planning horizon" in the sense that it acts as a guideline to the firm with regard to the future decision</p> <p><b>SA</b> compiled file.docx (D137395535)</p>					
<b>102/204</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>73%</b>	<b>MATCHING TEXT</b>	27 WORDS
<p>output. We know that production takes place in the short period. Every firm aims at producing for a future date and chooses many aspects of the short run</p> <p><b>SA</b> compiled file.docx (D137395535)</p>					
<b>103/204</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>84%</b>	<b>MATCHING TEXT</b>	25 WORDS
<p>of all short run situations among which the firm may choose. Thus, LAC is derived from SAC curves. LAC depicts the lowest possible average cost for</p> <p><b>SA</b> compiled file.docx (D137395535)</p>					
<b>104/204</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>69%</b>	<b>MATCHING TEXT</b>	38 WORDS
<p>to derive the LAC curve, we assume that there are three different sizes of plants in an industry, namely small, medium and large. Three SAC curves, namely SAC 1 , SAC 2 and SAC 3 represent respectively</p> <p><b>SA</b> compiled file.docx (D137395535)</p>					

<b>105/204</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>90% MATCHING TEXT</b>	25 WORDS
<p>we are considering the long run situation, the firm can choose any plant size where it will operate in the future to produce a given level</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>106/204</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>84% MATCHING TEXT</b>	46 WORDS
<p>output (say OQ 1 ) can also be produced on SAC 1 though at a higher cost. However, the same plant size, (i.e., SAC 1 ) enables a firm to produce larger output at a lower cost. If OQ 2 amount is considered to be</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>107/204</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>75% MATCHING TEXT</b>	23 WORDS
<p>first sight. Assume the firm operates at SAC 1 and demand for its product rises gradually. However, it can produce OQ 1</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>108/204</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>81% MATCHING TEXT</b>	29 WORDS
<p>lowest cost even operating on SAC 1 . But production beyond OQ 1 will need a larger cost. If the firm expects to produce OQ 1 (seen in</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>109/204</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>88% MATCHING TEXT</b>	28 WORDS
<p>costs are the same for both the plant sizes, namely SAC 1 and SAC 2 . However, the choice of the optimal plant size depends on the firm's</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				

<b>110/204</b>	<b>SUBMITTED TEXT</b>	53 WORDS	<b>79% MATCHING TEXT</b>	53 WORDS
<p>its demand for product in the coming years. At this level of output, cost can not be the determinant of the choice of a plant size. Now, the firm expects its demand for the product to increase in future. Therefore, the firm will instal the plant number SAC 2 rather than SAC 1 .</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>111/204</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>93% MATCHING TEXT</b>	30 WORDS
<p>OQ 1 can be produced by both the plant sizes, SAC 2 and SAC 3 , it is economic to use the plant size represented by SAC 3 .</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>112/204</b>	<b>SUBMITTED TEXT</b>	105 WORDS	<b>74% MATCHING TEXT</b>	105 WORDS
<p>assume that the industry faces a larger number of plant sizes represented by five SAC curves shown in figure 4(j). These curves will generate a smooth and continuous curve called the planning curve or LAC curve. Each point on this curve shows the least possible cost for producing the corresponding level of output. Thus the LAC curve is a planning curve since it is the curve which helps a firm to decide what plant is to be established for producing an output level consistent with the opitmal cost. Naturally, the firm selects that short run plant which yields the minimum cost of producing the anticipated output level. To produce a particular</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>113/204</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>100% MATCHING TEXT</b>	32 WORDS
<p>output in the long run, the firm must select a point on the LAC curve corresponding to that output and it will then build a relevant short-run plant and operate on the corresponding SAC curve.</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				

<b>114/204</b>	<b>SUBMITTED TEXT</b>	65 WORDS	<b>90% MATCHING TEXT</b>	65 WORDS
<p>the firm thinks that for producing output OQ 1 , point A on SAC 1 becomes the most profitable one. Naturally, it will build up a plant at the lower cost represented by SAC 1 (At point A, SAC 1 is tangent to the LAC curve). But the firm could reduce its cost by expanding output to the amount associated with point B, 110</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>115/204</b>	<b>SUBMITTED TEXT</b>	71 WORDS	<b>65% MATCHING TEXT</b>	71 WORDS
<p>the firm anticipates that demand for its product would be rising in future. So, it would construct a new plant represented by SAC 2 and will operate at point D on SAC 2 , thereby lowering its unit cost. (Corresponding to the output level OQ 2 , SAC 2 is tangent to LAC). In the same way, for output OQ 3 , the firm will construct SAC 3 and operate at</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>116/204</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>85% MATCHING TEXT</b>	32 WORDS
<p>OQ 4 , the firm will construct plant size SAC 4 and will operate at point F, though the minimum point of SAC now lies to the left of the operational point F.</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>117/204</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>75% MATCHING TEXT</b>	42 WORDS
<p>Each point of the LAC is, therefore, the point of tangency with the corresponding SAC curves. The LAC curve is the locus of all the tangency points. Consequently, the LAC curve has been called the envelope curve as it envelopes a family of SAC curves.</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				

<b>118/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>87% MATCHING TEXT</b>	16 WORDS
<p>LAC curve throughout its length is not tangent to the minimum points of all SAC curves.</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>119/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>97% MATCHING TEXT</b>	16 WORDS
<p>Only at point E, the minimum point of LAC, is tangent to the minimum point of SAC.</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>120/204</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>90% MATCHING TEXT</b>	17 WORDS
<p>note here that at the points of tangency SAC = LAC. But to the right or</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>121/204</b>	<b>SUBMITTED TEXT</b>	60 WORDS	<b>52% MATCHING TEXT</b>	60 WORDS
<p> <math>q = [5000 + 1000q - 500q^2 + 2/3 q^3]</math>. = <math>5000q + 1000 - 500q + 2/3 q^2</math> Ans. (iv) <math>TVC = TC - TFC = 5000 + 1000q - 500q^2 + 2/3 q^3 - 5000</math>. = <math>1000q - 500q^2 + 2/3 q^3</math>. Hence, <math>AVC = TVC/q = 1000 - 500q + 2/3 q^2</math>.         </p> <p> <math>Q_1 - Q_1^2 - Q_1 Q_2 = 20Q_1 - Q_1^2 - Q_1(10 - 1/2 Q_1)</math>  <math>= 20Q_1 - Q_1^2 - 10Q_1 + 1/2 Q_1^2 = 10Q_1 - 1/2 Q_1^2</math>            Hence, <math>MR_1 = \Delta Q_1 / \Delta Q_1 = 10 - Q_1</math> <math>MR_1 = MC = 0</math>  <math>10 - Q_1 = 0 \Rightarrow Q_1 = 10</math> </p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				
<b>122/204</b>	<b>SUBMITTED TEXT</b>	66 WORDS	<b>57% MATCHING TEXT</b>	66 WORDS
<p> <math>q = 100 - 80q + 1/3 q^2</math>. Now, <math>MC = AVC \Rightarrow 100 - 160q + q^2 = 100 - 80q + 1/3 q^2</math>. <math>NSOU \bullet PGCO - II 117 \Rightarrow q^2 - 1/3 q^2 - 160q + 80q = 0 \Rightarrow 2/3 q^2 - 80q = 0 \Rightarrow 2/3 q - 80 = 0 \Rightarrow 2q = 240 \Rightarrow q = 120</math> </p> <p> <math>Q_1(-Q_1^3 + 8Q_1^2 - 5Q_1 + 85) = 0</math>  <math>-3Q_1^2 + 16Q_1 - 5 = 0</math>  <math>3Q_1^2 - 16Q_1 + 5 = 0</math>  <math>3Q_1^2 - 15Q_1 - Q_1 + 5 = 0</math>  <math>3Q_1(Q_1 - 5) - 1(Q_1 - 5) = 0</math>  <math>Q_1 = 1/3</math> </p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>123/204</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>68% MATCHING TEXT</b>	32 WORDS
<p>q = 2 100 2q 0.5q q - + Now, ( ) d AC dq = ( ) ( ) 2 2 2 q q            100 2q 0.5q q - + - - + = 2 2 2 2q q 100 2q 0.5q q - + -            + - = 2 2 0.5q 100</p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>		<p>Q1 (- Q 1 3 + 8Q 1 2 - 5Q 1 + 85) = 0 -3 Q 1 2 + 16Q 1 -            5 = 0 3Q 1 2 - 16Q 1 + 5 = 0 3Q 1 2 - 15Q 1 - Q 1 + 5 =            0 3Q 1 (Q 1 - 5) -1(Q 1 - 5) = 0 Q 1 = 1/3</p>		
<b>124/204</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>51% MATCHING TEXT</b>	30 WORDS
<p>when the average cost is rising, the marginal cost must            be falling, (iii) when the average cost is rising, the            marginal cost is above the average cost, (iv) when the            average cost</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>		<p>When the average cost curve slopes downwards, the            marginal cost curve lies below the average cost curve. 2)            When the average cost curve is upward rising, the            marginal cost curve lies above the average cost curve. 3)            When the average cost</p>		
<b>125/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>68% MATCHING TEXT</b>	15 WORDS
<p>we can say that the LAC curve is U-shaped, that is, initially            it falls, reaches</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>126/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>80% MATCHING TEXT</b>	13 WORDS
<p>the U-shapedness of the LAC curve is less pronounced            than the U-shapedness of</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>127/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>66% MATCHING TEXT</b>	14 WORDS
<p>may be classified into local markets, regional markets,            national markets and international markets. (a) Local</p> <p><b>W</b> <a href="https://documents.pub/document/for-most-purposes-economics-can-be-divided-into-two-viewthus-in-th...">https://documents.pub/document/for-most-purposes-economics-can-be-divided-into-two-viewthus-in-th ...</a></p>		<p>may be classified as:-(a) local markets, (b) regional            markets, (c) national markets, and (d) world markets, (a)            Local</p>		



<b>128/204</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>68% MATCHING TEXT</b>	24 WORDS
<p>the volume of Business : On the basis of the volume of business also sometimes markets have been classified into wholesale markets and retail markets.</p> <p><b>SA</b> Managerial Economics.pdf (D143428574)</p>				
<b>129/204</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>70% MATCHING TEXT</b>	24 WORDS
<p>the "status of sellers" : On the basis of the status of sellers, markets have, broadly, been classified into primary markets, secondary markets and terminal markets.</p> <p><b>SA</b> Managerial Economics.pdf (D143428574)</p>				
<b>130/204</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>78% MATCHING TEXT</b>	22 WORDS
<p>Revenue depends upon the price at which, quantities of output are sold by the firm. A firm's revenue can be categorised as : (</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>131/204</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>97% MATCHING TEXT</b>	26 WORDS
<p>Total Revenue : Total revenue is the total sales receipts of output produced over a given period of time. Total revenue depends on two factors : (</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>132/204</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>81% MATCHING TEXT</b>	23 WORDS
<p>the price of the product and (b) the quantity sold of the product. By multiplying the quantity sold (Q), by its selling price (P),</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				

<b>133/204</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>41% MATCHING TEXT</b>	38 WORDS
<p>revenue obtained per unit of output sold. This is obtained by dividing total revenue by the number of units of output sold. That means, <math>AR = \frac{TR}{Q}</math>, <math>Q</math> being total units of output sold. In our previous example, total revenue is</p>				
<p><b>SA</b> New MBA_Managerial Economics.docx (D109293830)</p>				

<b>134/204</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>86% MATCHING TEXT</b>	37 WORDS
<p>By definition, 'average revenue' is the price. Price is always expressed per unit. Per unit sales receipt is also called average revenue. Since sellers receive according to price, price and average revenue are one and the same thing.</p>				
<p><b>SA</b> New MBA_Managerial Economics.docx (D109293830)</p>				

<b>135/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>91% MATCHING TEXT</b>	16 WORDS
<p>or sales receipt of the marginal unit of the firm's output. Algebraically, the marginal revenue of</p>				
<p><b>SA</b> New MBA_Managerial Economics.docx (D109293830)</p>				

<b>136/204</b>	<b>SUBMITTED TEXT</b>	56 WORDS	<b>70% MATCHING TEXT</b>	56 WORDS
<p>unit per period of time of a given product is the difference between the total revenue earned by selling <math>(n - 1)</math> units from the total revenue by selling <math>n</math> units per period of time. That is, <math>MR_n = TR_n - TR_{(n-1)}</math>. Here <math>n</math> stands for the number of units of output sold.</p>				
<p><b>SA</b> New MBA_Managerial Economics.docx (D109293830)</p>				

<b>137/204</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>90% MATCHING TEXT</b>	32 WORDS
<p>each, its total revenue will be Rs. 3000/-. If it were to sell one more unit, i.e., a total of 11 units of X, it could do it at a lower price, say,</p>				
<p><b>SA</b> New MBA_Managerial Economics.docx (D109293830)</p>				

<b>138/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>In other words, the eleventh unit has made a net addition</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>139/204</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>55% MATCHING TEXT</b>	26 WORDS
<p>the rate of change in total revenue when the increment in the sale of output is assumed to be one unit more. Hence, marginal revenue may also</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>140/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>defined as the ratio of change in total revenue to a unit change in output sold.</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>141/204</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>75% MATCHING TEXT</b>	18 WORDS
<p>a firm is in equilibrium when it has no intention either to expand or to contract its output.</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>142/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>the difference between total revenue (TR) and total cost (TC)</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				
<b>143/204</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>67% MATCHING TEXT</b>	17 WORDS
<p>the difference between total revenue and total cost will be maximum. At this level of output the</p> <p><b>SA</b> Managerial Economics.pdf (D143428574)</p>				

<b>144/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	11 WORDS
<p>in which there are a large number of buyers and sellers</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142294418)</p>					
<b>145/204</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>48%</b>	<b>MATCHING TEXT</b>	27 WORDS
<p>the market price. 3. PERFECT MOBILITY OF FACTORS OF PRODUCTION : Factors of production are freely mobile between the firms. Labour can freely move from one firm to another</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142294418)</p>					
<b>146/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	12 WORDS
<p>subsidies, rationing of production or demand and so on are ruled out.</p> <p><b>SA</b> Managerial Economics.pdf (D143428574)</p>					
<b>147/204</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>63%</b>	<b>MATCHING TEXT</b>	19 WORDS
<p><math>AR = TR</math> <math>q = p</math> <math>q \times p</math>. Thus, under perfect competition, AR is identical with price. Now, marginal revenue, <math>MR =</math></p> <p><b>SA</b> Principles of Economics book new.doc (D112051420)</p>					
<b>148/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78%</b>	<b>MATCHING TEXT</b>	14 WORDS
<p>Long Run Equilibrium In the long run all costs are variable, there is no</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>					
<b>149/204</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
<p>THE SHORT RUN SUPPLY CURVE OF A FIRM UNDER PERFECT COMPETITION</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>					

<b>150/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>71% MATCHING TEXT</b>	14 WORDS
<p>on the supply curve. By joining these points, we get a curve known as</p> <p><b>SA</b> BOOK---Principles of Microeconomics-1 - Lesson-1-12-.pdf (D143600665)</p>				
<b>151/204</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>57% MATCHING TEXT</b>	18 WORDS
<p>the MC curve that lies above the AVC curve is the firm's supply curve in the short run.</p> <p><b>SA</b> Introductory Micro-Sem-1.pdf (D110812531)</p>				
<b>152/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>MC curve above the shut down point is the supply curve</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>153/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>of the marginal cost curves of all individual firms in the industry". 5</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>154/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>What are the main features of a perfectly competitive market? 2.</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				
<b>155/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>84% MATCHING TEXT</b>	13 WORDS
<p>a market situation in which there is a single seller of a commodity</p> <p>a market condition in which there is a single seller of a particular commodity</p> <p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p>				

<b>156/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>the relation between Average Revenue, Marginal Revenue and Elasticity of demand? 3.</p> <p><b>SA</b> DSC-10-Intermediate Microeconomics-II.pdf (D143881375)</p>				
<b>157/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>There is absence of competition. 3. There are no close substitutes</p> <p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p> <p>There is absence of competition. • There are no close substitutes</p>				
<b>158/204</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>97% MATCHING TEXT</b>	17 WORDS
<p>product is zero in case of pure monopoly and very low in the case of simple monopoly (</p> <p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p> <p>product is zero the case of pure monopoly and very low in the case of simple monopoly. •</p>				
<b>159/204</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>66% MATCHING TEXT</b>	19 WORDS
<p>of Monopoly The following are the main features of monopoly : 1. There is only one seller while there are</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>160/204</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>89% MATCHING TEXT</b>	32 WORDS
<p>Government licensing or the imposition of foreign trade business to exclude foreign competition. 4. The size of the market may be such as not to support more than one plant of optimum size. 5. The</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>161/204</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>is the difference between total revenue (TR) and total cost (TC).</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				

<b>162/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>62% MATCHING TEXT</b>	16 WORDS
<p>In the long run a monopolist may also earn normal profit. However, in the long run</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>		<p>in the Long-Run: A monopolist can earn abnormal profit even in the long run</p>		
<b>163/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>87% MATCHING TEXT</b>	13 WORDS
<p>However, given the downward sloping demand curve, these two decisions are interdependent :</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>164/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>that there is no unique supply curve for the monopolist</p> <p><b>SA</b> Micro Economics Generic Elective-B.Com (H) (2).doc (D110479765)</p>				
<b>165/204</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>97% MATCHING TEXT</b>	48 WORDS
<p>short run MC curve above the shut down point is the supply curve which shows a unique relationship between price and quantity. At a particular price, a particular amount of the commodity will be supplied. However, under monopoly, there is no such one-to-one correspondence between price and quantity supplied. This is</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>166/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>The elasticities of demand in different markets must be different.</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>		<p>The elasticities of demand in different markets must be different.</p>		
<b>167/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>the fact that output decision of a monopolist does not only depend on</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				

<b>168/204</b>	<b>SUBMITTED TEXT</b>	60 WORDS	<b>91% MATCHING TEXT</b>	60 WORDS
<p>but also on the shape of the demand curve. Consequently, shifts in demand do not trace out a series of prices and quantities as happens with a competitive supply curve. It may happen that a monopolist, given his MC curve, may supply a particular quantity at different prices depending on the elasticity of demand. Hence, the construction of a supply curve from the</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>169/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>AR and MR curves show the average and marginal revenue curves of the monopolist</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>170/204</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>64% MATCHING TEXT</b>	25 WORDS
<p>perfect competition, index of monopoly power = <math>1/ e  = \alpha = 0</math>. On the other hand, when the monopolist has no cost of production, that is,</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>171/204</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>the second order condition for profit maximization requires that the</p> <p>The second-order condition for profit maximization requires that the</p> <p><b>W</b> <a href="http://www.sxcsrannalibrary.co.in/sites/default/files/%5BSchaum%27s%20outline%20series.%2C%20Scha...">http://www.sxcsrannalibrary.co.in/sites/default/files/%5BSchaum%27s%20outline%20series.%2C%20Scha...</a></p>				
<b>172/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>80% MATCHING TEXT</b>	13 WORDS
<p>of cross price elasticity of demand as a measure of the degree of</p> <p><b>SA</b> microeco_compilation-FINAL.pdf (D143604282)</p>				



<b>173/204</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>88% MATCHING TEXT</b>	14 WORDS
<p>the lower the value of cross price elasticity of demand, the greater the</p> <p><b>SA</b> IA Rama.docx (D35177919)</p>				
<b>174/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>87% MATCHING TEXT</b>	13 WORDS
<p>Price discrimination of the first degree. 2. Price discrimination of the second degree.</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>175/204</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>83% MATCHING TEXT</b>	31 WORDS
<p>Price discrimination of the first degree : This type of price discrimination is said to occur when the monopolist is able to sell separate unit of the output at a different price</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>176/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>the demand curve also becomes the MR curve of the monopolist</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>177/204</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>87% MATCHING TEXT</b>	17 WORDS
<p>Price discrimination of the third degree : This is said to occur when the seller divides buyers</p> <p><b>SA</b> BA 1st Sem Micro Eco SLM AMU.doc (D142399516)</p>				
<b>178/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>76% MATCHING TEXT</b>	12 WORDS
<p>a monopolist will always lie in the elastic region of the demand curve. (</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				

<b>179/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>the short run supply curve of a perfectly competitive firm</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				
<b>180/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>equality between marginal revenue and marginal cost is only necessary but not a sufficient condition</p> <p><b>SA</b> Managerial Economics.pdf (D143428574)</p>				
<b>181/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>66% MATCHING TEXT</b>	15 WORDS
<p>the products of different sellers are close substitutes of one another. One product can be</p> <p><b>SA</b> Principal of Microeconomics.pdf (D110867814)</p>				
<b>182/204</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>80% MATCHING TEXT</b>	17 WORDS
<p>in the short run, may earn only normal profit if <math>MC = MR</math> &amp;gt; <math>AR =</math></p> <p><b>SA</b> microeco_compilation-FINAL.pdf (D143604282)</p>				
<b>183/204</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>78% MATCHING TEXT</b>	27 WORDS
<p>output (oq 1 ) is less than the perfectly competitive output (oq 2 ) and monopolistically competitive price (op 1 ) is higher than the competitive price (</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>184/204</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>to the left of the lowest point of the AC curve. To the left of the lowest point of the AC curve,</p> <p><b>W</b> <a href="https://iicseonline.org/Managerial_Economics1.pdf">https://iicseonline.org/Managerial_Economics1.pdf</a></p>				

<b>185/204</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>88% MATCHING TEXT</b>	30 WORDS
<p>demand is influenced not only by the price of the product but also by the style of the product, the services associated with it and the selling activities of the firm.</p> <p><b>SA</b> MA 1st Sem Micro Eco SLM AMU.doc (D142294444)</p>				
<b>186/204</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>71% MATCHING TEXT</b>	15 WORDS
<p>Perfect Competition, Monopoly and Monopolistic Competition Perfect competition and monopoly are two extreme forms of market.</p> <p><b>SA</b> New MBA _Managerial Economics.docx (D109293830)</p>				
<b>187/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>80% MATCHING TEXT</b>	16 WORDS
<p>The Kinked demand curve model of oligopoly was originally developed by Paul M. Sweezy in 1939</p> <p>The kinked demand curve of oligopoly was developed by Paul M. Sweezy in 1939.</p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				
<b>188/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Oligopoly is a market structure in which a small number of</p> <p><b>SA</b> 18 SLM Farhaqn Ahmad Assistant Prof Distance Education AMU.doc (D143003267)</p>				
<b>189/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>if he raises the price above the prevailing price, his competitors will</p> <p>if he raises the price above the prevailing level, his competitors will</p> <p><b>W</b> <a href="https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html">https://pdfcoffee.com/managerial-economics-3-kkhsou-pdf-free.html</a></p>				
<b>190/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>is based on the following assumptions : (i) There are only two</p> <p><b>SA</b> Managerial_Economics.pdf (D143729469)</p>				

<b>191/204</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>65% MATCHING TEXT</b>	23 WORDS
<p>If one particular seller increases the price above OP, the rival sellers will go on keeping the prices of their products at OP.</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>192/204</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>58% MATCHING TEXT</b>	18 WORDS
<p>the marginal cost curve of the firm passes through the discontinuous range of the MR curve. Naturally, the</p> <p>the marginal of the oligopolist passes through the discontinuous portion of the MR curve the</p> <p><b>W</b> <a href="http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html">http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html</a></p>				
<b>193/204</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>of the Kinked demand curve theory is that it does not explain</p> <p>of the kinked demand curve is that it does not explain</p> <p><b>W</b> <a href="http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html">http://agiftmu.blogspot.com/2017/09/study-material-for-mba-i-managerial.html</a></p>				
<b>194/204</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>70% MATCHING TEXT</b>	16 WORDS
<p>equilibrium of a firm under monopolistic competition in both the short run and the long run. 3. "</p> <p>equilibrium of a firm under Perfect Competition in both the short-run as well as in the long run.</p> <p><b>W</b> <a href="https://icseonline.org/Managerial_Economics1.pdf">https://icseonline.org/Managerial_Economics1.pdf</a></p>				
<b>195/204</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>76% MATCHING TEXT</b>	32 WORDS
<p>TR = pq = (20 - q)q = 20q - q<sup>2</sup> Thus <math>\pi = 20q - q^2 - q^2 - 8q - 2 = 12q - 2</math></p> <p>TR<sub>1</sub> = PQ<sub>1</sub> = (20 - Q)Q<sub>1</sub> = [20 - (Q<sub>1</sub> + Q<sub>2</sub>)] Q<sub>1</sub> = 20Q<sub>1</sub> - Q<sub>1</sub><sup>2</sup> - Q<sub>1</sub>Q<sub>2</sub></p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				
<b>196/204</b>	<b>SUBMITTED TEXT</b>	45 WORDS	<b>100% MATCHING TEXT</b>	45 WORDS
<p>Q - 2Q<sup>2</sup> - (Q<sup>3</sup> - 59Q<sup>2</sup> + 315Q + 2000) = 1000Q - 2Q<sup>2</sup> - Q<sup>3</sup> + 59Q<sup>2</sup> - 315Q - 2000 = -Q<sup>3</sup> + 57Q<sup>2</sup> - 315Q - 2000.</p> <p>Q<sub>1</sub> (- Q<sub>1</sub><sup>3</sup> + 8Q<sub>1</sub><sup>2</sup> - 5Q<sub>1</sub> + 85) = 0 -3Q<sub>1</sub><sup>2</sup> + 16Q<sub>1</sub> - 5 = 0 3Q<sub>1</sub><sup>2</sup> - 16Q<sub>1</sub> + 5 = 0 3Q<sub>1</sub><sup>2</sup> - 15Q<sub>1</sub> - Q<sub>1</sub> + 5 = 0 3Q<sub>1</sub>(Q<sub>1</sub> - 5) -1(</p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>197/204</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>80% MATCHING TEXT</b>	36 WORDS
$\pi = TR - TC = pq - TC = (250 - 3q)q - 3q - 5q^2 = 250q - 3q^2 - 3q - 5q^2 = -8q^2 + 247q$		$\pi = TR - TC = 70Q_1 - (75Q_1 - 8Q_1^2 + Q_1^3 - 85) = 70Q_1 - 75Q_1 + 8Q_1^2 - Q_1^3 + 85 = -Q_1^3 + 8Q_1^2 - 5Q_1 + 85$		
<p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>198/204</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>100% MATCHING TEXT</b>	43 WORDS
$\pi = TR - TC = 4q - [0.04q^3 - 0.9q^2 + 10q + 5] = 4q - 0.04q^3 + 0.9q^2 - 10q - 5 = -0.04q^3 + 0.9q^2 - 6q - 5$		$\pi = TR - TC = 70Q_1 - (75Q_1 - 8Q_1^2 + Q_1^3 - 85) = 70Q_1 - 75Q_1 + 8Q_1^2 - Q_1^3 + 85 = -Q_1^3 + 8Q_1^2 - 5Q_1 + 85$		
<p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>199/204</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>71% MATCHING TEXT</b>	61 WORDS
$q^2 + 1.8q - 6 = 0 \text{ NSOU} \bullet \text{ PGCO - II 203} \Rightarrow -12q^2 + 180q - 600 = 0 \Rightarrow 12q^2 - 180q + 600 = 0 \Rightarrow q^2 - 5q + 50 = 0 \Rightarrow q^2 - 10q - 5q + 50 = 0 \Rightarrow (q - 5)(q - 10) = 0$		$Q_1 - Q_1^2 - Q_1 Q_2 = 20Q_1 - Q_1^2 - Q_1(10 - 12Q_1) = 20Q_1 - Q_1^2 - 10Q_1 + 12Q_1^2 = 10Q_1 - 12Q_1^2$		
<p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>200/204</b>	<b>SUBMITTED TEXT</b>	45 WORDS	<b>61% MATCHING TEXT</b>	45 WORDS
$TR = PQ = (304 - 2q)q = 304q - 2q^2 = 300q - 10q^2 - 500$ Now, $\pi = TR - TC = 304q - 2q^2 - 500 - 4q - 8q^2 = 300q - 10q^2 - 500$		$TR_1 = P_1 Q_1 = Q_1(80 - 2.5Q_1) = 80Q_1 - 2.5Q_1^2$ $MR_1 = 11 = 80 - 5Q_1$ Similarly, $TR_2 = P_2 Q_2 = Q_2(180 - 10Q_2) = 180Q_2 - 10Q_2^2$ $MR_2 = 22 = 180 - 20Q_2$		
<p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>201/204</b>	<b>SUBMITTED TEXT</b>	60 WORDS	<b>100% MATCHING TEXT</b>	60 WORDS
$q - 10q^2 - 500 = 1500 \Rightarrow 300q - 10q^2 - 2000 = 0 \Rightarrow 30q - q^2 - 200 = 0 \Rightarrow q^2 - 30q + 200 = 0 \Rightarrow q^2 - 20q - 10q + 200 = 0 \Rightarrow q(q - 20) - 10(q - 20) = 0 \Rightarrow (q - 20)(q - 10) = 0$		$Q_1(-Q_1^3 + 8Q_1^2 - 5Q_1 + 85) = 0$ $-3Q_1^2 + 16Q_1 - 5 = 0$ $3Q_1^2 - 16Q_1 + 5 = 0$ $3Q_1^2 - 15Q_1 - Q_1 + 5 = 0$ $3Q_1(Q_1 - 5) - 1(Q_1 - 5) = 0$ $Q_1 = 1/3$		
<p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				

<b>202/204</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>On the other hand, if a seller reduces the price of his product</p> <p><b>SA</b> compiled file.docx (D137395535)</p>				
<b>203/204</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>100% MATCHING TEXT</b>	34 WORDS
<p> <math>TC = (20 - Q)Q - Q^2 - 8Q - 2 = 20Q - Q^2 - 8Q - 2</math> <math>TC = 70Q_1 - (75Q_1 - 8Q_1^2 + Q_1^3 - 85) = 70Q_1 - 75Q_1 + 8Q_1^2 - Q_1^3 + 85 = -Q_1^3 + 8Q_1^2 - 5</math> </p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				
<b>204/204</b>	<b>SUBMITTED TEXT</b>	45 WORDS	<b>100% MATCHING TEXT</b>	45 WORDS
<p> <math>Q - 20Q^2 - (Q^3 - 59Q^2 + 1315Q + 2000) = 1000Q - 2Q^2 - Q^3 + 59Q^2 - 1315Q - 2000 = -Q^3 + 57Q^2 - 315Q - 2000</math> <math>Q_1(-Q_1^3 + 8Q_1^2 - 5Q_1 + 85) = 0 - 3Q_1^2 + 16Q_1 - 5 = 0</math> <math>3Q_1^2 - 16Q_1 + 5 = 0</math> <math>3Q_1^2 - 15Q_1 - Q_1 + 5 = 0</math> <math>3Q_1(Q_1 - 5) - 1(</math> </p> <p><b>W</b> <a href="http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf">http://faculty.ksu.edu.sa/sites/default/files/microeconomics-_econ-_101_1.pdf</a></p>				











## Document Information














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## Sources included in the report

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PREFACE In a bid to standardise higher education in the country, the University Grants Commission (UGC) has introduced Choice Based Credit System (CBCS) based on five types of courses: core, generic discipline specific elective, and ability/ skill enhancement for graduate students of all programmes at Elective/ Honours level. This brings in the semester pattern, which finds efficacy in tandem with credit system, credit transfer, comprehensive and continuous assessments and a graded pattern of evaluation. The objective is to offer learners ample flexibility to choose from a wide gamut of courses, as also to provide them lateral mobility between various educational institutions in the country where they can carry acquired credits. I am happy to note that the University has been recently accredited by National Assessment and Accreditation Council of India (NAAC) with grade "A". UGC Open and Distance Learning (ODL) Regulations, 2017 have mandated compliance with CBCS for U.G. programmes for all the HEIs in this mode. Welcoming this paradigm shift in higher education, Netaji Subhas Open University (NSOU) has resolved to adopt CBCS from the academic session 2021-22 at the Under Graduate Degree Programme level. The present syllabus, framed in the spirit of syllabi recommended by UGC, lays due stress on all aspects envisaged in the curricular framework of the apex body on higher education. It will be imparted to learners over the six semesters of the Programme. Self Learning Materials (SLMs) are the mainstay of Student Support Services (SSS) of an Open University. From a logistic point of view, NSOU has embarked upon CBCS presently with SLMs in English. Eventually, these will be translated into Bengali too, for the benefit of learners. As always, we have requisitioned the services of the best academics in each domain for the preparation of new SLMs, and I am sure they will be of commendable academic support. We look forward to proactive feedback from all stake-holders who will participate in the teaching-learning of these study materials. It has been a very challenging task well executed, and I congratulate all concerned in the preparation of these SLMs. I wish the venture a grand success.

Professor (Dr.) Subha Sankar Sarkar Vice-Chancellor

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M. Com) (New Syllabus) Business Environment PGCO-IV Module - 1 Unit 1 Business Environment 7-22 Unit 2 Environmental Analysis 23-35 Unit 3 Socio-cultural Environment of Business 36-49 Unit 4 Economic Environment of Business 50-66 Module - 2 Unit 5 Demographic Environment 67-74 Unit 6 Political and Legal Environment 75-128 Unit 7 Natural Environment 129-150 Unit 8 International and Technological Environment 151-188

Unit-1

Business Environment Structure 1.0 Objectives 1.1 Introduction 1.2 Concept of

<b>25%</b>	<b>MATCHING BLOCK 1/322</b>	<b>SA</b>	Sambalpur_MBA_SEM_1_Business Environment_Merge ... (D156214879)
<p>Business Environment 1.3 Nature and Significance of Business Environment 1.3.1 Nature of Business Environment 1.3.2 Significance of Business Environment 1.4 Types and Elements of Business Environment 1.5 Competitive Business Environment 1.6 Coping with Environmental Challenges 1.7 Summary 1.8 Questions 1.9 Further Readings 1.0 Objectives</p> <p>After going through the unit, you will be able to understand the— Concept of business environment Significance of business environment Elements of business environment 1.1 Introduction Business Environment</p>			

is a combination of two words - Business and Environment.

It varies in size (measured by the number of employees/sales volume/investment), location (local-national-international, rural-urban), mode of distribution channel (wholesaler- retailer), ownership (Public Ltd., Private Ltd., Family Business and Partnership), orientation (profit-seeking, non-profit seeking), economic activities (production, trade, banking, insurance, finance, agency, advertising, packaging) etc. Business activities are to be performed under legal restrictions, government requirement to fulfil the demands of all interested parties like consumers, employees, owners and others having stakes in 7

NSOU PGCO-IV 8 business directly and indirectly. This Unit throws light on the conceptual framework, nature, significance, types-elements of business environment, competitive business environment and the factors in coping up with the challenges of business environment. 1.2 Concept of Business Environment The first wing of business environment i.e. business is accepted as the organised effort of enterprises to supply consumers with goods and services for a profit. In its activities, business should consider the people as the focal point around whom, by whom and for whom it is to be run. Apart from the manufacturing business having physical conversation process, there are service organisations (IT firms, software developer, banks, risk absorbers, malls, etc.) which run without any physical conversation process. Besides, principles and practices of managing a business can be found in NGO, hospital or a B-school too. In this regard, as social being, business should adopt social activities and therefore, to survive successfully in environment, business should balance between commercialisation and socialisation. Nevertheless, business sometimes accepts profitability aspects more preferably than enduring values such as honesty, truth, justice, love, devoutness, aesthetic merit and respect for nature. Likewise, if business exploits workers, harms interests of consumers, degrades nature and the environment, destroys handicraft and renders artisans jobless, causes scams and scandals, multiplies needs and makes people greedy and avaricious etc., it will destroy social forum. The other wing of Business Environment i.e. environment refers to all internal (employees, shareholders, unions, managers, support activities, core competences, value creation and synergy) and external forces (political-legal-economic, technological, social-cultural, global and natural) which would have impact on the function of business. Environment forces businesses to operate around and within it irrespective of any movement in isolation. With the above discussed concepts, it can be framed that Business Environment is "the aggregate of all the forces, factors and institutions which are external to and beyond the control of an individual business enterprise but which exercise a significant influence on the functioning and growth of individual enterprises". It is basically "the aggregate of all conditions, events and influences that surround and affect business" (Keith Davis). Additionally, it can be regarded

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<p>as "the total of all things external to firms and industries which affect their</p>			

business firm and operation" (Bayard O. Wheeler). Thus "

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<p>business environment encompasses the climate or set of conditions, economic, NSOU PGCO-IV 9 social, political or institutional in which business operations conducted" (</p>			

Arthur M. Weimer). 1.3 Nature and Significance of Business Environment 1.3.1 Nature of Business Environment Business environment would have multi-faceted natures which vary country-to-country. Figure - 1.1 reflects the nature of business environment. Aggregative Inter-related Contextual Nature of Business Environment Dynamic General and specific Forces Inter-temporal Relative Uncertain Figure 1.1 The nature of business environment Business environment is the aggregate of inter-related and interdependent internal and external forces having influence on the working and decision-making of an enterprise where one factor (e.g. economic environment) would have high impact on other (e.g. non-economic environment like economic conditions). It accepts contextual perspective as it provides macro framework within which the business firm (a micro unit) operates and has to follow the legal formalities. It deals with dynamic forces of general (economic, social, political, legal, natural and technological conditions) and specific kinds (investors, customers, competitors, suppliers etc.) which is inter-temporal also i.e. changes over time. It seems to be a relative concept as depending on the political-economic-social-cultural environment of a country. As business environmental issues are highly dependent on future context it has to deal with uncertainty. Business environment thus would have high impact on the performance of business concern and success of business firms where a factor that has a favourable impact on one firm may adversely affect another firm. Therefore, management of a business enterprise must have a deep understanding and appreciation of the environment.

NSOU PGCO-IV 10 1.3.2 Significance of Business Environment It is very important for business firms to understand their environment and changes occurring in it. Business enterprises which know their environment and are ready to adapt to environmental changes would be successful and vice versa. A business can obtain this knowledge through environmental scanning which is a process by which business firm can monitor their relevant environment to detect opportunities and threats. Significance of business environment and its knowledge to cope up with the challenges can be listed below in Figure 1.2. First Mover Advantage Early Warning Signal Change Agent Public Image Customer Focus Strategy Formulation Significance of Business Environment Figure 1.2: Significance of Business Environment Enterprises with environmental awareness can opt for the opportunities of the market and do not let their competitors to adopt these. Thus they can enjoy first mover advantage in the market. Environmental awareness also offers the enterprises early warning signal of the threat or crisis in the market and thus would help them to minimise the adverse effect, if there be any in the market. With the concerned understanding, the enterprises would get proper customer focus or orientation with which they can satisfy the changing demands of the customers and offer services/products as per their requirements. Without environmental understanding enterprises cannot formulate strategy based on the strength, weakness, opportunity and threat of the environment. Likewise, they cannot have any information regarding the strategy of their competitors which would not allow them to counter attack their competitors. Environmental scanning would help the business leader to understand the aspiration of people and other environmental forces which would help the business leader to take steps towards strategy alteration as change agent. Considering all relevant environmental issues in due course and time, therefore, can establish public image of

NSOU PGCO-IV 11 the business leaders in market, indulge them to keep continuous learning on environment in view of getting awareness of every change in environment. Box:1.1 Case Studies on significance of understanding business environment Environmental awareness offers business leaders to enjoy 'First Mover Advantage' which can be found for Maruti Suzuki who became the leader in small car market because it was the first to recognise the need for small car on account of adjusting with rising petroleum prices and opting for large middle class customers. Environmental understanding would also help Maruti Udyog to face the threatening of the market when new firms entered in the mid segment cars (threat), Maruti Udyog increased the production of its Esteem threefold. Increase in production enabled the company to make faster delivery. As a result, the company captured a substantial share of the market and became a leader in this segment. Environmental knowledge helps business leaders to formulate strategy as experienced by ITC which realised that there was vast scope for growth in the travel and tourism industry in India and the Government was keen to promote this industry because of its employment potential. With the help of this knowledge, ITC planned new hotels both in India and abroad. Likewise, Hindustan Unilever promoted small sachets of shampoo and other products considering the affordability of middle class customers which was customer focus also. Source: Gupta, C.B. (2019), Sultan Chand & Sons, New Delhi. 1.4 Types and Elements of Business Environment Business environment can be segregated into two - Internal Environment and External Environment. Internal Environment refers to all the factors (business firm structure, policies and programmes, personnel, physical facilities and marketing mix) existing within a business firm which the firm can alter or control. Internal environment imparts strength (an inherent capability of an enterprise which can be used to gain strategic advantage over its competitors) and weakness (an inherent limitation or constraint of an enterprise which creates a strategic disadvantage). External Environment consists of forces and factors which are found as uncontrollable to the firm (national

NSOU PGCO-IV 12 income, social forces, government policies, population etc.). External environment creates favourable (opportunity) or unfavourable (threat) condition to the business. Figure: 1.3 - Types and Elements of Business Environment Internal Environment: Culture of a company with values, beliefs and attitudes of the founders and top management of a company, exercises a strong influence on what the company stands for, how it does things and what it considers important. To become successful, the value system of a company should be shared by all the employees. Mission and objectives of the company control its priorities, strategies, product market thrust area and development process. Business decision is related to the management and business firm structure and the degree of professionalization of management. In this regard, qualified, experienced board and sound formal management structure facilitate decision Types and Elements of Business Environment Internal Business Environment External Business Environment Micro Environment Macro Environment Culture Mission and Objective Top Management Structure Power Structure Company image and brand equity Human and other resources Elements Elements Custom Competitors Suppliers Marketing Intermediaries Financiers Public Workers and Trade Union Political and Legal Environment Social and cultural Environment Economic Environment Financial Environment Global Environment Technological and physical Environment Natural Environment Elements

NSOU PGCO-IV 13 making process. The power structure in connection with the internal relationship between Board of Directors and Chief Executive is accepted as an important factor. In this regard, the top management can enjoy relationship with shareholders and employees to take all important decision smoothly in proper way. Image and brand equity would play as important assistance while taking finance, entering into new markets, communicating with suppliers-dealers, forming alliances etc. The employees of the company i.e. the human resource, if is motivated properly, can be proved as the precious asset which can carry on the values and morale of the company. Besides the other resources (financial position, capital structure, distribution system and marketing competence, R&D and technological capability, physical assets, facilities, production capacity, technology etc.) management information system etc. would also influence on the performance of the company. External

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Environment: Micro or Task Environment consists of the actors in the immediate environment of the company which affect the performance of			

it (Philip Kotler). Business firms must put their primary effort in managing the relationships among all the Micro Environmental elements efficiently (Customers, Competitors, Suppliers, Workers and Trade Union, Marketing Intermediaries, Financiers and Public) and understanding their requirements following which they should perform. It is also recommended as Direct Action Environment or specific forces or Stakeholders considering the groups in the company's immediate operating environment having stake in the company. So these are the individuals, groups and agencies with which the business firms come into direct contact. Therefore, the success of the business firms is based on the capacity of it to deal with the micro forces effectively even though the micro environmental issues are common for all the business firms. Among the Micro Environmental factors, customers (individuals, households, Government department, commercial establishments etc.) are found globally and play crucial roles as they are that group of stakeholders whose satisfaction makes successful existence of the business firm. Hence, the target group of customers or market segment can be selected based on the profitability, elasticity of demand, dependability, degree of competition and growth prospects. Customer's view point helps the business firm to get knowledge regarding full range of competition in market or about the scope of competitors who are also important stakeholders of the business firm. Company may have direct competitors (who offer same or similar products or services e.g. LG NSOU PGCO-IV 14 Washing Machine vs. IFB Washing Machine) and/or indirect competitors (in entertainment industry, Television has to face competition from Radio). Competitors carry full range of domestic and multinational sources due to economic liberalisation and globalisation. The other stakeholder of Micro Environment, Suppliers, also influence the successful performance of the business firm as they would control the quality of the input of the products and uninterrupted operation to minimise inventory carrying costs. Business firm, in this regard, should consider multiple supplier base which depends on the relationship with the suppliers and connects with power equation i.e. the extent to which each of them is dependent on the other (e.g. Maruti Suzuki undertook vendor development to ensure timely and regular supply of materials and parts). In a business firm, workers and trade union play an important role as production and other operations are related to efficient performance of the workers, while a conducive environment regulates relationship with the business firm and the trade unions. Through Marketing Intermediaries like middlemen (agents, wholesalers and retailers link between the company and its customers), transportation firms and warehouses (assistance in physical distribution of products), advertising agencies, marketing research agencies etc. (help in promoting, selling and distributing products to consumers). Apart from financiers, they play a vital role in providing finance to the business firm without which the company cannot survive. On the other side, Public [media group, environmentalists, non-government business firm (NGOs), consumer associations and local community] imposes pressure on business activities in favour of social norm, ethics and customer orientation by disclosing irregularity (if any) in front of all of its stakeholders.

**External Environment: Macro** Macro Environment refers to the remote/general environment where a business firm does not interact with the elements regularly and thus it is recognised as Indirect Action Environment. The elements of Macro Environment create both opportunity and threatening and are less controllable factors forcing the business firm to adapt the environmental changes like production within the country instead of importing this due to internal price hike of raw material, etc. In Macro Environment, Political and Legal Element is another one which relates to Government affairs and comprises of (i) The constitution of the country, (ii) Political Business firm (business firm and

**67%**

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philosophy of political parties; ideology of the Government, nature and extent of bureaucracy, influence of primary groups,

business donations to political parties, political consciousness etc.; (iii) Political stability (structure of military and police force, election

NSOU PGCO-IV 15 system, law and order situation, President's Rule, Foreign infiltrations, Secessionist activities, etc.; (iv) Image of the country and its leaders, (v) Foreign policy (alignment or non-alignment, relations with neighbouring countries); (vi) Defence and military policy; (vii) Laws governing business and legal system, serves as the regulatory framework of business; (viii) Flexibility and adaptability of laws (constitutional amendments and direction of public policies) and (ix) The judicial system (implementation and effectiveness of laws). Besides, the another important element of Macro Environment, Social and Cultural carries characteristics of society and consists of (i) Demographic forces (size, composition, mobility and geographical dispersal of population), (ii) Social institutions and groups, (iii) Caste structure and family business firm, (iv) Educational system and literacy rates, (v) Customs, attitudes, beliefs, values and life styles and (vi) Tastes, preferences of people and their buying behaviour. From apart, Macro Environment also is influenced by Economic environment like (i) The nature of economic system (capitalist, socialist or mixed economy), (ii) Economic structure (occupational distribution of labour force, structure of natural output, capital formation, investment pattern, composition of trade, balance/imbalance between different sectors, five year plans, (iii)

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Economic policies (industrial policy, import-export policy, monetary policy, fiscal policy, foreign investment and technology policy), (

iv) Business firm and development of the capital market (banking system, securities market etc.), (v) Economic indices (gross national product, per capita income, rate of savings and investment, price level, balance of payments position, interest rates etc.), (vi) Economic infrastructure and stage of development of the economy and (vii) Product markets and factor markets (degree of competition, market size etc.). Moreover, the business firm deals with Technological and Physical Environment (sources and types of technology, rate of technological change, approaches to production of goods and services, new processes and equipment, research and development (R&D) systems). Natural Environment, in this regard, also plays a significant role having climate and geographical conditions; ecological system, levels of pollution and agricultural, commercial and other natural resources. Global Environment also contains a significant role in Macro environment of a business firm having (i) International Agencies (World Bank, IMF, WTO, EEC etc.), (ii) International Conventions, (iii) Treaties and agreements, (iv) Economic and business condition (v) Development in information and communication technology, (vi) International Political factors, (vii) The state of the world economy and distribution of world output, (viii) International economic co-operation, (ix) International market structure and competition, (x) barriers to

NSOU PGCO-IV 16 international trade and investment, (xi) National economic policies of different countries, (xii) Role of multilateral economic institution, (xiii) Cultural factors of different countries, (ix) Growth and transfer of technology and (x) Growth and Spread of multinationals. Figure- 1.4 exhibits business environment and its different elements. Figure: 1.4 Business Environment and its different elements 1.5 Competitive Business Environment A system where different businesses compete with each other by using various marketing channels, promotional strategies, pricing methods, etc. can be recommended as competitive environment. Business firm in this regard should follow the regulations within this system. Competition and competitors would reshape the marketing principles Macro/Indirect Environment Micro/Direct Environment Internal Environment Business Firm Mission & Objective Management Structure Power Structure Company Image & Brand Equity Human & other resources Customers Market Intermediaries Political & Legal Natural Financial Economic Technological and Physical Political & Legal Competition Suppliers Public Financer Culture

NSOU PGCO-IV 17 and business decisions of the business firms. From apart, customers do have high impact on business decision as business confirms high-quality goods at affordable price to satisfy customers' demand. This would somehow encourage the business firm to invest more time on research and development to improve the product quality. Changes in technological application in production process or the way, customers would buy their products can influence on the structure of market condition (e.g. Amazon changed products' distribution channel to meet the expectations of wide range customers). Therefore, innovations motivate the consumer goods companies and open up markets for small firms that previously had no opportunity to compete with bigger companies. In competitive scenario, concerned business may reduce the price of the product than that of the others which somehow would give pressure on other companies. In market competitive framework, business firm can find four basic types of competition - Pure competition [(i) many business firms produce similar products, (ii) many consumers buy them (iii) manufacturers cannot influence the price of the product and (iv) price is defined by supply and product demand]; Monopolistic competition [(i) many business firms produce products slightly differ from each other. Customers can distinguish the products because of the differences in quality, features, etc., (ii) businesses actively will use advertising to promote their products and convince consumers that their products have better quality and (iii) business firms improve the quality of products or add some extra features to the products and thus can easily manipulate the price of the products. So, business firms can play as the price makers (have the power to influence the price of products)]; Oligopoly [(i) small number of businesses (usually two or more); (ii) businesses don't compete but collude to obtain high market returns. They set and keep prices high together or under the leadership of one particular business firm; (iii) profit margins are comparatively higher than in a more competitive environment and (iv) businesses often face a prisoner's dilemma, an incentive to cheat and act in their interests at the expense of other companies]; Monopoly [(i) only one business firm produces a unique product; (ii) the firm would not face any competition as the product would not have any substitutes and thus the firm would decide the price of the product and set barriers for new companies to enter]. Business firms would have to develop knowledge regarding different market conditions and degree of competition therein according to which the same can take business strategy. Business firm should develop a market competitive analysis to determine the business strategy of its competitors in market. The factors to be determined to develop the business strategy model can be discussed as under (Table: 1.1)

NSOU PGCO-IV 18 SWOT Analysis The external and internal factors that influence a business firm can be divided into Strength (S), Weakness (W), Opportunity (O) and Threat (T). SWOT helps business firm to identify the competitive advantage of business firm in market by comparing the strength and weakness (ST) of the competitors which can define the further marketing strategy and steps to lead the market. Strategic Group Analysis This analysis would assist the business firm to identify the factors bringing profitability in market and the position of competitors' in competitive environment. With this analysis, business firm can have idea regarding the strategies of all strong competitors in various strategic dimensions. Porter's Five Forces The five forces [Threat of new entry, Buyers' Power, Supplier' Power, Threat of Substitute, Competitive Rivalry] explores competitive market forces in the industry and helps define the industry's strengths and weaknesses influencing industrial level of competition. Growth Share Matrix With this analysis, business firm mainly the large one, would have detailed idea on the products which should be invested in accordance with their competitiveness and attractiveness within the market. Likewise, the business firm can detect the products which are worthing than that of the others which are not so. Perceptual Mapping The position of the firm's product against that of its competitors can be known with this analysis which would also enable the firm to understand whether the respective firm's positioning strategy matches its target audience and also the gaps which are to be resolved. Table: 1.1 - Competitive Analysis of Business Environment

NSOU PGCO-IV 19 1.6 Coping with the challenges of Business Environment Business firm is influenced by several environmental factors which shape up the strength, weakness, opportunity and threat. Therefore, environment is considered as multi-dimensional and very complex in nature. In a specific geographic condition, industries and business have to change their business related policies as people of a particular area have similar tastes, preferences and requirements which may differ region-to-region and state-to-state. Likewise, the ecological factors (availability of natural resources) are also related to the performance of business firm in respect of its production quality and variety. In the same manner, business firm should consider environmental protection i.e. controlling of environmental pollution (any unfavorable alteration of this natural environment is called environmental pollution) [Environment (Protection) Act, 1986;

Air (Prevention and Control of Pollution) Act, 1981; Water (Prevention and Control of Pollution) Act, 1974].

From apart, business environment is highly influenced by demographic environment which includes some sub-factors like Size, Growth, Age and Sex compositions of population, Educational levels, Languages, Caste, Religion etc. Business environment has to absorb also the challenge for economic environment having three important factors - (i) economic systems, (ii) economic policies and (iii) economic conditions with more direct and deliberate impact than other factors. Political and Legal Environment are connected with the laws and regulations within which the business firms should conduct their affairs in a specific country (e.g. in India, the business firms would have to maintain comprehensive labour legislation under which they have to pay minimum wages to workers in specific industries with statutory bonus payment). In the same way, Social and Cultural factors containing society as a whole with an aggregate of all sub-cultures each with distinct concepts, beliefs and faith, pose a serious challenge to the business concern and to the business managers while formulating business strategies and policies. The Physical (weather, climatic conditions etc.) and Technological (knowledge of how to do things) factors would have high impact on business environmental policies and practices. Several researchers (Joseph Schumpeter, Richard Eelles and Prof. Kahn and Wiener) time-to-time considered the terms like 'Innovation', 'Revolution', 'Break Through', the output of technical application in operation of business firm which implies the importance of the factors for survival of the firms in competitive scenario. Besides, emphasis is also given on prompt application of technology in operation after its invention which genuinely increases the potentiality of the business firms in competition.

NSOU PGCO-IV 20 To cope up with the situation, some factors should be taken into consideration as reflected in Figure:1.5 Figure - 1.5 Factors to cope up with environmental challenges. Buffering techniques (stocking material, preventive maintenance, employee training, building inventory) are used to soften the impact of environment on business firm i.e. to avoid damage due to changes in environment. Likewise, levelling takes attempts to reduce fluctuations in the environment e.g. special air fares for night flights. Anticipation, acquiring information about probable changes in the environment, helps the business firm to foresee the customer needs, competition, technology and availability of human resources. Rationing, allocating organisational resources according to system of priorities, is taken into account when an organisation is unable to meet all demands. Business firms may take creative approach to environment facing the challenges and converting threats into opportunities. It can create suppliers' group with which dependence on sole supplier can be avoided. Sometimes, the business firms may collaborate with others and may enter into contract (Public relation, lobbying etc.). Often the business firm adopts change in its production process to meet customer's requirements. But while changing the product line or any other operations, the interrelationship between various elements of environment and their likely impact should be understood. Business firms may also take the option of Contracting wherein it can overcome uncertainty regarding the supply of inputs and sale of finished products. Sometimes, to cope up with the environmental challenges, the firm may be attached with Coalescing where it can merge with its mother firm. E.g Hindustan Unilever n



NSOU PGCO-IV 21 Limited took over Tata Oil Mills to acquire greater control over the market. From apart, in order to increase its competitive power, a firm may acquire key personnel from other firms. This will provide information about the market to the company. 1.7 Summary Business Environment is the aggregate of all the forces, factors and institutions which are external to and beyond the control of an individual business enterprise but which exercise a significant influence on the functioning and growth of individual enterprises. It is a/an (a) aggregate of inter-related and interdependent internal and external forces, (b) a contextual perspective, (c) dynamic force of general and specific kinds and (d) inter-temporal and uncertain factor. Enterprises with environmental awareness can opt for the opportunities of the market and does not let their competitors to adopt these. Thus they can enjoy getting - first mover advantage, early warning signal, customer focus, strategy formulation, changing agent, public image and continuous learning. Business environment can be segregated into two - Internal Environment (Culture, Mission and objectives, management and business firm structure, power structure, Image and brand equity, human resource of the company) and External Environment [Micro/Task Environment having individual impact (Customers, Competitors, Suppliers, Workers and Trade Union, Marketing Intermediaries, Financiers and Public) and Macro (Political and Legal Environment, Social and Cultural Environment, Economic environment, Technological and Physical Environment, Natural Environment, Global Environment)]. In this context, business firm should have detail knowledge regarding the market competition in different shapes and degrees through SWOT Analysis, Strategic Group Analysis, Porter's Five Forces, Growth Share Matrix and Perceptual Mapping. In business environment, basically 6 factors force the firms to change their policies - Geographical/Ecological or Natural, Demographic, economic, Political/Legal, Social and Cultural and Physical and Technological factors. Hence, to deal with the competitive situation, business firms can adopt Buffering, Levelling, Anticipation, Rationing, Dominating, Changing, Contracting, Coalescing and Procuring Key Personnel. 1.8 Questions Objective Type: 1. Business Environment refers (a) Only Internal Environment, (b) Only Internal Environment, (c) Both Internal and External Environment, (d) None of the above. 2. Element of business environment 'competitor' is under (a) Micro Environment, (b) Macro Environment, (C) Both Micro and Macro Environment, (d) None of the above. Short Answer type: 1. Define Business Environment. What is its significance in today's world? 2. What environmental factors do give impact on the business firm to change its policy? Long Answer type: 1. What are the different types of business environment? Or Specify the Micro and Macro environmental factors 2. Explain competitive environment of a business firm. 1.9 Further Readings Aswathappa, K. (2019). Essentials of Business Environment (15th Revised Edition), Himalaya Publishing House. Cherunilam, F. (2012). Business Environment - Text and Cases (21st Revised Edition), Himalaya Publishing House. Fernando, A.C. (2011). Business Environment, Pearson. Gupta, C.B. (2019). Business Environment (10th revised reprinted edition), Sultan Chand & Sons.

NSOU PGCO-IV 23 Unit 2 Environmental Analysis Structure 2.0 Objectives 2.1 Introduction 2.2 Concept and features of Environmental Analysis 2.3 Importance of Environmental Analysis 2.4 Benefits and uses of Environmental Analysis 2.5 Process of Environmental Analysis 2.6 Business Environmental Forecasting—Concept, Limitations 2.7 Linkages between Environmental Analysis and Strategic Management 2.8 Limitations of Environmental Analysis 2.9 Summary 2.10 Questions 2.11 Further Readings 2.0 Objectives After going through the unit you will be able to understand the— Concept of environmental analysis Importance of environmental analysis Process of environmental analysis Limitations of environmental analysis 2.1 Introduction Business firms should have detailed knowledge regarding the environmental changes as they have to capture the changing demands of customer base. It should comprehend various environmental forces for determining the opportunity and threatening in the environment through environmental scanning or environmental appraisal. Environmental monitoring and forecasting in this regard is very significant to make the business firms know about the environment through the data base and good analytical skill. Business firms that are able to read the early warning signals contained in the environmental changes and make appropriate adjustments in their policies, can reduce risk and 23

NSOU PGCO-IV 24 uncertainty. Environmental search leads to the identification of various sources influencing the enterprise. Through diagnosing, the positive and negative impact of environment can be known. This Unit throws light on the concepts, features, importance, benefits and process of environmental analysis, concepts and limitations of environmental forecasting, linkage between environmental analysis and strategic management and limitations of environmental analysis.

2.2 Concept and features of Environmental Analysis Environmental Analysis can cover two broad issues - Environmental Search or Monitoring the Environment and Environmental Diagnosis or identifying opportunities and threats. It contains features like (i) Holistic Exercise, (ii) Continuous Process and (iii) Exploratory Process. Holistic exercise considers total view of environment rather than a selective part. Here, business firm must scan the circumference of its environment in order to maximise its utility and minimise the chances of surprise due to uncertainty in volatile movement of customer's demand. Environmental Analysis is confirmed as a continuous process instead of being an intermittent scanning system. This can assist the business firm to maintain track of the rapid pace of development taking all interconnected items of environment. Through Environmental Analysis, a large part of the process seeks to explore the unknown dimensions of the possible future where environment is concerned with present development through monitoring. It would emphasise on "What could happen" and not necessarily on "What will happen."

2.3 Importance of Environmental Analysis In an uncertain business environment, business firms would have to get a vision of the business and a system of environmental analysis. The role of environmental analysis in this regard can be compared with the radar in a ship which shows signal for existence of rock, reefs and clear water in the uncharted sea. Environmental Analysis keeps the Business firms alert and informed regarding the business environment and makes them aware of the linkage between organisation and its environment. With this analysis, early warning signals of environmental threats and opportunities for business firms can be highlighted on. Environmental Analysis makes the business firms know about the transformation of business environment and the causes of disequilibrium. It will help the business policy planners to sketch relevant planning in view of avoiding irrelevant alternatives or options. Therefore, it will help the business firm to formulate right strategies and to modify the existing ones. Figure-2.1 reflects the factors showing the importance of environmental analysis.

NSOU PGCO-IV 25 Importance of Environmental Analysis First Mover Advantage Early Warning Signal Focus on Customer Strategy Formulation Change Agent Public Image Continuous Learning

Figure 2.1: Importance of Environmental Analysis Environmental Analysis offers environmental awareness to business firm with which the firm can have accessibility of early opportunities instead of losing them to competitors. Therefore, environmental analysis assists the business firms to get the first mover advantage (e.g. Maruti Udyog became the leader in the small car market because it was the first to recognize the need for small cars on account of rising Middle class). Besides, the business firm can have early warning signal of external environmental threats and opportunities which helps it to take appropriate course of action in due time. One of the threatening which business firms generally face in environment is the changing demand of customer. With environmental analysis the business firm can focus on customer and thus can take action in advance. It basically assists the business planners to formulate strategy to combat competition in market and also guides the firm to diversify its business to other sectors following the demands of the sector (e.g. focusing on the vast scope of travel and tourism in India, ITC planned hotels here apart from its other businesses). Therefore, Environmental Analysis and its wings like Environmental Monitoring and Scanning help the business firms to act as change agent depending on the current aspirations of people and other environmental forces. All these efforts establish public image of the business firms in market as they obey the environmental structure change properly through Environmental Analysis. Hence, to carry on regular environmental scanning and analysis in view of making business firms aware of the environmental changes, it would be very wise to keep on continuous learning by the same.

NSOU PGCO-IV 26 2.4 Benefits and uses of Environmental Analysis Environmental Analysis explained the process through which all the internal (Strength and Weakness) and external (Opportunities and Threats) components having influence on the firms' activities, can be examined. Environmental Analysis requires a constant stream of information to find out the best course of action. Strategic planners use the information gathered from the environmental analysis for forecasting trends for future advance under which whether the organisational goal can successfully be achieved is tested. If the organisational goal cannot be achieved, it is suggested to develop a new strategy or modify the old one. The benefits and uses of Environmental Analysis can be structured below in Figure - 2.2. Benefits and uses of Environmental Analysis Identification of Internal Insights - Strength and Weakness Long-term business Strategy and decision making Optimum Use of Resource Survival and Growth Identification of External Metrics - Opportunity and Threat Figure 2.2 - Benefits and Uses of Environmental Analysis Environmental Analysis can provide internal insights (Strength and Weakness) to the organisation to assess employee's performance, customer satisfaction, maintenance cost etc. and to take corrective action whenever required. Likewise, the external metrics would help the business firm to respond to the environment in a positive manner and to align the strategies according to the objectives of the organisation. It can sketch threats at an early stage assisting the organisation in developing strategies for its survival. Additionally, it identifies opportunities like the prospective customers, new product, segment and technology to occupy a maximum share of the market than its competitors. Therefore, the knowledge on environmental strength, weakness, opportunity and threat helps the business firm to survive and grow in the competitive business world. Moreover, systematic analysis of business environment helps the firm to reduce wastage and make optimum use of available resources. Therefore, proper analyses of environmental factors help the business firm to frame long-term plans and policies that could help in easy accomplishment of the organisational objectives. Thus

NSOU PGCO-IV 27 environmental analysis assures optimum utilisation of scarce human, natural and capital resources. Hence, Environmental Analysis enables the firm to select the best option for the success and growth of the firm and thus helps the firms to frame precise decision. In all these issues, it assures optimum utilisation of scarce human, natural and capital resources to the best option to fulfil organisational objectives.

### 2.5 Process of Environmental Analysis

Environmental Analysis examines all the components - internal (strengths and weakness of the business entity) and external (opportunities and threats outside the organization) having influence on the performance of the organization. These evaluations are later translated into the decision-making process and helps align strategies with the firm's environment. The process of Environmental Analysis is based on four steps. Step 1: environmental Scanning, Step 2: Environmental Monitoring, Step 3: Environmental Forecasting and Step 4: Diagnosis. The process of Environmental Analysis is structured as under in Figure 2.3.

NSOU PGCO-IV 28 2.6 Business Environmental Forecasting - Concept, Limitations Forecasting is a process of analyzing the past and present movements and trends to obtain some idea or clues regarding future trends in any event. It is a systematic approach with well thought-out, scientific methods and procedures and proper analysis of data and facts with the help of both quantitative and qualitative techniques. Through Environmental forecasting, managers of business firms attempt to predict the future characteristics of the organizational environment and hence make decisions today that will help the firm deal with the environment of tomorrow. Therefore, Environmental Forecasting can estimate the future events which would have a major impact on the enterprises by estimating the intensity, nature and timing of the external forces that may affect the performance of a firm, disrupt its plans, or force a change in its strategies. Forecasting follows specific steps to measure the trends of future like: (i) Identification of relevant environmental variables; (ii) collection of information, (iii) Selection of forecasting technique and (iv) Monitoring. Managers should formulate an effective strategy with critical examination of firm's environment where different variables do exist to give influence on firm's performances. Environmental Forecasting assists to identify the most relevant variables depending on the strategic situation through analyzing the environmental situation where omission of critical variables or inclusion of non-relevant variables could have misleading effects. After detecting the relevant variables, Environmental Forecasting would identify the sources of information, determine the type of information and collect the required information to analyze the variables for prediction. Based on the nature of forecast decision, the amount and accuracy of the available information, availability of time, importance of the forecast and the cost required to be borne to collect the information, the forecasting technique would be chosen. Environmental Forecasting will work properly if the characteristics of the variables or their trends can be monitored regularly which will include some new variables and decline some existing ones. The strategic manager in this regard should understand the current state of environment and also the future state. Hence, after implementation, managers should continuously evaluate this to have further improvement. In this regard, though, sometimes forecasting may falsely determine the future, to

NSOU PGCO-IV 29 become successful, business firms should adopt proper forecasting which can be continued through some significant techniques both qualitative and quantitative. Qualitative Forecasting Technique considers the views of individuals on future trends of an event with the application of (i) Sales Force Composite (combining the sales predictions of experienced sales people), (ii) Customer Evaluation (individual customer's estimate of purchase based on one's choice would be pooled), (iii) Executive Opinion (managers get together and devise a forecast based on their pooled opinions), (iv) Delphi Technique (a consensus of expert opinion with a panel of experts unknown to each other can choose to study a particular question), (v) Anticipatory Surveys (a form of sampling where mailed questionnaires, telephone interviews, or personal interviews are used to target larger population). In Quantitative Forecasting Technique, the business firms would adopt figures and data to quantify the trends and movements of any events in market with (i) Time-Series Analysis (fit a trend line to past data and then to extrapolate this trend line into the future), (ii) Regression Modelling (a mathematical forecasting technique in which an equation with one or more input variables i.e. independent is derived to predict another variable i.e. dependent variable), (iii) Econometric Modelling: (the sophisticated methods of forecasting that attempts to describe the relationships between the different sectors of the economy), (iv) Environmental Scanning (a process by which organizations monitor their relevant environment to identify opportunities and threats affecting their business). Environmental Forecasting assists a business firm to get an idea regarding present and future position of events in competitive market. Applying this, the business firms would get some advantages like: Forecasting enables the manager to plan for the future of the business firm. Without adequate environmental information regarding the movements of different events, business firms cannot sketch its future plan. A true Environmental Forecasts can easily point out the environmental changes where from the firm can have benefit (expand/grow) if the change sounds favourable to it or can get preparation for protection if the change sounds unfavourable to it. Environmental Forecasting would help the business firm to detect the weak spots, or ignored areas that the firm can recover with effective control and planning techniques.

NSOU PGCO-IV 30 As Environmental Forecasting requires collecting information or data on relevant events in market, it can build up better communication and coordination amongst them. But Environmental Forecasting cannot avoid limitations in its application as disclosed under. Forecasting is only an estimate and here, as future is very uncertain, even if the use of best forecasting techniques, the business firm cannot predict the future events with 100% success.

Forecasting is based on assumption, approximations, normal conditions etc. which would make the forecast unreliable. The data and information required to make formal forecasts would involve a lot of time and money. Additionally, if the qualitative data are to be converted into quantitative data, it would also consume huge amount of cost. But all these issues will not prove lesser importance of Environmental Forecasting which if timely is being made, can give proper idea regarding the environment avoiding the uncertainties in environment. 2.7 Linkages between Environmental Analysis and Strategic Management Strategy is the means to achieve ends. It is a unified, comprehensive and integrated plan which carries out the activities relating to the strategic advantages of the firm to the challenges of the environment (William Glueck). Strategy is an art and science of directing military forces and the plan of action to defend oneself or to defeat rivals and is

designed to ensure that the basic objectives of the enterprise are achieved.

It fits drives for both competitive advantage and sustainability. Managers have to fit core competence, critical resources and key success factors (Porter). When 'Strategy' is combined with management (man manages men tactfully), we can achieve 'Strategic Management', a process of identifying, choosing and implementing activities that will enhance the long term performance of a company by setting direction and by creating ongoing compatibility between the internal skill and resources of a company and the changing external environment within which it operates. It considers (i) determination of long-term goals and objectives of an enterprise, (ii) adoption of the course of

NSOU PGCO-IV 31 action and (iii) allocation of resources necessary to carry out these goals as important issues (Chandler). Environmental Analysis adopts as a vital role in a process of Strategic Management which consists of the following steps: Step 1: Identifying and defining business mission and objectives: Strategic Management process begins with the formulation of mission (the fundamental unique purpose that sets an organisation apart from other organisations and identifies the scope of its operations in terms of products and markets which can establish company image in market) and objectives (the end results which are to be realised for achieving the mission which should be modified or redefined with changes in the external and internal environment). Mission and objectives lay down the foundation for strategic management to answer some basic questions like (i) What business the company is on? (ii) What should the company's business be? (iii) Who are the company's customers? Step 2: Strength, Weakness, Opportunity and Threat (SWOT) Analysis: Environmental Analysis reveals the organisation's opportunities and threat in external environment, while corporate appraisal focuses on the strength and weakness. In this regard, sometimes due to not having adequate strength, business firms may not be able to exploit opportunities or have to face threatening. In this context, Environmental Analysis assists the firm to focus on the core competent arena where the firm enjoys maximum competitive advantage. Therefore, firm should invest maximum to the most promising sector disinvesting the lesser competitive places. E.g. Parle sold its soft drink business (Thumpsup) to concentrate mineral water (Bisleri). Step 3: Strategic Alternatives and Choice of Strategy: Generation of strategic alternatives and the choice of the most appropriate strategy would be considered as the third step of Strategic Management where Environmental Analysis would help the business firm to detect SWOT and likewise, assists them to choose the most promising alternatives out of the several ones on the basis of the mission and objectives of the business firms. The chosen alternatives, therefore, are considered as the most potential business strategy to fight against the competition. Step 4: Implementation of Strategy: Only formulation without implementation cannot build up any proper strategy for

NSOU PGCO-IV 32 the business firm to fight against the competition. In this regard, detailed planning and necessary system (sound organisational structure, effective leadership, functional policies, effective information system, control system and resource allocation) is important to make a chosen strategy successfully implemented. Step 5: Evaluation and Control of Strategy: Strategic Management is treated as a dynamic process where continuous evaluation is required to test the viability of the chosen strategy to meet the objectives and mission which would specify the requirement to adopt necessary changes whenever something goes wrong. The chosen strategy in this regard may fail to meet the objectives due to poor implementation, unforeseen changes in the environment or inappropriate strategic choice. The corrective actions (more effective implementation of strategy, better analysis of internal and external environment and changes in the organisational mission and objectives etc.) in this context would be based on the cause of failure. Therefore, without Environmental Analysis, strategy of business firms would not be possible to sketch successfully as the analysis considers SWOT and also proper accessibility of objectives and mission by the business firms.

### 2.8 Limitations of Environmental Analysis

Environmental Analysis though is proved as a scientific technique with which business firms can have detail idea regarding the factors having impact on the business performance, some limitations may reduce its potentialities. Environmental Analysis assumes that forecasting does not change haphazardly and an orderly pattern can be found in its behavior. Therefore, the forecast based on which the analysis is made may be unreliable. Forecasts may not be fully true as it indicates the trend of future events. The forecasting techniques only can forecast about the trend in environment where it cannot assure that the trend will definitely be happened. So, faulty forecasting is evenly found with varied degrees in different situations. Forecasting involves a lot of time and money in collecting, analysis and interpretation of data. It should assure that benefits arrived from it should be more than the costs involved here.

NSOU PGCO-IV 33 Forecasting does not guarantee organization effectiveness and too much dependence on environmental analysis may be harmful to the organization. Now, it is obvious that the assumptions of forecasting are objective in kind, based on the relevant facts. Managers should undertake precaution while making forecasting and in this regard, sufficient data must be collected and used to improve the forecasting quality as much as possible. Plans must be kept flexible through contingency planning and other means.

### 2.9 Summary Environmental Analysis

Environmental Analysis can cover two broad issues - Environmental Search or Monitoring the Environment and Environmental Diagnosis or identifying opportunities and threats. It contains some features like (i) Holistic View, (ii) Continuous Process and (iii) Exploratory Process. Environmental analysis assists the business firms to get the first mover advantage, early warning signal, focus on customer and to formulate strategy. Environmental Analysis and its wings like Environmental Monitoring and Scanning help the business firms to act as change agent and to build up public image of the business firms in market. Hence, to carry on regular environmental scanning and analysis, it would be very wise to keep on continuous learning by the same. Environmental Analysis can provide internal insight and external metrics. The knowledge on environmental strength, weakness, opportunity and threat helps the business firm to survive and grow in the competitive business world. Proper analyses of environmental factors help the business firm to (i) frame long-term plans and policies and to get optimum utilisation of scarce human, natural and capital resources. Environmental Analysis enables the firm to select the best option for the success and growth of the firm and assures optimum utilisation of scarce human, natural and capital resources to the best option to fulfil organisational objectives. Environmental Analysis examines all the components - internal (strengths and weakness of the business entity) and external (opportunities and threats outside the organization) having influence on the performance of the organization. These evaluations are later translated into the decision-making process and helps align strategies with the firm's environment. In Environmental Forecasting, the managers of business firms attempt to predict the future characteristics of the organizational environment and hence make decisions today that will help the firm deal with the environment of tomorrow. Though the forecasting always cannot give accurate estimate of the environmental issues, it would

NSOU PGCO-IV 34 be better to adopt the forecasting techniques - qualitative and quantitative in due time and course. The process of Environmental Analysis is based on four steps. Step 1: environmental Scanning, Step 2: Environmental Monitoring, Step 3: Environmental Forecasting and Step 4: Diagnosis. Environmental Analysis adopts as a vital role in a process of Strategic Management, a process of identifying, choosing and implementing activities that will enhance the long term performance of a company by setting direction and by creating ongoing compatibility between the internal skill and resources of a company and the changing external environment within which it operates. Strategic Management adopts five steps while formulating and implementing strategies - Step 1: Identifying and defining business mission and objectives, Step 2: Strength, Weakness, Opportunity and Threat (SWOT) Analysis, Step 3: Strategic Alternatives and Choice of Strategy, Step 4: Implementation of Strategy and Step 5: Evaluation and Control of Strategy. But Environmental Analysis is having some limitations as sometimes it is based on unreliable, untrue and lengthy forecasting. 2.10 Questions Objective type: 1. Environment Analysis covers (a) Environmental Search or Monitoring the Environment and Environmental Diagnosis or identifying opportunities and threats, (b) only Environmental Search or Monitoring the Environment, (c) Only Environmental Diagnosis or identifying opportunities and threats, (d) None of the above. 2. Steps of Environmental Analysis (a) 1: environmental Scanning, 2: Environmental Monitoring, 3: Environmental Forecasting and 4: Diagnosis, (b) 1: Environmental Scanning, 2: Environmental Monitoring, 3: Diagnosis, 4: Environmental Forecasting, (c) 1: environmental Scanning, 2: Environmental Forecasting and 3: Diagnosis, 4: Environmental Monitoring, (d) None of the above, Short Answer type: 1. Define Environmental Analysis. What are features of Environmental Analysis? 2. Narrate the importance and uses of Environmental Analysis. 3. State the limitations of Environmental Analysis

NSOU PGCO-IV 35 Long Answer type 1. How can Environmental Analysis be processed? 2. Define Business Environmental Forecasting and discuss the limitations of it. 3. Explain how can Environmental Analysis be linked with Strategic Management? 2.11 Further Readings Aswathappa, K. (2019). Essentials of Business Environment (15th Revised Edition), Himalaya Publishing House. Cherunilam, F. (2012). Business Environment - Text and Cases (21st Revised Edition), Himalaya Publishing House. Fernando, A.C. (2011). Business Environment, Pearson. Gupta, C.B. (2019). Business Environment (10th revised reprinted edition), Sultan Chand & Sons.

NSOU PGCO-IV 36 Unit-3 Socio-cultural Environment of Business Structure 3.0 Objectives 3.1 Introduction 3.2 Concept and importance of socio-cultural environment of business 3.3 Elements of culture in India 3.4 Cultural Resources 3.5 Societal Culture and Organizational Culture 3.6 Business and Society 3.7 Changing Objectives of Business 3.8 Summary 3.9 Questions 3.10 Further Readings 3.0 Objectives After going through the

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unit, you will be able to understand the— Concept of Socio-cultural environment

Elements of Culture Cultural resources Changing objectives of business 3.1 Introduction Business firms are recognised as the social units which being not set up in vacuum, should be aware of all environmental alternatives in which these have to work. Among all the environmental factors, socio-cultural factors are considered as the important ones dealing with the social functions and attitudes of all social components which offer modifications and re-modifications of business operations. This Unit throws light on the concept and importance of socio-cultural environment of business, elements of culture in India, cultural resources, societal and organisational culture, business and society and changing objectives of business. 36

NSOU PGCO-IV 37 3.2 Concept and importance of socio-cultural environment of business Business socio-cultural environment is supposed to hold the customs, values, attitudes, beliefs, habits, languages, demographic characteristics and other forms of interaction between the members of the society and consumerism. This directs the business to practice and can be reflected by its vision and mission statement. In socio-cultural environment, three aspects can be pointed out - Changes in our life-styles and social values (changing role of women, emphasis on quality of goods instead quantity of goods, greater reliance on government, greater preference for recreation activities), Major social problems (concern for pollution of environment, demand for socially responsible marketing policies, head for safety in occupations and products, etc.), Growing consumerism (consumer dissatisfaction on a large scale against unfair trade practices). Different countries contain different socio-cultural factors and thus would control the operation of business firms differently. Below mentioned Box - 3.1 expresses the different dimensions of socio-cultural factors in India and Japan. Box: 3.1 Comparative Assessments of Socio-Cultural Factors of Japan and India The socio-economic factors are different for different countries depending on the cultural, language, religion, demography etc. Below mentioned Table shows the different factors of socio-cultural aspects of India and Japan. Socio-cultural factors between Japan and India NSOU PGCO-IV 38 Importance of socio-cultural environment in business firms can be explained as under. Society and culture control the business management process like production and sale of goods, managerial and operational patterns and the determination of the success or failure of foreign subsidiaries. Any business firm which aims at entering any market for its products and services must develop complete understanding of socio-cultural environment where it is involved in and thus adapt its strategies. Social environment in many countries is responsible for emphasizing social responsibility of business and customer oriented marketing approach. For instance, McDonald's started opening stores in India and changed its menu of burger (without beef or sometimes veg) considering the socio-cultural environment of the country where most of its proposed customers did not eat beef and might be vegetarians too. Employees' behaviour additionally would also be shaped for different socio-cultural aspects of the country. In this regard, a people-oriented business concern would like to consider more emphasis on business value creation NSOU PGCO-IV 39 through employee focused policies like granting flexible time, maternity leave, day-care services etc. In any competitive business environment, the changing preferences of customers for products and services are accepted as significant socio-cultural factors influencing business and business decisions. Society and culture have an impact on every aspect of the overseas business of multinational companies mainly since the era of globalisation where the firms are crossing the limits of boundaries of their domestic countries and going to the other parts of the world accepting different degrees of work motivation, profit motivation, business goals, negotiating styles, attitudes towards the development of business relationships, gift-giving customs, greetings, significance of body gestures, meaning of colours and numbers. Multinational companies should be aware of predominant attitudes, values, and beliefs in each host country where they decide to expand their business activities. Differences in attitudes and values among management of a parent company and expatriate managers at the subsidiary level, on the one hand, and managers and employees in host countries, on the other, can contribute to serious functional problems. 3.3 Elements of culture in India Culture of civilisation is that complex whole

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which includes knowledge, belief, cult, morales, law, custom and other capabilities and habits acquired by a

man as a member of society (E. B. Taylor). It is the basic determinant of human personality which is meaningful to people due to its symbolic quality.

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Culture is the software of the mind - the social programme that runs the way we think, act and perceive ourselves and others. Our brain is simply the hardware that runs the cultural

programme (Geert Hofstede). It is a learned behaviour, independent of individuals or groups and is reflected through arts, literature and the way of life of the people. Cultural aspect



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is cumulative as it is passed on from generation to generation in a given society

which would be reflected through social interaction among people over a period of time and would be taken as an acceptable patterns for meeting biological and social needs. It is of two types - Material (man-made things like telephone, television, automobile, internet etc.) and Non-material (language, belief, ideas attitudes, values and other similar factors. The basic elements of culture can be designed as (i) Knowledge and Beliefs, (ii) Ideals, (iii) Preferences. NSOU PGCO-IV 40 Knowledge and Beliefs: People notions of reality i.e. knowledge and beliefs would include scientific realities as well as myths and metaphysical beliefs. Shared quality of belief system is an element of culture having a great sociological interest. In this context, people who share a particular culture tend to be holistic towards those who do not share their beliefs. Ideals: The social norms defining situational right/wrong, customary/expected can be defined as ideals i.e. folkways (guidelines enforced informally for proper behaviour e.g. respect for elders) and more (obligations treated vital for the welfare of the society - positive i.e. rewards for the right behaviour and negative i.e. punishment for wrong behaviour) sanctions are used to enforce ideals. Shared value is an important part of culture. Preferences: Society defines the attractive or unattractive things in life as objects of desire. Culture of a country lays down the life style of countrymen as per preference which may be attractive in one country, while unattractive in other. The Global Leadership and Organisational Behaviour Effectiveness (GLOBE) research programme (1993), detected nine dimensions like (i) Assertiveness, (ii) Future Orientation, (iii) Gender Differentiation, (iv) Uncertainty Avoidance, (v) Power Distance, (vi) Individualism/Collectivism, (vii) In-Group Collectivism, (viii) Performance- Orientation and (ix) Human Orientation in socio-cultural aspect. Assertiveness is the extent to which a society encourages people to be tough, confrontational and competitive vs. modest and tender. Likewise, culture of a country can also be sketched on the basis of whether the country-men are futuristic/ planning-based or not. The extent to which a society maximises gender role differences as measured by how much status and decision-making responsibilities women have. Social reliance on norms and procedures to alleviate the unpredictability of future events would also define knowledge and belief of country-men. Culture can also be defined by the power distance i.e. the power to be shared among individuals equally/unequally. It can also be defined as the degree to which individuals are encouraged by societal institutions to be integrated into groups within organisations and society. On the contrary, culture will also be defined the extent to which members of society take pride in membership in small groups (family and circle of close friends) and the organisations in which they are employed. Culture can also be referred to the degree to which a society encourages and rewards group members for performance improvement and excellence and for being fair, generous, caring and kind to others.

NSOU PGCO-IV 41 3.4 Cultural Resources Cultural resources are referred to the physical objects or places of past human activity i.e.historic site, object, landscape, structure or even a natural feature of significance to a group of people traditionally associated with it e.g. buildings or old roads, prehistoric village sites, rock inscriptions, objects of importance to a culture or community for scientific, traditional, religious. Therefore, maintenance and protection of cultural resources in compliance with laws is necessary. In these circumstances, decisions must be made to strike a balance between practical growth and the protection of cultural resources. As a result of this, federal and state agencies have created laws and regulations for the protection of cultural resources. It is important to note that the term historic property is defined as any cultural resource listed on or eligible for listing on the National Register of Historic Places (NRHP) (Section 106). These can include various resource types such as historic and prehistoric archaeological sites, houses, historic districts, engineering features such as roadbeds, railways, or bridges, battlefields, historic and cultural landscapes, and traditional cultural properties. However, not all cultural resources are by definition historic properties. They must be determined eligible for listing or must already be listed in the NRHP.

3.5 Societal Culture and Organizational Culture Culture refers to the beliefs, values and behavior that together form a people's way of life. Organizational culture (the norms, shared values and expectations) determines the manner in which people interact as well as approach to the objective- oriented work. It is the unique personality of an organization that influences the behavior of the members in that organization. Societal culture is the norms, expectations, and shared values of a society or a group of people living in a particular place. It is the culture that a particular follows to interact in such a way to share a common interest. For any given organization to run well, there organizational culture and societal culture must be in harmony. A favourable working environment in an organization makes employees feel unity among their peer with healthy competition and loyal to their employer. Likewise, organizational culture would also help to structure out business strategy, production process, productivity, organizational environment and effectiveness. Organisation is accepted as an integral part of social system. Therefore, it is a social institution,

NSOU PGCO-IV 42 performing a social mission and having a broad influence on the way people live and work together. It is recognized that the direction of business is important to the public welfare that business perform a social function. In any organization, culture is rooted in the organizational activities and practiced consistently in all operations. It focuses on a conditional relationship among the individuals within the organization who would like to socialize into it. Though it accepts a shared behavior, it would find less impact on the individuals as culture is not inculcated in their lives and they have to learn about it after being members of that organization. On the contrary, culture within a society is inbuilt in individuals at early stage of their lives with deep acceptance without frequent change in the norms. Therefore, societal culture holds values which should be practiced consistently in society in assurance of maintenance social norm which are being shared with all individuals with great impact in their lives. Box 3.1 reflects how societal culture affects management approaches and organisational behavior

Box 3.1 Effect of Societal culture on organisational behavior.

Hodgetts and Luthans highlighted on the effect of societal culture on organisational behaviour in (i) Centralised and Decentralised Decision Making, (ii) Safety Vs. Risk, (iii) Individual Vs. Group Rewards, (iv) Informal Vs. Formal Procedure, (v) High Vs. Low Organisational Loyalty, (vi) Co-operation Vs. Co-ordination, (vii) Short-term Vs. Long-term Horizon, (viii) Stability Vs. Innovation. Sometimes, in some companies, employees are not allowed to take part in decision making process, while in some other, the middle and lower levels take part in decision making. This practice in an organisation reflects the centralisation and decentralisation principle in decision making process found in an organisation as reflected by the social norms.

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In some societies, organisational decision makers are risk-averse and would face great difficulties with conditions of uncertainty

where in some other societies, organisations deal with risk-taking attitude of it where decision making under uncertainty is common. As per societal culture, some organisations prefer individual reward for his/her outstanding performance there, while in other organisations, group effort is only recognised and rewarded which reflects the other norms of societal culture. In some societies, informal means are used to accomplish any organisational activity,

NSOU PGCO-IV 43 while formal way of activity is the major means of activities in some other societies. As per societal culture, in some organisations, individuals identify very strongly with their organisation or employers, while in other organisations, they identify with their occupational groups (mechanic, engineer etc.) which shows high and low organisational loyalty respectively. In an organisation, whether performances of individuals are found in cooperative or competitive environment can be determined as per the societal norm within which the same is operating. Some organisations focus most heavily on short-term horizons or goals (profit and efficiencies), while

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others are more interested in long-range goals (market share and technological development). The culture of some

organisations as per the societal culture would encourage stability and resistance to change, while others may give indulgences to innovation and change. Source: Cherunilam, F. (2012). Business Environment - Text and Cases (21st Revised Edition), Himalaya Publishing House. 3.6 Business and Society Business is influenced by socio-demographic factors like age, sex composition of population, family size, habitant, attitude towards employment, occupational pattern etc. Social environment of different markets differ vastly. Even within nation, cultural diversity may vary significantly. It is very essential to understand these differences to formulate successful business strategies. Hence, culture is (i) related to socially acceptable patterns for meeting biological and social needs, (ii) characteristically the human product

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and social interaction, (iii) cumulative, for it is handed down from generation to generation in a given society, (iv) meaningful to human beings of its symbolic quality, (v) learned by each person in the course of his development in a particular society, (vi) therefore, a basic determinant of personality and (vii) dependent on continuous functioning of society but independent of any individual or group.

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The failure of managers to comprehend fully these disparities has led to most international business blunders.

It consists of both

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material culture [man-made things (e.g. automobile, television, telephone, etc. and man-made alternatives in the environment)

and non-material (language, ideals, belief, values, music etc.). The integrated culture

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does not mean that every single item of each culture is neatly and precisely integrated with everything else. It means rather that it is normal for the parts NSOU PGCO-IV 44 to be somewhat organized and that culture traits receive their significance and meaning out of their relation to the rest of the culture.

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Many multinational businessmen agree that cultural differences are the most significant and troublesome variables

where culture is that  
complex whole

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which includes knowledge, belief, art, morals, law, custom and other capabilities and habits acquired by man as a member of society.

**95% MATCHING BLOCK 20/322**

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Differentiation based on criteria such as age, sex, caste, occupation, education income and so on, is an important aspect of social structure and cultural organization. Each stratum is assigned or supposed/expected to have a certain rank or position, role or limitations etc. in the societal set-up

which would be very important to recognize. Institutions are clusters of norms organized and established for the pursuit of some needs or activities of a social group supported by the group's knowledge, beliefs and values, as well as by the meaningful aspects of material culture.

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Such institutions have been established to meet society's common needs of a biological, sociological, psychological, economic and political nature - the type and nature of institutions reflect the common goals, aspirations and the ways of achieving them, definition and regulation of roles, positions, inter-relationships etc. of the individuals and sub-groups and groups and the overall organization of the culture.

The organization of culture may, thus, be looked upon from the

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point of view a meaningful integration of different traits into integrated complexes and complexes in turn into patterns. The

cultural impact on international management is reflected by several basic beliefs and behavior. Culture of society directly affects management approaches and organizational behavior (Hodgetts and Luthans) which can be exhibited as below in Table 3.2. Table: 3.2 Social Cultural impact on Business Performances

**72% MATCHING BLOCK 23/322**

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Centralised Vs. Decentralised In some countries, all important organizational decisions are made by top managers In some countries, decisions are diffused throughout the enterprise and middle and lower level managers actively participate in and make key decision. NSOU PGCO-IV 45 Safety Vs. Risk Organisational decision makers are risk-averse and have great difficulty with condition of uncertainty in

some countries. Individual Reward

**60% MATCHING BLOCK 24/322**

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Vs. Group Reward In some countries, personnel performing outstanding work are given individual reward in the form of bonus and commissions.

Informal Procedure Vs. Formal Procedure Work is accomplished through informal procedure in some countries. High Organisational Loyalty

**81%**      **MATCHING BLOCK 25/322**      **SA** International Trade-Material I semester.docx (D146751176)

Vs. Low Organisational Loyalty In some countries, people identify very strongly with their organization or employer.

Cooperation

**76%**      **MATCHING BLOCK 26/322**      **SA** International Trade-Material I semester.docx (D146751176)

Vs. Competition Some societies encourage cooperation between their people Short-term Horizon Vs. Long-term Horizon Some nations focus most heavily on short-term horizons, such as short rang goals of profit and efficiency.

**100%**      **MATCHING BLOCK 27/322**      **SA** International Trade-Material I semester.docx (D146751176)

Stability Vs. Innovation The culture of some countries encourages stability and resistance to change.

**84%**      **MATCHING BLOCK 28/322**      **SA** International Trade-Material I semester.docx (D146751176)

Risk-taking is encouraged and decision making under uncertainty is common in some countries.

In some countries, cultural norms required group reward and individual rewards are frowned on. Formal procedure is followed rigidly in some countries. In some countries,

**85%**      **MATCHING BLOCK 29/322**      **SA** International Trade-Material I semester.docx (D146751176)

people identify with their occupational group such as engineer or mechanic. Some societies encourage

competition be- tween their people Some nations

**70%**      **MATCHING BLOCK 30/322**      **SA** International Trade-Material I semester.docx (D146751176)

are more interested in long- range goals such as market share and tech- nological development The culture of other countries

put high value on innovation and change.

NSOU PGCO-IV 46 Based on these cultural differences, international organisations should be managed and conducted. 3.7 Changing Objectives of Business Business, industry or commerce is referred to as commercial activities which aim at making profit, while as per modern outlook the non-profit objective i.e. social responsibility of the business should be taken as one of the main objective of the business concern. Therefore, business is a social institution, performing a social mission and having a broad influence on the way people live and work together (Davis and Blomstorm). Calkins in this context showed that business is recognized as the direction of business important to public welfare that businessmen perform a social function. Therefore, business is the development and processing of economic values in society. The Private (non-Government) portion of the economy holds its primary purpose as to provide goods and services to customers at a price, but the lines of distinction are getting hazy as business and government overlap their functions in organizations (Communications, Satellite Corporation etc.). Business is, therefore, the economic and commercial activities of institutions having other purposes and the business enterprises which do not aim at making any profit (charitable hospital, public relation organisations etc.) invest capital, price and market their products, services or ideas, manage their human resources and so on. Business connects with whole society which is regarded as ecology (the mutual relation of human population or system with their environment. Now, both the economic objectives (survival, profitability, innovation, market share and growth) and social objectives (services to customers, employees and community) are complementary to each other and cannot be separated in long run, while conflict between these objectives is found in short run. Therefore, reconciliation should be maintained between these two objectives considering the overall business objectives - Primary Objectives [(i) to extend, develop and improve the company's business and build up its financial independence; (ii) to pay fair and regular dividends to the shareholders; (iii) to pay fair wages under the best possible conditions to the workers; (iv) to reduce prices to consumers] and Secondary Objectives [(i) to provide bonus for the workers; (ii) to assist in promoting amenities for the locality; (iii) to assist in developing the industry in which the firm operates; (iv) to promote education, research and development in the techniques of the industry or any other purpose

NSOU PGCO-IV 47 which the directors and members in general meeting have approved. Davis and Blomstorm pointed out that in taking an ecological view of business in a system relationship with society, three ideas - Values, Viability and Public Visibility should be considered. Values are the guidelines for employee's decisions in the interface of business and strong motivators for people in a business. These are the sources of institutional drive. Like other social institutions, business develops certain believes, systems and values for which they stand. Values derive from a multitude of sources, such as the mission of business as a social institution, the nation in which a business is located, the type of industry in which it is active and the nature of its employees. Viability is the drive to live and grow, to accomplish the potential not yet reached and to achieve all that a living system is capable of becoming a viable, vigorous institution in society. A viable institution must initiate its share of forces in its own environment rather than merely adjust to outside forces as a bucket of quicksand does. Every business needs a drive and spirit all its own to make it a positive actor on the social stage rather than a reactor or a reflector. Public Visibility can be regarded as the extent to which an organisation's activities are known to persons outside the organization. It is different from the idea of public image (what people think about an organisation's act). The importance of public visibility is that it subjects business activities to public examination, discussion and judgment, while business activities cannot be judged without knowing the acts. Therefore, it can be declared

<b>71%</b>	<b>MATCHING BLOCK 31/322</b>	<b>SA</b> 023E1110,119E1110,193E1110-Business Environmen ... (D165201747)
that business is an integral part of the social system. It is the social		

organ to help accomplish the social goals. 3.8 Summary Socio-cultural factors are important in dealing with the social functions and attitudes of all social components which would offer modifications and re-modifications of business operations. Business socio-cultural environment is supposed to hold the customs, values, attitudes, beliefs, habits, languages, demographic characteristics and other forms of interaction between the members of the society and consumerism. Culture of civilisation is that

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complex whole which includes knowledge, belief, cult, morales, law, custom and other capabilities and habits acquired by a man as a member of society. It is the software of mind and the basic determinant of human personality which is

meaningful to people due to its symbolic quality. Societal culture is the norms, expectations, and shared values of a society or a group of people living in a NSOU PGCO-IV 48 particular place. It is the culture that a particular follows to interact in such a way to share a common interest. For any given organization to run well, there organizational culture and societal culture must be in harmony. Business should take proper attention on different categories of culture - Centralised - Decentralised Decision making, Safety - Risk, Individual - Group Reward, Informal - Formal Procedure, High - Low Organisational Loyalty, Cooperation - Competition, Short-term- Long-term Horizon and Stability- Innovative. While highlighting on changing objectives of business, an ecological view of it in a system relationship with society should be taken based on three ideas - Values (guidelines for employee's decisions in the interface of business and strong motivators for people in a business), Viability (the drive to live and grow, to accomplish the potential not yet reached and to achieve all that a living system is capable of becoming a viable, vigorous institution in society) and Public Visibility (the extent to which an organisation's activities are known to persons outside the organization) should be considered. Here, Cultural resources, the physical objects or places of past human activity,i.e.historic site, object, landscape, structure or even a natural feature of significance to a group of people traditionally associated with it, should properly be taken care of as per legislation. 3.9 Questions Objective type: 1. Culture refers to (a) beliefs, values and behaviour, (b) beliefs and values, (c) Only Vales, (d) None of the above. 2. Statement: (1) Assertiveness is the extent to which a society encourages people to be tough, confrontational and competitive vs. modest and tender. (2) ulture of a country can also be sketched on the basis of whether the country-men are futuristic/ planning-based or not. (a) Only (1) is true, (b) Only (2) is true, (c) Both (1) and (2) are true, (d) Both (1) and (2) are false. Short Answer type: 1. What do you mean be socio-cultural environment of business? What is its importance in business world? 2. Write a short note on Cultural Resources. NSOU PGCO-IV 49 3. Discuss the changing objectives of business in today's world. Long Answer type: 1. What are the different elements of culture in India? 2. Explain briefly the societal and organisational culture in business environment. 3.10 Further Readings Aswathappa, K. (2019). Essentoals of Business Environment (15th Revised Edition), Himalaya Publishing House. Cherunilam, F. (2012). Business Environment - Text and Cases (21st Revised Edition), Himalaya Publishing House. Fernando, A.C. (2011). Business Environment, Pearson. Gupta, C.B. (2019). Business Environment (10th revised reprinted edition), Sultan Chand & Sons. Hirst, K. (2014). Cultural Resources Management,A Process. Electronic document accessed. [http://archaeology.about.com/od/culturalresource/qt/crm\\_definition.htm](http://archaeology.about.com/od/culturalresource/qt/crm_definition.htm). Hofstede, G. (1991). Cultural and Organisation - Software of the Mind, McGraw Hill, Maiden Head. NSOU PGCO-IV 50 Unit 4 Economic Environment of Business Structure 4.0 Objectives 4.1 Introduction 4.2 Social Responsibility of Business 4.3 Economic Environment of Business - Importance and Factors 4.4 Economic Role of the Government of India 4.5 Economic Reforms in India 4.5.1 Liberalization 4.5.2 Privatisation 4.5.3 Globalisation 4.6 Summary 4.7 Questions 4.8 Further Readings 4.0 Objectives After going through the unit, you will be able to understand the— Social responsibility of business Inportance of economic environment Economic reforms in India 4.1 Introduction It is well said that "a business firm and its environment are mutually interdependent, interacting with one another continuously. Environment is the supra-system of which the firm is only a small sub-unit. It can survive and thrive only when the environment desires its output of goods and services and is prepared to approved of and endorse its activities". Business, theone unit of the total economy, transacts with all other 50

NSOU PGCO-IV 51 sectors of the economy which constitutes economic environment. This Unit throws light on the social responsibility of business, economic environment and its importance and factors, economic role of the Government of India and economic reforms in India. 4.2 Social Responsibility of Business "Social Responsibility requires managers to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony" (P. F. Drucker). The concept of social responsibility, therefore, needs to be differentiated from social obligation (the typical activities of an organization directed in response to market forces and internal aspirations) and social responsiveness (anticipate in changing or emerging social problems and respond to them). Social responsibility is much broader as it requires an organisation to meet the expectations, norms and values of the society. It implies responsibility to society beyond the basic economic responsibility of efficiency and profitability. As an economic agent of society, business must use its economic power to protect and promote public interest and social values. Keith Davis (1973) described social responsibility as the obligation of the

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decision-makers to take decisions which protect and improve the welfare of the society a whole along with their own

interests". It is the intelligent and objective concern for the welfare of the society that restrains individual and corporate behavior from ultimately destructive activities, no matter how immediately profitable and leads in the direction of positive contribution to human betterment variously as the latter may be defined (Andrews, 1971). Social Responsibility contains some implications: An organization can discharge its social responsibility only through the individuals who manage and control social obligation which relates with personal attitude. Social Responsibility would develop attitude and policies in favor of the business concern. It is as interpersonal and reciprocal relationship where the company owes responsibility towards social groups and every social group in exchange of that would perform for the society. Social responsibility of a manager needs to be commensurate with his social power (power to influence the society). The standard of social obligations can be fixed keeping in view social norms

NSOU PGCO-IV 52 and expectations. Therefore, the extent of these obligations may differ from society to society. The concept of social responsibility is not inconsistent with the profit objective. An organization cannot fulfill its social obligations unless it survives and grows. Business organization cannot survive without profit and also without fulfilling social responsibility in long run. Social responsibility is a continuing obligation. Any business enterprise remains responsible to society throughout its continued existence. Every business organization should ensure that its activities should fulfill social interest. 4.3 Economic Environment of Business - Importance and Factors Business environment is influenced by the economic environment consisting of the economic system, macroeconomic scenario, financial system, economic policies, legislations, planning, degree of competition, nature of demand for goods and services, lifestyles, consumer attitudes and behavior, market segments and so on. Economic environment itself is influenced by the nature of economic system (nature of property rights, ownership of means of production, production relation, role of planning, functioning of market and price mechanism etc. where the structural anatomy consists of the economic parameter - the structure of national output, the occupational distribution of labour force employed, the capital formation, trade composition etc.). The Government of the country also plays its role by influencing the business economic environment through its own activities and policies (economic planning, annual budget, fiscal policies, industrial regulations, business law, controls of price and wage and affecting the external sector such as EXIM Policy). The formulation and implementation of the Acts and policies of the Government would determine economic growth which along with the business/trade cycle significantly would affect the economic environment. Importance: Economic environment shapes up the overall business activities and holds the important aspects like (i) referring

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to all those economic factors which have a bearing on the functioning of a business unit, (

ii) a complex phenomenon that embodies the macroeconomic system, its structure, the various sectors of the economy, policies, rules and regulations administered by the government, central planning, availability of



NSOU PGCO-IV 53 resources and their exploitation, the level and stage of development etc. (iii) proper assessment of economic environment-related issues, the managers can forecast market trends and therefore, can make better investment choices and competitive strategies, (iv) assisting the managers of the foreign companies and markets to predict events that might affect the company's future performance etc. Factors: Economic environment is a complex phenomenon that embodies the macroeconomic system, its structure, the various sectors of the economy, policies, rules and regulations administered by the Government, central planning, availability of resources and their exploitation, the level and stage of development etc. The macro and micro economic factors have considerable influence on business and pose opportunity as well as threat to a firm. The factors are (i) Growth Strategy, (ii) Economic System, (iii) Economic Planning, (iv) Industry, (v) Agriculture, (vi) Infrastructure, (vii) Financial and fiscal sectors, (viii) Removal of regional imbalances, (ix) Price and distribution controls, (x) Economic Reforms, (xi) Human Development, (xii) Human Development and (xiii) Per capita and national income. The economic environment which now prevails in our country is the result of the economic growth strategy relentlessly pursued during the past five decades by the Government of India. It was believed that the savings rate in the economy and the growth rate can be increased if India invested heavily in capital goods and heavy industry sectors at the expense of the consumer goods sector. Since the investments in these sectors were high, largely beyond the capability of the private sector and profitability was low, it followed that such investments would have to be undertaken by the state. As for policies to achieve these objectives, the Plan went on to state that: "In some cases, fiscal or price incentives may have to be relied on, in others, a licensing system may be essential, in still others, fixation of profit margins, allocation of scarce raw materials or other regulatory devices may be necessary. If the targets of planned investment are to be achieved, means have to be found to secure that the necessary resources do in fact, become available and are not devoted to consumption". The State emerged both as the mobiliser of savings as well as important investor and owner of capital. Since State was to be the primary agent of economic NSOU PGCO-IV 54 change, it followed that private sector activities had to be strictly regulated and controlled to conform to the objectives of the state policy. Under the policy, foreign trade had a relatively small role, partly because of the belief that trade was biased against developing countries and primary producers and partly because of the intellectual conviction that export prospects were severely limited. The growth strategy also meant, in the early years of planning, a relative neglect of public investment in agriculture. This negligence of agriculture was supported by the prevailing view that a growing labour force in the developing countries could only be absorbed in industry, and that in the early stages of industrialisation, it was necessary for agriculture to contribute to the building up of modern industry by providing cheap labour. A faster development of industry was the central objective of planning. The present growth strategy of India can be a benchmark for other countries both developing and developed. The features of the strategy are: (i) India has strong democracy which offers several strategies to economic growth. (ii) Economy has been bottom-up driven and not imposed by State. (iii) Economic growth has been propelled by domestic demand and not anchored on exports. (iv) Growth owes largely to manufacturing and not solely dependent on services. (v) Growth has been inclusive. Several welfare measures to benefit poor people have been part of the path towards prosperity. There are three distinct economic philosophies - Capitalism, Socialism and Communism. The system of Capitalism stresses on the philosophy of individualism believing in private ownership of all agents of production, in private sharing of distribution processes that determine the functional rewards of each participant and in the individual expression of consumer choice through a free marketplace. In this regard, the Welfare State concept, the modification of modern capitalism, provides an increasing degree of State regulation when certain deficiencies appear in the economy. Some argue that the acceptance of certain welfare State objectives is necessary to provide flexibility for capitalism, otherwise it might become static and be destroyed because of certain faults. Under Socialism, the tools of production

NSOU PGCO-IV 55 are to be organised, managed and owned by the Government with the benefits accruing to the public. A strong public sector, agrarian reforms, control over private wealth and investment and national self-reliance are the other plans of socialism which do not involve an equal division of existing wealth among the people but advocates the egalitarian principle. It believes in providing employment to all and emphasises suitable rewards to the efforts put in by every worker. Also called Fabian socialism, this philosophy is followed in our country and other social democratic countries in the world. Communism goes further to abolish all private property and property rights to income. The State would own and direct all instruments of production. Sharing in the distributive process would have no relationship to private property since this right would not exist. Alternatively called Marxism, communism was followed in Russia, China and East European countries. In this regard, a midway between capitalism and communism, Mixed economy is accepted as the economic philosophy of India. Closely resembling socialism, the concept of mixed economy admits the existence of private enterprises along with public ownership. The economic set-up under the philosophy is split up into three parts - (i) Sector in which both

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production and distribution are entirely managed and controlled by the State the

complete exclusion of private enterprise, (ii) Sectors in which the State and private enterprise jointly participate in production as well as in distribution and (iii) Sector in which the private enterprise has complete access subject only to the general control and regulation of the State. The Industrial Policy of 1956 has clearly demarcated the areas meant for each of these sectors of economy. The concept of mixed economy has guided our economy for the past three and the half decades. Economic planning is a major component of macro business environment. It spells out priorities of the economy, sets targets, decides on budget allocation and monitors the progress - all within a time frame of five years. After the expiry of a five year period, the exercise is repeated for the next five years and so on. Obviously, planning is an on-going process not being encouraged or disrupted by the economic philosophy a country pursues. India is the best example of successful launch of five yearly plans and their successful implementation. The Government of India has created a separate agency - Planning Commission - to formulate and implement plans. Economic planning, as is being practised in India, essentially involves the following steps - (i) A survey and diagnosis of the NSOU PGCO-IV 56 present economic environment, (ii) Identifying objectives which need to be attained within a plan period, (iii) specifying strategies by which the objectives should be achieved, (iv) identifying resources and decide on different allocations to various sectors, (v) implement the strategies and evaluate to identify progress/gaps. As stated earlier, planning assumes relevance when resources are limited but priorities are many. Specifically, planning is justified on the following grounds: (i) Increase in production to the maximum possible extent so as to achieve higher levels of national and per capita incomes, (ii) Achieve full employment, social justice and equality, (iii) Improving quality of life of people, (iv) Pushing up the role of investment on all sectors of the economy, (v) Achieve sustainable development. Various administrative controls have held the country back in its road towards industrialisation. Industrial licensing, product reservation for public sector and small-scale industries, MRTP and asset classification of companies, foreign exchange regulation, tariffs and quotas, labour market rigidities are some measures hampering the country's progress. Though some of them have been lifted with the advent of new economic policy, several of them are still in force. According to a study conducted by McKinsey and Co., a second and much bigger wave of manufacturing outsourcing is due to arrive. The first wave was \$460 billion and consisted of low-tech items like toys and garments. The second wave could reach \$1.6 trillion and will comprise high-tech areas like automotive, engineering and chemicals. In second wave, India and China will be benefitted. India has large low-cost and skilled workforce. The country has one of the world's largest labour pools. This large labour pool will limit increase in wage rates for the next 20 years. India has vast raw materials supply base. The country has abundant raw material, e.g. cotton (India is the third largest producer of cotton accounting for 3% of world output), ferrous raw materials (India has 5% of world iron-ore deposits and produces 3% of the world's steel) and non-ferrous raw materials. India has emerged as the second largest small car market in the world, the biggest diamond cutting and polishing centre worldwide and the largest producer of tea, milk and pulses. 1 The intrinsic advantages offered by India have led to the entry of MNCs and to 1 Fernando, A.C. (2011). Business Environment, Pearson.

NSOU PGCO-IV 57 scale up the operations of domestic companies. Several global majors are moving out of the centres if economic meltdown by investing into the fresher pastures that the Indian market offers. All the car makers have manufacturing centres in the country. Therefore, there is enough scope for making globally competitive manufacturing carried out in India. In diverse sections - pharmaceuticals, chemicals, textiles, metals, refining, cement, auto and ancillaries, Indian firms are performing competitively and are exporting major chunks of outputs. Any new plant coming up in any industry can be designed to become globally competitive. Several MNCs are willing to export out of India. Suzuki, Hyundai, e.g. view India as a car hub. ABB plans to make India a global sourcing base for some of its products. Every sector of the economy employs natural, human and material resources and contributes to the aggregate flow of goods and services during a time period, usually specified as one year. This aggregate flow of goods and services represents a total income earned by factors of production employed during the year and is popularly called national income or national product. However, it must be admitted that our growth rates have been less than the plan target and below the required growth rate of about 10% p.a. The primary reason for low growth levels in the national income is the deficiency in investment, high capital-output ratio, low agricultural and industrial growth and population explosion. Industrial growth cannot happen without strong agriculture base. Three ways demonstrate the dependence of industry on agriculture: production linkages, demand linkages and savings and investment linkages. Production linkages occur because agriculture is both a recipient and a supplier to industry. Agriculture offers jute, cotton and sugarcane to agriculture-based industries and receives, in turn, fertilisers, machinery and electricity from industry. This interdependence is age-old and is family entrenched. It is also pointed out by economists that a 10% growth in agriculture would increase industrial output by 5%. Demand linkages between agriculture and industry are equally strong. Urban income and industrialisation have impacted demand for food and agricultural raw materials considerably. Likewise, rural income has changed consumption pattern of people. More significant are the savings and investment linkages that have developed between agriculture and industry. The relative terms of trade between the two sectors not only influence the level of private savings and investment, they also manifest themselves into governmental saving and expenditure.

NSOU PGCO-IV 58 Agriculture contributes to capital formation in at least two ways: (i) Capital- output ratio is low in agriculture and (ii) Consumption pattern of farm population does not change with in change in income level. India has a few competitive advantages in agriculture. These strengths need to be leveraged to make the primary sector more vibrant. With inherent advantages in biotechnology, IT, energy, input-output ratios and labour costs, Indian agriculture has tremendous potential that can be unlocked through new opportunities thrown up by the current global food crisis which is shifting the terms of trade in favour of agriculture. On the achievement side, the claims made relate to industry, agriculture, infrastructure, foreign trade, growth rate, control of inflation and the standard of living of the people. It is asserted that significant progress has been made in all these and many more during the last five decades of economic planning

#### 4.4 Economic Role of the Government of India

In any country, Government plays its economic role by ensuring the economic growth, stability and thus development through applying rules and regulations. Many early post-independence leaders, in view of achieving high and balanced economic development with attention to poor through appropriate programs and measures, were influenced by socialist ideas and advocated government intervention to guide the economy, including state ownership of key industries. Moreover, due to country's large size, substantial natural resources and desire to develop its own defence industries, Indian leaders focused industrialization as the key to economic development. Government of India in its promotional practice introduces Industrial Progress, Nationalisation, Antipoverty Program, Planning Development etc. In Industrial regime, Government of India started its promotion in 1948 where it found monopoly in some sectors (armaments, atomic energy, and railroads) and exclusive rights in some other (minerals, iron and steel industries, aircraft manufacturing, shipbuilding, and manufacturing of telephone and telegraph equipment). Private companies operating in those fields were guaranteed at least ten years more of ownership before the government could take them over. Government (Public sector) felt more extended presence in its 1956 policy wherein seventeen industries were found under public sector

NSOU PGCO-IV 59 exclusively. Moreover, to maintain the resolution for industries producing capital and intermediate goods, public sector took twelve industries. Private sector was relegated primarily to production of consumer goods. Government of India additionally introduced nationalisation of the life insurance business (1956), the general insurance business (1973) and large commercial banks (1969). Over the years, the Central and State Governments formed agencies, and companies engaged in finance, trading, mineral exploitation, manufacturing, utilities and transportation. The public sector was extensive and influential throughout the economy, although the value of its assets was small relative to the private sector. Moreover, Government of India framed The Industries (Development and Regulation) Act of 1951 and the Essential Commodities Act of 1955 (with subsequent additions) legislation to extend price controls on some products (steel, cement, drugs, nonferrous metals, chemicals, fertilizer, coal, automobiles, tires and tubes, cotton textiles, food grains, bread, butter, vegetable oils etc.). From apart, to strengthen the licensing system in order to decrease the concentration of private economic power and to place restraints on certain business practices which are contrary to public interest, The Monopolies and Restrictive Practices Act (1970) was designed. In 1985, Government of India abolished some of its licensing regulations, while in 1991, it introduced "new economic policies" covering (i) reduction of quantitative restrictions on imports, import duties on capital goods, (ii) decreases in subsidies, (iii) liberalized interest rates, (iv) sale of shares in selected public enterprises and (v) tax reforms. With increase in liberalisation and privatisation in 1991, the number of sectors reserved for public ownership was slashed and except in defence industry, the private-sector investment was encouraged in energy, steel, oil refining and exploration, road building, air transportation and telecommunications. Foreign-exchange regulations were liberalized, foreign investment was encouraged, and import regulations were simplified. Despite these changes, the economy remained highly regulated by international standards. The import of many consumer goods was banned, and the production of 838 items, mostly consumer goods, was reserved for some companies. Import controls and tariff policy stimulated local manufacturers toward NSOU PGCO-IV 60 production of import-substitution goods. But the growing dependence of the economy on imports, greater vulnerability of its balance of payments, reliance on debt, and the consequent susceptibility to outside pressures on economic policy directions caused concern. From apart, Government's extensive controls and pervasive licensing requirements created imbalances and structural problems in many parts of the economy. Further, extensive Government controls on large public sector called for inefficient bureaucratic performances that took inordinate time to process applications and forms. India has had a number of antipoverty programs since the early 1960s like the National Rural Employment Programme and the Rural Landless Employment Guarantee Programme to help the poor attain self-sufficiency in food production and to access food throughout the country at controlled prices, a major determinant of wage scales. After the late 1970s, the central government, by holding reserve stocks and importing grain adequately and early could maintain sufficient supplies to meet the increased demand. The government has supplied water by financing well digging and, since the early 1980s, by power-assisted well drilling; rescinded land taxes for drought areas; tried to maintain stable food prices; and provided food through a food-for-work program. In the 1980s and early 1990s, Indian government attempted to provide basic needs at stable, low prices(i) to increase income through pricing and regulations like supplying water from irrigation works, fertilizer, and other inputs; (ii) to foster location of industry in backward areas; to increase access to basic social services (education, health, and potable water supply) and (iii) to help needy groups and deprived areas. State Governments are important participants in antipoverty programmes. The constitution assigns responsibility to the states in a number of matters, including ownership, redistribution, improvement, and taxation of land (The Constitutional Framework, chapter 8). State Governments implement most Central Government programs concerned with land reform and the situation of small landless farmers. The Central Government tries to establish programs and norms among the states and union territories, but implementation has often remained at the lower bureaucratic levels. In some matters concerning subsoil rights and irrigation projects, the Central Government exerts political and financial leverage to obtain its objectives, but the states sometimes modify or retard the impact of Central Government policies and programs. Indian leaders adopted the principle of formal economic planning soon after

NSOU PGCO-IV 61 the independence as an effective way to intervene in the economy to foster growth and social justice. In the First Five-Year Plan (FY 1951-55) attempt was taken to stimulate balanced economic development while correcting imbalances caused by World War II and partition with placing priority on Agriculture, irrigation and power generation. In the Second Five-Year Plan (FY 1956-61), emphasis was on industrialization, particularly basic, heavy industries in the public sector and on infrastructure with social goals like equal distribution of income and extension of the benefits of economic development to the large number of disadvantaged people. The Third Five-Year Plan (FY 1961-66) aimed at implementing a substantial rise in national and per capita income while expanding the industrial base and rectifying negligence in agriculture in the previous plan. Due to some political issues (was with China and Pakistan), three annual plans guided development between FY 1966 and FY 1969 while plan policies and strategies were re-evaluated. The Fourth Five-Year Plan (FY 1969-74) called for a 24 per cent increase over the third plan in real terms of public development expenditures. The Fifth Five-Year Plan (FY 1974-78) was subsequently approved in late 1976 but was terminated at the end of FY 1977 because a new government wanted different priorities and programs. The economy operated under annual plans in FY 1978 and FY 1979. The Sixth Five-Year Plan (FY 1980-85) was intended to be flexible and was based on the principle of annual "rolling" plans. Public-sector development spending would be concentrated in energy (29 per cent); agriculture and irrigation (24 per cent); industry including mining (16 per cent); transportation (16 per cent); and social services (14 per cent). In practice, slightly more was spent on social services at the expense of transportation and energy where the main objective was to increase employment, especially in rural areas, in order to reduce the level of poverty. The Seventh Five-Year Plan (FY 1985-90) envisioned a greater emphasis on the allocation of resources to energy and social spending at the expense of industry and agriculture. The planners assumed that public savings would increase and help finance government spending which did not occur instead of the government relied on foreign borrowing for a greater share of resources than expected. After Annual plans (1990-1992), the schedule for the Eighth Five-Year Plan (FY 1992-97) was framed and affected by changes of government and by growing uncertainty over what role planning could usefully

NSOU PGCO-IV 62 perform in a more liberal economy with three general goals - (i) to cut back the public sector by selling off failing and inessential industries while encouraging private investment in such sectors as power, steel, and transport, (ii) to propose that agriculture and rural development have priority and (iii) to renew the assault on illiteracy and improve other aspects of social infrastructure, such as the provision of fresh drinking water. The Ninth Five-Year Plan (1997-2002) came after 50 years of Indian Independence with primarily focus on the use of latent and unexplored economic potential of the country to promote economic and social growth. It offered strong support to the social spheres of the country in an effort to achieve the complete elimination of poverty. The Tenth Five-Year Plan (2002-2007) was expected to follow a regional approach to bring down inequalities with main objectives like to (i) attain 8% GDP growth per year, (ii) reduce poverty rate by 5% by 2007, (iii) provide gainful and high-quality employment at least to the addition to the labour force, (iv) reduce in gender gaps in literacy and wage rates by at least 50% by 2007, (v) introduce 20-point program, (vi) achieve the target growth (8.1%) expenditure of ₹43,825 crore (US\$6.1 billion) for tenth five years. The Eleventh Five Year Plan (2007-2012) aimed at (i) increasing the enrolment in higher education of 18-23 years of age group by 2011-12, (ii) focusing on distant education, convergence of formal, non-formal, distant and IT education institutions, (iii) reducing poverty, gender inequality (iv) emphasising social sector and delivery of service therein, (v) ensuring empowerment through education and skill development, (vi) ensuring rapid, inclusive growth and environmental sustainability, (vii) increasing growth rate in agriculture, industry and services to 4%, 10% and 9% respectively, (viii) reducing total fertility rate to 2.1, (ix) providing clean drinking water for all by 2009 and (x) increasing agriculture growth to 4%. In the Twelfth Five-Year Plan (2012- 2017), the Government of India took the main objectives like (i) to create 50 million new work opportunities in the non-farm sector, (ii) to remove gender and social gap in school enrolment, (iii) to enhance access to higher education, (iv) to reduce malnutrition among children aged 0-3 years, (v) to provide electricity to all villages, (vi) to ensure that 50% of the rural population have access to proper drinking water, (vii) to increase green cover by 1 million hectare every year and (viii) to provide access to banking services to 90% of households. The on-going Thirteenth Five Year Plan (2017-2022) envisages

NSOU PGCO-IV 63 an allocation of Rs. 26,83,924 crore for the armed forces which includes Rs.13,95,271 crore under the revenue segment and the remainder for defraying the capital expenditure. Given the secrecy surrounding the plans, it is unlikely that much will be known about the outcomes intended to be achieved. Therefore, it can be taken that Indian economy, a mix of public and private enterprise, is too large and diverse to be wholly predictable or responsive to directions of the planning authorities. Major shortcomings include insufficient improvement in income distribution and alleviation of poverty, delayed completions and cost overruns on many public-sector projects, and far too small a return on many public-sector investments. In all these aspects, our Government performs its level best to meet up all targets and thus to make out country a flourished one.

#### 4.5 Economic Reforms in India

The neo-liberal policies of Economic Reforms were introduced by the Narsimha Rao Government in India in 1991 in forms of LPG (Liberalisation, Privatisation and Globalization) to curb the severe economic crisis due to external debt, decreasing motion of foreign currency reserve, balance of payment crisis, decline in export, reduction in revenue and inefficiency in economic management in the 1980s. The reforms categorised into two groups - stabilisation measures (short-term in nature and attempt to control the crisis situation by maintaining sufficient foreign exchange reserves) and structural reform policies (long-term policies that attempt to improve the overall economic condition by increasing the international competitiveness and removing the rigidities and other restraining obstacles).

#### Liberalization

Several economic reforms that were imposed under Liberalization include expansion of production capacity, de-servicing producing areas, abolishing industrial licensing by the Government, and freedom to import goods in view of curbing the regulations or restrictions that were imposed on free trade. Liberalisation allowed opening up the economic borders for foreign investments and Multinational Companies where many changes in licensing and procedures, import of technology, import of capital goods coupled with a reasonable rate of public investment, total protection to domestic industries from international competition through quantitative restrictions on imports as well as high tariff rates were found. In liberalisation, the industrial licensing system was almost abolished except for in cigarettes, alcohol, hazardous chemicals, electronics, NSOU PGCO-IV 64 aerospace, drugs and pharmaceuticals and industrial explosives. Additionally, defence equipment, atomic energy generation, and railway were kept exclusively under the public sector while some industries were provided the liberty to fix the prices for their products by the government. Financial sector (banks, stock exchange operations, and foreign exchange market) in this respect enjoyed liberty to take some of major financial decisions on their own though in under control of Reserve Bank of India (RBI). Moreover, Foreign Institutional Investors (FII) (merchant bankers, pension funds, mutual funds, etc.) were allowed to invest in the Indian financial market. Additionally, Quantitative restrictions were completely abolished from April 2001, import licensing and export duties were removed to increase the competitive position of Indian goods in the international market.

#### Privatisation

Privatization, the selling the government-owned enterprises to private companies or Government withdrawal from management, deals with opening of doors to the sectors or industries which were once preserved for Government. It seems to give more opportunities to private sector in regulating different services and restricts Government strict intervention there. Government encourages privatisation to improve the efficiency of certain public sector industries some of which are highly regarded as Maharatnas (Oil Corporation Limited and Steel Authority of India Limited), Navratnas (Hindustan Aeronautics Limited and Mahanagar Telephone Nigam Limited) and Miniratnas (Bharat Sanchar Nigam Limited, Airport Authority of India, and Indian Railway Catering and Tourism Corporation Limited). With privatization, FDI (Foreign Direct Investment) was introduced in India giving healthy competition to the Indian goods and services.

#### Globalisation

Globalisation was a result of the integration of world economy and trade interdependence. It helps to promote outsourcing in business operation like in Business Process Outsourcing (BPO), Voice-based business process, Record keeping, Banking services etc. Basically, Globalisation is the way out through which any Indian company can open its branches in Foreign companies e.g. ONGC Videsh operates in 16 countries, Tata Steel operates in 26 countries etc. In India, the economic environment after reform in 1991 experienced a drastic change like (i) agriculture sector witnessed a decline, (ii) there was a fluctuation in

NSOU PGCO-IV 65 the industrial sector, and the service sector experienced a significant growth, (ii) Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII) have increased from about USD 100 million (in 1990-91) to USD 467 (billion in 2012-13). Though under the policy of globalisation, international market is open for all, it is more beneficial for the developed countries. Local industries of developing countries are also facing lot of problems, as they now have to compete with the companies in foreign countries and the countries still have no access to developed countries' local markets. 4.6 Summary The concept of social responsibility needs to be differentiated from social obligation and social responsiveness. Social responsibility is much broader as it requires an organisation to meet the expectations, norms and values of the society. Economic environment itself is influenced by the nature of economic system. It holds the importance as (i) it

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refers to all those economic factors which have a bearing on the functioning of a business unit, (

ii) it is a complex phenomenon that embodies the macroeconomic system, its structure, the various sectors of the economy, policies, rules and regulations administered by the government, central planning if there is one, availability of resources and their exploitation, the level and stage of development etc. (iii) with proper assessment of economic environment-related issues, the managers can forecast market trends and therefore, can make better investment choices and competitive strategies, (iv) economic environment would assist the managers of the foreign companies and markets to predict events that might affect the company's future performance etc. Economic environment holds the factors like (i) Growth Strategy, (ii) Economic System, (iii) Economic Planning, (iv) Industry, (v) Agriculture, (vi) Infrastructure, (vii) Financial and fiscal sectors, (viii) Removal of regional imbalances, (ix) Price and distribution controls, (x) Economic Reforms, (xi) Human Development, (xii) Human Development and (xiii) Per capita and national income. The economic environment which now prevails in our country is the result of the economic growth strategy relentlessly pursued during the past five decades by the Government of India. The neo-liberal policies of Economic Reforms were introduced by the Narsimha Rao government in India in 1991 in forms of LPG (Liberalisation, Privatisation & Globalization) to curb the severe economic crisis due to external debt, decreasing motion of foreign currency reserve, balance of payment crisis, decline in

NSOU PGCO-IV 66 export, reduction in revenue and inefficiency in economic management in the 1980s. Government of India in its promotional practice introduces Industrial Progress, Nationalisation, Antipoverty Program, Planning Development etc. 4.7 Questions Objective type: 1. First Five Year plan was for the period of (a) FY 1940-44, (b) FY1947-51, (c) FY 1959-63, (d) FY1951-55 2. The neo-liberal policies of Economic Reforms were introduced by the (a) Rajiv Gandhi Government, (b) Narsimha Rao Government, (c) Narendra Modi Government, (d) None of the above Short Answer type: 1. Write Short Note on Economic Reforms in India 2. Explain the importance and factors of economic environment of business. Long Answer type: 1. Narrate social responsibility of business firm. 2. Describe the Economic Role of the Government of India. 4.8 Further Readings Aswathappa, K. (2019). Essentials of Business Environment (15th Revised Edition), Himalaya Publishing House. Cherunilam, F. (2012). Business Environment - Text and Cases (21st Revised Edition), Himalaya Publishing House. Fernando, A.C. (2011). Business Environment, Pearson. Gupta, C.B. (2019). Business Environment (10th revised reprinted edition), Sultan Chand & Sons.

NSOU PGCO-IV 67 Unit 5 Demographic Environment Structure 5.0 Objectives 5.1 Introduction 5.2 Demographic Environment - Concept, Features and Importance 5.3 Components of Demographic Environment 5.4 Linkages between Demographic Environment and Business Environment 5.5 Summary 5.6 Questions 5.7 Further Readings 5.0 Objectives After going through the unit, you will be able to understand the— Concept of Demographic environment Components of demographic environment Relation between demographic environmental and business environment 5.1 Introduction Demography is related with

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the science of people or population which is a product of the number of births, deaths, and migrations

having features like size, age, sex, life expectancy, work participation rate, employment status, rural-urban divide, levels of education, casts, ethnicity, language and religion. Demography does have a huge impact on business activities. This unit is concerned about the concept, feature and importance of demographic environment, components of demographic environment and its linkage with business environment. 2 <https://worldsustainable.org/demographic-characteristics/> 67 NSOU PGCO-IV 68 5.2 Demographic Environment - Concept, Feature and Importance The word 'demographic' originates from Geek which contains two meaning of Demos i.e. people or population and Grafein i.e. writing. Different researchers and organisations time-to-time have declared the definition of demography. 2

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Demography is the name given to the study and interaction of the population, and the influence of changes in composition and population growth.

Demography

is the scientific study of human population, primarily with respect to their size, structure and development. (United Nations, 1958:3)

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Demography is the statistical and mathematical study of the size, composition, and spatial distribution of human populations and of changes over time in these aspects through the operation of five processes of fertility, mortality, marriage, migration, and social mobility (Bogue, 1962:1-2).

Different countries hold different demographic cultural aspects. From this view point, demography in India holds the features like (i)High population density, (ii) Overwhelming proportion of rural population (iii) Fast rate of population growth, (iv) Declining proportion of women, (v) High percentage of non-workers, (vi) Ethnic diversity, (vi) Lop-sided age structure. 3

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Being one of the most populous countries in the world, occupying the second place after China and accounting for 16.7% of the world population, India contains only 2.42% of the total world area. Amongst the total population in India, about 72% lives rural area indicating massive dependence on agriculture and other rural industries. The average annual exponential growth rate

dropped gradually from 2.22% in 1971- 81 to 2.14% in 1981-1991 and again 1.9% in 1991-2001. This was happened because of the expansion of urban centres. The urban centres

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encroached upon the surrounding villages as people continue to pour into there in search of jobs and better living.

Our county, additionally, is found as male dominated,

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attributed more to the sociological factors like low preference for the female child in the family. Here, in absence of proper attention, the female child falls sick for malnutrition. A large number of women also die during childbirth. In India, only 40 per cent can be classified as workers-this includes the population below 15 years also (i.e., child labour),



while participation of 3 <https://www.yourarticlelibrary.com/geography/7-striking-features-of-indian-demography/42397>

NSOU PGCO-IV 69 women in this context is very low. From apart, ethnic diversity has divested the Indian society.

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Above all, the concentration of religious minorities in the strategically located peripheral areas

and less than 20 years of age of about half of overall population would have social, economic and political implications. Demographic environment is considered as an interdisciplinary science connecting with statistics, geography, economics, health and others. Therefore, it contains special attention to all the academicians. Below mentioned points can establish importance of Demography.

**100% MATCHING BLOCK 43/322**

**W**

Learning the quantity, quality and distribution of residents in a region.

Explaining population conditions in the present or past.

**100% MATCHING BLOCK 44/322**

**W**

Knowing the causal relationship of variables that affect population growth.

Predicting the future population growth.

**100% MATCHING BLOCK 45/322**

**W**

The basis of appropriate policy-making in the field of population.

**100% MATCHING BLOCK 46/322**

**W**

Demographic characteristics help us learn about the conditions of the population in a region

like education, health, etc. which can offer more important information about the population if can properly be connected like size, distribution, structure, change in population with economic, health, education, etc. From apart, some factors like birth, death, migration, or social changes would have causal relationship that cannot be separated. Therefore, the differences and growth for each group of population can be observed with time series data. Demographic characteristics make it easy for us to identify the relationships among the factors in a structured and systematic manner with which population growth in the future can be predicted considering fertility, mortality and migration as the main causes of change in population (size and distribution).

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Demographic characteristic is one of the most contributing factors in decision making

as almost every Government decision and policy considers demography as the basic element to make it fair. 5.3

Components of Demographic Environment Demographic composition refers to the proportion or number of people which can be identified according to a certain characteristics. The demographic composition provides a mathematical description of the people living in a specific area. Some of the most common and important demographic components can be Density (the relation between the area covered by the city and the number of residents, typically expressed as the number of inhabitants per square mile), Gender (the male-female ratio of a population used to examine the income of women versus that of men), Age (information about the number of people in a certain age range like babies, within 18-24 years or seniors providing information preferences and trends among age groups and helps NSOU PGCO-IV 70 policymakers to orient social programme like healthcare or child support), Social Class (characteristics like average income, level of education, occupation and size of home providing information about socio-economic condition), Ethnicity (information about the national or racial background of the population to identify possible vulnerabilities among minority groups)etc. In World population, an exponential increase is found which invites some questions like - How quickly will we increase from the present number of population? How will that population be distributed? Where is population the highest? Where is it slowing down? Where will people live? The study of population or demography, therefore, reveals three most important components which can answer these questions - fertility, mortality and migration. These three components would be called as demographic process and thus determine the elements of population change because they affect the situation of population. In this regard, fertility is related to the population growth, mortality to the population decrease and migration is related to the population change due to the incoming and outgoing migration where marriage also is included causing migration of women. Demographic measures are the actual changes in size, composition and distribution due to changes in demographic components. Fertility Fertility, the reproductive function, refers to the ability to bear offspring and is related to the live birth which starts when a women gives the first birth (within 15- 49 years). It can be measured by the actual number of birth having four measures - Crude Birth Rate (CBR) (the simplest way of measuring fertility defined as the number of live births occurring in that area in a given period of time, usually, a year, divided by the total population of that area as estimated at the middle of the year. It is expressed in terms of 'per 1000 of population'); General Fertility Rate (GFR) (it gives the number of births occurring within a given population during a specified year per 1000 women aged 15 to 49 in the population at mid-year); Age-Specified Fertility Rate (ASFR) (this may be computed for each age from 15-49 years); Total Fertility Rate (TFR) (it is referred to the number of children of a women which would bear during her childbearing age under on-going age-specific fertility rate. It can be measured with sum of age-specific fertility rates calculated for the same single year). Mortality WHO mentioned that "Death is the permanent disappearance of all evidence of life at any time after birth has taken place". It is a natural process of birth and death goes on incessantly. It is a perpetual process causing decline in population. All-cause mortality rates by age and sex for WHO Member States are developed from available

NSOU PGCO-IV 71 death registration data, sample registration systems and data on child and adult mortality from censuses and surveys. Cause-of-death distributions are estimated from death registration data, and data from population-based epidemiological studies, disease registers and notification systems for selected specific causes of death. Causes of death for populations without useable death-registration data were estimated using cause-of-death models together with data from population-based epidemiological studies, disease registers and notification systems for 21 specific causes of death. Deaths per 1,00,000 population are measured as unit. Migration Migration means the movements of people from place to place where movement of people inside the country is called national migration and movement of people from one country to another is called international migration. Migration shifted from the original place is called out-migrants and those people who live in their destination called in-migrants. Likewise, people who shift from one country to another are called emigrants for departure and immigrants for the destination. The difference in the number of people due to immigration and emigration in a country is called gross migration. National migration can be estimated by comparing: "place of residence one year prior to the census with the place of residence during the census enumeration, and/or " place of residence five years prior to the census with the place of residence during the census enumeration, and/or " place of birth with the place of residence during the census enumeration. Demographic composition, therefore, would assist the planner to make policies for different groups of people. 5.4 Linkages between of Demographic Environment and Business Environment The demographic environment differs from country to country and from place to place within the same country or region. Demographic factors such as size of population and growth of population rates, age composition, ethnic composition, density of population, rural-urban distribution, family size, nature of the family income levels etc. have very significant implications for business. In business environment, the growth and success of a business would highly be dependent on the targeted demographic variables of interest. Therefore, any strategy i.e. any commitment of present resources to the future expectations, has to start with demographics (P. F. Drucker) having tremendous economic and business implications.

NSOU PGCO-IV 72 The size of population is an important determinant of demand for many products. There are countries with less than a lakh of people on the one hand and those with over a thousand million on the other hand. Poor countries with small population do not attract big businesses while at the same time can create promising niches for small firms. In this context, advanced countries with large population attract business with high cut-throat competition. Population Growth Rate, the another section having high impact on demography can also alter business-related decision e.g. declining birth rate and consequent fall in the size of the baby population, the market for baby products of some companies (Johnson & Johnson) has been limited for which they have to switch over to other businesses. On the contrary, the declining birth rate can make prosperity to some companies like hotel, restaurants for serving the childless couples or couples having small families. Therefore, it is obvious that business should necessarily ponder over whether the falling birth rate and the shrinkage in the number of young people and also people under eighteen is a threat or opportunity. Hence, the collapsing birth rate may be an opportunity where having fewer children means the child becomes precious and large amount of disposable income would be spent on him. A developing country with steady increase in income with high population growth rate but with decreasing birth rate can drive fast growth of the markets. Likewise, a poor country with high population can enjoy a sizeable market for luxurious goods and services (e.g. if just 5 per cent of the Indian population is well to do, the absolute number is larger than the total population of many of the high income economies). High population growth rate also implies an enormous increase in labour supply. Cheap labour and a growing market have encouraged many multinationals to invest in developing countries. Moreover, the occupational and spatial mobility of population have implications for business. The labour who can enjoy mobility between regions and occupations, would offer lower problem than otherwise. On the other hand, a heterogeneous group of labour with different languages, preferences, tastes, beliefs etc. would generate different human resources strategies in business. The changes in age structure has lot of implication in business like pharmaceutical, insurance companies etc. which are very much inclined with aged group of people. Likewise, the job preference of each group of people would differ. Ethnicity can be considered as another demographic issue influencing business operation. In this regard, each specific group would have certain specific buying habit and demand. Though marketers should not over generalise ethnic group, within each group different consumers can be found with different demands.

NSOU PGCO-IV 73 Demographic structure would also attract international marketer and it would be accepted that larger is the population, larger with the demand e.g. India has around sixteen per cent of the world's population and is second to China. Also, India has a relatively younger population compared to China. A large number of people in middle income group (280 and 300 million) can also attract market for consumer durables. Additionally, 25 million approximate baby births can emerge a large market for baby products. The sex and age composition have their own corresponding impacts on goods and services. Moreover, a large market created by an ever increasing population offers an incentive to the use of division of labour, mechanisation and large scale production. Additionally, large labour force limits the use of technology. Availability of cheap labour and their wage limit would be determined with the present position of demographic environment of the country. 5.5 Summary The word 'demographic' is related with

**88% MATCHING BLOCK 48/322**

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the science of people or population which is a product of the number of births, deaths, and migrations

having features like size, age, sex, life expectancy, work participation rate, employment status, rural-urban divide, levels of education, casts, ethnicity, language and religion. Different countries hold different demographic cultures. From this view point, demography in India holds the feature like (i) Population Too Large for Area, (ii) Overwhelming Proportion of Rural Population (iii) Fast Rate of Population Growth, (iv) Declining Proportion of Women, (v) High Percentage of Non-workers, (vi) Ethnic Diversity, (vi) Lop-sided Age Structure. Demographic environment is considered as an interdisciplinary science connecting with statistics, geography, economics, health and others.

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Demographic characteristics help us learn about the conditions of the population in a region

like education, health, etc. which can offer more important information about the population. From apart, some factors like birth, death, migration, or social changes would have causal relationship that cannot be separated and with time series data, the differences and growth for each group of population can be observed. The demographic composition provides a mathematical description of the people living in a specific area. Some of the most common and important demographic components can be Density, Gender, Age, Social Class, Ethnicity etc. The study of population or demography, therefore, reveals three most important components which can answer these questions - fertility, mortality and migration. Demographic factors such as size of population and growth of population rates, age composition, ethnic composition, density of population, rural-urban distribution, family size, nature of the family income levels etc. have very significant implications for business. In business environment, the

NSOU PGCO-IV 74 growth and success of a business would highly be dependent on the targeted demographic variables of interest. Therefore, any strategy i.e. any commitment of present resources to the future expectations, has to start with demographics having tremendous economic and business implications. 5.6 Questions Objective type: 1. The study of population or demography reveals the components like (a) fertility, mortality and migration, (b) fertility, mortality, (c) mortality and migration, (d) fertility and migration. 2. Statement: 1. Demographic environment is considered as an interdisciplinary science connecting with statistics, geography, economics, health and others. 2 Demographic Environment contains special attention to all the academicians. Below mentioned points can establish importance of Demography. (a) Both (1) and (2) are true, (b) Only (1) is true, (c) Only (2) is true, (d) None is true. Short Answer type: 1. Define Demographic Environment 2 State the features and importance of Demographic Environment Long Answer type: 1. What are the Components of Demographic Environment? 2. Explain the linkages between of Demographic Environment and Business Environment 5.7 Further Readings Aswathappa, K. (2019). Essentials of Business Environment (15th Revised Edition), Himalaya Publishing House. Cherunilam, F. (2012). Business Environment - Text and Cases (21st Revised Edition), Himalaya Publishing House. Fernando, A.C. (2011). Business Environment, Pearson. Gupta, C.B. (2019). Business Environment (10th revised reprinted edition), Sultan Chand & Sons.

NSOU PGCO-IV 75 Unit 6 Political and Legal Environment Structure 6.0 Objectives 6.1 Introduction 6.2 Political and legal environment of business in India - Concept and Scope 6.3 Intellectual Property Rights 6.3.1 The Patents Act, 1970 6.3.2 Copyright Act, 1957 6.3.3 Trade Mark Act, 1999 6.4 Consumer Protection Act, 1986 6.4.1 Modified Consumer's Protection Act, 2019 6.5 Summary 6.6 Questions 6.7 Further Readings 6.0 Objectives After going through the unit, you will be able to understand the— Meaning of political environment Meaning of legal environment Meaning of IPR 6.1 Introduction In business environment, political and legal environment deal with the factors which affect a business concern indirectly with lot of factors such as the current political party in power, the degree of politicization of trade and industry, the efficiency of the current government, government policies, current legal framework, the public attitude towards the economy, etc. All enterprises should take concern about different environmental factors (political, legal, demographic, economic, social and technological) 75

NSOU PGCO-IV 76 for taking better decisions on firm's progress. The political factors of any country introduce a risk factor in the industry which can suffer losses, or it can reduce profitability. There could be many reasons due to which political environment may change, and it depends on country to country. This unit throws light on the concept and scope of political and legal environment of business in India; Intellectual Property Rights (The Patent Act, 1970, The Copyright Act, 1957; Trade Mark Act, 1999) and Consumer Protection Act, 1986. 6.2 Political and Legal Environment of business in India - Concept and Scope The political structure of a country is one of the important considerations that a business should give before entering the country. There could be many political ideologies that could be present in their society. Therefore, it is suggested that before entering the country for business, the business should understand the country. It is perhaps the least predictable elements amongst all factors of the business environment.

<b>100%</b>	<b>MATCHING BLOCK 51/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
This external element of business includes the effects of pressure groups.			

<b>100%</b>	<b>MATCHING BLOCK 52/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
The country's population democratically elects open government system. In totalitarian systems, government's power derives from a select group.			

Political factors mainly affect the

<b>79%</b>	<b>MATCHING BLOCK 53/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
business organizations with showing (i) Impact on economy (The political situation of a country affects its economic setting			

and affects the business performance), (ii)

<b>100%</b>	<b>MATCHING BLOCK 54/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
Changes in regulation (Governments could alter their rules and regulations			

which could in turn have an effect on a business), (iii)

<b>100%</b>	<b>MATCHING BLOCK 55/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
Political stability (Lack of political stability in a country effects business operations)			

and (iv)

<b>100%</b>	<b>MATCHING BLOCK 56/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
Mitigation of risk (Buying political risk insurance is a way to manage political risk. Companies that have international operations use such insurance to reduce their risk exposure).			

<b>100%</b>	<b>MATCHING BLOCK 57/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
It could add a risk factor and lead to a major			

lossbasically containing the non- market factors combining current political party in power, the degree of politicization of trade and industry, the efficiency of the current government, government policies, current legal framework, the public attitude towards the economyetc. Government, in this regard, would circulate different policies like fiscal policies, taxation policies, monetary policies under which the business concern would have to operate. Moreover, the nature of Government in power has huge impact on the economy and the firms that operate and compete in the economy (e.g. the current government has the Make in India initiative which is good for the manufacturing sector). It would have the NSOU PGCO-IV 77 power to change results and can affect government policies at local to federal level (e.g. new GST laws are going to have a significant effect on the businesses). Firms should track their political environment as it can affect business strategy for various reasons like (i)

<b>100%</b>	<b>MATCHING BLOCK 58/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
the stability of a political system can affect the appeal of a particular local market, (			

ii)

<b>90%</b>	<b>MATCHING BLOCK 59/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
Governments view business organizations as a critical vehicle for social reform, (iii) Governments pass legislation			

having impact on

<b>91%</b>	<b>MATCHING BLOCK 60/322</b>	<b>SA</b>	Business Environment M.Com II semester.docx (D146772726)
the relationship between the firm and its customers, suppliers, and other companies, (iv) Government is liable for protecting the public interest, (v) Government actions influence the economic environment, (vi) Government is a major consumer of goods and services.			

Political decision of a country would affect/influence economic environment, socio-cultural environment, emergence and acceptance of new technologies. The legal environment addresses the necessity to use or not the Sharia Law and the issue of standardisation and certification. A sound and functionallegal systemwould always be accepted with laws that equally protect both consumers and manufacturers. There are various other matters like company law, royalty law, Patent law, intellectual property rights.Sometimes legislation would create new business opportunities (e.g. mandatory recycling laws have boosted the recycling industry and launched dozens of new companies making new products). 6.3 Intellectual Property Right - Concept and Importance Intellectual Property Rights (IPRs) are common types of legal Intellectual Property protection for those who create. These rights have actually contributed enormously to the world, in particular economically.Many companies as well as their consumers can have knowledge regarding thePatents, Trade Marks, and Copyrightsof the IP- backed products.

**69% MATCHING BLOCK 61/322**

**SA** Arjun - IPR Chapter .docx (D142539833)

IP refers to creation of the mind (inventions, literary and artistic works, designs and symbols, names and images) used in commerce.

Legal protection of IP, therefore, would

**100% MATCHING BLOCK 62/322**

**SA** Final Book in Word.doc (D154488135)

enable people to earn recognition or financial benefit from what they invent or create.

**78% MATCHING BLOCK 63/322**

**SA** Final Book in Word.doc (D154488135)

IP system aims at fostering an environment in which creativity and innovation can flourish

by maintaining a

**100% MATCHING BLOCK 64/322**

**SA** Final Book in Word.doc (D154488135)

right balance between the interests of innovators and the wider public interest.

IPR encourages new creations, including technology, artwork, and inventions, that might increase economic growth. Intellectual property rights increase the incentives for individuals to continue to produce things that further create job opportunities and new technologies, while enabling our world to improve and evolve even faster.

NSOU PGCO-IV 78 It can be found in practice through The Patent Act, 1970, The Copy Right Act, 1957; The Trade Mark Act, 1999. 6.3.1

**78% MATCHING BLOCK 65/322**

**SA** International Trade-Material I semester.docx (D146751176)

The Patents Act, 1970 Concepts: The Patent Act, 1970 amended and consolidated the law related to

Patent. As per Patent Act, 1970,

**76% MATCHING BLOCK 66/322**

**SA** International Trade-Material I semester.docx (D146751176)

Patent is a legal protection for a new, non-obvious and useful invention. Patent gives the Patent holder the exclusive right to make, use or sell the products or process. The main purpose of it is to benefit the society.

Patent may be granted to protect a new, non-obvious and useful

**86% MATCHING BLOCK 67/322**

**SA** International Trade-Material I semester.docx (D146751176)

invention subject to the provision of the Act. Invention means a new product or process involving an inventive step and capable of industrial application. Feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention non-obvious to a person skilled in the art.

Patent will be granted

**100% MATCHING BLOCK 68/322 SA** International Trade-Material I semester.docx (D146751176)

in respect of any improvement in or modification of an invention which is Patented.

It provides

**73% MATCHING BLOCK 69/322 SA** International Trade-Material I semester.docx (D146751176)

an opportunity to recoup the cost of invention and to make profit out of invention,

to encourage research and development, to enjoy monopoly,

**66% MATCHING BLOCK 70/322 SA** International Trade-Material I semester.docx (D146751176)

to secure that the inventions on a commercial scale and to the fullest which is practical enough without undue delay and

thereby to contribute to the wellbeing of the society.

**86% MATCHING BLOCK 71/322 SA** International Trade-Material I semester.docx (D146751176)

The Indian Patent Act, 1970, as amended and effective from 01.01.2005, lays down— (i) Eligibility, procedures and conditions for grant of

Patent, (ii)

**84% MATCHING BLOCK 73/322 SA** International Trade-Material I semester.docx (D146751176)

Inventions and other subjects not Patentable, (iii) Rights and obligations of Patentee, (iv) Grounds for revocation of Patents, (v) Matters related to working of the Patent and compulsory licensing.

Definitions: In this Act, unless the context otherwise requires, (a) "

**100% MATCHING BLOCK 72/322 W**

Appellate Board" means the Appellate Board referred to in section 116; (

ab) "assignee" includes an assignee of the assignee and the legal representative of a deceased assignee and references to the assignee of any person include references to the assignee of the legal representative or assignee of that person; NSOU PGCO-IV 79 (aba) "Budapest Treaty" means

**76% MATCHING BLOCK 75/322 SA** Nidhi Sharma, Final PHD thesis law Correction ... (D117961760)

the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the purposes of Patent Procedure

done at Budapest on 28th day of April, 1977, as amended and modified from time to time; ( ac) "



**100% MATCHING BLOCK 76/322****SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

capable of industrial application", in relation to an invention, means that the invention is capable of being made or used in an industry; (

b) "Controller" means the Controller General of Patents, Designs and Trade Marks referred to in section 73; (c) "convention application" means an application for a Patent made by virtue of section 135; (d) "convention country" means a country or a country which is member of a group of countries or a union of countries or an Intergovernmental organization referred to as a convention country in section 133; (e) "district court" has the meaning assigned to that expression by the Code of Civil Procedure, 1908 (5 of 1908); (f) "exclusive licence" means a

**76% MATCHING BLOCK 74/322****W**

licence from a Patentee which confers on the licensee, on the licensee and persons authorised by him, to the exclusion of all other persons (including the Patentee), any right in

respect of the Patented invention, and exclusive licensee shall be construed accordingly. (g) 4 (h) "Government undertaking" means any industrial undertaking carried on- (i) by a department of the Government, or (ii) by a corporation established by a Central, Provincial or State Act, which is owned or controlled by the

**82% MATCHING BLOCK 77/322****SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

Government, or (iii) by a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956), or (

iv) by an institution wholly or substantially financed by the Government; (i) "High Court", in relation to a State or Union territory, means the High Court having territorial jurisdiction in that State or Union territory, as the case may be; (ia) "international application" means an application for Patent made in accordance with the Patent Cooperation Treaty; NSOU PGCO-IV 80 ( j) "

**97% MATCHING BLOCK 78/322****SA** International Trade-Material I semester.docx (D146751176)

invention" means a new product or process involving an inventive step and capable of industrial application; (ja) "inventive step" means a feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention not obvious to a person skilled in the art; (

k) "

**100% MATCHING BLOCK 79/322****SA** FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

legal representative" means a person who in law represents the estate of a deceased person; (

l) "

**95% MATCHING BLOCK 80/322****SA** FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

new invention" means any invention or technology which has not been anticipated by publication in any document or used in the country or elsewhere in the world before the date of filing of Patent application with complete specification, i.e., the subject matter has not fallen in public domain or that it does not form part of the state of the art; (

la) "Opposition Board" means an Opposition Board constituted under sub- section (3) of section 25; (m) "Patent" means a Patent for any invention granted under this Act; (n) "Patent agent" means a person for the time being registered under this Act as a Patent agent; (o) "Patented article" and "Patented process" means respectively an article or process in respect of which a Patent is in force; (oa) "Patent Cooperation Treaty" means the Patent Cooperation Treaty done at Washington on the 19th day of June, 1970 as amended and modified from time to time; (p) "Patentee" means the person for the time being entered on the register as the grantee or proprietor of the Patent; (q) "Patent of addition" means a Patent granted in accordance with section 54; (r) "Patent office" means the Patent office referred to in section 74; (s) "person" includes the Government; (t) "person interested" includes a person engaged in, or in promoting, research in the same field as that to which the invention relates;  
NSOU PGCO-IV 81 (ta) "

**87%**      **MATCHING BLOCK 81/322**      **SA** IDP\_B\_1.docx (D123828115)

pharmaceutical substance" means any new entity involving one or more inventive steps; (

u) "prescribed" means— (A) in relation to proceedings before a High Court, prescribed by rules made by the High Court; (B) in relation to proceedings before the Appellate Board, prescribed by rules made by the Appellate Board; and (C) in other cases, prescribed by rules made under this Act; (v) "prescribed manner" includes the payment of the prescribed fee; (w) "priority date" has the meaning assigned to it by section 11; (x) "register" means the register of Patents referred to in

**100%**      **MATCHING BLOCK 82/322**      **SA** FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

section 67; (y) "true and first inventor" does not include either the first importer of an invention into India, or a person to whom an invention is first communicated from outside India. (2)

In this Act, unless the context otherwise requires, any reference- (a) to the Controller shall be construed as including a reference to any officer discharging the functions of the Controller in pursuance of section 73; (b) to the Patent office shall be construed as including a reference to any branch office of the Patent office. (z) "Patented article" includes any article made by a Patented process; and "Patentee" includes an exclusive licensee. Grant of Patents:

**98%**      **MATCHING BLOCK 83/322**      **SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

Persons entitled to apply for Patent (1) Subject to the provisions contained in section 134, an application for a Patent for an invention may be made by any of the following persons, that is to say,- (a) by any person claiming to be the true and first inventor of the invention; (b) by any person being the assignee of the person claiming to be the true and first inventor in respect of the right to make such an application; (c) by the legal representative of any deceased person who immediately before his death was entitled to make such an application. (2) An application under sub-section (1) may be made by any of the persons referred to therein either alone or jointly with any other person.

NSOU PGCO-IV 82 Box - 6.1 reflects the Grant of Patent. Box - 6.1

**99%**      **MATCHING BLOCK 84/322**      **SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

Grant of Patent (1) Where an application for a patent has been found to be in order for grant of the patent and either- (a) the application has not been refused by the Controller by virtue of any power vested in him by this Act; or (b) the application has not been found to be in contravention of any of the provisions of this Act, the patent shall be granted as expeditiously as possible to the applicant or, in the case of a joint application, to the applicants jointly, with the seal of the patent office and the date on which the patent is granted shall be entered in the register. On the grant of patent, the Controller shall publish the fact that the patent has been granted and thereupon the application, specification and other documents related thereto shall be open for public inspection. (2)

Amendment of  
patent

granted to deceased applicant: Where, at any time after a patent has been granted in pursuance of an application under this Act, the Controller is satisfied that the person to whom the patent was granted had died, or, in the case of a body corporate, had ceased to exist, before the patent was granted, the Controller may amend the patent by substituting for the name of that person to whom the patent ought to have been granted, and the patent shall have effect, and shall be deemed always to have had effect, accordingly. (3)

**100%**

**MATCHING BLOCK 85/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

Grant of patents to be subject to certain conditions: The grant of a patent under this Act shall be subject to the condition that- (1) any machine, apparatus or other article in respect of which the patent is granted or any article made by using a process in respect of which the patent is granted, may be imported or made by or on behalf of the Government for the purpose merely of its own use; (2) any process in respect of which the patent is granted may be used by or on behalf of the Government for the purpose merely of its own use; (3) any machine, apparatus or other article in respect of which the patent is granted or any article made by the use of the process in respect of which the patent is granted, may be made or used, and any process in respect of which the patent is granted may be used, by any person, for the purpose merely of experiment or research including the imparting of instructions to pupils; and (4) in the case of a patent in respect of any medicine or drug, the medicine

NSOU PGCO-IV 83

**98%**

**MATCHING BLOCK 86/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

or drug may be imported by the Government for the purpose merely of its own use or for distribution in any dispensary, hospital or other medical institution maintained by or on behalf of the Government or any other dispensary, hospital or other medical institution which the Central Government may, having regard to the public service that such dispensary, hospital or medical institution renders, specify in this behalf by notification in the Official Gazette. General principles applicable to working of Patented inventions.-Without prejudice to the other provisions contained in this Act, in exercising the powers, regard shall be had to the following general considerations, namely;- (a) that Patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay;

Compulsory licences— (1) At

any time after the expiration of three years from the date of the grant of a Patent,

**81%**

**MATCHING BLOCK 87/322**

**SA**

Chapter 1 final.pdf (D37997762)

any person interested may make an application to the Controller for grant of compulsory licence on Patent on any of the following grounds, namely— (a) that the reasonable requirements of the public with respect to the Patented invention have not been satisfied, or (b) that the Patented invention is not available to the public at a reasonably affordable price, or (c) that the Patented invention is not worked in the territory of India. (2)

An application under this section may be made by any person notwithstanding that he is already the holder of a licence under the Patent and no person shall be estopped from alleging

**89%**

**MATCHING BLOCK 88/322**

**SA**

Chapter 1 final.pdf (D37997762)

that the reasonable requirements of the public with respect to the Patented invention are not satisfied or that the Patented invention is not

worked in the territory of India

**96% MATCHING BLOCK 89/322 SA** Chapter 1 final.pdf (D37997762)

or that the Patented invention is not available to the public at a reasonably affordable price

by reason of any admission made by him, whether in such a licence or otherwise or by reason of his having acceptance of such licence. (3) Every application under sub-section (1) shall contain

**100% MATCHING BLOCK 90/322 SA** Chapter 1 final.pdf (D37997762)

a statement setting out the nature of the applicant's interest

together with such particulars as may be prescribed and the facts upon which the application is based. (4) The Controller, if satisfied

**97% MATCHING BLOCK 91/322 SA** Chapter 1 final.pdf (D37997762)

that the reasonable requirements of the public with respect to the Patented invention have not been satisfied or that the Patented invention is not

worked in the territory of India  
or that the Patented invention  
NSOU PGCO-IV 84

**100% MATCHING BLOCK 92/322 SA** Chapter 1 final.pdf (D37997762)

is not available to the public at a reasonably affordable price,

may grant a licence upon such terms as he may deem fit. (5) Where the Controller directs the Patentee to grant a licence he may, as incidental thereto, exercise the powers set out in section 88. (6) In considering the application filed under this section, the Controller shall take into account,- (i)

**86% MATCHING BLOCK 93/322 SA** Nidhi Sharma, Final PHD thesis law Correction ... (D117961760)

the nature of the invention, the time which has elapsed since the sealing of the Patent and the measures already taken by the Patentee or any licensee to make full use of the invention; (ii) the ability of the applicant to work the invention to the public advantage; (iii) the capacity of the applicant to undertake the risk in providing capital and working the invention,

if the applications were granted; (iv) as to

**87% MATCHING BLOCK 94/322 SA** Chapter 1 final.pdf (D37997762)

whether the applicant has made efforts to obtain a licence from the

**79% MATCHING BLOCK 95/322**

**SA** Nidhi Sharma, Final PHD thesis law Correction ... (D117961760)

Patentee on reasonable terms and conditions and such efforts have not been successful within a reasonable period

as the Controller may deem fit. Provided that this clause shall not be applicable

**76% MATCHING BLOCK 96/322**

**SA** Nidhi Sharma, Final PHD thesis law Correction ... (D117961760)

in case of national emergency or other circumstances of extreme urgency or in case of public non-commercial use

or on establishment of a ground of anticompetitive practices adopted by the Patentee, but shall not be required to take into account matters subsequent to the making of the application. (7)

**86% MATCHING BLOCK 97/322**

**SA** Chapter 1 final.pdf (D37997762)

The reasonable requirements of the public shall be deemed not to have been satisfied— (a) if, by reason of the refusal of the Patentee to grant a licence or licences on reasonable terms, - (

i) an existing trade or industry or the development thereof or the establishment of any new trade or industry in India or the trade or industry of any person or class of

**91% MATCHING BLOCK 98/322**

**SA** Chapter 1 final.pdf (D37997762)

persons trading or manufacturing in India is prejudiced; or (ii) the demand for the Patented article has not been met to an adequate extent or on reasonable terms; or NSOU PGO-IV 85 (iii) a market for export of the Patented article manufactured in India is not being supplied or developed; or (iv) the establishment or development of commercial activities in India is prejudiced; or (b) if, by reason of conditions imposed by the Patentee upon the grant of licences under the Patent or upon the purchase, hire or use of the Patented article or process, the manufacture, use or sale of materials not protected by the Patent, or the establishment or development of any trade or industry in India, is prejudiced; or (c) if

the

**96% MATCHING BLOCK 99/322**

**SA** Chapter 1 final.pdf (D37997762)

Patentee imposes a condition upon the grant of licences under the Patent to provide exclusive grant back, prevention to challenges to the validity of Patent or coercive package licensing; or (d) if the Patented invention is not being worked in the

territory of

**95% MATCHING BLOCK 100/322**

**SA** Chapter 1 final.pdf (D37997762)

India on a commercial scale to an adequate extent or is not being so worked to the fullest extent that is reasonably practicable;

or (e) if the working of the Patented invention in the territory of India on a commercial scale is being

**89%****MATCHING BLOCK 101/322****SA**

Chapter 1 final.pdf (D37997762)

prevented or hindered by the importation from abroad of the Patented article by— (i) the Patentee or persons claiming under him or (ii) persons directly or indirectly purchasing from him; or (iii) other persons against whom the Patentee is not taking or has not taken proceedings for infringement. Surrender of

Patents.— (1) A Patentee may, at any time by giving notice in the prescribed manner to the Controller, offer to surrender his Patent. (2) Where such an offer is made, the Controller shall publish the offer in the prescribed manner, and also notify every person other than the Patentee whose name appears in the register as having an interest in the Patent. (3) Any person interested may, within the prescribed period after such publication, give notice to the Controller of opposition to the surrender, and where any such notice is given the Controller shall notify the Patentee. (4) If the Controller is satisfied after hearing the Patentee and any opponent, if desirous of being heard, that the Patent may properly be surrendered, he may accept the offer and, by order, revoke the Patent.

NSOU PGCO-IV 86 Revocation of Patent:

**100%****MATCHING BLOCK 102/322****SA**

International Trade-Material I semester.docx (D146751176)

Any claim made for the grant of Patent, has been found invalid or the Central Government feels that a Patent

of

**100%****MATCHING BLOCK 103/322****SA**

International Trade-Material I semester.docx (D146751176)

the mode in which it is exercised is mischievous to the state or generally prejudicial to the public interest.

Government has declared

**93%****MATCHING BLOCK 104/322****SA**

FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

the following as not inventions within the meaning of Patent Act, 1970. (a) an invention which is frivolous or which claims anything obviously contrary to well established natural laws; (b) an invention the primary or intended use or commercial exploitation of which could be contrary to public order or morality or which causes serious prejudice to human, animal or plant life or health or to the environment; (c) the mere discovery of a scientific principle or the formulation of an abstract theory or discovery of any living thing or non-living substance occurring in nature; (d) the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant. Explanation.-

For  
the purposes of  
this clause,

**97%**

**MATCHING BLOCK 105/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

salts, esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations and other derivatives of known substance shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy; (e) a substance obtained by a mere admixture resulting only in the aggregation of the properties of the components thereof or a process for producing such substance; (f) the mere arrangement or re-arrangement or duplication of known devices each functioning independently of one another in a known way; [Omitted by

the

**100%**

**MATCHING BLOCK 106/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

Patents (Amendment) Act, 2002] (h) a method of agriculture or horticulture; (i) any process for the medicinal, surgical, curative, prophylactic diagnostic, therapeutic or other treatment of human beings or any process for a similar

NSOU PGCO-IV 87

**81%**

**MATCHING BLOCK 107/322**

**SA**

Arjun - IPR Chapter .docx (D142539833)

treatment of animals to render them free of disease or to increase their economic value or that of their products. (j) plants and animals in whole or any part thereof other than micro-organisms but including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals; (k) a mathematical or business method or a computer programme per se or algorithms; (l) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever including cinematographic works and television productions; (m) a mere scheme or rule or method of performing mental act or method of playing game; (n) a presentation of information; (o) topography of integrated circuits; (p) an invention which in effect, is traditional knowledge or which is an aggregation or duplication of known properties of traditionally known component or components. (

q) No Patent shall be granted

**80%**

**MATCHING BLOCK 108/322**

**SA**

FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

in respect of an invention relating to atomic energy falling within sub section (1) of section 20 of the Atomic Energy Act, 1962 (33

of 1962). (r) Inventions where only methods or processes of manufacture Patentable: [Omitted by the Patents (Amendment) Act, 2005]. Exceptions: —

**100%**

**MATCHING BLOCK 109/322**

**SA**

International Trade-Material I semester.docx (D146751176)

Patented Product or process may be made, imported or used by or on behalf of the Government for its own use or purpose, —

**89%**

**MATCHING BLOCK 110/322**

**SA**

International Trade-Material I semester.docx (D146751176)

Any Patented medicine may be imported by Government for the purpose of it or for distribution in any dispensary, hospital or other medical institutions, maintained by or on behalf of the Government or any other specified medical institution specified by the Government in public interest, — Any Patented process or product may be used or made by any person for the purpose merely of experiment or research including the imparting of instructions to pupils.

NSOU PGCO-IV 88 Rights of Patentees Subject to the other provisions contained in this Act and the conditions specified in section 47, a Patent granted under this Act shall confer upon the Patentee- (a) where the subject matter of the Patent is a product, the exclusive right

**100%**

**MATCHING BLOCK 111/322**

**SA**

Chapter 1 final.pdf (D37997762)

to prevent third parties, who do not have his consent,

**100%**

**MATCHING BLOCK 112/322**

**SA**

INTELLECTUAL PROPERTY RIGHTS AND THE IMPACT OF ... (D29601620)

from the act of making, using, offering for sale, selling or importing

for those purposes that product in India; (b) where the subject matter of the Patent is a process, the exclusive right

**100%**

**MATCHING BLOCK 113/322**

**SA**

Chapter 1 final.pdf (D37997762)

to prevent third parties, who do not have his consent,

from the act of using that process, and

**95%**

**MATCHING BLOCK 114/322**

**SA**

INTELLECTUAL PROPERTY RIGHTS AND THE IMPACT OF ... (D29601620)

from the act of using, offering for sale, selling or importing

for those purposes the product

obtained directly by that process in India: 49. Patent rights not infringed when used on foreign vessels etc., temporarily or accidentally in India.-(1) Where a vessel or aircraft registered in a foreign country or a land vehicle owned by a person ordinarily resident in such country comes into India (including the territorial water thereof) temporarily or accidentally only, the rights conferred by a Patent for an invention shall not be deemed to be infringed by the use of the invention- (a)

**70%**

**MATCHING BLOCK 115/322**

**SA**

Nidhi Sharma, Final PHD thesis law Correction ... (D117961760)

in the body of the vessel or in the machinery, tackle, apparatus or other accessories



thereof, so far as the invention is used on board the vessel and for its actual needs only; or (b) in the construction or working of the aircraft or land vehicle or of the accessories thereof, as the case may be. (2) This section shall not extend to vessels, aircrafts or land vehicles owned by persons ordinarily resident in a foreign country the laws of which do not confer corresponding rights with respect to the use of inventions in vessels, aircraft or land vehicles owned by persons ordinarily resident in India while in the ports or within the territorial waters of that foreign country or otherwise within the jurisdiction of its courts.

**Rights of co-owners of Patents.** — Where a Patent is granted to two or more persons, each of those persons shall, unless an agreement to the contrary is in force, be entitled to an equal undivided share in the Patent. — Subject to the provisions contained in this section and in section 51, where two or more persons are registered as grantee or proprietor of a Patent, then, unless an agreement to the contrary is in force, each of those persons shall be entitled, by himself or his agents, to rights conferred by section 48 for his own benefit without accounting to the other person or persons. -Subject to the provisions contained in this section and in section 51 and to any agreement NSOU PGCO-IV 89 for the time being in force, where two or more persons are registered as grantee or proprietor of a Patent, then, a licence under the Patent shall not be granted and share in the Patent shall not be assigned by one of such persons except with the consent of the other person or persons. Where a Patented article is sold by one of two or more persons registered as grantee or proprietor of a Patent, the purchaser and any person claiming through him shall be entitled to deal with the article in the same manner as if the article had been sold by a sole Patentee. — Subject to the provisions contained in this section, the rules of law applicable to the ownership and devolution of movable property generally shall apply in relation to Patents; and nothing contained in sub-section (1) or subsection (2) shall affect the mutual rights or obligations of trustees or of the legal representatives of a deceased person or their rights or obligations as such. — Nothing in this section shall affect the rights of the assignees of a partial interest in a Patent created before the commencement of this Act.

**Power of Controller to give directions to co-owners.** - — Where two or more persons are registered as grantee or proprietor of a Patent, the Controller may, upon application made to him in the prescribed manner by any of those persons, give such directions in accordance with the application as to the sale or lease of the Patent or any interest therein, the grant of licenses under the Patent, or the exercise of any right under section 50 in relation thereto, as he thinks fit. — If any person registered as grantee or proprietor of a Patent fails to execute any instrument or to do any other thing required for the carrying out of any direction given under this section within fourteen days after being requested in writing so to do by any of the other persons so registered, the Controller may, upon application made to him in the prescribed manner by any such other person, give directions empowering any person to execute that instrument or to do that thing in the name and on behalf of the person in default. — Before giving any directions in pursuance of an application under this section, the Controller shall give an opportunity to be heard- (a) in the case of an application under sub-section (1) to the other person or persons registered as grantee or proprietor of the Patent; (b) in the case of an application under NSOU PGCO-IV 90 sub-section (2), to the person in default. — No direction shall be given under this section so as to affect the mutual rights or obligations of trustees or of the legal representatives of a deceased person or of their rights or obligations as such, or which is inconsistent with the terms of any agreement between persons registered as grantee or proprietor of the Patent.

**Grant of Patent to true and first inventor where it has been obtained by another in fraud of him:** — Where the Patent has been revoked under section 64 on the ground that the Patent was obtained wrongfully and in contravention of the rights of the petitioner or any person under or through whom he claims, or, where in a petition for revocation, the Appellate Board or court, instead of revoking the Patent, directs the complete specification to be amended by the exclusion of a claim or claims in consequence of a finding that the invention covered by such claim or claims had been obtained from the petitioner, the Appellate Board or court may, by order passed in the same proceeding, permit the grant to the petitioner of the whole or such part of the invention which the Appellate Board or court finds has been wrongfully obtained by the Patentee, in lieu of the Patent so revoked or is excluded by amendment. — Where any such order is passed, the Controller shall, on request by the petitioner made in the prescribed manner grant to him— (i) in cases where the Appellate Board or court permits the whole of the Patent to be granted, a new Patent bearing the same date and number as the Patent revoked; (ii) in cases where the Appellate Board or court permits a part only of the Patent to be granted, a new Patent for such part bearing the same date as the Patent revoked and numbered in such manner as may be prescribed provided that the Controller may, as a condition of such grant, require the petitioner to file a new and complete specification to the satisfaction of the Controller describing and claiming that part of the invention for which the Patent is to be granted. — No suit shall be brought for any infringement of a Patent granted under this section committed before the actual date on which such Patent was granted.

NSOU PGCO-IV 91 Term of Patent: — Subject to the provisions of this Act, the term of every Patent granted, after the commencement of the Patents (Amendment) Act, 2002,

**74% MATCHING BLOCK 116/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

and the term of every Patent which has not expired and has not ceased to have effect, on the date of such commencement, under this Act, shall be twenty years from the date of filing of the application for the Patent. Explanation: — For the purposes of this sub-section, the term of Patent in case of International applications filed under the

Patent Cooperation Treaty

**100% MATCHING BLOCK 117/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

designating India, shall be twenty years from the international filing date accorded under the Patent Cooperation Treaty. — A Patent shall cease to have effect

notwithstanding anything therein or in this Act

**100% MATCHING BLOCK 118/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

on the expiration of the period prescribed for the payment of any renewal fee, if that fee is not paid within the prescribed period or within such extended period as may be prescribed. —

**80% MATCHING BLOCK 119/322 SA** FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

Notwithstanding anything contained in any other law for the time being in force,

**100% MATCHING BLOCK 122/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

on cessation of the Patent right due to non-payment of renewal fee or on expiry of the term of Patent, the subject matter covered by the said Patent shall not be entitled to any protection.

Penalties: Contravention of secrecy provisions relating to certain inventions: — If any person fails to comply with any direction given under section 35 or makes or causes to be made an application for the grant of a Patent in contravention

**91% MATCHING BLOCK 123/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

of section 39 he shall be punishable with imprisonment for a term which may extend to two years, or with fine, or with both.

Falsification of

**61% MATCHING BLOCK 120/322 W**

entries in register etc.: — If any person makes, or causes to be made, a false entry in any register kept under this Act, or a writing falsely purporting to be a copy of an entry in such

a

**95% MATCHING BLOCK 121/322**

**W**

register, or produces or tenders, or causes to be produced or tendered,

in evidence any such writing knowing the entry or writing to be false,

**92% MATCHING BLOCK 124/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

he shall be punishable with imprisonment for a term which may extend to two years, or with fine, or with both.

Unauthorised claim of Patent rights — If any person falsely represents that any article sold by him is Patented in NSOU PGCO-IV 92 India or is the subject of an application for a Patent in India, he

**95% MATCHING BLOCK 125/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

shall be punishable with fine which may extend to one lakh

rupees. Wrongful use of words "Patent office" — If

**96% MATCHING BLOCK 126/322**

**SA**

Final Book in Word.doc (D154488135)

any person uses on his place of business or any document issued by him

or otherwise the words "Patent office" or any other

**89% MATCHING BLOCK 127/322**

**SA**

Final Book in Word.doc (D154488135)

words which would reasonably lead to the belief that his place of business is,

or is officially connected with, the Patent office,

**100% MATCHING BLOCK 129/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

he shall be punishable with imprisonment for a term which may extend to six months, or with fine,

or with both.

Refusal or failure to supply information (1) If any person refuses or fails to furnish (a) to the Central Government any information which he is required to furnish under sub-section (5) of section 100; (b) to the Controller any information or statement which he is required to furnish by or under section 146. He shall be punishable with fine which may extend to ten lakh rupees. (2) If any person, being required to furnish any such information as is referred to in sub-section (1), furnishes information or statement which is false, and which he either knows or has reason to believe to be false or does not believe

**71% MATCHING BLOCK 128/322**

**W**

to be true, he shall be punishable with imprisonment which may extend to six months, or with fine, or with both.

Practice by non-registered Patent agents. -

**80%**

**MATCHING BLOCK 130/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

If any person contravenes the provisions of section 129, he shall be punishable with fine which may extend to

one lakh rupees in the case of a first offence and five lakh rupees in the case of a second or subsequent offence.

Offences by Companies 1. If

the person committing an offence under this Act is a company, the company as well as every person

**82%**

**MATCHING BLOCK 131/322**

**SA**

dessertation.docx (D27473427)

in charge of, and responsible to, the company for the conduct of its business at the time of the commission of the offence shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly. Provided that nothing contained in this sub-section shall render any such person liable to any punishment if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

NSOU PGCO-IV 93 2.

**100%**

**MATCHING BLOCK 132/322**

**SA**

dessertation.docx (D27473427)

Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or

that the commission of the offence

**98%**

**MATCHING BLOCK 138/322**

**SA**

dessertation.docx (D27473427)

is attributable to any neglect on the part of any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly. (1) Explanation.-For the purposes of this section,- (a) "company" means anybody corporate and includes a firm or other association of individuals; and (b) "director", in relation to a firm, means a partner in the firm. 5 6.3.2

Copyright Act, 1957 Concepts:

**100%**

**MATCHING BLOCK 133/322**

**W**

Works in which Copyright subsists.- (1) Subject to the provisions of this section and the other provisions of this Act, Copyright shall subsist throughout India in the following classes of works, that is to say,- (a) original literary, dramatic, musical and artistic works; (b) cinematograph films; and (c) sound recording. (2) Copyright shall not subsist in any work specified in sub-section (1), other than a work to which the provisions of section 40 or section 41 apply, unless,- (i) in the case of a published work, the work is first published in India, or where the work is first published outside India, the author is at the date of such publication, or in a case where the author was dead at that date, was at the time of his death, a citizen of India; (ii) in the case of an unpublished work other than a work of architecture, the author is at the date of the making of the work a citizen of India or domiciled in India; and (iii) in the case of work of architecture, the work is located in India. Explanation- In the case of a work of joint authorship, the conditions conferring Copyright specified in this sub-section shall be satisfied by all the authors of the work. 5

The Patent Act, 1970, Intellectual Property India.

NSOU PGCO-IV 94 (3)

**96% MATCHING BLOCK 134/322**

**W**

Copyright shall not subsist- (a) in any cinematograph film if a substantial part of the film is an infringement of the Copyright in any other work; (b) in any sound recording made in respect of a literary, dramatic or musical work, if in making the sound recording, Copyright in such work has been infringed. (4) The Copyright in a cinematograph film or a sound recording shall not affect the separate Copyright in any work in respect of which or a substantial part of which, the film, or, as the case may be, the sound recording is made. (5) In the case of work of architecture, Copyright shall subsist only in the artistic character and design and shall not extend to processes or methods of construction.

**98% MATCHING BLOCK 135/322**

**W**

Interpretation - In this Act, unless the context otherwise requires,- (a) "adaptation" means,- (i) in relation to a dramatic work, the conversion of the work into a non- dramatic work; (ii) in relation to a literary work or an artistic work, the conversion of the work into a dramatic work by way of performance in public or otherwise; (iii) in relation to a literary or dramatic work, any abridgement of the work or any version of the work in which the story or action is conveyed wholly or mainly by means of pictures in a form suitable for reproduction in a book, or in a newspaper, magazine or similar periodical; and (iv) in relation to a musical work, any arrangement or transcription of the work; (

**80% MATCHING BLOCK 136/322**

**W**

b) "architectural work of art" means any building or structure having an artistic character or

**95% MATCHING BLOCK 137/322**

**W**

design, or any model for such building or structure; (c) "artistic work" means (i) a painting, a sculpture, a drawing (including a diagram, map, chart or plan), a photograph, whether or not any such work possesses artistic quality; (

**92% MATCHING BLOCK 140/322**

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d) "author" means,- (i) in relation to literary or dramatic work, the author of the work; (ii) in relation to a musical work, the composer; NSOU PGCO-IV 95 (iii) in relation to an artistic work other than a photograph, the artist; (iv) in relation to a photograph, the person taking the photograph; (v) in relation to a cinematograph film,

the owner of the film at the time of its completion; and (vi) in relation to a record, the owner of the original plate from which the record is made, at the time of the making of the plate; (

**100% MATCHING BLOCK 139/322**

**W**

e) "calendar year" means the year commencing on the 1st day of January; (f) "cinematograph film"

includes the sound track, if any,

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and "cinematograph" shall be construed as including any work produced by any

mechanical instrument or by radio-diffusion; (

**100% MATCHING BLOCK 141/322**

**W**

g) "delivery", in relation to a lecture, includes delivery by means of any mechanical instrument or by

radio-diffusion; (

**95% MATCHING BLOCK 142/322**

**W**

h) "dramatic work" includes any piece for recitation, choreographic work or entertainment in dumb show or acting form of which is fixed in writing or otherwise but does not include a cinematograph film; (

i) "

**99% MATCHING BLOCK 143/322**

**W**

engravings" include wood-cuts, prints and other similar works, not being photographs; (j) "exclusive licence" means a licence which confers on the licensee or on the licensee and persons authorised by him, to the exclusion of all other persons (including the owner of the Copyright) any right comprised in the Copyright in a work, and "exclusive licensee" shall be construed accordingly; (k) "Government work" means a work which is made or published by or under the direction or control of— (i) the government or any department of the Government; (ii) any Legislature in India; (iii) any court, tribunal or other judicial authority in India; (

**100% MATCHING BLOCK 144/322**

**W**

l) "Indian work" means a literary, dramatic or musical work, the author of which is a citizen of India; (

m) "infringing copy" means,—  
NSOU PGCO-IV 96 (i)

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in relation to a literary, dramatic, musical or artistic work, a reproduction thereof otherwise than in the form of a cinematograph film; (ii) in relation to a cinematograph film, a copy of the film

or a record embodying the recording in any part of the sound track associated with the film; (

**57% MATCHING BLOCK 147/322**

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iii) in relation to a record, any such record embodying the same recording; and (iv) in relation to a programme,

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if such reproduction, copy or record is made or imported in contravention of the provisions of this Act;

**100% MATCHING BLOCK 164/322****SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

First owner of Copyright- Subject to the provisions of this Act, the author of a work shall be the first owner of the Copyright therein: Provided that- (a) in the case of a literary, dramatic or artistic work made by the author in the course of his employment by the proprietor of a newspaper, magazine or similar periodical under a contract of service or apprenticeship, for the purpose of publication in a newspaper, magazine or similar periodical, the said proprietor shall, in the absence of any agreement to the contrary, be the first owner of the Copyright in the work in so far as the Copyright relates to the publication of the work in any newspaper, magazine or similar periodical, or to the reproduction of the work for the purpose of its being so published, but in all other respects the author shall be the first owner of the Copyright in the work; (b) subject to the provisions of clause (a), in the case of a photograph taken, or a painting or portrait drawn, or an engraving or a cinematograph film made, for valuable consideration at the instance of any person, such person shall, in the absence of any agreement to the contrary, be the first owner of the Copyright therein; (c) in the case of a work made in the course of the author's employment under a contract of service or apprenticeship, to which clause (a) or clause (b) does not apply, the employer shall, in the absence of any agreement to the contrary, be the first owner of the Copyright therein; 1 [(cc) in the case of any address or speech delivered in public, the person who has delivered such address or speech or if such person has delivered such address or speech on behalf of any other person, such other person shall be the first owner of the Copyright therein notwithstanding that the person who delivers such address or speech, or, as the case may be, the person on whose behalf such address or speech is delivered, is employed by any other person who arranges such address or speech or on whose behalf or premises such address or speech is delivered;] (d) in the case of a Government work, Government shall, in the absence

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of any agreement to the contrary, be the first owner of the Copyright therein; 2 [(dd) in the case of a work made or first published by or under the direction or control of any public undertaking, such public undertaking shall, in the absence of any agreement to the contrary, be the first owner of the Copyright therein. Explanation.- For the purposes of this clause and section 28A, "public undertaking" means- (i) an undertaking owned or controlled by Government; or (ii) a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956); or (iii) a body corporate established by or under any Central, Provincial or State Act;] (e) in the case of a work to which the provisions of section 41 apply, the international organization concerned shall be the first owner of the Copyright therein. [Provided that in case of any work incorporated in a cinematograph work, nothing contained in clauses (b) and (c) shall affect the right of the author in the work referred to in clause (a) of sub-section (1) of section 13.] Registration of Copyright:

**96% MATCHING BLOCK 150/322****W**

There shall be kept at the Copyright Office a register in the prescribed form to be called the Register of Copyrights in which the names or titles of works and the names and addresses of authors, publishers and owners of Copyright and such other particulars as may be prescribed may be entered. Entries in Register of Copyrights.- (1) The author or publisher of, or the owner of or other person interested in the Copyright in, any work may make an application in the prescribed form accompanied by the prescribed fee to the Registrar of Copyrights for entering particulars of the work in the Register of Copyrights provided that in respect of an artistic work which is used or is capable of being used in relation to any goods or services, the application shall include a statement to that effect and shall be accompanied by a certificate from the Registrar of Trade Marks referred to in section 3 of the Trade Marks Act, 1999 (47 of 1999),

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to the effect that no trade mark identical with or deceptively similar to such artistic work has been registered under that Act in the name of, or that no application has been made under that Act for such registration by, any person other than the applicant. (2) On receipt of an application in respect of any work under sub-section (1), the Registrar of Copyrights may, after holding such inquiry as he may deem fit, enter the particulars of the work in the Register of Copyrights. Indexes - There shall be also kept at the Copyright Office such indexes of the Register of Copyrights as may be prescribed. Form and inspection of register - The Register of Copyrights and indexes thereof kept under this Act shall at all reasonable times be open to inspection, and any

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person shall be entitled to take copies of, or make extracts from, such register or indexes on payment of such fee and subject to such conditions as may be prescribed. Register of Copyrights to be prima facie evidence of particulars entered therein - The Register of Copyrights shall be prima facie evidence of the particulars entered therein and documents purporting to be copies of any entries therein, or extracts therefrom, certified by the Registrar of Copyrights and sealed with the seal of the Copyright Office shall be admissible in evidence in all courts without further proof or production of the original. Correction of entries in the Register of Copyrights.- The Registrar of Copyrights may, in the prescribed cases and subject to the prescribed conditions, amend or alter the Register of Copyrights by- (a) correcting any error in any name, address or particulars; or (b) correcting any other error which may have arisen therein by accidental slip or omission. Rectification of Register by 1 [Appellate Board] - The [Appellate Board], on application of the Registrar of Copyrights or of any person aggrieved, shall order the rectification of the Register of Copyrights by- (a) the making of any entry wrongly omitted to be made in the register, or (b) the expunging of any entry wrongly made in, or remaining on, the register, or (c) the correction of any error or defect in the register. Entries in the Register of Copyrights, etc., to be published - Every entry made in the Register of Copyrights or the particulars of any work entered under section 45, the correction of every entry made in such register under section 49, and every rectification ordered under section 50, shall be published by the Registrar of Copyrights in the Official Gazette or in such other manner as he may deem fit.

**98% MATCHING BLOCK 153/322****W**

Infringement of Copyright When Copyright infringed - Copyright in a work shall be deemed to be infringed- (a) when any person, without a licence granted by the owner of the Copyright or the Registrar of Copyrights under this Act or in contravention of the conditions of a licence so granted or of any condition imposed by a competent authority under this Act- (i) does anything, the exclusive right to do which is by this Act conferred upon the owner of the Copyright, or (ii) permits for profit any place to be used for the communication of the work to the public where such communication constitutes an infringement of the Copyright in the work, unless he was not aware and had no NSOU PGCO-IV 99 reasonable ground for believing that such communication to the public would be an infringement of Copyright; or (b) when any person- (i) makes for sale or hire, or sells or lets for hire, or by way of trade displays or offers for sale or hire, or (ii) distributes either for the purpose of trade or to such an extent as to affect prejudicially the owner of the Copyright, or (iii) by way of trade exhibits in public, or (iv) imports into India, any infringing copies of the work provided that nothing in sub-clause (iv) shall apply to the import of one copy of any work for the private and domestic use of the importer. Explanation- For the purposes of this section, the reproduction of a literary, dramatic, musical or artistic work in the form of a cinematograph film shall be deemed to be an "infringing copy". Certain acts not to be infringement of Copyright- (1) The following acts shall not constitute an infringement of Copyright, namely- (a) a fair dealing with any work, not being a computer programme, for the purposes of- (i) private or personal use, including research; (



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ii) criticism or review, whether of that work or of any other work; (iii) the reporting of current events and current affairs, including the reporting of a lecture delivered in public. Explanation.- The storing of any work in any electronic medium for the purposes mentioned in this clause, including the incidental storage of any computer programme which is not itself an infringing copy for the said purposes, shall not constitute infringement of Copyright. [(aa) the making of copies or adaptation of a computer programme by the lawful possessor of a copy of such computer programme, from such copy- (i) in order to utilise the computer programme for the purpose for which it was supplied; or (ii) to make back-up copies purely as a temporary protection against loss, destruction or damage in order only to utilise the computer programme for the purpose for which it was supplied; (ab) the doing of any act necessary to obtain information essential for operating inter-operability of an independently created computer programme with other programmes by a lawful possessor of a computer programme provided that such information is not otherwise readily available; (ac) the observation, study or test of functioning of the computer programme in order to determine the ideas and principles which underline any elements of the programme while performing such acts necessary for the functions for which the computer programme was supplied; (ad) the making of copies or adaptation of the computer programme from a personally legally obtained copy for non-commercial personal use; (b) the transient or incidental storage of a work or performance purely in the technical process of electronic transmission or communication to the public; (c) transient or incidental storage of a work or performance for the purpose of providing electronic NSOU PGCO-IV 100 links, access or integration,

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where such links, access or integration has not been expressly prohibited by the right holder, unless the person responsible is aware or has reasonable grounds for believing that such storage is of an infringing copy: Provided that if the person responsible for the storage of the copy has received a written complaint from the owner of Copyright in the work, complaining that such transient or incidental storage is an infringement, such person responsible for the storage shall refrain from facilitating such access for

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of twenty-one days or till he receives an order from the competent court refraining from facilitation access and in case no such order is received before the expiry of such period of twenty-one days, he may continue to provide the facility of such access; (d) the reproduction of any work for the purpose of a judicial proceeding or for the purpose of a report of a judicial proceeding; (e) the reproduction or publication of any work prepared by the Secretariat of a Legislature or, where the legislature consists of two Houses, by the Secretariat of either House of the Legislature, exclusively for the use of the members of that Legislature; (f) the reproduction of any work in a certified copy made or supplied in accordance with any law for the time being in force; (g) the reading or recitation in public of reasonable extracts from a published literacy or dramatic work; (h) the publication in a collection, mainly composed of non-Copyright matter, bona fide intended for instructional use, and so described in the title and in any advertisement issued by or on behalf of the publisher, of short passages from published literary or dramatic works, not themselves published for such use in which Copyright subsists: Provided that not more than two such passages from works by the same author are published by the same publisher during any period of five years. Explanation- In the case of a work of joint authorship, references in this clause to passages from works shall include references to passages from works by any one or more of the authors of those passages or by any one or more of those authors in collaboration with any other person; (i) the reproduction of any work- (i) by a teacher or a pupil in the course of instruction; or (ii) as part of the question to be answered in an examination; or (iii) in answers to such questions; (j) the performance, in the course of the activities of an educational institution, of a literary, dramatic or musical work by the staff and students of the institution, or of a cinematograph film or a sound recording if the audience is limited to such staff and students, the parents and guardians of the students and persons connected with the activities of the institution or the communication to such an audience of a cinematograph film or sound recording; (k) the causing of a recording to be heard in public by utilising it,- (i) in an enclosed room or hall meant

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for the common use of residents in any residential premises (not being a hotel or similar commercial establishment) as part of the amenities provided exclusively or mainly for residents therein; or (ii) as part of the activities of a club or similar organisation which is not established or conducted for profit; (l) the performance of a literary, dramatic or musical work by an amateur club or society, if the performance is given to a non-paying audience, or for the benefit of a religious institution; (m) the reproduction in a newspaper, magazine or other periodical of an article on current economic, political, social or religious topics, unless the author of such article has expressly reserved to himself the right of such reproduction; (n) the storing of a work in any medium by electronic means by a non-commercial public library, for preservation if the library already possesses a non-digital copy of the work; (o) the making of not more than three copies of a book (including a pamphlet, sheet of music, map, chart or plan) by or under the direction of the person in charge of a non-commercial public library for the use of the library if such book is not available for sale in India; (p) the reproduction, for the purpose of research or private study or with a view to publication, of an unpublished literary, dramatic or musical work kept in a library, museum or other institution to which the public has access: Provided that where the identity of the author of any such work or, in the case of a work of joint authorship, of any of the authors is known to the library, museum or other institution, as the case may be, the provisions of this clause shall apply only if such reproduction is made at a time more than 3 [sixty years] from the date of the death of the author or, in the case of a work of joint authorship, from the death of the author whose identity is known or, if the identity of more authors than one is known from the death of such of those authors who dies last; (q) the reproduction or publication of- (i) any matter which has been published in any Official Gazette except an Act of a Legislature; (ii) any Act of a Legislature subject to the condition that such Act is reproduced or published together with any commentary thereon or any other original matter; (iii) the report of any committee, commission, council, board or other like body appointed by the Government if such report has been laid on the Table of the Legislature, unless the reproduction or publication of such report is prohibited by the Government; (

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iv) any judgment or order of a court, tribunal or other judicial authority, unless the reproduction or publication of such judgment or order is prohibited by the court, the tribunal or other judicial authority, as the case may be; (r) the production or publication of a translation in any Indian language of an Act of a Legislature and of any rules or orders made thereunder- (v) if no translation of such Act or rules or orders in that language has NSOU PGCO-IV 102 been previously been produced or published by the Government; or (vi) where a translation of such Act or rules or orders in that language has been produced or published by the Government, if the translation is not available for sale to the public: Provided that such translation contains a statement at a prominent place to the effect that the translation has not been authorised or accepted as authentic by the Government; (s) the making or publishing of a painting, drawing, engraving or photograph of a work of architecture or the display of a work of architecture; (t) the making or publishing of a painting, drawing, engraving or photograph of a sculpture, or other artistic work falling under sub-clause (iii) of clause (c) of section 2, if such work is permanently situate in a public place or any premises to which the public has access; (u) the inclusion in a cinematograph film of- (i) any artistic work permanently situate in a public place or any premises to which the public has access; or (ii) any other artistic work, if such inclusion is only by way of background or is otherwise incidental to the principal matters represented in the film; (v) the use by the author of an artistic work, where the author of such work is not the owner of the Copyright therein, of any mould, cast, sketch, plan, model or study made by him for the purpose of the work: Provided that he does not thereby repeat or imitate the main design of the work; (w) the making of a three-dimensional object from a two-dimensional artistic work, such as a technical drawing, for the purposes of industrial application of any purely functional part of a useful device; (x) the reconstruction of a building or structure in accordance with the architectural drawings or plans by reference to which the building or structure was originally constructed: Provided that the original construction was made with the consent or licence of the owner of the

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Copyright in such drawings and plans; (y) in relation to a literary, dramatic, artistic or musical work recorded or reproduced in any cinematograph film, the exhibition of such film after the expiration of the term of Copyright therein provided that the provisions of sub-clause (ii) of clause (a), sub-clause (i) of clause (b) and clauses (d), (f), (g), (m) and (p) shall not apply as respects any act unless that act is accompanied by an acknowledgment- (i) identifying the work by its title or other description; and (ii) unless the work is anonymous or the author of the work has previously agreed or required that no acknowledgment of his name should be made, also identifying the author; (z) the making of an ephemeral recording, by a broadcasting organisation using its own facilities for its own broadcast by a broadcasting organisation of a work which it has the right to broadcast; and the retention of such recording for archival purposes on the ground of its exceptional documentary character; (za) the performance

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of a literary, dramatic or musical work or the communication to the public of such work or of a sound recording in the course of any bona fide religious ceremony or an official ceremony held by the Central Government or the State Government or any local authority. Explanation - For the purpose of this clause, religious ceremony including a marriage procession and other social festivities associated with a marriage; (zb) the adaptation, reproduction, issue of copies or communication to the public of any work in any accessible format, by- (i) any person to facilitate persons with disability to access to works including sharing with any person with disability of such accessible format for private or personal use, educational purpose or research; or (ii) any organisation working for the benefit of the persons with disabilities in case the normal format prevents the enjoyment of such works by such persons: Provided that the copies of the works in such accessible format are made available to the persons with disabilities on a non-profit basis but to recover only the cost of production: Provided further that the organisation shall ensure that the copies of works in such accessible format are used only by persons with disabilities and takes reasonable steps to prevent its entry into ordinary channels of business.

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Explanation - For the purposes of this sub-clause, "any organisation" includes an organisation registered under section 12A of the Income-tax Act, 1961 (43 of 1961) and working for the benefit of persons with disability or recognised under Chapter X of the Persons with Disabilities (Equal Opportunities, Protection of Rights and full Participation) Act, 1995 (1 of 1996) or receiving grants from the Government for facilitating access to persons with disabilities or an educational institution or library or archives recognised by the Government; (zc) the importation of copies of any literary or artistic work, such as labels, company logos or promotional or explanatory material, that is purely incidental to other goods or products being imported lawfully, (2) The provisions of sub-section (1) shall apply to the doing of any act in relation to the translation of a literary, dramatic or musical work or the adaptation of a literary, dramatic, musical or artistic work as they apply in relation to the work itself. Particulars to be included in sound recording and video films- (1) No person shall publish a sound recording in respect of any work unless the following particulars are displayed on the sound recording and on any container thereof, namely - (a) the name and address of the person who has made the sound recording; (b) the name and address of the owner of the Copyright in such work; and (c) the year of its first publication. (2) No person shall publish a video film in respect of any work unless the following particulars are displayed in the video film, when exhibited, and on the video

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cassette or other container thereof, namely:- (a) if such work is a cinematograph film required to be certified for exhibition under the provisions of the Cinematograph Act, 1952 (37 of 1952), a copy of the certificate granted by the Board of Film Certification under section 5A of that Act in respect of such work; (b) the name and address of the person who has made the video film and a declaration by him that he has obtained the necessary licence or consent from the owner of the Copyright in such work for making such video film; and (c) the name and address of the owner for the Copyright in such work. Omitted by the Copyright Act, 2012 (27 of 2012), s. 33 (w.e.f. 21-6-2012). 1 Ins. by Act 27 of 2012, s. 32 (w.e.f. 21-6-2012). 2 Ins. by Act 65 of 1984, s. 4 (w.e.f. 8-10-1984). 3 Subs. by Act 38 of 1994, s. 2, for "record" (w.e.f. 10-5-1995). Importation of infringing copies- (1) The owner of any right conferred by this Act in respect of any work or any performance embodied in such work, or his duly authorised agent, may give notice in writing to the Commissioner of Customs, or to any other officer authorised in this behalf by the Central Board of Excise and Customs,- (a) that he is the owner of the said right, with proof thereof; and (b) that he requests the Commissioner for a period specified in the notice, which shall not exceed one year, to treat infringing copies of the work as prohibited goods, and that infringing copies of the work are expected to arrive in India at a time and a place specified in the notice. (2) The Commissioner, after scrutiny of the evidence furnished by the owner of the right and on being satisfied may, subject to the provisions of sub-section (3), treat infringing copies of the work as prohibited goods that have been imported into India, excluding goods in transit: Provided that the owner of the work deposits such amount as the Commissioner may require as security having regard to the likely expenses on demurrage, cost of storage and compensation to the importer in case it is found that the works are not infringing copies. (3) When any goods treated as prohibited under sub-section (2) have been detained, the Customs Officer detaining them shall inform the importer as well as the person who gave notice under sub- section (1) of the detention of such goods within forty-eight hours of their detention. (4) The Customs Officer shall release the goods, and they shall no longer be treated as prohibited goods, if the person who gave notice under sub-section (1) does not produce any order from a court having jurisdiction as to the temporary or permanent disposal of such goods within fourteen days from the date of their detention.

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Resale share right in original copies- (1) In the case of resale for a price exceeding ten thousand rupees, of the original copy of a painting, sculpture or drawing, or of the original manuscript of a literary or dramatic work or musical work, the author of such work if he was the first owner of rights under section 17 or his legal heirs shall, notwithstanding any assignment of Copyright in such work, have a right to share in the resale price of such original copy or manuscript in accordance with the provisions of this section: Provided that such right shall cease to exist on the expiration of the term of Copyright in the work. (2) The share referred to in sub- section (1) shall be such as the 3 [Appellate Board] may fix and the decision of the 2 [Appellate Board] in this behalf shall be final: 1 Subs. by Act 27 of 2012, s. 34, for section 53 (w.e.f. 21-6-2012). 2 Ins. by Act 38 of 1994, s. 19 (w.e.f. 10-5-1995). 3 Subs. by Act 7 of 2017, s.160, for "Copyright Board" (w.e.f. 26-5-2017). Provided that the 2 [Appellate Board] may fix different shares for different classes of work: Provided further that in no case shall the share exceed 10% of the resale price. (3) If any dispute arises regarding the right conferred by this section, it shall be referred to the 1 [Appellate Board] whose decision shall be final.] 6 6.3.3

Trade Mark Act, 1999 Concept:

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Trade and Merchandise Marks Act, 1958 was replaced by a new Act - Trade Mark Act, 1999, so as to provide for the protection of service marks also.

According to

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the Trade Mark Act, 1999 - Trade Mark means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colour and (i) in relation to chapter XII (other than Section, 107), a registered Trade Mark or a Mark used in relation to goods or service for the purpose of indicating or as to indicate a connection in the course of Trade between the goods or services, as the case may be and some person having the right as proprietor to use the mark.(ii) In relation to other provisions of this Act, a mark used in relation to goods or services for the purpose 6

<https://Copyright.gov.in/Documents/CopyrightRules1957.pdf> [https://www.indiacode.nic.in/bitstream/123456789/1993/1/A1999\\_47.pdf](https://www.indiacode.nic.in/bitstream/123456789/1993/1/A1999_47.pdf)  
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of indicating or as to indicate a connection in the course of Trade between the goods or services, as the case may be and some perform having the right, either as proprietor or by way of permitted user, to use the mark whether with or without any indication of the identity of that person and includes a Certification Trade Mark or Collective Mark.

Certification Trade Mark It means a mark

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capable of distinguishing the goods or services in connection with which it is used in the course of trade which are certified by the proprietor of the mark in respect

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**100% MATCHING BLOCK 169/322 SA** Final Book in Word.doc (D154488135)

origin, material, mode of manufacture of goods or performance of services,

quality, accuracy or other characteristics from goods or services not so certified and registered. Collective Trade Mark As per Trade Mark Act,

**80% MATCHING BLOCK 171/322 SA** FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

Collective Mark means a Trade Mark distinguishing the goods or services of members of an association of persons, not being a partnership within the meaning of the Indian Partnership Act, 1932 (9

of 1932), which is the proprietor of the mark from those of others. Objective - (i)

**63% MATCHING BLOCK 172/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

The registration and better protection of Trade Mark for goods and services, (ii) The prevention of the use of

fundamental marks.  
Definitions and

**100% MATCHING BLOCK 170/322**

**W**

interpretation (1) In this Act, unless the context otherwise requires, - (a) ‘

Appellate Board’ means the Appellate Board established under section 83; (b) ‘assignment’ means an assignment in writing by act of the parties concerned; (c) ‘associated Trade Marks’ means Trade Marks

**78% MATCHING BLOCK 173/322**

**SA**

FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

deemed to be, or required to be, registered as associated Trade Marks under this Act; (

d) ‘Bench’ means a Bench of the Appellate Board; (e) ‘certification trade mark’ means a mark

**85% MATCHING BLOCK 174/322**

**SA**

Final Book in Word.doc (D154488135)

capable of distinguishing the goods or services in connection with which it is used in the course of trade which are certified by the proprietor of the mark in respect

of

**100% MATCHING BLOCK 175/322**

**SA**

Final Book in Word.doc (D154488135)

origin, material, mode of manufacture of goods or performance of services,

NSOU PGCO-IV 107 quality, accuracy or other characteristics from goods or services not so certified and able to be registered as such under Chapter IX in respect of those goods or services in the name, as proprietor of the certification trade mark, of that person; (f) ‘Chairperson’ means the Chairperson of the Appellate Board; (g) ‘

**80% MATCHING BLOCK 176/322**

**SA**

FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

collective mark’ means a trade mark distinguishing the goods or services of members of an association of persons (not being a partnership within the meaning of the Indian Partnership Act, 1932 (9

of 1932) which is the proprietor of the mark from those of others; (h) ‘

**80% MATCHING BLOCK 178/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

deceptively similar’ A mark shall be deemed to be deceptively similar to another mark if it so nearly resembles that other mark as to be likely to deceive or cause confusion; (

i) ‘false trade description’ means (I) a trade description which is untrue or misleading in a material respect as regards the goods or services to which it is applied; or (II) any alteration of a trade description as regards the goods or services to which it is applied, whether by way of addition, effacement or otherwise, where that alteration makes the description untrue or misleading in a material respect [15th September, 2003,

**83% MATCHING BLOCK 177/322**

**W**

vide notification No. S.O. 1048(E), dated 15th September, 2003, see Gazette of India, Extraordinary, Part II, sec. 3(ii).

Subs. by Act 7 of 2017, s. 161, for 'Chairman' (w.e.f. 26-5-2017)], (III) any trade description which denotes or implies that there are contained, as regards the goods to which it is applied, more yards or metres than there are contained therein standard yards or standard metres; or (IV) any marks or arrangement or combination thereof when applied- (a) to goods in such a manner as to be likely to lead persons to believe that the goods are the manufacture or merchandise of some person other than the person whose merchandise or manufacture they really are; (b) in relation to services in such a manner as to be likely to lead persons to

**70%**

**MATCHING BLOCK 179/322**

**SA**

FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

believe that the services are provided or rendered by some person other than the person

whose services they really are; or (V) any false name or initials of a person applied to goods or services in such manner as if such name or initials were a trade description in any case where the name or initials- (a) is or are not a trade mark or part of a trade mark; and (b) is or are identical with or NSOU PGCO-IV 108 deceptively similar to the name or initials of a person carrying on business in connection with goods or services of the same description or both and who has not authorised the use of such name or initials; and (c) is or are either the name or initials of a fictitious person or some person not bona fide carrying on business in connection with such goods or services, and the fact that a trade description is a trade mark or part of a trade mark shall not prevent such trade description being a false trade description within the meaning of this Act; (j) 'goods' means anything which is the subject of trade or manufacture; (k) 'Judicial Member' means a Member of the Appellate Board appointed as such under this Act, and includes the Chairperson and the Vice- Chairperson; (l) 'limitations' (with its grammatical variations) means any limitation of

**100%**

**MATCHING BLOCK 180/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

the exclusive right to the use of a trade mark given

by the registration of a person as proprietor thereof, including limitations of that right as to mode or area of use within India or outside India; (

**100%**

**MATCHING BLOCK 181/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

m) 'mark' includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colours or any combination thereof; (

n) 'Member' means a Judicial Member or a Technical Member of the Appellate Board and includes the Chairperson and the Vice-Chairperson; (o) 'name' includes any abbreviation of a name; (p) 'notify' means to notify in the Trade Mark Journal published by the Registrar; (q) 'package' includes any case, box, container, covering, folder, receptacle, vessel, casket, bottle, wrapper, label, band, ticket, reel, frame, capsule, cap, lid, stopper and cork; (

**94%**

**MATCHING BLOCK 182/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

r) 'permitted' use, in relation to a registered trade mark, means the use of trade mark—(i) by a registered user of the trade mark in relation to goods or services—(a) with which he is connected in the course of trade; and (b) in respect of which the trade mark remains registered for the time being; and (c) for which he is registered as registered user; and (d) NSOU PGCO-IV 109 which complies with any conditions or limitations to which the registration of registered user is subject;

orSubs.

by Act 7 of 2017, s. 161, for ?Chairman (w.e.f. 26-5-2017), Subs. by s. 161, ibid., for ?Vice-Chairman (w.e.f. 26-5-2017). (



**100%**

**MATCHING BLOCK 183/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

ii) by a person other than the registered proprietor and registered user in relation to goods or services- (a) with which he is connected in the course of trade; and (b) in respect of which the trade mark remains registered for the time being; and (c) by consent of such registered proprietor in a written agreement; and (d) which complies with any conditions or limitations to which such user is subject and to which the registration of the trade mark is subject; (

s) 'prescribed' means prescribed by rules made under this Act; (t) 'register' means the Register of Trade Marks referred to in sub-section (1) of section 6; (u) 'registered' (with its grammatical variations) means registered under this Act; (v) 'registered proprietor' in relation to a trade mark, means the person for the time being entered in the register as proprietor of the trade mark; (w) 'registered trade mark' means a trade mark which is actually on the register and remaining in force; (x) 'registered user' means a person who is for the time being registered as such under section 49; (y) 'Registrar' means the Registrar of Trade Marks referred to in

**99%**

**MATCHING BLOCK 184/322**

**SA**

FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

section 3; (z) 'Service' means service of any description which is made available to potential users and includes the provision of services in connection with business of any industrial or commercial matters such as banking, communication, education, financing, insurance, chit funds, real estate, transport, storage, material treatment, processing, supply of electrical or other energy, boarding, lodging, entertainment, amusement, construction, repair, conveying of news or information and advertising; (

za) 'trade description' means any description, statement or other indication, direct or indirect, - (i) as to the number, quantity, measure, gauge or weight of any goods; or (ii) as to the standard of quality of any goods NSOU PGCO-IV 110 or services according to a classification commonly used or recognised in the trade; or (iii) as to fitness for the purpose, strength, performance or behaviour of any goods, being 'drug' as defined in the Drugs and Cosmetics Act, 1940 (23 of 1940), or 'food' as defined in the Prevention of Food Adulteration Act, 1954 (37 of 1954); or (iv) as to the place or country in which or the time at which any goods or services were made, produced or provided, as the case may be; or (v) as to the name and address or other indication of the identity of the manufacturer or of the person providing the services or

**90%**

**MATCHING BLOCK 185/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

of the person for whom the goods are manufactured or services

are provided; or (vi) as to the mode of manufacture or producing any goods or providing services; or (vii) as to the material of which any goods are composed; or (viii) as to any goods being the subject of an existing Patent, privilege or Copyright, and includes- (a) any description as to the use of any mark which according to the custom of the trade is commonly taken to be an indication of any of the above matters; (b) the description as to any imported goods contained in any bill of entry or shipping bill; (c) any other description which is likely to be misunderstood or mistaken for all or any of the said matters; (

**100%****MATCHING BLOCK 186/322****SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

zb) 'trade mark' means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours; and- (i) in relation to Chapter XII (other than section 107), a registered trade mark or a mark used in relation to goods or services for the purpose of indicating or so as to indicate a connection in the course of trade between the goods or services, as the case may be, and some person having the right as proprietor to use the mark; and (ii) in relation to other provisions of this Act, a mark used or proposed to be used in relation to goods or services for the purpose of indicating or so as to indicate a connection in the course of trade between the goods or services, as the case may be, and some person having the right, either as proprietor or by way of permitted user, to use the mark whether with or without any indication of the identity of that person, and includes a certification trade mark or collective mark;

NSOU PGCO-IV 111 (zc) 'transmission' means transmission by operation of law, devolution on the personal representative of a deceased person and any other mode of transfer, not being assignment; (zd) 'Technical Member' means a Member who is not a Judicial Member; (ze) 'tribunal' means the Registrar or, as the case may be, the Appellate Board, before which the proceeding concerned is pending; (zf) 'Vice-Chairperson' means a Vice-Chairperson of the Appellate Board; (

**100%****MATCHING BLOCK 187/322****SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

zg) 'well known trade mark' in relation to any goods or services, means a mark which has become so to the substantial segment of the public which uses such goods or receives such services that the use of such mark in relation to other goods or services would be likely to be taken as indicating a connection in the course of trade or rendering of services between those goods or services and a person using the mark in relation to the first-mentioned goods or services. (2)

In this Act, unless the context otherwise requires, any reference— (a) to 'trade mark' shall include reference to 'collective mark' or 'certification trade mark'; (b) to the use of a mark shall be construed as a reference to the use of printed or other visual representation of the mark; (c) to the use of a mark, - (i) in relation to goods, shall be construed as a reference to the use of the mark

**87%****MATCHING BLOCK 189/322****SA**

FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

upon, or in any physical or in any other relation whatsoever, to

such goods; (ii) in relation to services, shall be construed as a reference to the use of the mark as

**96%****MATCHING BLOCK 190/322****SA**

FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

or as part of any statement about the availability, provision or performance of such services; (

d) to the Registrar shall be construed as including a reference to any officer when discharging the functions of the Registrar in pursuance of sub-section (2) of section 3; (e) to the Trade Marks Registry shall be construed as including a reference to any office of the Trade Marks Registry. (3) For the purposes of this Act, goods and services are associated with each other if it is likely that those goods might be sold or otherwise traded in and those services might be provided by the same business and so with descriptions of goods and descriptions of services. (4) For the purposes of this Act, 'existing registered trade mark' means a trade mark registered under the Trade and Merchandise Marks Act, 1958 (43 of 1958) immediately before the commencement of this Act.

NSOU PGCO-IV 112 Appointment of Registrar and other officers-(1)

**100% MATCHING BLOCK 188/322**

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The Central Government may, by notification in the Official Gazette, appoint

a person to be known as

**100% MATCHING BLOCK 192/322**

**SA**

Final Book in Word.doc (D154488135)

the Controller- General of Patents, Designs and Trade Marks, who

shall be the Registrar of Trade Marks for the purposes of this Act. (2) The Central Government may appoint such other officers with such designations as it thinks fit for the purpose of discharging, under

**85% MATCHING BLOCK 191/322**

**W**

the superintendence and direction of the Registrar, such functions of the Registrar under this Act as he may from time to time

authorise them to discharge. Power of Registrar to withdraw or transfer cases, etc.- Without prejudice to the generality of the provisions of sub-section (2) of section 3, the Registrar may, by order in writing and for reasons to be recorded therein, withdraw any matter pending before an officer appointed under the said sub-section (2) and deal with such matter himself either de novo or from the stage it was so withdrawn or transfer the same to another officer so appointed who may, subject to special directions in the order of transfer,

**82% MATCHING BLOCK 195/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

proceed with the matter either de novo or from the stage it was so transferred.

Trade Marks Registry and offices thereof.- (1) For the purposes of this Act, there shall be a trade marks registry and the Trade Marks Registry established under the Trade and Merchandise Marks Act, 1958 (43 of 1958) shall be the Trade Marks Registry under this Act. (2) The head office of the Trade Marks Registry

**100% MATCHING BLOCK 196/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

shall be at such place as the Central Government may

specify, and for the purpose of facilitating the registration of Trade Marks, there may be established at such places as the Central Government may think fit branch offices of the Trade Marks Registry. (3)

**100% MATCHING BLOCK 193/322**

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The Central Government may, by notification in the Official Gazette,

define the territorial limits within which an office of the Trade Marks Registry may exercise its functions. (4) There shall be a seal of the Trade Marks Registry. The Register of Trade Marks- (1) For the purposes of this Act, a record called the Register of Trade Marks shall be kept at the head office of the Trade Marks Registry, wherein shall be entered all registered Trade Marks with the names, addresses and description of the proprietors, notifications of assignment and transmissions, the names, addresses and descriptions of registered users, conditions, limitations and such other matter relating to registered Trade Marks as may be prescribed. (2) Notwithstanding anything contained in sub-section (1), it shall be lawful for the Registrar to keep the records wholly or partly in computer floppies diskettes or in any other electronic form subject to such safeguards as may be prescribed. (3) Where such register is maintained wholly or partly on computer under sub-section (2) any reference

NSOU PGCO-IV 113 in this Act to entry in the Register shall be construed as the reference to any entry as maintained on computer or in any other electronic form. (4) No notice of any trust, express or implied or constructive, shall be entered in the register and no such notice shall be receivable by the Registrar. (5) The register shall be kept under the control and management of the Registrar. (6) There shall be kept at each branch office of the Trade Marks Registry a copy of the register and such of the other documents mentioned in section 148

**100% MATCHING BLOCK 194/322**

**W**

as the Central Government may, by notification in the Official Gazette,

direct. (7) The Register of Trade Marks, both Part A and Part B, existing at the commencement of this Act, shall be incorporated in and form part of the register under this Act. Registration of parts of Trade Marks and of Trade Marks as a series.- (1) Where the proprietor of a trade mark claims to be entitled to the exclusive use of any part thereof separately, he may apply to register the whole and the part as separate Trade Marks. (2) Each such separate trade mark shall satisfy all the conditions applying to and have all the incidents of, an independent trade mark. (3) Where a person claiming to be the proprietor of several trade marks in respect of the same or similar goods or services or description of goods or description of services, which, while resembling each other in the material particulars thereof, yet differ in respect of- (a) statement of the goods or services in relation to which they are respectively used or proposed to be used; or (b) statement of number, price, quality or names of places; or (c) other matter of a non-distinctive character which does not substantially affect the identity of the trade mark; or (d) colour, seeks to register those Trade Marks, they may be registered as a series in one registration. Registration of Trade Marks as associated Trade Marks.- (1) Where a trade mark which is registered, or is the subject of an application for registration, in respect of any goods or services is identical with another trade mark which is registered, or is the subject of an application for registration, in the name of the same proprietor in respect of the same goods or description of goods or same services or description of services or so nearly resembles it as to be likely to deceive or cause confusion if used by a person other than the proprietor, the Registrar may, at any time, require that the trade marks shall be entered on the register as associated Trade Marks. (2) Where there is an identity or near resemblance of marks that are registered, or are the subject of applications for registration in the name of the same proprietor, in respect of goods and services which are associated with those goods or services, or goods or services

NSOU PGCO-IV 114 of that description, sub-section (1) shall apply as it applies as where there is an identity or near resemblance of marks that are registered, or are the subject of applications for registration, in the name of the same proprietor in respect of the same goods or description of goods or same services or description of services. (3) Where a trade mark and any part thereof are, in accordance with the provisions of sub- section (1) of section 15, registered as separate trade marks in the name of the same proprietor, they shall be deemed to be, and shall be registered as, associated Trade Marks. (4) All Trade Marks registered in accordance with the provisions of sub- section (3) of section 15 as a series in one registration shall be deemed to be, and shall be registered as, associated Trade Marks. (5)

**100% MATCHING BLOCK 197/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

On application made in the prescribed manner by the registered proprietor

of two or more Trade Marks registered as associated Trade Marks, the Registrar may dissolve the association as respects any of them if he is satisfied that there would be no likelihood of deception or confusion being caused if that Trade Mark were used by any other person in relation to any of the goods or services or both in respect of which it is registered, and may amend the register accordingly. Effect of registration of parts of a mark- (1) When a trade mark consists of several matters, its registration shall confer on the proprietor exclusive right to the use of the trade mark taken as a whole. (2) Notwithstanding anything contained in sub- section (1), when a trade mark- (a) contains any part- (i) which is not the subject of a separate application by the proprietor for registration as a trade mark; or 15 (ii) which is not separately registered by the proprietor as a trade mark; or (b) contains any matter which is common to the trade or is otherwise of a non-distinctive character, the registration thereof shall not confer any exclusive right in the matter forming only a part of the whole of the trade mark so registered.

**100% MATCHING BLOCK 198/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

Duration, renewal, removal and restoration of registration.-(1) The registration of a

trade mark, after the commencement of this Act,

**100% MATCHING BLOCK 199/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

shall be for a period of ten years, but may be renewed from time to time in accordance with the provisions of this section. (2) The

Registrar shall, on application made by the registered proprietor of a trade mark in the prescribed manner

**90% MATCHING BLOCK 200/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

and within the prescribed period and subject to payment of the prescribed fee, renew the registration of the trade mark for a period of ten years from the date of expiration of the original registration or of the last renewal of registration, as the case may be (which date is in this section referred to as the expiration of the last registration). (3) At the prescribed time before the expiration of the last registration of a

trade mark

**80% MATCHING BLOCK 201/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

the Registrar shall send notice in the prescribed manner to the registered proprietor of the date of NSOU PGCO-IV 115 expiration and the conditions as to payment of fees and otherwise upon which a renewal of registration may be obtained, and, if at the expiration of

the

**100% MATCHING BLOCK 203/322 SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

time prescribed in that behalf those conditions have not been duly complied with the Registrar may remove the

trade mark from the register provided that the Registrar shall not remove the trade mark from the register if an application is made in the prescribed form and the prescribed fee and surcharge is paid within six months from the expiration of the last registration of the trade mark and shall renew

**83%**

**MATCHING BLOCK 202/322**

**SA**

FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

the registration of the trade mark for a period of ten years

under sub-section (2). (4)  
Where a trade mark

**100%**

**MATCHING BLOCK 204/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

has been removed from the register for non-payment of the prescribed fee, the Registrar shall, after six months and within one year from the expiration of the last registration of the

trade mark,

**100%**

**MATCHING BLOCK 205/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

on receipt of an application in the prescribed form and on payment of the prescribed fee, if satisfied that it is just so to do, restore the

trade mark

**67%**

**MATCHING BLOCK 206/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

to the register and renew the registration of the trade mark either generally or subject to such conditions or limitations as he thinks fit to impose, for a period of ten years from the expiration of the last registration.

**100%**

**MATCHING BLOCK 207/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

Absolute grounds for refusal of registration.- (1) The trade marks- (a) which are devoid of any distinctive character, that is to say, not capable of distinguishing the goods or services of one person from those of another person; (b) which consist exclusively of marks or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, values, geographical origin or the time of production of the goods or rendering of the service or other characteristics of the goods or service; (c) which consist exclusively of marks or indications which have become customary in the current language or in the bona fide and established practices of the trade, shall not be registered:

Provided that a trade mark shall not be refused registration if before the date of application for registration it has acquired a distinctive character as a result of the use made of it or is a well-known trade mark. (2)

**100%**

**MATCHING BLOCK 208/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

A mark shall not be registered as a trade mark if- (a) it is of such nature as to deceive the public or cause confusion; (b) it contains or comprises of any matter likely to hurt the religious susceptibilities of any class or section of the citizens of India; (c) it comprises or contains scandalous or obscene matter; (d) its use is prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950 (12 of 1950). (3) A mark shall not be registered as a trade mark if it consists exclusively of- (a) the shape of goods which results from the nature of the goods themselves; or (b) the shape of goods which is necessary to obtain a technical result; or (c) the shape which gives substantial value to the goods.

Explanation.-For the purposes of this section, the nature of goods

NSOU PGCO-IV 116 or services in relation to which the trade mark is used or proposed to be used shall not be a ground for refusal of registration. Limitation as to colour-(1) A trade mark may be limited wholly or in part to any combination of colours and any such limitation shall be taken into consideration by the tribunal having to decide on the distinctive character of the trade mark. (2) So far as a trade mark is registered without limitation of colour, it shall be deemed to be registered for all colours. Relative grounds for refusal of registration.- Save as provided in section 12, a trade mark shall not be registered if, because of- (a) its identity with an earlier trade mark and similarity of goods or services covered by the trade mark; or (b) its similarity to an earlier trade mark and the identity or similarity of the goods or services covered by the trade mark, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark. A trade mark which- (a)

**88%**      **MATCHING BLOCK 209/322**      **SA** Arjun - IPR Chapter .docx (D142539833)

is identical with or similar to an earlier trade mark; and (b) is to be registered for goods or services which are not similar to those for which the earlier

trade mark is registered in the name of a different proprietor, shall not be registered if or to the extent the earlier trade mark is a well-known trade mark

**100%**      **MATCHING BLOCK 210/322**      **SA** Arjun - IPR Chapter .docx (D142539833)

in India and the use of the later mark without due cause would take unfair advantage of or be detrimental to the distinctive character or repute of the earlier

trade mark. A trade mark shall not be registered if, or to the extent that, its use in India is liable to be prevented- (a) by virtue of any law in particular the law of passing off protecting an unregistered trade mark used in the course of trade; or (b) by virtue of law of Copyright. Nothing in this section shall prevent the registration of a trade mark where the proprietor of the earlier trade mark or other earlier right consents to the registration, and in such case the Registrar may register the mark under special circumstances under section 12. Explanation.-For the purposes of this section, earlier trade mark means- (a) a registered trade mark or an application under section 18 bearing an earlier date of filing or an international registration referred to in section 36E or convention application referred to in section 154 which has a date of application earlier than that of the trade mark in question, taking account, where appropriate, of the priorities claimed in respect of the Trade Marks; (b) a trade mark which, on the date of the application for registration of the trade mark in question, or where

NSOU PGCO-IV 117 appropriate, of the priority claimed in respect of the application, was entitled to protection as a well-known trade mark. (5) A trade mark

**95%**      **MATCHING BLOCK 212/322**      **SA** Arjun - IPR Chapter .docx (D142539833)

shall not be refused registration on the grounds specified in sub-sections (2) and (3), unless objection on any one or more of those grounds is raised in opposition proceedings by the proprietor of the earlier

trade mark. (6) The Registrar shall, while determining whether a trade mark is a well-known trade mark, take into account any fact which he considers relevant for determining a trade mark as a well-known trade mark including- (i) the knowledge or recognition of that trade mark in the relevant section of the public including knowledge in India obtained as a result of promotion of the trade mark; (ii) the duration, extent and geographical area of any use of that trade mark; (iii) the duration, extent and geographical area of any promotion of the trade mark, including advertising or publicity and presentation, at fairs or exhibition of the goods or services to which the trade mark applies; (iv) the duration and geographical area of any registration of or any application for registration of that trade mark under this Act to the extent that they reflect the use or recognition of the trade mark; (v) the record of successful enforcement of the rights in that trade mark, in particular the extent to which the trade mark has been recognised as a well-known trade mark by any court or Registrar under that record. The Registrar shall, while determining as to whether a trade mark is known or recognised in a relevant section of the public for the purposes of sub-section (6), take into account- (i) the number of actual or potential consumers of the goods or services; (ii) the number of persons involved in the channels of distribution of the goods or services;

**100% MATCHING BLOCK 211/322**

**W**

Subs. by Act 40 of 2010, s. 2, for clause (a) (w.e.f. 8-7-2013). (

iii) the business circles dealing with the goods or services, to which that trade mark applies. Where a trade mark has been determined to be well known in at least one relevant section of the public in India by any court or Registrar, the Registrar shall consider that trade mark as a well-known trade mark for registration under this Act. The Registrar shall not require as a condition, for determining whether a trade mark is a well-known trade mark, any of the following, namely:- (i) that the trade mark has been used in India; (ii) that the trade mark has been registered; (iii) that the application for registration of the trade mark has been filed in India; (iv) that the trade mark- (a) is well-known in; or (b) has been registered in; or (c) in respect of which an application for registration has been filed in, any jurisdiction other than India, or (v) that the trade mark is well-known to the public at large in India.

NSOU PGCO-IV 118 While considering an application for registration of a trade mark and opposition filed in respect thereof, the Registrar shall- (i) protect a well-known trade mark against the identical or similar Trade Marks; (ii) take into consideration the bad faith involved either of the applicant or the opponent affecting the right relating to the trade mark. Where a trade mark has been registered in good faith disclosing the material information to the Registrar or where right to a trade mark has been acquired through use in good faith before the commencement of this Act, then, nothing in this Act shall prejudice the validity of the registration of that trade mark or right to use that trade mark on the ground that such trade mark

**100% MATCHING BLOCK 213/322**

**SA** FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

is identical with or similar to a well-known trade mark.



Registration in the case of honest concurrent use, etc.-In the case of honest concurrent use or of other special circumstances which in the opinion of the Registrar, make it proper so to do, he may permit the registration by more than one proprietor of the trade marks which are identical or similar (whether any such trade mark is already registered or not) in respect of the same or similar goods or services, subject to such conditions and limitations, if any, as the Registrar may think fit to impose. Prohibition of registration of names of chemical elements or international non-proprietary names-No word- (a) which is the commonly used and accepted name of any single chemical element or any single chemical compound (as distinguished from a mixture) in respect of a chemical substance or preparation, or (b) which is declared by the World Health Organisation and notified in the prescribed manner by the Registrar from time to time, as an international non-proprietary name or which is deceptively similar to such name, shall be registered as a trade mark and any such registration shall be deemed for the purpose of section 57 to be an entry made in the register without sufficient cause or an entry wrongly remaining on the register, as the circumstances may require. Use of names and representations of living persons or persons recently dead- Where an application is made for the registration of a trade mark which falsely suggests a connection with any living person, or a person whose death took place within twenty years prior to the date of application for registration of the trade mark, the Registrar may, before he proceeds with the application, require the applicant to furnish him with the consent in writing of such living person or, as the case may be, of the legal representative of the deceased person to the connection appearing on the trade mark, and may refuse to proceed with the application unless the applicant furnishes the Registrar with such consent.

NSOU PGCO-IV 119 Penalty Meaning of applying Trade Marks and trade descriptions-(1) A person shall be deemed to apply a trade mark or mark or trade description to goods or services who- (a) applies it to the goods themselves or uses it in relation to services; or (b) applies it to any package in or with which the goods are sold, or exposed for sale, or had in possession for sale or for any purpose of trade or manufacture; or (c) places, encloses or annexes any goods which are sold, or exposed for sale, or had in possession for sale or for any purpose of trade or manufacture, in or with any package or other thing to which a trade mark or mark or trade description has been applied; or (d) uses a trade mark or mark or trade description in any manner reasonably likely to lead to the belief that the goods or services in connection with which it is used are designated or described by that trade mark or mark or trade description; or (e) in relation to the goods or services uses a trade mark or trade description in any sign, advertisement, invoice, catalogue, business letter, business paper, price list or other commercial document and goods are delivered or services are rendered to a person in pursuance of a request or order made by reference to the trade mark or trade description as so used. (2) A trade mark or mark or trade description shall be deemed to be applied to goods whether it is woven in, impressed on, or otherwise worked into, or annexed or affixed to, the goods or to any package or other thing. Falsifying and falsely applying Trade Marks-(1) A person shall be deemed to falsify a Trade Mark who either, - (a) without the assent of the proprietor of the Trade Mark makes that trade mark or a deceptively similar mark; or (b) falsifies any genuine trade mark, whether by alteration, addition, effacement or otherwise. (2) A person shall be deemed to falsely apply to goods or services a trade mark who, without the assent of the proprietor of the trade mark, - (a) applies such trade mark or a deceptively similar mark to goods or services or any package containing goods; (b) uses any package bearing

**100%**

**MATCHING BLOCK 215/322**

**SA**

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a mark which is identical with or deceptively similar to the

trade mark of such proprietor, for the purpose of packing, filling or wrapping therein any goods other than the genuine goods of the proprietor of the trade mark. (3) Any trade mark falsified as mentioned in sub-section (1) or falsely applied as mentioned in sub- section (2), is in this Act referred to as a false trade mark. [6th October, 2003,

**82%**

**MATCHING BLOCK 214/322**

**W**

vide Notification No. S.O. 1150 (E), dated 1st October, 2003, Gazette of India, Extraordinary Part II, sec. 3(ii)]. 40 (4)

In any prosecution for falsifying a trade mark

NSOU PGCO-IV 120 or falsely applying a trade mark to goods or services, the burden of proving the assent of the proprietor shall lie on the accused. Penalty for applying false Trade Marks, trade descriptions, etc.-Any person who- (a) falsifies any trade mark; or (b) falsely applies to goods or services any trade mark; or (c)

**95%** **MATCHING BLOCK 217/322** **SA** FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)

makes, disposes of, or has in his possession, any die, block, machine, plate or other instrument for the purpose of falsifying or of being used for falsifying, a trade mark;

or (d) applies any false trade description to goods or services; or (e) applies to any goods

**95%** **MATCHING BLOCK 218/322** **SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

to which an indication of the country or place in which they were made or produced or the name and address of the manufacturer or person for whom the goods are manufactured

is required to be applied under section 139, a false indication of such country, place, name or address; or (f) tampers with, alters or effaces an indication of origin which has been applied to any goods to which it is required to be applied under section 139; or (g) causes any of the things above mentioned in this section to be done, shall, unless he proves that he acted, without intent to defraud,

**97%** **MATCHING BLOCK 216/322** **W**

be punishable with imprisonment for a term which shall not be less than 6 months but which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees: Provided that the

court may, for adequate and special reasons to be mentioned in the judgment, impose a sentence of imprisonment for a term of less than six months or a fine of less than fifty thousand rupees.

**98%** **MATCHING BLOCK 221/322** **SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

Penalty for selling goods or providing services to which false trade mark or false trade description is applied-Any person who sells, lets for hire or exposes for sale, or hires or has in his possession for sale, goods or things, or provides or hires services, to which any false trade mark or false trade description is applied or which, being required under section 139 to have applied to them an indication of the country or place in which they were made or produced or the name and address of the manufacturer, or person for whom the goods are manufactured or services provided, as the case may be, are without the indications so required, shall, unless he proves,- (a) that, having taken all reasonable precautions against committing an offence against this section, he had at the time of commission of the alleged offence no reason to suspect the genuineness of the trade mark or trade description or that any offence had been committed in respect of the goods or services; or (b) that, on demand by or on behalf of the prosecutor, he gave all the information in his power with respect to the person from whom he obtained such goods or things or services; or (c) that otherwise NSOU PGCO-IV 121 he had acted innocently, be punishable with imprisonment for a term which shall not be less than six months but which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees provided that the court may, for adequate and special reasons to be mentioned in the judgment, impose a sentence of imprisonment for a term of less than six months or a fine of less than fifty thousand rupees. 6.4

The Consumer Protection Act, 1986 The industrial revolution and the development in the international trade and commerce has led to the vast expansion of business and trade, as a result of which a variety of consumer goods have appeared in the market to cater to the needs of the consumers and a host of services have been made available to the consumers like insurance, transport, electricity, housing, entertainment, finance and banking. A well organised sector of manufacturers and traders with better knowledge of markets has come into existence, thereby affecting the relationship between the traders and the consumers making the principle of consumer sovereignty almost inapplicable. The advertisements of goods and services in television, newspapers and magazines influence the demand for the same by the consumers though there may be manufacturing defects or imperfections or short comings in the quality, quantity and the purity of the goods or there may be deficiency in the services rendered. In addition, the production of the same item by many firms has led the consumers, who have little time to make a selection, to think before they can purchase the best. For the welfare of the public, the glut of adulterated and sub-standard articles in the market has to be checked. In spite of various provisions providing protection to the consumer and providing for stringent action against adulterated and sub-standard articles in the different enactments like Code of Civil Procedure, 1908, the Indian Contract Act, 1872, the Sale of Goods Act, 1930, the Indian Penal Code, 1860, the Standards of Weights and Measures Act, 1976 and the Motor Vehicles Act, 1988, very little could be achieved in the field of Consumer Protection. Though the Monopolies and Restrictive Trade Practices Act, 1969 and the Prevention of Food Adulteration Act, 1954 have provided relief to the consumers yet it became necessary to protect the consumers from the exploitation and to save them from adulterated and sub-standard goods and services and to safe guard the interests of the consumers. In order to provide for better protection of the interests of the consumer the Consumer

NSOU PGCO-IV 122 Protection Bill, 1986 was introduced in the Lok Sabha on 5th December, 1986. The Consumer Protection Bill, 1986 seeks to provide for better protection of the interests of consumers and for the purpose, to make provision for the establishment of Consumer councils and other authorities for the settlement of consumer disputes and for matter connected therewith. It seeks, inter alia, to promote and protect the rights of consumers such as- (a) the right to be protected against marketing of goods which are hazardous to life and property; (b) the right to be informed about the quality, quantity, potency, purity, standard and price of goods to protect the consumer against unfair trade practices; (c) the right to be assured, wherever possible, access to an authority of goods at competitive prices; (d) the right to be heard and to be assured that consumers interests will receive due consideration at appropriate forums; (e) the right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers; and (f) right to consumer education. These objects are sought to be promoted and protected by the Consumer Protection Council to be established at the Central and State level. To provide speedy and simple redressal to consumer disputes, quasi-judicial machinery is sought to be setup at the district, State and Central levels. These quasi-judicial bodies will observe the principles of natural justice and have been empowered to give relief of a specific nature and to award, wherever appropriate, compensation to consumers. Penalties for noncompliance of the orders given by the quasi-judicial bodies have also been provided. The Central Consumer Protection Council The Central Government shall, by notification, establish with effect from such date as it may specify in such notification, a Council to be known as the Central Consumer Protection Council (hereinafter referred to as the Central Council). The Central Council shall consist of the following members, namely:- (a) the Minister in charge of the consumer affairs in the Central Government, who shall be its Chairman, and (b) such number of other official or non-official members representing such interests as may be prescribed. Procedure for meetings of the Central Council: The Central Council shall meet as and when necessary, but at least one meeting of the Council shall be held every year. The Central Council shall meet at such time and place as the Chairman may think fit and shall observe such procedure in regard to the transaction of its business as may be prescribed.

NSOU PGCO-IV 123 Objects of the Central Council : The objects of the Central Council shall be to promote and protect the rights of the consumers such as,- (a) the right to be protected against the marketing of goods and services which are hazardous to life and property; (b) the right to be informed about the quality, quantity, potency, purity, standard and price of goods or services, as the case may be so as to protect the consumer against, unfair trade practices; (c) the right to be 'assured, wherever possible, access to a variety of goods and services at competitive prices; (d) the right to be heard and to be assured that consumer's interests will receive due consideration at appropriate Fora; (e) the right to seek redressal against unfair trade practices 3[or restrictive trade practices or unscrupulous exploitation of consumers; and (f) the right to consumer education. The State Consumer Protection Councils : (l) The State Government shall, by notification, establish with effect from such date as it may specify in such notification, a Council to be known as the Consumer Protection Council for (hereinafter referred to as the State Council). [(2) The State Council shall consist of the following members, namely : (a) the Minister in-charge of consumer affairs in the State Government who shall be its Chairman; (b) such number of other official or non-official members representing such interests as may 'be prescribed by the State Government. (c) such number of other official or non-official members, not exceeding ten, as may be nominated by the Central Government.) (3) The State Council shall meet as and when necessary but not less than two meetings shall be held every year.

**70% MATCHING BLOCK 219/322**

**W**

Subs. by Act 50 of 1993, sec. 3 (w.e.f. 18-6-1993). 2. Subs. by Act 50 of 1993, sec. 4 (w.e.f. 18-6-1993). 3. Ins. by Act 50 of 1993, sec. 5 (w.e.f. 18-6-1993). 4. Subs. by Act 50 of 1993, sec. 6 (w.e.f. 18-6- 1993). (4)

The State Council shall meet at such time and place as the Chairman think fit and shall observe such procedure in regard to the transaction of its business as may be prescribed by the State Government. Objects of the State Council : The objects of every State Council shall be to promote and protect within the State the rights of the consumers laid down in clauses (a) to (f) of section 6. The District Consumer Protection Council - (1) The State Government shall establish for every district, by notification, a council to be known as the District Consumer Protection Council with effect from such date as it may specify in such notification. (2) The District Consumer Protection Council (hereinafter referred to as the District Council) shall consist of the following members, namely - NSOU PGCO-IV 124 (a) the Collector of the district (by whatever name called), who shall be its Chairman; and (b) such number of other official and non-official members representing such interests as may be prescribed by the State Government. (3) The District Council shall meet as and when necessary but not less than two meetings shall be held every year. (4) The District Council shall meet as such time and place within the district as the Chairman may think fit and shall observe such procedure in regard to the transaction of its business as may be prescribed by the State Government.) Objects of the District Council : The objects of every District Council shall be to promote and protect within the district the rights of the consumers laid down in clauses (a) to (f) of section 6.) Establishment of Consumer Disputes Redressal Agencies :

**100% MATCHING BLOCK 222/322**

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Abhishek Pandey @ 9.7.2021.docx (D110295562)

There shall be established for the purposes of this Act,

the following agencies, namely:- (a) a Consumer Disputes Redressal Forum to be known as the "District Forum" established by the State Government 1[\* \* \*] in each district of the State by notification provided that the State Government may, if it deems fit, establish more than one District Forum in a district; (b) a Consumer Disputes Redressal Commission to be known as the "State Commission" established by the State Government in the State by notification; and (c) a National Consumer Disputes Redressal Commission established by the Central Government by notification.

Composition of the District Forum (I) Each District Forum shall consist of,- (a) a person who is, or has been, or is qualified to be a District Judge, who shall be its President; (b) two other members, one of whom shall be a woman, who shall have the following qualifications, namely:- (i) be not less than thirty-five years of age, (ii) possess a bachelor's degree from a recognized university, (iii) be persons of ability, integrity and standing, and have adequate problems relating to economics, law, commerce, accountancy, industry public affairs or administration provided that a person shall be disqualified for appointment as a member, if he- (a) has been convicted and sentenced to imprisonment for an offence which, in the opinion of the State Government, involves moral turpitude; or (b) is not a discharged insolvent; or (c) is of unsound mind and stands so declared by a competent court; or (d) has been removed or dismissed from the service of the Government or a body corporate owned or controlled by the Government; or (e) has, in the opinion of the state Government, such financial or other interest as is likely to NSOU PGCO-IV 125 affect prejudicially the discharge by him of his functions as a member; or (f) has such other disqualifications as may be prescribed by the State Government;)

**70%**

**MATCHING BLOCK 220/322**

**W**

Omitted by Act 50 of 1993, sec. 7 (w.e.f. 18-6-1993). 2. Ins. by Act 50 of 1993, sec. 7 (w.e.f. 18-6-1993). 3. Omitted by Act 50 of 1993, sec. 7 (w.e.f. 18-6-1993). 4. Subs. by Act 50 of 1993, sec. 8 (w.e.f. 18-6-1993). (

IA) Every appointment under sub-section (I) shall be made by the State Government on the recommendation of a selection committee consisting of the following, namely :- (i) the President of the State Commission - Chairman. (ii) Secretary, Law Department of the State - Member. (iii) Secretary, in-charge of the Department - Member dealing with consumer affairs in the State Provided that where the President of the state Commission is, by reason of absence or otherwise, unable to act as Chairman of the Selection Committee, the State Government may refer the matter to the Chief Justice of the High Court for nominating a sitting Judge of that High Court to act as Chairman) (2) Every member of the District Forum shall hold office for a term of five years or up to the age of 65 years, whichever is earlier. Provided that a member shall be eligible for re-appointment for another term of five years or up to the age of sixty-five years, whichever is earlier, subject to the condition that he fulfils the qualifications and other conditions for appointment mentioned in clause (b) of sub-section (1) and such re-appointment is also made on the basis of the recommendation of the Selection Committee. Provided further that a member may resign his office in writing under his hand addressed to the State Government and on such resignation being accepted, his office shall become vacant and may be filled by appointment of a person possessing any of the qualifications mentioned in sub-section (1) in relation to the category of the member who is required t be appointed under the provision of sub-section (1A) in place of the person who has resigned: Provided also that a person appointed as the President or as a member, before the commencement of the Consumer Protection (Amendment) Act, 2002, shall continue to hold such office as President or member, as the case may be, till the completion of his term. (3) The salary or honorarium and other allowances payable to, and the other terms and conditions of service of the members of the District Forum shall be such as may be prescribed by the State Government. (Provided that the appointment of a member on whole-time basis shall be made by the state Government on the recommendation of the President of the State Commission taking into consideration such factors as may be prescribed including the work load of the District Forum).

NSOU PGCO-IV 126 6.4.1 Modified Consumer's Protection Act, 2019 Proposed benefits :

**91%**

**MATCHING BLOCK 223/322**

**W**

Definition of the consumer to include e-commerce Enhancement of pecuniary jurisdiction A complaint can be filed where the consumer is located and not the opposite party Penalties enhanced Alternate Dispute Resolution (Mediation) E-filing of complaints (Rules to be framed) Consumer Protection Act, 2019 was passed on 9th August, 2019. It is a repealing statute, thereby repealing more than three decade old law of Consumer Protection Act, 1986. Objectives : Establishment of the Central Consumer Protection Authority (CCPA) Product Liability Option Establishment of the Mediation Centre Introduce Filing by Video Conferencing The imposition of higher penalties. E-commerce included within the ambit of Consumer Protection. Comparative Analysis: Consumer protection act, 1986 (Old act) v. Consumer protection act, 2019 (New act) Key points Pecuniary jurisdiction Old act District forum (upto 20 lacs) State commission (from 20 lacs to 1 crore)National commission (from 1 crore and above) New act District forum (upto 1 crore)State commission (from 1 crore to 10 crore) National commission (from 10 crore and above) NSOU PGCO-IV 127 Mrp/purchase price

Territorial jurisdiction Regulator Mediation Appeal E-commerce Review Unfair terms and conditions Authority Composition of state commission Earlier MRP was a criteria to decide pecuniary jurisdiction Where seller has office No such provision No such provision

**100%**

**MATCHING BLOCK 224/322**

**W**

Earlier 30 days period for appeal against the order of District forum (Section 15) Earlier 50% or 25,000 whichever is less is to be deposited

Earlier no specific mention Earlier DCF did not have the power to review No such provision District consumer forum State consumer forum National Consumer Dispute Redressal Commission President and 2 other members

**75%**

**MATCHING BLOCK 227/322**

**W**

Now discounted price/ actual purchase price is criteria Where complainant resides or works Central Consumer protection authority to be formed Court can refer for settlement through mediation (Section 80)

**92%****MATCHING BLOCK 225/322****W**

Now it is 45 days (Section 41) Now 50% of award amount Now all provision applicable to direct seller has been extended to e-commerce Now DCF has power to review Section 49(2) and 59(2) of the new act gives power to the State Commission and NCDRC respectively to declare any terms of contract, which is unfair to any consumer, to be null and void District commission State commission National Consumer Dispute Redressal Commission President and 4 other members NSOU PGCO-IV 128 Meditation under the Consumer Protection Act, 2019 (Section 74) The State Governments shall establish a consumer mediation cell to be attached to each of District Commissions and State Commissions of state. (Section 74(1)) Central Government shall establish consumer mediation cell to be attached to the National Commission (Section 74(2)) Holding companies accountable for the default in service or manufacture is the essence of the Consumer Protection Act. The following is how a product manufacturer and service provider can be held liable— Liability of product manufacturer under the Consumer Protection Act, 2019 (Section 84) Product manufacturer will be liable for— (a) Manufacturing defect in the product (b) Defective design of the product or (c) Deviation from manufacturing specifications or (d) Product not conforming to express warranty or (e) No adequate instructions of correct usage contained (in order to prevent harm or warning) Liability even if he proves that he was not negligent or fraudulent in making express warranty (Section 84(2)). Liability of product service provider (Section 85)- Product service provider will be liable if- (a) Service provided was faulty or imperfect or deficient or inadequate in quality, nature or manner of performance which is required by or under any law or pursuant to any contract (b) Act of omission or commission or negligence or conscious withholding information which caused harm (c) No adequate instructions or warnings issued to prevent harm (d) No conformity with express warranty or terms and conditions of the contract.

NSOU PGCO-IV 129

**100%****MATCHING BLOCK 226/322****W**

Liability of product service provider (Section 86)- Product seller will be liable if— (a) Substantial control by him over designing, testing, manufacturing, packaging or labelling of product causing harm (b) he altered or modified the product (such alteration or modification being substantial factor in causing harm) (c) made express warranty independent of express warranty of manufacturer (and product failed to conform express warranty by product seller) (d) product sold by him and identity of manufacturer is now known or if known, service of notice or process cannot be effected (e) failed to exercise reasonable care in assembling, inspecting or maintaining product Exceptions to product liability action (Section 87) Product seller shall be exempted from liability if at time of harm, product was misused, altered or modified. Product manufacturer not to be liable if- (where product liability action is based on failure to provide adequate warnings or instructions) (a) Product purchased by the employer to be used at the workplace & warnings or instructions were provided to the employer. (b) Product sold as component or material for another product and harm was caused by the end product (c) Product was legally meant to be used or dispensed by or under supervision of an expert and warnings or instructions for such usage were given (d) Complainant while using the product was under the influence of alcohol or prescription drug (excluding drugs prescribed by a medical practitioner) (f) No liability in case of danger which is obvious or commonly known to the user or consumer

Source: <https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/>

NSOU PGCO-IV 130 6.5 Summary In business environment, political and legal environment deal with the factors which affect a business concern indirectly with lot of factors such as the current political party in power, the degree of politicization of trade and industry, the efficiency of the current government, government policies, current legal framework, the public attitude towards the economy, etc. All enterprises should take concern about different environmental factors (political, legal, demographic, economic, social and technological) for taking better decisions on firm's progress. Intellectual Property Rights (IPRs)

**67%**

**MATCHING BLOCK 228/322**

**SA**

Arjun - IPR Chapter .docx (D142539833)

refers to creation of the mind (inventions, literary and artistic works, designs and symbols, names and images) used in commerce.

Legal protection of IP, therefore, would

**100%**

**MATCHING BLOCK 229/322**

**SA**

Final Book in Word.doc (D154488135)

enable people to earn recognition or financial benefit from what they invent or create.

IPR encourages new creations, including technology, artwork, and inventions, that might increase economic growth. Intellectual property rights increase the incentives for individuals to continue to produce things that further create job opportunities and new technologies, while enabling our world to improve and evolve even faster. It can be found in practice through The Patents Act, 1970, The Copyright Act, 1957; The Trade Mark Act, 1999. Patent (The

**69%**

**MATCHING BLOCK 230/322**

**SA**

International Trade-Material I semester.docx (D146751176)

Patent Act, 1970) is a legal protection for a new, non-obvious and useful invention. It gives the Patent holder the exclusive right to make, use or sell the products or process. The main purpose of it is to benefit the society.

**96%**

**MATCHING BLOCK 231/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

Trade Mark means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours and (i) in relation to chapter XII (other than Section, 107), a registered Trade Mark or a Mark used in relation to goods or service for the purpose of indicating or as to indicate a connection in the course of Trade between the goods or services, as the case may be and some person having the right as proprietor to use the mark, (ii) In relation to other provisions of this Act, a mark used in relation to goods or services for the purpose of indicating or as to indicate a connection in the course of Trade between the goods or services, as the case may be and some perform having the right, either as proprietor or by way of permitted user, to use the mark whether with or without any indication of the identity of that person and includes a Certification Trade Mark or Collective Mark.

NSOU PGCO-IV 131 Copyright contains (

**100%**

**MATCHING BLOCK 232/322**

**SA**

Abhishek Pandey @ 9.7.2021.docx (D110295562)

a) original literary, dramatic, musical and artistic works; (b) cinematograph films; and (c) sound recording.



The industrial revolution and the development in the international trade and commerce has led to the vast expansion of business and trade, as a result of which a variety of consumer goods have appeared in the market to cater to the needs of the consumers and a host of services have been made available to the consumers like insurance, transport, electricity, housing, entertainment, finance and banking. A well organised sector of manufacturers and traders with better knowledge of markets has come into existence, thereby affecting the relationship between the traders and the consumers making the principle of consumer sovereignty almost inapplicable. The Consumer Protection Bill, 1986 seeks to provide for better protection of the interests of consumers and for the purpose, to make provision for the establishment of Consumer councils and other authorities for the settlement of consumer disputes and for matter connected therewith. It seeks, inter alia, to promote and protect the rights of consumers such as-

(a) the right to be protected against marketing of goods which are hazardous to life and property; (b) the right to be informed about the quality, quantity, potency, purity, standard and price of goods to protect the consumer against unfair trade practices; (c) the right to be assured, wherever possible, access to an authority of goods at competitive prices; (d) the right to be heard and to be assured that consumers interests will receive due consideration at appropriate forums; (e) the right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers; and (f) right to consumer education.

6.6 Questions Objective type: 1. Patent Act Was declared in (a)1990, (b) 1988, (c) 1970, (d) 2020. 2. Trade Mark Act was announced in (a) 2009, (b) 2019, (c) 1999, (d) 1990 3. Copyright Act was enacted in (a) 1947, (b) 1987, (c) 1957, (d) 1967. 4. Consumer Protection Act was declared in (a) 2000, (b) 1999, (c) 1986, (d) 1985 Short Answer type: 1. Define the term 'Patent' as per Patent Act, 1970. 2. Explain the concept of 'Copyright' under Copyright Act, 1957. NSOU PGCO-IV 132 3. Discuss the concept of Trade Mark under Trade Mark Act, 1999. What are the objectives of this Act? 4. Narrate the theme and objectives of Consumer Protection Act, 1986. Long Answer type: 1. Write notes on the following issues under Patent Act, 1970. (a) Grant of Patents, (b) Compulsory licences, (c) Surrender of Patents, (d) Revocation of Patent, (e) Rights of Patentees. 2. Write notes on the following issues under Copyright Act, 1957. (a) First owner of Copyright, (b) Registration of Copyright, (c) Infringement of Copyright. 3. Write notes on the following issues under Trade Mark Act, 1999. (a) Certification Trade Mark, (b) Collective Trade Mark, (c) Appointment of Registrar and other officers, (d) Power of Registrar to withdraw or transfer cases, etc. (e) Trade Marks Registry and offices thereof, (f) The Register of Trade Marks, (g) Absolute grounds for refusal of registration, (h) Limitation as to colour, (i) Relative grounds for refusal of registration, (j) Penalty. 4. Write notes on the following issues under Consumer Protection Act, 1986 (a) The Central Consumer Protection Council, (b) Procedure for meetings of the Central Council, (c) The State Consumer Protection Councils, (e) Establishment of Consumer Disputes Redressal Agencies. 6.7 Further Readings Cherunilam, F. (2012). Business Environment - Text and Cases (21st Revised Edition), Himalaya Publishing House. The Patent Act, 1970, Intellectual Property India <https://Copyright.gov.in/Documents/CopyrightRules1957.pdf> [https://www.indiacode.nic.in/bitstream/123456789/1993/1/A1999\\_47.pdf](https://www.indiacode.nic.in/bitstream/123456789/1993/1/A1999_47.pdf)

NSOU PGCO-IV 133 Unit 7 Natural Environment Structure 7.0 Objectives 7.1 Introduction 7.2 The Environmental Protection Act, 1986 7.3 Various pollution prevention laws in India 7.3.1

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The Water (Prevention and Control of Pollution) Act, 1974 7.3.2 Air (Prevention and Control of Pollution) Act, 1981 7.4

Summary 7.5 Questions 7.6 Further Readings 7.0 Objectives After going through the unit, you will be able to understand the— Various objectives of Environment Protection Act. Various of provisions of pollution prevention laws. 7.1 Introduction India in its constitution did not contain any provision for Natural Environmental protection. However, since 42nd Amendment to the Constitution, the Government prescribed the protection of environment i.e. forests, lakes, rivers and wildlife as a fundamental duty of the citizens of the country. This amendment also added new Directive Principles of State Policy, (Article 48A) which directed

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the State to protect and improve the environment and to safeguard forests and

wildlife. This unit throws light on The Environmental Protection Act, 1986 and the various pollution prevention laws in India -

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The Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 133

NSOU PGCO-IV 134 7.2 The Environmental Protection Act, 1986

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Government of India enacted Environment Protection Act (EPA) (1986) under Article 253 of the Constitution

which came into force on 19th November, 1986 in response to Bhopal Disaster after Wildlife Protection Act, 1972;

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The Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981.

The Act as in the introduction reflects that it is "an Act to provide for the protection and improvement of environment and for matters connected therewith. Whereas the decisions were taken at the United Nations Conference on the Human Environment held at Stockholm in June, 1972, in which India participated, to take appropriate steps for the protection and improvement of human environment. Whereas it is considered necessary further to implement the decisions aforesaid

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in so far as they relate to the protection and improvement of environment and the prevention of hazards to human beings, other living creatures, plants and property".

Therefore, the Act takes its objective as

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to implement the decisions of the United Nations Conference on the Human Environment where attempt was taken to protect and improve human environment through preventing hazards to human beings, other living creatures, plants and property. The Act plays as an "umbrella" legislation designed to provide a framework for Central Government coordination of the activities of various central and state authorities.

Objectives of the Environmental Protection Act, 1986 The chief objectives of the Environmental Protection

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Act, 1986 are: To implement the decisions made at the United Nations Conference on Human Environment held in

Stockholm. To create government authority to regulate industry that can issue direct orders including closure orders. To coordinate activities of different agencies operating under the existing laws and to create an authority or authorities for environment protection. To provide punishment to those who endanger human environment, safety and health. To enact sustainable development is also one of the goals of the EPA, 1986. If the act is not armed with the power to ensure sustainable development, it will become a barren shell. To enact general law on environmental protection which could cover uncovered

NSOU PGCO-IV 135 gaps in the areas of major environmental hazards as the existing laws generally focused on specific types of pollution or on specific categories of hazardous substances and some major areas of environmental were not covered. To attain protection of the right to life under Article 21 of the Constitution. Definitions under the Environmental Protection Act, 1986 In this Act, unless the context otherwise requires,— (a) "environment" includes water, air and land and the inter- relationship which exists among and between water, air and land, and human beings, other living creatures, plants, micro-organism and property; (b) "environmental pollutant" means any solid, liquid or gaseous substance present in such concentration as may be, or tend to be, injurious to environment; (c) "environmental pollution" means the presence in the environment of any environmental pollutant; (d) "handling", in relation to any substance, means the manufacture, processing, treatment, package, storage, transportation, use, collection, destruction, conversion, offering for sale, transfer or the like of such substance; (e) "hazardous substance" means any substance or preparation which, by reason of its chemical or physico-chemical properties or handling, is liable to cause harm to human beings, other living creatures, plant, micro-organism, property or the environment; (f) "occupier", in relation to any factory or premises, means a person who has, control over the affairs of the factory or the premises and includes in relation to any substance, the person in possession of the substance; (g) "prescribed" means prescribed by rules made under this Act. (Source:[https://www.indiacode.nic.in/bitstream/123456789/4316/1/ep\\_act\\_1986.pdf](https://www.indiacode.nic.in/bitstream/123456789/4316/1/ep_act_1986.pdf)) Important Provisions under the Environmental Protection Act, 1986 In the domain of environmental protection, Environmental Protection Act, 1986 empowers the Centre to 'take all such measures as it deems necessary'. The Act can coordinate and execute nationwide programme and plan to further environmental

NSOU PGCO-IV 136 protection. With the provision of this Act, environmental quality standards, particularly those concerning the emission or discharge of environmental pollutants can be mandated. It would impose restrictions on the location of industries and side-by-side would ensure power of entry for examination, testing of equipment and analyse the sample of air, water, soil or any other substance from any place. The Act empowers any person, apart from authorised government officers, to file a complaint in a court regarding any contravention of the provisions of the Act. Box-7.1 shows the provision of Environmental Protection Act, 1986. Box-7.1 Provisions under Environmental Protection Act, 1986 Power of the Central government for measures to protect and improve the Environment: It is the power vested in the central government that they can take any reasonable and valid steps and measures for the purpose of the protection and improvement of the quality of the environment. These measures are taken for the prevention, control and abatement of environmental Pollution. Such measures may include measures with respect to all namely as follows. 1. Laying down the standards for the quality of the standards of the environment. 2. Coordination of actions which are obliged to the state officers and other authorities under any law. 3. Execution and proper planning of the worldwide national programme for the prevention, controlling and the abatement of environmental pollution. 4. Restrictions to be applied in any of the industries, process and any operation shall be carried out. 5. It is the power and the duty of the government to lay down the procedure to carry forward safeguards for the prevention of many inevitable accidents which may inculcate in more environmental pollution. 6. Proposal of remedies should be put forward for the protection and prevention of further incidents. 7. Duty and power to lay down the procedures and safeguards to handle the hazardous substance.

NSOU PGCO-IV 137 8. Examination of manufacturing processes should be done, materials, substances which are likely to cause environmental pollution. 9. Power to inspect at various premises, equipment, material and the substances and power to direct the authorities for the prevention and control of environmental pollution. 10. To collect the dissemination in the respect of information related to environmental pollution. 11. Preparation of the manuals, codes, guides which are considered suitable enough for controlling environmental pollution. 12. One of the most important tasks is to establish the laboratories. 13. Serving other matters which are necessary for the central government to deal for the effective implementation of the Environmental Protection Act, 1986. Under Section 3 of the following act, the central government has the power to authorize or constitute other authorities for the accurate implementation of powers and duties which are mentioned above. Section 3 of the Environmental Protection Act holds importance due to the fact of a better regulatory mechanism. In the case of Vellore Citizens' Welfare Forum v Union of India, the Supreme Court has directed the central government to constitute the 'authority' for the implementation of powers under section 3(3). Thus, the Court directed while keeping in the notice about the degrading quality of the environment that authorities should implement the 'precautionary principle' and 'pollution pay principle'. Power to give direction The central government in the exercise of powers designated by the Act can issue the directions in writing to any of the persons or any officer. They shall be bound to comply with these given directions. The powers to issue directions will include the power to direct which are as follows: (i) The direction of closure, prohibition or the regulation of any industry and its operational process.

NSOU PGCO-IV 138 (ii) Direction for the stoppage or regulation of the supply of electricity, including any other services. The Environment (Protection) Rules, 1986 The rules of Environment protection came into force on 19th November 1986 and these rules provide for the following: 1. The standards of quality of air, soil and water for various areas and purposes of environment. 2. The standard set up to know about the limits of the environmental pollutants. 3. Rules include the procedure and safeguards needed to handle the hazardous substance. 4. Restrictions and some prohibitions on handling the hazardous substances in different areas and premise. 5. The procedures and safeguards required for the prevention of accidents which may cause environmental pollution and also the remedies for it. 6. The prohibition and restrictions possessed on the location of industries in different areas. Prevention, Abatement and Control of Environmental Pollution Section 7 of the Environment Protection Act 1986 suggest that no person in the country shall be carrying any of the activity or operation in which there is a large emission of gases or other substances which may lead to excess environmental pollution. It provides certain standards that ought to be maintained in which it is a must that no person is allowed to damage the environment and if a person is found guilty for causing damage to the environment by polluting the pollution pay principle. He can be asked for the 'exemplary damages' if he is found guilty of damaging the environment. Section 8 provides that any person who is handling the hazardous substance needs to comply with the procedural safeguards. If the emission is to a very large extent or is apprehended through an accident, the person responsible for it is obliged to mitigate from that place in order to reduce the environmental pollution. He is also required to give intimation to the higher authorities regarding the same and for that one receipt of remedies shall be required to prevent or to mitigate the environmental pollution.

NSOU PGCO-IV 139 In subsection (1) it is also provided that if a person wilfully delays or obstructs the person designated by the central government, he will be charged guilty under this act. Procedure to be followed for the legal proceedings under the Environmental Protection Act The following procedure needs to be followed for the legal proceedings. 1. The notice must be delivered to the occupier or his agent and it must indicate the intention or the analysis of the issue of a particular case. 2. Samples of the extent of pollution to be checked must be taken in the presence of the occupier or the agent. 3. The sample should be sent directly to the laboratory without any delay in the process. 4. The sample should be kept in a container with a label on it and it should have the signature of both the occupier party and the person taking the sample. The Central Government must recognise at least one or two laboratories under this act and the report of analysis can be used as evidence of the facts stated in any procedure done under this act. Penalty for the Contravention of Rules and orders of this Act The most important goal of the environmental protection act is to provide for the punishment of the offence of endangering the human environment, safety and health. Section 15 states that any person who is not complying to the provisions stated in this act and its failure or contravention will make him liable and punishable as the following: 1. In terms of imprisonment up to the extension of the time span of five years. 2. With fine which may extend to the term of one lakh rupee. 3. Or the liable person has to deal with both of the punishments. 4. If the contravention of the offence that continues for one year, the punishment can extend up to seven years.

NSOU PGCO-IV 140 Section 24 states a provision that if any offence is punishable under the Environment Protection Act and also under other Act, then the person shall not be liable under the Environment Protection Act, 1986. Offences by the Companies and the Governmental Departments Section 16 of the Environmental Protection Act, 1986 explains the principle of vicarious liability of the In-charge person such as directors, Managers and secretary etc. for if the offence is committed by any company. He is not held liable for the following: 1. If the offence is committed without his knowledge. 2. If he has taken diligent care to prevent the commission of the offence. There cannot be a liability on his part if he proves the following. 1. That the offence was committed without his knowledge. 2. If he has exercised the diligent care to prevent the commission of any offence. Who can make a complaint? A complaint can be filed by two parties: 1. The Central Government or any authority associated with the Government. 2. Any person who has given the notice of complaint within the term of sixty days of the alleged offence or has the intention to make the complaint to Governmental authority or the Central Government. Source:<https://blog.ipleaders.in/environment-protection-act-1986/> Though many other Acts related to Environment have been introduced to the Indian legislature but the Environment Protection Act, 1986 has been drafted to cover all the aspects and problems of environment. 7.3 Various pollution prevention laws in India In the following two sub-sections deal with the two important enactments like

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The Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981.

NSOU PGCO-IV 141 7.3.1

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The Water (Prevention and Control of Pollution) Act, 1974 The Water (Prevention and Control of Pollution) Act, 1974

was applied in the first instance to the whole of the States of Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Rajasthan, Tripura and West Bengal and the Union Territories; and it shall apply to such other State which adopts this Act by resolution passed in that behalf under clause (1) of article 252 of the Constitution. It shall come into force, at once in the States of Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Rajasthan, Tripura and West Bengal and in the Union territories, and in any other State which adopts this Act under clause (1) of article 252 of the Constitution on the date of such adoption and any reference in this Act to the commencement of this Act shall, in relation to any State or Union territory, mean the date on which this Act comes into force in such State or Union territory. Objectives: The Water (Prevention and Control of Pollution) Act, 1974 was established to provide for the prevention and control of water pollution and the maintaining or restoring of wholesomeness of water, for the establishment, with a view to carrying out the purposes aforesaid, of Boards for the prevention and control of water pollution, for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith. (<http://www.pcbassam.org/rules/WaterAct.pdf>) Definitions: In this Act, unless the context otherwise requires, - (a) "Board" means the Central Board or a State Board; (b) "Central Board" means the Central Pollution Control Board Constituted under section 3;] (c) "member" means a member of a Board and includes the chairman thereof; (d) "occupier", in relation to any factory or premises, means the person who has control over the affairs of the factory or the premises, and includes, in relation to any substance, the person in possession of the substance;] (dd) "outlet" includes any conduit pipe or channel, open or closed carrying sewage or trade effluent or any other holding arrangement which causes or is likely to cause, pollution; NSOU PGCO-IV 142 (e) "

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pollution" means such contamination of water or such alteration of the physical, chemical or biological properties of water or such discharge of any sewage or trade effluent or of any other liquid, gaseous or solid substance into water (whether directly or indirectly) as may, or is likely to, create

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nuisance or render such water harmful or injurious to public health or safety, or to domestic, commercial, industrial, agricultural or other legitimate uses, or to the life and health of animals or plants or of aquatic

organisms; (f) "prescribed" means prescribed by rules made under this Act by the Central Government or, as the case may be, the State Government; (g) "sewage effluent" means affluent from any sewerage system or sewage disposal works and includes sullage from open drains; 1 [(gg) "sewer" means any conduit pipe or channel, open or closed, carrying sewage or trade effluent;] (h) "State Board" means a State Pollution Control Board constituted under section 4]; (i) "State Government" in relation to a Union territory means the Administrator thereof appointed under article 239 of the Constitution; (j) "stream" includes- (i) river; (ii) water course (whether flowing or for the time being dry); (iii) inland water (whether natural or artificial); (iv) sub-terranean waters; (v) sea or tidal waters to such extent or, as the case may be, to

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such point as the State Government may, by notification in the Official Gazette, specify in this

behalf; (k) "trade effluent" includes any liquid, gaseous

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or solid substance which is discharged from any premises used for carrying on any 3 [Industry, operation or process, or treatment and disposal system], other than domestic sewage. (

<http://www.pcbassam.org/rules/WaterAct.pdf>) Central Board and its functions as per the Water (Prevention and Control of Pollution) Act, 1974 The Central Board shall consist of the following members, namely:- (a) a full-time chairman, being a person having special knowledge or practical experience in respect of matters relating to environmental protection or a person having knowledge and experience in administering institutions dealing with the matters aforesaid, to be nominated by the Central Government; (b) such number of officials, not exceeding NSOU PGCO-IV 143 five] to be nominated by the Central Government to represent that Government; (c) such number of persons, not exceeding five to be nominated by the Central Government, from amongst the members of the State Boards, of whom not exceeding two shall be from those referred to in clause (c) of sub-section (2) of section 4; (d) such number of non-officials, not exceeding three, to be nominated by the Central Government, to represent the interests of agriculture, fishery or industry or trade or any other interest which, in the opinion of the Central Government, ought to be represented; (e) two persons to represent the companies or corporations owned, controlled or managed by the Central Government, to be nominated by that Government; (f) a full-time member- secretary, possessing qualifications, knowledge and experience of scientific, engineering or management aspects of pollution control, to be appointed by the Central Government. The Central Board shall be a body corporate with

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the name aforesaid having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property and to contract, and may, by the aforesaid name, sue or be sued.

Functions of Central Board: (1) Subject to the provisions of this Act, the main function of the Central Board shall be to promote cleanliness of streams and wells in different areas of the States. (2)

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In particular and without prejudice to the generality of the foregoing function, the Central Board may perform all or any of the following functions, namely:— (

a) advise the Central Government on any matter concerning the prevention and control of water pollution; (b) co-ordinate the activities of the State Boards and resolve disputes among them; (c) provide technical assistance and guidance to the State Boards, carry out and sponsor investigations and research relating to problems of water pollution and prevention, control or abatement of water pollution; (d) plan and organise the training of persons engaged or to be engaged in programmes for the prevention, control or abatement of water pollution on such terms and conditions as the Central Board may specify; (e) organise through mass media a comprehensive programme regarding the NSOU PGCO-IV 144 prevention and control of water pollution [(ee) perform such of the functions of any State Board as may be specified in an order made under sub-section (2) of section 18]; (f) collect, compile and publish technical and statistical data relating to water pollution and the measures devised for its effective prevention and control and prepare manuals, codes or guides relating to treatment and disposal of sewage and trade effluents and disseminate information connected therewith; (g) lay down, modify or annul, in consultation with the State Government concerned, the standards for a stream or well: Provided that different standards may be laid down for the same stream or well or for different streams or wells, having regard to the quality of water, flow characteristics of the stream or well and the nature of the use of the water in such stream or well or streams or wells; 1 Ins. by Act 53 of 1988, s. 8. [Act 6 of 1974] (h) plan and cause to be executed a nation-wide programme for the prevention, control or abatement of water pollution; (i) perform such other functions as may be prescribed. (3) The Board may establish

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or recognise a laboratory or laboratories to enable the Board to perform its functions

under this section efficiently, including the analysis of samples of water from any stream or well or of samples of any sewage or trade effluents. (<http://www.pcbassam.org/rules/WaterAct.pdf>) State Board and its functions as per the Water (Prevention and Control of Pollution) Act, 1974 (1) The State Government shall, with effect from such date as it may, by notification in the Official Gazette, appoint, constitute a State Pollution Control Board, under such name as may be specified in the notification, to exercise the powers conferred on and perform the functions assigned to that Board under this Act. A State Board shall consist of the following members, namely:- (a) a chairman, being a person having special knowledge or practical experience in respect of matters relating to environmental protection or a person having knowledge and experience in administering institutions dealings with the matters aforesaid, to be nominated by the State NSOU PGCO-IV 145 Government. Provided that the chairman may be either whole-time or part-time as the State Government may think fit; (b) such number of officials, not exceeding five, to be nominated by the State Government to represent that Government; (c) such number of persons, not exceeding five, to be nominated by the State Government from amongst the members of the local authorities functioning within the State; (d) such number of non-officials, not exceeding three to be nominated by the State Government to represent the interest of agriculture, fishery or industry or trade or any other interest which, in the opinion of the State Government, ought to be represented; (e) two persons to represent the companies or corporations owned, controlled or managed by the State Government, to be nominated by that Government; (f) a full-time member-secretary, possessing qualifications, knowledge and experience of scientific, engineering or management aspects of pollution control, to be appointed by the State Government. Every State Board shall be a body corporate with the name specified by the State Government in the notification under sub-section (1),

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having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property and to contract, and may, by the said name, sue or be sued.

Notwithstanding anything contained in this section, no State Board shall be constituted for a Union territory and in relation to a Union Territory; the Central Territory: Provided that in relation to an Union Territory the Central Board may delegate all or any of its powers and functions under this sub-section to such person or body of persons as the Central Government may specify Function of State Board: (1) Subject to the provisions of this Act, the functions of a State Board shall be— (

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a) to plan a comprehensive programme for the prevention, control or abatement of pollution of streams and wells in the State

and to secure the execution thereof;

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b) to advise the State Government on any matter concerning the prevention, control or abatement of water pollution; (c) to collect and disseminate information relating to water pollution and

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prevention, control or abatement thereof; (d) to encourage, conduct and participate in investigations and research relating to problems of water pollution

and prevention, control or abatement of water pollution; (e) to collaborate with the Central Board in organising the training of persons engaged or to be engaged in programmes relating to prevention, control or abatement of water pollution and to organise mass education programmes relating thereto; (f)

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to inspect sewage or trade effluents, works and plants for the treatment of sewage and trade effluents and to review plans, specifications or other data relating to plants set up for the treatment of water, works for the purification thereof and the system for the disposal of sewage or trade effluents or in connection with the grant of any consent as required by this Act; (g) lay down, modify or annul effluent standards for the sewage and trade effluents and for the quality of receiving waters (not being water in an inter State stream) resulting from the discharge of effluents and to classify waters

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the State; (h) to evolve economical and reliable methods of treatment of sewage and trade effluents, having regard to the peculiar conditions of soils, climate and water resources of different regions and more especially the prevailing flow [Act 6 of 1974]; (



i) to evolve methods of utilisation of sewage and suitable trade effluents in agriculture; (j) to evolve efficient methods of disposal of sewage and trade effluents on land, as are necessary on account of the predominant conditions of scant stream flows that do not provide for major part of the year the minimum degree of dilution; (k) to lay down standards of treatment of sewage and trade effluents to be

NSOU PGCO-IV 147 discharged into any particular stream taking into account the minimum fair weather dilution available in that stream and the tolerance limits of pollution permissible in the water of the stream, after the discharge of such effluents; (l) to make, vary or revoke any order— (i) for the prevention, control or abatement of discharge of waste into streams or wells; (ii) requiring any person concerned to construct new systems for the disposal of sewage and trade effluents or to modify, alter or extend any such existing system or to adopt such remedial measures as are necessary to prevent control or abate water pollution; (m) to lay down effluent standards to be complied with by persons while causing discharge of sewage or sullage or both and to

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lay down, modify or annul effluent standards for the sewage and trade effluents; (

n) to advise the State Government with respect to the location of any industry the carrying on of which is likely to pollute a stream or well; (o) to perform such other functions as may be prescribed or as may, from time to time be entrusted to it by the Central Board or the State Government. (2) The Board may establish

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or recognise a laboratory or laboratories to enable the Board to perform its functions

under this section efficiently, including the analysis of samples of water from any stream or well or of samples of any sewage or trade effluents. (<http://www.pcbassam.org/rules/WaterAct.pdf>) Penalty for Contravention of certain provisions of the Act: Whoever contravenes any of the provisions of this Act or fails to comply with any order or direction given under this Act, for which no penalty has been elsewhere provided in this Act,

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shall be punishable with imprisonment which may extend to three months or with fine which may extend to ten thousand rupees or with both

and in the case of a continuing contravention or failure, with an additional fine

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which may extend to five thousand rupees for every day

during which such contravention or failure continues after conviction for the first such contravention or failure. 8 8  
<http://www.pcbassam.org/rules/WaterAct.pdf>  
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The Air (Prevention and Control of Pollution) Act, 1981 This Act may be called the Air (Prevention and Control of Pollution) Act, 1981.

It extends to the whole of India and

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shall come into force on such date<sup>1</sup> as the Central Government may, by notification in the Official Gazette, appoint.

Objectives: An Act to provide for the prevention, control and abatement of air pollution, for the establishment, with a view to carrying out the aforesaid purposes, of Boards, for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith. Definitions: In this Act, unless the context otherwise requires,- (a) "air pollutant" means any solid, liquid or gaseous substance (including noise) present in the atmosphere in such concentration as may be or tend to be injurious to human beings or other living creatures or plants or property or environment; (b) "air pollution" means the presence in the atmosphere of any air pollutant; (c) "approved appliances" means any equipment or gadget used for the bringing of any combustible material or for generating or consuming any fume, gas or particulate matter and approved by the State Board for the purpose of this Act; (d) "approved fuel" means any fuel approved by the State Board for the purposes of this Act; (e) "automobile" means any vehicle powered either by internal combustion engine or by any method of generating power to drive such vehicle by burning fuel; (f) "Board" means the Central Board or State Board; (g) "Central Board" means the Central Board for the Prevention and Control of Water Pollution constituted under

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section 3 of the Water (Prevention and Control of Pollution) Act, 1974; (

h) "chimney" includes any structure with an opening or outlet from or through which any air pollutant may be emitted, (i) "control equipment" means any apparatus, device, equipment or system to NSOU PGCO-IV 149 control the quality and manner of emission of any air pollutant and includes any device used for securing the efficient operation of any industrial plant; (j) "emission" means any solid or liquid or gaseous substance coming out of any chimney, duct or flue or any other outlet; (k) "industrial plant" means any plant used for any industrial or trade purposes and emitting any air pollutant into the atmosphere; (l) "member" means a member of the Central Board or a State Board, as the case may be, and includes the Chairman thereof, (m) "occupier", in relation to any factory or premises, means the person who has control over the affairs of the factory or the premises, and includes, in relation to any substance, the person in possession of the substance; (n) "prescribed" means prescribed by rules made under this Act by the Central Government or as the case may be, the State Government; (o) "State Board" means,- (i) in relation to a State in which the Water (Prevention and Control of Pollution) Act, 1974, is in force and the State Government has constituted for that State a State Board for the Prevention and Control of Water Pollution under section 4 of that Act, the said State Board; and (ii) in relation to any other State, the State Board for the Prevention and Control of Air Pollution constituted by the State Government under section 5 of this Act. 9 Central Board and its functions as per the Air (Prevention and Control of Pollution) Act, 1981 The Central Board for the Prevention and Control

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of Water Pollution constituted under section 3 of the Water (Prevention and Control of Pollution) Act, 1974 (6 of 1974), shall, without prejudice to the

exercise and performance of its powers and functions under this Act, exercise the powers and perform the functions of the Central Board for the Prevention and Control of Air Pollution under this Act. Function of Central Board (1) Subject to the provisions of this Act and without prejudice to the 9 <http://www.pcbassam.org/rules/WaterAct.pdf> NSOU PGCO-IV 150 performance, of its functions under the Water (Prevention and Control of Pollution) Act, 1974 (6 of 1974), the main functions of the Central Board shall be to improve the quality of air and to prevent, control or abate air pollution in the country. (2)

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In particular and without prejudice to the generality of the foregoing functions, the Central Board may- (

a) advise the Central Government on any matter concerning the improvement of the quality of air and the prevention, control or abatement of air pollution; (b) plan and cause to be executed a nation-wide programme for the prevention, control or abatement of air pollution; (c) co- ordinate the activities of the State and resolve disputes among them; (d) provide technical assistance and guidance to the State Boards, carry out and sponsor investigations and research relating to problems of air pollution and

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prevention, control or abatement of air pollution; (e) advise the State Government on any matter concerning the prevention, control or abatement of air pollution; (f) collect and disseminate information relating to

air pollution; (g) collaborate with the Central Board in organising the training of persons engaged or to be engaged in programmes relating to prevention, control or abatement of air pollution and to organise mass-education programme relating thereto; (h) inspect, at all reasonable times, any control equipment, industrial plant or manufacturing process and to give, by order, such directions to such persons as it may consider necessary to take steps for the prevention, control or abatement of air pollution; (i) inspect air pollution control areas at such intervals as it may think necessary, assess the quality of air therein and take steps for the prevention, control or abatement of air pollution in such areas; (j) lay down, in consultation with the Central Board in regard to the standards for the quality of air laid down by the Central Board, standards for emission of air pollutants into the atmosphere from industrial plants and automobiles or for the discharge of any air pollutant into the atmosphere from any other source whatsoever not being a ship or an aircraft provided that different standards for emission may be laid down under this clause for different industrial plants having regard to the quantity and composition of emission of air pollutants into the atmosphere from such industrial plants; (k) advise the State Government with respect to the suitability of any premises or location for carrying on any industry which is likely to cause air pollution; (l) perform such other functions as may be prescribed or as may, from time to time, be NSOU PGCO-IV 151 entrusted to it by the Central Board or the State Government; (m) to do such other things and to perform such other acts as it may think necessary for the proper discharge of its functions and generally for the purpose of carrying into effect the purposes of this Act. State Board and its functions as per the Air (Prevention and Control of Pollution) Act, 1981 A State Board may establish or recognise a laboratory or laboratories to perform its functions under this section efficiently. - No State Board shall be constituted for a Union territory and in relation to a Union territory, the Central Board shall exercise the powers and perform the functions of a State Board under this Act for that Union territory provided that in relation to any Union territory the Central Board may delegate all or any of its power and functions under this section to such person or body of persons as the Central Government may specify. In any State in which the Water (Prevention and Control of Pollution) Act, 1974 (6 of 1974), is in force and the State Government has constituted for that State, a State Board for the Prevention and Control of Water Pollution under section 4 of that Act, such State Board shall be deemed to be the State Board for the Prevention and Control of Air Pollution constituted under section 5 of this Act and accordingly that State Board for the Prevention and Control of Water Pollution shall, without prejudice to the exercise and performance of its powers and functions under that Act, exercise the powers and perform the functions of the State Board for the Prevention and Control of Air Pollution under this Act. Constitution of State Board - (1) In any State in which the Water (Prevention and Control of Pollution) Act, 1974 (6 of 1974), is not in force, or that Act is in force but the State Government has not constituted a State Board for the Prevention and Control of Water Pollution under that Act, the State Government shall, with effect from such date as it may, by notification in the Official Gazette, appoint, constitute a State Board for the Prevention and Control of Air Pollution under such name as may be specified in the notification, to exercise the powers conferred on, and perform the functions assigned to, that Board under this Act. (2) A State Board constituted under this Act shall consist of the following members, namely:- (a) a Chairman, being a person, having a person having special knowledge

NSOU PGCO-IV 152 or practical experience in respect of matters relating to environmental protection, to be nominated by the State Government provided that the Chairman may be either whole-time or part-time as the State Government may think fit; (b) such number of officials, not exceeding five, as the State Government may think fit, to be nominated by the State Government to represent that Government; (c) such number of persons, not exceeding five, as the State Government may think fit, to be nominated by the State Government from amongst the members of the local authorities functioning within the State; (d) such number of non- officials, not exceeding three, as the State Government may think fit, to be nominated by the State Government to represent the interest of agriculture, fishery or industry or trade or labour or any other interest, which in the opinion of that government, ought to be represented; (e) two persons to represent the companies or corporations owned, controlled or managed by the State Government, to be nominated by that Government; (f) a full-time member-secretary having such qualifications knowledge and experience of scientific, engineering or management aspects of pollution control as may be prescribed, to be appointed by the State Government. Provided that the State Government shall ensure that not less than two of the members are persons having special knowledge or practical experience in, respect of matters relating to the improvement of the quality of air or the prevention, control or abatement of air pollution. (3) Every State Board constituted under this Act shall be a body corporate with the name specified by the State Government in the notification issued under sub-section (1),

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having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire and dispose of property and to contract, and may by the said name sue or be sued.

Penalty for Contravention of certain provisions of the Act

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Whoever contravenes any of the provisions of this Act or any order or direction issued

thereunder, for which no penalty has been elsewhere provided in this Act,

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shall be punishable with imprisonment for a term which may extend to three months or with fine which may extend to ten thousand rupees or with both,

and in the

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case of continuing contravention, with an additional fine which may extend to

five thousand  
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for every day during which such Contravention continues after conviction for the first

such contravention. 10 7.4 Summary

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The Government of India enacted the Environment Protection Act of 1986 under Article 253 of the Constitution

which came into force on 19 November 1986 in response to Bhopal Disaster after Wildlife Protection Act, 1972;

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The Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981.

The Act as in the introduction reflects that it is "an Act to provide for the protection and improvement of environment and for matters connected therewith: Whereas the decisions were taken at the United Nations Conference on the Human Environment held at Stockholm in June, 1972, in which India participated, to take appropriate steps for the protection and improvement of human environment. Whereas it is considered necessary further to implement the decisions aforesaid

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in so far as they relate to the protection and improvement of environment and the prevention of hazards to human beings, other living creatures, plants and property". The

Water (Prevention and Control of Pollution) Act, 1974 was established to provide for the prevention and control of water pollution and the maintaining or restoring of wholesomeness of water, for the establishment, with a view to carrying out the purposes aforesaid, of Boards for the prevention and control of water pollution, for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith. Air (Prevention and Control of Pollution) Act, 1981 extends to the whole of India and

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shall come into force on such date<sup>1</sup> as the Central Government may, by notification in the Official Gazette, appoint.

An Act to provide for the prevention, control and abatement of air pollution, for the establishment, with a view to carrying out the aforesaid purposes, of Boards, for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith. 10 <http://www.pcbassam.org/rules/WaterAct.pdf>  
NSOU PGCO-IV 154 7.5 Questions Objective type: 1. The Air (Prevention and Control of Pollution) Act was declared in (a) 1981, (b) 2001, (c) 2011, (d) 1971. 2. The Water (Prevention and Control of Pollution) Act was enacted in (a) 1971, (b) 2000, (c) 1974, (d) 1998. Short Answer type: 1. Explain the principles of The Environmental Protection Act, 1986 2. What are the objectives of The Environmental Protection Act, 1986 Long Answer type: 1. Narrate the functions of

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Central and State Board under The Water (Prevention and Control of Pollution) Act, 1974 2.

Discuss the different functions of Central and State Board under Air (Prevention and Control of Pollution) Act, 1981 7.6 Further Readings Aswathappa, K. (2019). Essentials of Business Environment (15th Revised Edition), Himalaya Publishing House. Cherunilam, F. (2012). Business Environment - Text and Cases (21st Revised Edition), Himalaya Publishing House. Fernando, A.C. (2011). Business Environment, Pearson. Gupta, C.B. (2019). Business Environment (10th revised reprinted edition), Sultan Chand & Sons.

NSOU PGCO-IV 155 Unit 8 International and Technological Environment Structure 8.0 Objectives 8.1 Introduction 8.2 International Environment - Concept and Importance 8.3 Globalisation - Concept and Reason 8.4 Multinational Corporations 8.4.1 Multinational Corporations - Concept and Characteristics 8.4.2 Multinational Corporations - Benefits and Dangers 8.5 World Trade Organisation (WTO) - Origin and Function 8.5.1 Difference between GATT and WTO 8.5.2 WTO Agreements 8.6 Trading Blocs and India 8.7 Government Policy on Foreign Investment 8.8 Foreign Collaboration and Indian Experience 8.9 Summary 8.10 Question 8.11 Further Readings 8.0

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Study Material IB - Jagadeesh Sir.docx (D141315455)

Objectives After going through the unit, you will be able to understand the— Concept of International business

environment Meaning and benefits of MNCs Functions of WTO Concept of SEZ Need of foreign collaboration 155  
NSOU PGCO-IV 156 8.1 Introduction International Business (IB) is a multidimensional concept comprising of various risks and issues like exchange risks, political risks, cultural differences, legal and taxation issues, economic, socio-cultural and technological environmental factors. It is the business environment surrounding of which the international companies run their businesses. It connects only with those big enterprises having operating units outside their own country. It also relates with the institutional arrangements of managerial direction of economic activity in abroad for example joint ventures with locally owned business or with foreign governments. This unit throws light on the concept and importance of International Business, concept and reason of Globalisation, concepts, characteristics, benefits and dangers of Multinational Companies (MNCs), origin and function of World trade Organisation (WTO), Trading blocs, Government policy on Foreign Investment and Foreign Collaboration and Indian Experience. 8.2 International Business Environment - Concept and Importance IB includes any type of business activity that crosses national borders. Sometimes, IB is synonymously used for Foreign Business Operations (domestic operations within a foreign country) and Comparative Business (similarities and differences among countries) but these two fields do not put their interest on searching the facts related to the cross national boundaries activities. For example, the vital question of potential conflicts between the nation-state and the multinational firm, which receives major attention in IB, is not like to be centred or even peripheral in foreign operations and comparative business. IB relates massive in scale and deals with exercising a major influence over political, economic and social from many types of comparative business studies and from knowledge of many aspects of foreign business operations. International competition may not be the matter of choice when survival is at stake. However, only firms with previously substantial market share and international experience could have stronger economies, better standard of living and steadier growth. As per Operational for Economic Co-Operation and Development (OECD), if a country deals with higher scale of international trade practices (Germany, Japan, Switzerland etc.), it can enjoy boosted standard of living of its countrymen, while the countries having lower ratios of international trade (Greece, Spain, Italy etc.) are facing some serious economic challenges and problems. Besides, exporting opens new markets for a company to increase its sales. Therefore, a company having a good

NSOU PGCO-IV 157 export market would be in a better position and the other companies supplying materials to the exporters also can get the flavour. Companies doing export can create job opportunities 2% to 4% higher than other companies do not involve in any export business (<https://bizfluent.com/about-6656701-trade-agreements-important-.html>). In the same line, the imported products result lower price and expands the choices for the customers of better quality products which would force the local companies to increase product lines at lower price and better quality. IB frames better international relationship among different countries by removing rivalry and promoting peace and harmony with confidence and good faith. For example, IB makes good trade relationship between United States and China even though having significant political differences. Their relationship evolved and changed a lot over the past decades. Not too long ago, it was characterized by mutual tolerance, intensifying diplomacy and bilateral economic relationships. A policy of a free international trade environment when on the one hand strengthens the economies of all countries with imports and exports at lower price, better quality of products offering higher standard of living with employment generation, on the other hand, causes for loss of some jobs. Therefore, it has a stronger synergistic effect on the creation of new jobs and improved economic conditions.

8.3 Globalisation - Concept and Reason Concepts: Globalisation is referred to as the integration of countries into world economy or one global market involving removal of all trade barriers between countries. It is the shift towards a more integrated and interdependent world economy with two main components - the globalization of market and the globalization of production. 11 Further, as per International Monetary Fund, Globalisation is

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the growing economic interdependence of countries world-wide through increasing volume and variety of cross broader transaction			

of

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goods and services and of international capital flows and also through the more rapid and widespread diffusion of technology.			

Therefore, it is a process of internationalization of products, markets, technologies, capital, human resources, information and culture and characterised by growing interdependence between the countries of the world with free flow of goods, services, capital technology and labour among different countries e.g. movement of semi-conductor industry to South Korea and Taiwan; movement of knowledge work and services to India etc. 11 Hill, C. (1999). International Business - Competing in the Global Market Place, McGraw Hill, Boston.

NSOU PGCO-IV 158 Globalisation deals with five stages of internationalization (a) domestic companies export to foreign countries through their dealers/distributors, (b) domestic companies may export to foreign countries directly where an export department may be established for those purpose, (c) domestic company establishes production and marketing operations in key foreign countries, (d) domestic companies may set up a full-fledged company in the foreign country with all the facilities, (e) domestic companies become true transnational companies by serving the needs of foreign customers just like the host country's company serves. Therefore, to smoothen the process of Globalisation, there should be removal of quotas and tariffs; liberalization of Government rules and regulations; freedom to business and industry; removal of bureaucratic formalities and procedures; adequate infrastructure; incentives for research and development; administrative and government support to industry; development of money market and capital market; competition on the basis of quality, price, delivery and customer services. Globalisation contains its features like (i) expansion of business operation throughout the world, (ii) abolition of differences between domestic and foreign market leading to integration of individual countries of the world into one global market, (iii) creating interdependency between nations, (iv) buying and selling of goods and services from/to any country in the world, (v) development of products based on the world market standard, (vi) availability of manufacturing and marketing facilities at anywhere in the world, (vii) global orientation of corporate strategies, organizational structure and managerial practices. In the effort of adopting Globalisation, the best mode of process should be considered from the options like exporting, licensing and franchising, contract manufacturing, management contract, turnkey contract, third country location, joint venture and direct investment. Exporting is the simplest and traditional mode of entering foreign market. Domestic company may export its products directly or through intermediaries in foreign market. But it may not be the best alternative due to import barrier in foreign markets. Licensing and franchising is the easy way to get entered into foreign market because little involvement of efforts and commitments of resources are involved and in this context, a firm in one country permits a firm in another country to use its patents, trademarks, technology, copyright, technical know-how and marketing skill against royalty or fee. In contract manufacturing, the company enters into a contract with a firm in the foreign market to manufacture or assemble the product. The company, however, retains the responsibility of marketing the product. In management contract, a company contracts with a firm or government in a foreign country to manage the entire project or undertaking for a specified period. Under

NSOU PGCO-IV 159 turnkey contract, the company contracts with a foreign firm to design and build an entire operation. In third country location, a company may have to enter the foreign market from a third country when commercial transactions between two countries are not possible. Joint Venture in mode of Globalisation can be possible when local firm and foreign firm share ownership and management in a joint venture. The strategy which provides adomestic company complete control over production and quality with a fully owned manufacturing facilities abroad, can be considered as direct investment. Reasons: Globalisation offers several opportunities which prove its importance in international market. It attracts, wider market, rapid industrialization, greater specialization, competitive gains, higher production, price stabilization, increase in employment and income, higher standard of living, international economic cooperation and world peace. Globalisation exhibits larger markets to domestic firms to export their surplus output there. It helps to make free flow of capital and technology between two countries with which the developing countries would be benefited to get all production amenities from developed countries and thus can boost up industrialization with job opportunities. This ultimately encourages better welfare facilities for the countrymen like education, health, sanitation etc. Moreover, Globalisation assists a company to flourish in a specific sector having competitive or comparative advantage as it increases competition for domestic firms through imports and Multinational Corporation (MNCs). Additionally, it leads to spread up of manufacturing facilities in different countries and let the countries enjoy free trade and international competition to equalize price levels in international markets with economic co-operation (trade agreement, investment treaties, standardisation of commercial procedures, avoidance of double taxation etc.). Furthermore, it promotes cultural exchange and mutual understanding among different nations. But Globalisation sometimes involve certain risks, threats and costs like interdependence between nations of the world, threat to domestic industries, unemployment, drain of basic resources, alien culture to local values etc. Therefore, the ability of a country to maximize these gains depends on country's size, macroeconomic policy, infrastructure, technology, socio-economic institutions, quality of human resources, good governance in public services as well as in the corporate sector.



NSOU PGCO-IV 160 8.4 Multinational Corporations Multinational Corporation (MNC) accounts for a significant share of the world's investment, production, employment and trade. The next two sub-sections deal with concept, characteristics, benefits and danger of these. 8.4.1 Multinational Corporation - Concept and Characteristics As per United Nations, Multinational Corporation is an

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enterprise which controls assets - factories, mines, sales offices and the like - in two or more countries.

International Labour Organisation (ILO) opined that

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the essential nature of the MNC lies in the fact that its managerial headquarters (

called parent company) are

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located in one country (known as home country) while the enterprise carries out operations in a number of other countries (known as host countries)

as well. Therefore, MNC

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is an enterprise which carries on business operations in more than one

company. It extends its investments, manufacturing, marketing activities in several countries through a network of branches and subsidiaries known as foreign affiliates. In MNCs, decisions are decentralized where it operates like domestic company of the country and responds to the specific needs of each country's market. Here, the term Multinational Corporation is interchangeably used with the terms International Corporation (has a domestic country orientation in so far as the overseas operations are treated as appendages to the headquarters), Global Corporation (produces in home country/globally and market globally/at home), Transactional Corporation (invests, produces, markets, operates, across the world for global competitiveness). MNC is found under three models - Centralised, Regional and Multinational. Under Centralised

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model, companies put up an executive headquarters in their home country and build various manufacturing plants and production facilities in other countries

with which tariffs and import quota can be avoided and lower production costs can be enjoyed. Under Regional Model, the

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company keeps its headquarters in one country that supervises a collection of offices located in other countries. It includes subsidiaries and affiliates all report to headquarters. Under Multinational Model, a parent company operates in the home country and puts up subsidiaries in different countries where the subsidiaries and affiliates are more independent in their operations.

Characteristics: A Multinational Corporation is characterized by decentralized federation of assets NSOU PGCO-IV 161 and responsibilities (Bartlett and Ghoshal).

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Firms that participate in international business, however, large they may be solely be exporting or by hunting technology are not multinational

enterprises.

Therefore, MNC finds its characteristics as large size, world-wide operation, centralised ownership and control, sophisticated technology, professional management, international market, high brand equity etc. Basically, MNC has very high assets and turnover where it has to own a huge amount of physical and financial assets with high target and substantial profitability. Besides, MNC maintains network of branches with production and marketing operations in different countries, while the source of command is found in one country (home country). MNC adopts sophisticated capital-intensive technology in production and marketing activities to achieve substantial growth which should be continuous by conducting merger and acquisition. MNCs, therefore, use to spend a great deal of money on marketing and advertising to sale out products and brands which are internationally standardized and made by top quality managers. There are various factors which help the MNC to reach at its goal like market expansion, market superiorities, financial superiorities, technical superiorities etc.

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Companies in developed economies would expand their operations overseas to exploit the market abroad. MNC would also enjoy marketing superiorities over the

domestic market due to (a)

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availability of more reliable and up-to-date information about market conditions, (b) popular brands and image

and so reputation in the market, (c) more effective sales promotion technique, (d) wide distribution network, (e) transportation and warehousing facilities etc. For MNC, it would be very beneficial to set up business in countries having target consumer market. MNC is also financially superior to the domestic companies for having

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huge financial resources, more effective and economic utilization of funds through transfer of excess funds from

other countries, easy access and mobilisation of financial capital market and different types of resources etc. Moreover, due to having strong research and development departments, foreign exchange reserve to import raw material, capital equipment and technology, MNC

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can invent and innovate new products and processes more easily and frequently

than the domestic companies. 8.4.2 Multinational Corporation - Benefits and Danger MNC though ensures benefits to both home and host country where it incorporates and works, some disadvantageous facts are also attached with its operations to both home and host countries. Table - 8.1 shows the benefits and danger of MNC as given to home and host country.

NSOU PGCO-IV 162 Table - 8.1 Benefits and danger of MNCs to Host and Home countries Benefits of MNC Host Country Investment, employment and income would be increased Industrialisation and economic development are ensured for having growth of ancillary and service industries. Advanced technology to the host country is available. Sophisticated management technique in business firms is found. Capability of innovation and invention is increased. Competition and breaking of monopoly is found. National economy is integrated economically and culturally. Danger of MNC Host Country Capital intensive technique may not be appropriate to developing countries, Economic and political sovereignty of developing countries may be undermined. Acquiring monopoly over the market would hamper the existence of domestic firms. Lower employability of domestic people for employing of foreign staff. Deployment of natural and non-renewable resources due to indiscriminate use. Repatriation of profit, dividend and royalty reduces Balance of Payment. Distortion of consumption pattern, undermining local culture and promoting conspicuous consumption. Ignorance of high priorities by investing in high profit sector. Source: Gupta, C.B. (2019), Business Environment, Sultan Chand and Sons, New Delhi. Home Country World-wide marketing of product in home country is possible. Increase in employ- ment opportunity is enjoyed. Increasing industrial activities is found. Improving Balance of Payment position through inflows of dividend and interest is present. Home Country Disturbing proper structure of Balance of Payment due to trans- fer of capital. Loss of employment due to location of manufacturing and marketing facilities in abroad. Underdeveloped indus- trial and economic ac- tivities. Distorting home country's culture. NSOU PGCO-IV 163 MNC offers (i) inflow of capital, (ii) reduces government aid dependencies in the developing world, (iii) allows countries to purchase imports, (iv) provides local employment, (v) improves the local infrastructure, (vi) diversifies local economies, (vii) creates consistent consumer experiences, (viii) encourages more innovation, (ix) enforces minimum quality standards and (x) increases cultural awareness. MNC plays a leading role of capital inflow to the developing world with

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building factories, investing in training centres and supporting educational facilities with intention of improving their productive capacities.

It ensures

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more access to the import/export market, better goods, more opportunities and higher wage standard to build up standard of living for

the country-men. MNC puts special importance on infrastructural and educational development for the country where it operates and countrymen with whom the operation would be carried on. MNC ensures more variety in local production level depending mainly on agriculture. It would thus reduce reliance on commodities having volatile prices. MNC is incredibly diverse giving it an added strength. It actually considers the necessity of local market thinking to include new perspectives. Nevertheless, MNC (a) creates higher environmental loss, (b) does not always leave profits local, (c) imports skilled labour and thus destroys employment generation from local community, (d) supports 'sweatshop' labour (

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weak labour conditions allow multinationals to lower wages to the greatest extent possible to pad their own profit margins), (

f) creates one-way raw material resource consumption, (g) encourages political corruption, (h) builds legal monopoly and (i) puts other companies out of business. 12 8.5 World Trade Organisation (WTO) - Origin and Function Origin: The

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Nidhi Sharma, Final PHD thesis law Correction ... (D117961760)

successor to General Agreement on Tariffs and Trade (GATT), The World Trade Organisation

was established on 1st January, 1995 with its Head Office located at Geneva, Switzerland. It is the embodiment of the Uruguay Round. The day-to-day work of WTO is entrusted to the General Council. The Ministerial Conference is the highest authority of WTO consisting of all representative member nations. It meets almost every three years and is empowered to take decisions on all matters under the multilateral trade agreements. India is one of the founder members among 146 members of WTO. 12 <https://vittana.org/19-advantages-and-disadvantages-of-multinational-corporations>

NSOU PGCO-IV 164 Functions of WTO WTO offers (i) raising of standard of living, (ii) ensuring full employment, (iii) expanding production, trade in goods and services, (iv) optimizing use of world's resources and (v) enjoying sustainable development. Additionally, it performs (a) administering and implementing the multilateral trade agreement, (b) providing a forum for multilateral trade negotiations among the members, (e) overseeing national trade policies, (f) facilitating settlement of trade disputes among members, (g) cooperating with other international institutions involved in global policy making. 8.5.1 Difference between GATT and WTO

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The General Agreement on Tariffs and Trade (GATT) (1947) was formed as a result of

Bretton Woods Agreement as an international trade treaty which was signed by 23 nations. It was enacted to bolster the economic recovery which aimed at expanding world trade, by abolishing those trade barriers, such as reducing tariff, quota, subsidies etc. GATT took three main provisions (a) all member nations are considered as equal about tariff, (b) restrictions on the number of import and export were prohibited subject to some exceptions, (c) provision to encourage trade of developing countries. GATT remained till 1994, after which it was replaced by the World Trade Organisation (WTO), the sole international body concerned with the provisions of cross-country trade. Basically, there is an agreement called WTO agreement, which is duly signed and negotiated by member nations of the world and confirmed in their parliaments. WTO is a place, where the governments of member countries attempt to resolve their trade problems, encountered by them during the trade with other countries. It aimed at liberalizing trade, for the benefit of all the nations, but it also imposes certain barriers, such as to provide protection to consumers or stop the spreading a disease.

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GATT refers to an international multilateral treaty, signed by 23 nations to promote international trade and remove cross-country trade barriers. On the contrary, WTO is a global body which deals with the rules of international trade between member nations. While GATT is a simple agreement, there is no institutional existence, but have a small secretariat. Conversely, WTO is a permanent institution along with a secretariat.

NSOU PGCO-IV 165

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The participating nations are called as contracting parties in GATT, whereas for WTO, they are called as member nations. GATT commitments are provisional in nature which the government can make a choice to treat it as a permanent commitment or not after 47 years. On the other hand, WTO commitments are permanent, since the very beginning. The scope of WTO is wider than that of

GATT

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in the sense that the rules of GATT are applied only when the trade is made in goods. As opposed to, WTO rules are applicable to services and aspects of intellectual property along with the goods. GATT agreement is primarily multilateral, while plurilateral agreement is added to it later. In contrast, WTO agreements are purely multilateral. The domestic legislation is allowed to continue in GATT, while the same is not possible in the case of WTO. The dispute settlement system of GATT was slower, less automatic and susceptible to blockages. Unlike,

the dispute settlement system of WTO is very effective. 8.5.2 WTO Agreements Box - 8.1 shows the WTO Agreement

WTO Agreements comprise the Agreement Establishing the World Trade Organization and its Annexes. Annexes 1A to 3 are integral parts of the Agreement and are binding on all members of the WTO ("single undertaking" mentioned earlier). The members are 153 countries as of February 2010. In contrast, the agreements included in Annex 4 are independent agreements and, therefore, would give binding only on the members that have accepted them. Below, we briefly describe each agreement of the WTO. This is an agreement for implementing the results of the Uruguay Round and establishing the World Trade Organization, which will be a framework for future multilateral trade negotiations. The Agreement comprises general provisions on the WTO's organization, membership, decision-making, etc. The General Agreement consists of: (i) the provisions of GATT, 1947 (including those amended by the terms of legal instruments that have taken effect before the entry into force of the WTO Agreement); (ii) legal instruments, such as NSOU PGCO-IV 166 protocols and certifications relating to tariff concessions, protocols of accession, etc., that have taken effect under the GATT 1947 before the entry into force of the WTO Agreement; and (iii) the six understandings that are deemed to be an integral part of the GATT 1994, such as Article II:1(b) and Article XVII.

Agreement on Agriculture: The Agreement on Agriculture includes specific and binding commitments made by WTO Member governments in the three areas of market access, domestic support and export subsidization for strengthening GATT disciplines and improving agricultural trade. These commitments were implemented over a six-year period. The Agreement also includes provisions on the implementation of these commitments.

Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures: This agreement establishes multilateral frameworks for the planning, adoption and implementation of sanitary and phytosanitary measures to prevent such measures from being used for arbitrary or unjustifiable discrimination or for camouflaged restraint on international trade and to minimize their adverse effects on trade (see Chapter 10 "Standard and Conformity Assessment Systems").

Agreement on Textiles and Clothing: Textile trade was governed by the Multi-Fiber Arrangement (MFA) since 1974. However, the GATT principles had been undermined by import protection policies, etc. The agreement provides that textile trade should be deregulated by gradually integrating it into GATT disciplines over a 10-year transition period, which expired at the end of 2004.

Agreement on Technical Barriers to Trade (TBT): Standards and conformity assessment systems, such as industrial standards and safety/environment regulations, may become trade barriers if they are excessive or abused. This agreement aims at preventing such systems from becoming unnecessary trade barriers by securing their transparency and harmonization with international standards.

Agreement on Trade-Related Investment Measures (TRIMs): In relation to cross-border investment, countries receiving foreign investment may take various measures, including imposing requirements, conditions and In the Uruguay Round, negotiations were initially conducted with an eye toward expanding disciplines governing investment measures. However, the Agreement on Trade-Related Measures, which was the result of the negotiations, banned only those investment measures inconsistent with the provisions of Article? (principle of national treatment)

NSOU PGCO-IV 167 and Article XI (general elimination of quantitative restrictions) which have direct adverse effects on trade in goods. As examples, the Agreement cited local content requirements (which require that certain components be domestically manufactured) and trade balancing requirements. Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-Dumping Agreement): This agreement aims at tightening and codifying disciplines for calculating dumping margins and conducting dumping investigations, etc. in order to prevent anti-dumping measures from being abused or misused to protect domestic industries. Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (Customs Valuation Agreement): In order to implement GATT Article VII (customs valuation) in a more consistent and reliable manner, this agreement specifies rules for the application of the article and aims to harmonize customs valuation systems on an international basis by eliminating arbitrary valuation systems. Agreement on Pre-shipment Inspection (PSI): This agreement aims to secure transparency of PSI and to provide a mechanism for the solution of disputes between PSI agencies and exporters. Note: Pre-shipment Inspection is a system under which a pre-shipment inspection company i.e. importing country (mostly developing countries) conducts inspection of the quality, volume, price, tariff classification, customs valuation, etc. of merchandise in the territory of the exporting country on behalf of the importing country's custom office and issues certificates Agreement on Rules of Origin: This agreement provides a program for the harmonization of rules of origin for application to all non-preferential commercial policy instruments. It also establishes disciplines that must be observed in instituting or operating rules and provides for dispute settlement procedures and creates the rules of origin committee. However, details on the harmonization of rules of origin are left for future negotiations. Agreement on Import Licensing Procedures: In order to prevent import licensing procedures of different countries from becoming unnecessary trade barriers, this agreement aims at simplifying administrative procedures and ensuring their fair operation. NSOU PGCO-IV 168 Agreement on Subsidies and Countervailing Measures: This agreement aim at clarifying definitions of subsidies, strengthening disciplines by subsidy type (extension of the range of prohibited subsidies, etc.), and clarifying procedures for adopting countervailing tariffs. Agreement on Safeguards This agreement aims at clarifying disciplines for requirements and procedures for imposing safeguards, and related measures, etc. in relation to the application of safeguards (emergency measures to restrict imports) of GATT Article XIX. General Agreement on Trade in Services (GATS): This agreement provides general obligations regarding trade in services, such as most- favored-nation treatment and transparency. In addition, it enumerates 155 service sectors and stipulates that a member country cannot maintain or introduce, in the service sectors for which it has made commitments, market access restriction measures and discriminatory measures that are severer than those on the commitment table (see Chapter 11 "

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Trade in Services"). Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS):

This agreement

stipulates most-favored-nation treatment and national treatment for intellectual properties, such as copyright, trademarks, geographical indications, industrial designs, patents, IC layout designs and undisclosed information. In addition, it requires Member countries to maintain high levels of intellectual property protection and to administer a system of enforcement of such rights. It also stipulates procedures for the settlement of disputes related to the agreement (see Chapter 12 "Protection of Intellectual Property Rights").

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Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU).

This agreement provides the common rules and procedures for the settlement of disputes related to the WTO Agreements. It aims at strengthening dispute settlement procedures by prohibiting unilateral measures, establishing dispute settlement panels whose reports are automatically adopted, setting time frames for dispute settlement, establishing the Appellate Body, etc. Trade Policy Review Mechanism (TPRM) Annex 3 provides the procedures for the Trade Policy Review Mechanism to conduct periodical reviews of Members'

NSOU PGCO-IV 169 trade policies and practices conducted by the Trade Policy Review Body (TPRB). Plurilateral Trade Agreements 1 Agreement on Trade in Civil Aircraft Concurrently with the Uruguay Round, negotiations were under way to revise the civil aircraft agreement (an agreement from the Tokyo Round) and strengthen disciplines on subsidies. However, no agreement has yet been reached and the agreement reached under the Tokyo Round remains in effect. Agreement on Government Procurement: This agreement requires national treatment and non-discriminatory treatment in the area of government procurement (purchase or lease of goods and services by governments) and calls for fair and transparent procurement procedures. It also stipulates complaint and dispute settlement procedures. The new Government Procurement Agreement is based on the Agreement of 1979 (an agreement from the Tokyo Round), but expands its scope. The new Agreement covers the procurement of services (in addition to goods) and the procurement by sub-central government entities and government-related agencies (in addition to central government).  
Source: <https://www.meti.go.jp/english/report/downloadfiles/2011WTO/2-0Overview.pdf> 8.6 Trading Blocs and India

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Trade bloc is an intergovernmental agreement or often part of a regional intergovernmental organization where regional barriers to trade (tariffs and non-tariff barriers) are reduced or eliminated among the participating states.

It is basically a free-trade zone, or near-free-trade zone, formed by one or more tax, tariff and trade agreements between two or more

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countries within a geographic region that protect them from imports from non-members

and thus defends its members against global competition. It is a form of economic integration and can increasingly shape the pattern of the world trade where defense against the global competition is obtained through established tariffs on goods produced by member states, import quotas, government subsidies, onerous bureaucratic import processes, technical and other non-tariff barriers. In regional trading bloc, the member states also cooperate in economic, political, security, climatic and other issues affecting the region like similar levels of per capita GNP, geographic proximity, similar or compatible trading regimes and political commitment to the regional organization. Advocates of the worldwide free trade are usually opposed to the trading blocs which they argue and encourage regional trade as opposed to the global free trade. Box 8.2 reflects different Regional Trading Blocs.

NSOU PGCO-IV 170 Box 8.2 Different types of Regional Trading Blocs

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Preferential Trade Area: Preferential Trade Areas (PTAs) exist when countries within a geographic region agree to reduce or eliminate tariff barriers on selected goods imported from other members of the area. This is often the first small step towards the creation of a trading bloc. Free trade area: Free Trade Areas (FTAs) are created when 2 or more countries in a region agree to reduce or eliminate barriers to trade on all

the goods coming from other members. This is the most basic form of economic cooperation. Member countries remove all barriers to trade among themselves but are free to independently determine trade policies with non-member nations. An example is the North American Free Trade Agreement (NAFTA). Customs union: This type provides for economic cooperation as in a free-trade zone. Barriers to trade are removed between member countries. The primary difference from the free trade area is that

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members agree to treat trade with non-member countries in a similar manner.

The customs union involves the removal of the tariff barriers among the members, as well as the acceptance of the common (unified) external tariff in contradiction to the non-members. This means that the

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members may negotiate as a single bloc with third parties, such as with other trading blocs, or with the WTO. The

Gulf Cooperation Council (GCC) for the Arab States of the Gulf is an example.

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Common market: A 'common market' is the first significant step towards full economic integration and occurs when member countries trade freely in all economic resources, not just tangible goods. This means that all barriers to trade in goods, services, capital and labour are removed. In addition, as well as removing tariffs, non-tariff barriers are also reduced and eliminated. For a common market to be successful there must also be a significant level of harmonization of macroeconomic policies and common rules regarding monopoly power and other anti-competitive practices. There may also be common policies affecting key industries, such as the Common Agricultural Policy (CAP) and Common Fisheries Policy (CFP) of the European Single Market (ESM).

This type allows for the creation of economically integrated markets between member countries. Trade barriers are removed, as are any restrictions on the movement of labour and capital between member countries. Like customs unions, there is a common

NSOU PGCO-IV 171 trade policy for trade with non-member nations. The primary advantage to the workers is that they no longer need the

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visa or work permit to work in another member country of the common market. An example is the Common Market for Eastern and Southern Africa (COMESA).

Economic and monetary union: This type is created when countries enter into an economic agreement to remove barriers to trade and adopt common economic policies. An example is the European Union (EU). Monetary union is a type of trade bloc which is composed of an economic union (common market and customs union) with a monetary union. Monetary union is established through a currency-related trade pact. An intermediate step between pure monetary union and a complete economic integration is the fiscal union. Economic and Monetary Union of the European Union with the Euro for the Euro-zone members is the example of monetary union. Political union: In order to be successful the more advanced integration steps are typically accompanied by the unification of economic policies (tax, social welfare benefits etc.), reductions in the rest of the trade barriers, introduction of the supranational bodies and gradual moves towards the final stage, a "political union". Political union is a final stage in the economic integration with more formal political links among the countries. A limited form of the

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political union may exist when two or more countries share common decision-making bodies and have common policies.

It is the unification of previously separate nations. The unification of West & East Germany in 1990 is an example of the total political union. Source: <https://enterslice.com/learning/regional-trading-blocs/> Trading Bloc offers advantages to its member countries like (i) Free trade within the bloc (free access to each other's markets, members are encouraged to specialize), (ii) Market access and



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trade creation (free trade enables high-cost domestic producers to be replaced by lower-cost and more efficient imports), (

iii)Economies of scale (

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application of scale economies, which will lead to lower costs and lower prices for consumers), (iv) Jobs (

By removing the restrictions on the labour movement, economic integration can help expand job opportunities), (v)

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Protection (firms inside the bloc are protected from cheaper imports from outside)

and (vi) Consensus and cooperation (regional understanding and similarities may also facilitate closer political cooperation).

NSOU PGCO-IV 172 But side-by-side the Trading Bloc would also have to face some disadvantages like (i) loss of benefits (the benefits of free trade among the countries in different blocs is lost), (ii) Distortion of trade (

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Trading blocs are likely to distort world trade, and reduce the beneficial effects of specialization and the exploitation of comparative advantage)

and (iii) Inefficiencies and trade diversion (

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inefficient producers within the bloc can be protected from more efficient ones outside the bloc).

Table - 8.2 reflects the world-wide different Regional Trading Blocs. Table- 8.2 Regional trading Blocs Free Trade Area (FTA) European Common Market (ECM) European Union (EU) European Free Trade Association (EFTA) Latin American Free Trade Association (LAFTA) It is a designated group of countries that have agreed to eliminate tariffs, quotas and preferences on goods and services traded between them. A FTA is formed through a free trade agreement. Unlike a customs union, members of a free trade area do not have the same policies with respect to non- members, meaning different quotas and customs. Example: Asia-Pacific Trade Agreement (APTA), European Economic Area (EEA), South Asia Free Trade Agreement (SAFTA) etc. A common market is a customs union with common policies on product regulation and freedom of movement of the factors of production (capital and labour) and of enterprise. Example: Economic and Monetary Community of Central Africa (CEMAC), Arab Customs Union etc. EU is one of the largest economic and political entities in the world. It is the single market with common trade policy and single currency (euro). EFTA (5th May, 1960) was set up by those European nations which could not join the EU. It provides for the liberalisation of trade among the member countries. Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay jointly set up LAFTA (2nd January, 1962) with its main goal as to eliminate all duties and restrictions so as to create a free trade zone in Latin America. NSOU PGCO-IV 173 South Asian Free Trade Area (SAFTA) European Economic Community (EEC) or European Common Market (ECM)

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North American Free Trade Agreement (NAFTA) Association of South-East Asian Nations (ASEAN) South Asian Association for Regional Cooperation (SAARC)

SAFTA (2006) aimed at abolition of all kinds of trade and tariff restrictions. Ultimately it will pave the way for the creation of common market with common currency. The SAFTA agreement allows any member country to pull out of the treaty at any time. The EEC (1st January, 1958) was set up by six European nations. It consists of 15 countries in Europe. The main objective of EEC is to promote a harmonious development by economic activities, a continuous and balanced expansion, increase in stability, accelerated raising of the standard of living and closer relations between the member states belonging to it. NAFTA (1st January, 1994) helped all the member countries in increasing industrial development, employment, income and living standards. However, this trade bloc is a major hurdle for the globalisation of business as two major developed countries are involved in this agreement. ASEAN (set up in 1960s but started in 1970s), an important regional economic grouping which is emerging as major one in world trade having member countries like Brunei, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. India, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka established SAARC in December, 1985. In 2007, Afghanistan became its 8th member. The objectives of SAARC were to (i) improve the quality of life, (ii) develop the region economically, socially and culturally, (iii) provide opportunity to the people in the region to live in dignity and to exploit their potential. (iv) enhance jointly the self-reliance of the member countries, (v) extend cooperation to other trading blocs, (vi) create unity among the member countries on issues of common interest in the international forums etc.

NSOU PGCO-IV 174 The BRIC Alliance Economic and Social Commission for Asia and Pacific (ESCAP) Source: Gupta, C.V., Business Environment, Sultan Chand & Sons, New Delhi. 2019 Indian Experience: India, the one of the notable country in Asia, recognised the effectiveness of the Export Processing Zone (EPZ) model in promoting exports and established Asia's first EPZ in Kandla in 1965 to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime with a view to attracting larger foreign investments. In India, Special Economic Zones (SEZs) Policy was announced in April 2000 in view of making SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level with the minimum possible regulations. Box-8.3 reflects SEZ and its related policies in India. SAARC members signed the SAARC preferential Trading Arrangement (SAPTA) (11th April, 1993) in order to (a) gradually liberalise the trade among member countries, (b) eliminate tariffs, (c) promote and sustain mutual trade and economic cooperation among the member countries. BRIC, an acronym coined by Jim O'Neil, the Goldman Sachs group economist for a four countries alliance - Brazil, Russia, India and China was formally set up on 16th May, 2008. It aimed at promoting multilateral arrangements to challenge the US concept of unipolar world. ESCAP, originally was ECAFE (Economic Commission for Asia and Far East) has 48 member countries and 10 associate members. The region of ESCAP is sub-divided into Pacific Island countries, ASEAN (4 countries), developing and developed ESCAP nations, China and the newly industrialising countries and South Asian countries. ESCAP promotes socio-economic development of the region.

NSOU PGCO-IV 175 Box 8.3 - SEZs in India SEZs in India functioned from 01.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy. Fiscal incentives were made effective through the provisions of relevant statutes. To in-still confidence in investors and signal the Government's commitment to a stable SEZ policy regime i.e. greater economic activity and employment, a comprehensive draft of SEZ Bill prepared after extensive discussions with the stakeholders. A number of meetings were held in various parts of the country both by the Ministry of Commerce and Industry as well as senior officials for this purpose. The Special Economic Zones Act, was passed by Parliament in May, 2005 which received Presidential assent on the 23rd of June, 2005. The draft SEZ Rules were widely discussed and put on the website of the Department of Commerce offering suggestions/comments. Around 800 suggestions were received on the draft rules. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments. The main objectives of the SEZ Act are: (i) generation of additional economic activity; (ii) promotion of exports of goods and services; (iii) promotion of investment from domestic and foreign sources; (iv) creation of employment opportunities and (v) development of infrastructure facilities. It is expected that this will trigger a large flow of foreign and domestic investment in SEZs in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities. The SEZ Act 2005 envisages key role for the State Governments in Export Promotion and creation of related infrastructure. A Single Window SEZ approval mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval (BoA). The applications duly recommended by the respective State Governments/UT Administration are considered by this BoA periodically. All decisions of the Board of approvals are with consensus. The SEZ Rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

NSOU PGCO-IV 176 The SEZ Rules provide for: Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs; Single window clearance for setting up of an SEZ; Single window clearance for setting up a unit in a Special Economic Zone; Single Window clearance on matters relating to Central as well as State Governments; Simplified compliance procedures and documentation with an emphasis on self-certification. Source: <http://sezindia.nic.in/index.php>, Gupta, C.V., Business Environment, Sultan Chand & Sons, New Delhi. 2019 In Trading Block, the member countries may trade more with each other than with non-member nations. This practice would increase trade with less efficient or more expensive producer because it is in a member country. In this sense, weaker companies can be protected inadvertently with the block agreement acting as a trade barrier for which the regional agreements have formed new trade barriers with countries outside of the trading bloc. 8.7 Government Policy on Foreign Investment Government of India eased restrictions on Foreign Direct Investment (FDI) in India with a view to promoting the 'Make in India' and 'Start up India' initiatives. The reforms are wide ranging. These aim at easing business performance, simplifying and rationalizing the process of FDI. The key highlight of the recent reforms is that more FDI proposals in more sectors will now be placed under the automatic route and not required the consent of the government. Of particular note is the liberalization in the Broadcasting, Construction, Defence and Single Brand Retailing sectors. Box- 8.4 reflects the Government policy on Foreign Investment in India. Box- 8.4 Government Policy on Foreign Investment in India Sectors liberalized set out below the key differences between the old FDI policy and the new FDI policy in each of sector of the economy (or transaction type) that has been further liberalized.

NSOU PGCO-IV 177 Manufacturing - At the outset, it should be noted that the definition of "Manufacture" in the FDI policy has been amended to mean: "a change in a non- living physical object or article or thing (a) resulting in transformation of the object or article or thing into a new and distinct object or article or thing, having a different names, characters and uses; or (b) bringing into existence of a new and distinct object or article or thing with a different chemical compositions or integral structures."

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Subject to the provisions of the FDI policy, FDI in the manufacturing sector is

permitted and further, a manufacturer is permitted to sell its products manufactured in India through wholesale and/or retail, including through e-commerce without government approval. Previously, the position was that an Indian manufacturing company having FDI was not allowed to do retail trading in any manner whatsoever through e-commerce. This is a welcome change from the previous policy and is clearly designed to further encourage investors to 'Make in India'. Construction - Under the old FDI policy, the minimum area to be developed was 20,000 square meters and a minimum amount of USD 5,000,000 had to be invested within 6 months of the commencement of business. The new FDI policy removes both of these requirements, which will allow foreign equity to access smaller developments. Previously, foreign investors were permitted to exit projects only upon completion or the development of trunk infrastructure and the repatriation of FDI or the transfer of equity before project completion by a non-resident investor to a non-resident investor required approval of the Foreign Investment Promotion Board (the "FIPB"). Under the new FDI policy, a foreign investor is permitted to exit and repatriate its foreign investment before the completion of a project without FIPB approval, provided that a lock-in period of three years (the "Lock In Period") has expired, calculated with reference to the date of each tranche of equity invested. The new FDI policy also treats each phase of a project as a separate project for the purposes of FDI. This means that a major construction development can be broken down into smaller phases and an investment relating to a particular stage of a project can be repatriated even though the larger project still continues to be under construction. The impact should be significant for larger developments like townships and large infrastructure construction projects, insulating foreign investors from the risk of delay to overall project completion. Under the new FDI policy, the sale of an equity stake from a non-resident to another non-resident, without repatriation of the investment, before the expiry of the Lock In Period is permitted without the consent of the FIPB and an exit is permitted at any time if the trunk infrastructure in relation to the project has been completed. The new FDI policy

NSOU PGCO-IV 178 goes on to clarify that any rental income or other income arising from the project (that does not amount to a transfer) will not amount to Real Estate Business. The previous policy barred FDI in the Real Estate Business, defined to be the relevant portion of any business, "dealing in land and immoveable property with a view to earning profit or earning income therefrom" and the revised position is a welcome step to encouraging foreign real estate investors to invest in the construction sector. The new FDI policy further clarifies that the transfer of ownership of an investment vehicle from residents to a non-resident is also permitted following the expiry of the Lock In Period. While the previous FDI policy did not define transfer, the new FDI policy clarifies that it means: (i) the sale, exchange or relinquishment of the asset; (ii) the extinguishment of rights therein; (iii) its compulsory acquisition under law; (iv) any transaction allowing the possession of immoveable property of the nature referred to in section 53 A of the Transfer of Property Act 1882; and (v) any transaction involving the acquisition of shares in a company or any agreement or arrangement which has the effect of transferring, or the enabling of enjoyment of, any immoveable property. Hence under the new FDI policy, it is clear that the sale of shares in an offshore holding company, holding property through its Indian subsidiary, following the expiry of the Lock In Period will now be permitted. Defence - Under the old FDI policy, foreign investment of up to 49 % in an Indian joint venture was permitted under the government approval route. Portfolio investment and investment by Foreign Venture Capital Investors ("FVCIs") was restricted to 24 %. Foreign investment above 49 % was permissible, but subject to approval by the Cabinet Committee on Security. The new FDI policy substantially improves the situation. Foreign investment up to 49 % will now be permitted under the automatic route and portfolio investment and investment by FVCIs is also permitted up to 49 % under the automatic route. Foreign investment above 49 % will be considered by the FIPB. Further, it should be noted that in the event of infusion of fresh foreign investment, within the permitted cap, resulting in a change in ownership or the transfer of a stake by an existing investor to a new foreign investor, government approval will be required. Broadcasting previously, up to 26 % FDI was permitted under the approval route in the case of FM radio broadcasting, the up-linking of news and current affairs television channels. Also, FDI up to 100 % was permissible under the Government approval route for the up-linking of non-news and current affairs TV channels and the down-linking of TV channels. Now, up to 100 % FDI is permissible in the following broadcasting carriage services outlined in FDI Policy, namely

NSOU PGCO-IV 179 teleports, Direct-To-Home, Cable Networks, Mobile TV and 3 The provision basically refers to such contracts where the transferee has either taken steps or continues to be in possession of immovable property as a part performance of the contract. FDI of up to 49 % is permissible under the automatic route while acquiring anything more than 49 % would require Government approval. In relation to broadcasting content services, FDI up to 49 % is permissible under the government approval route in case of FM radio and the up-linking of news and current affairs TV channels. Further, FDI of up to 100 % is permissible under the automatic route in the case of up-linking of and current affairs TV channels as well as the down-linking of such TV channels. Where the sectorial cap is 49 %, new FDI policy further clarifies that the company would need to be owned and controlled by resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens. Hence, the largest Indian investor should hold 51% of the total equity, excluding the equity held by Public Sector Banks and Public Financial Institutions. Banking - The new FDI policy now permits full fungibility of foreign investment in the private banking sector. Limited liability partnerships - Under the earlier FDI policy, Government approval was required for investment in LLPs. Further, the terms 'ownership' and 'control' with reference to LLPs had not been defined and downstream investments were not permitted by LLPs. Under the new FDI policy, 100% foreign investment is now permitted under the automatic route in LLPs operating in sectors or activities where 100% FDI is allowed under the automatic route and there is no FDI linked performance conditions. The term 'ownership' has also been defined and an LLP is considered to be owned by resident Indian citizens if more than 50% of the investment in it is contributed by resident Indian citizens or entities and such resident Indian entities have a majority of the profit share. 'Control' has been now defined to include the right to appoint a majority of the directors or to control the management or policy through their shareholding or management rights or otherwise through shareholders' agreement or other voting agreements. Further in case of LLPs, 'control' would mean the right to appoint a majority of the designated partners, where such designated partners have control over all the policies of the LLPs. LLPs receiving foreign investment will also be permitted to make downstream investment in another company or LLPs in sectors in which 100% FDI is permitted under the automatic route and there is no FDI-linked performance condition.

NSOU PGCO-IV 180 However, the LLP must notify the Secretariat for Industrial Assistance, the Department for Industrial Policy and Promotion and the FIPB of its downstream investment in the prescribed format within 30 days of such investment. It should be noted that foreign direct investment in legal services is still prohibited. FDI by way of share swaps - Under the previous FDI policy, Government approval was required for investment into a sector by way of swap of shares even in sectors where FDI was permitted under the automatic route. Now, Government approval will not be required for investment in sectors permitting foreign investment under the automatic route by way of swap of shares. Threshold limit for FIPB approval - It should be noted that the threshold limit for FDI approval has been raised. Previously, it was INR 3,000Crore (approximately USD 450 million). Now, it has been increased to INR 5,000Crore (approximately USD 755 million). Receipt of FDI in companies without operation - Indian companies having no operations and which do not have any downstream investment are now permitted to have infusion of foreign investment under the automatic route. However, such companies which intend to do business reserved under the Government approval route will have to take the approval of the Government prior to such infusion. Further, as and when such a company commences business or makes downstream investments, it will have to comply with the relevant sectorial conditions and caps. The new FDI Policy has relaxed FDI in the above-mentioned sector from 74% to 100% under the Government approval route. According to the Department of Industrial Policy and Promotion, India has now thrown open 92.5 % of FDI through the automatic route, which is a welcome development. The recent reforms are a necessary change to the regulatory environment in India and another step closer to the goal of full convertibility. However, it will require some time to see whether these changes trigger a spurt in FDI. It should be noted that the reforms stop short of lifting curbs on multi-brand retailers, such as retail giant Wal-Mart, which to date has focused on its wholesale business in India. That segment was opened to foreign investment in 2012, but the limit remains at 51%. With the Delhi High Court ordering an Enforcement Directorate investigation into 21 e-commerce firms earlier this month for alleged FDI violations, there is a pressing need to rationalize the position in multi-brand retail through e-commerce for further progress to be made. Source: <https://www.oecd.org/dev/2698620.pdf>

NSOU PGCO-IV 181 Accordingly, Foreign Institutional Investors, Foreign Portfolio Investors and Qualified Foreign Investors can now invest up to the sector limit of 74 % provided that there is no change of control and management of the investee company. Plantations - Earlier, the FDI policy prevented foreign investment in the plantation sector other than in tea plantations. Under the new FDI Policy, in addition to tea, the government has decided to open up coffee, rubber, cardamom, palm oil and olive oil plantations to foreign investment of up to 100 % under the automatic route. However, it has been clarified that the prior approval of the state government concerned is required in case of any land use change. Single brand retail - Under the earlier FDI policy, companies having FDI beyond 51 % had to comply with a local sourcing requirement of 30 % of the value of goods purchased, preferably from Micro, Small and Medium enterprises ("MSMEs") or similar entities. This requirement to source from MSMEs has been a particularly controversial requirement for foreign investors selling niche products and has to be fulfilled for a period of 5 years, beginning on 1st April of the year during which the first tranche of FDI is received. The new FDI policy now clarifies that the 30 % local sourcing rule applies from the date of first opening the store (as opposed to the date of receipt of FDI) and that in sectors involving 'state-of-the-art' and 'cutting-edge technology', this sourcing norm may be relaxed, subject to government approval. This is a welcome change and should be beneficial for all foreign investors selling niche products whose component parts cannot be sourced from the local market. More importantly, the previous prohibition on retail trading through e-commerce has been lifted. This is a welcome change since retailers were previously in the curious position of being able to sell through 'bricks and mortar', but unable to sell through 'clicks and mortar'. Also, under the new FDI policy, certain conditions of the FDI policy requiring products to be sold under the same brand internationally and the investment by the non-resident entity being the brand owner (or through legally binding agreement with the brand owner) have been lifted. Duty-free - Under the new FDI policy, 100 % investment is now permissible under the automatic route, setting up duty-free shops located and operated in customs bonded areas at airports in India. Previously, the FDI policy was silent on this sector. Wholesale trading - Earlier, it was not permissible for a single entity to undertake activities in both wholesale trading and single brand retailing. Now, a single entity may undertake both wholesale trading and single brand retailing provided that they carry out such activities separately. Civil aviation - Earlier, foreign investment of up to 49 % was permissible in Scheduled Air Transport Services and domestic scheduled passenger airline services. Now, Scheduled Regional Air Transport Services may receive foreign investment of up to 49 % under the automatic route. In relation to chartered services, the position used to be that foreign equity in non-scheduled air transport services and ground-handling services were capped at 74 % through the automatic route. The new FDI policy raises the bar, increasing foreign equity investment up to 100 % under the automatic route. Pursuant to the Aircraft Rules, 1937 Section (3)(49) "Scheduled Air Transport Service" means air transport services based on a published time-table so regular that they constitute a recognizable systematic series. Pursuant to a notification from the Director General of Civil Aviation dated August 23, 2007, "Scheduled Regional Air Transport Services" means services which operate primarily in a designated region and which on grounds of operational and commercial exigencies may be allowed to operate from its designated region to airports in other regions, except the metro airports of other regions. <https://www.oecd.org/dev/2698620.pdf> <https://www.oecd.org/dev/2698620.pdf> 8.8 Foreign Collaboration and Indian Experience Indian and foreign companies make collaboration through its sale of technology, spare parts and use of foreign brand names for its final products. During 1980s, liberalization process resulted a considerable spurt in foreign collaborations. Accordingly, out of the total 12,760 foreign collaboration agreements approved during the period between 1948 and 1988, about 6,165 agreements (i.e., 48.3 per cent) were approved during the period between 1981 and 1988. Moreover, with the liberalization of foreign investment policy announced during the post-1991 period, the number of foreign collaborations in India increased considerably. During the period from August 1991 to November 1993, total number of foreign collaboration proposals approved by the Government was 3,467, including 1,565 proposals of foreign equity valued as Rs.122.9 billion. Again during the period 1991 to September 1998, total actual inflow of Foreign Direct Investments was to the extent of \$11.96 billion (Rs.42,173Crore) 13 . Box-8.5 reflects various facts of foreign collaboration in India.

NSOU PGCO-IV 183 13 <https://www.yourarticlelibrary.com/india-2/foreign-collaboration-and-mnacs/63280> Box - 8.5  
 Facts of Foreign collaboration in India Foreign collaborations in Indian industry helped diversifying production spectrum into steel, light and heavy engineering, petroleum refinery, man-made fibre manufacture, automobile, chemical, pharmaceuticals and several other types of industrial products. The development of the basic industries would have been possible with the support of technical know-how and skills made available from foreign companies through such foreign collaborations approvals. Therefore, the gain from foreign collaboration in Indian industries is realised both in terms of increase in physical output, training of technicians, technology transfer and development of skills of modern management. Foreign Collaboration: By the term foreign collaboration we mean an agreement for setting up of an enterprise jointly by the foreign and native enterprises. There are two approving authorities for foreign collaboration: 1) Reserve Bank of India (RBI) and 2) Department of Industrial Development in the Ministry of Industry, Government of India. Foreign collaboration may take place mainly in three forms: (i) Collaboration between Indian and foreign private companies; (ii) Collaboration between Indian government companies and foreign private companies; and (iii) Collaboration between Indian Government and foreign government. Foreign collaboration may be of two different types: (a) Financial Collaboration (foreign equity participation) where foreign equity alone is involved; (b) Technical Collaboration (technology transfer) involving licensing technology by the foreign collaborator on due compensation. Under the changing globalized scenario, attainment of international competitiveness is become very important. Such competitiveness can be attained through foreign collaboration especially through technical collaboration in country like India.

NSOU PGCO-IV 184 Government Policy of Foreign Collaboration: The policy followed by the Government of India on Foreign Collaboration and foreign private investment is based mainly in the approach adopted in 1949. The basic policy followed is to welcome foreign private investment on a selective basis in those areas which are advantageous to the Indian economy. The conditions under which foreign capital or foreign collaboration is welcome include. (i) All undertakings (Indian or Foreign) have to conform to the general requirements of the Industrial policy of the Government (ii) Foreign enterprises are to be treated at par with their Indian counterparts. (iii) Foreign enterprises were given freedom to remit profits and repatriate capital, subject to foreign exchange considerations.

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The Industrial Policy 1991 prepared a specified list of high technology and high investment 34 priority industries (

Annexure III) in which automatic permission will be available for foreign direct investment up to 51% foreign equity. Thus this new policy faced Indian industries from official controls for fully exploiting opportunities for promotion of foreign investment. Thus it is felt that foreign investment and foreign collaboration would bring advantages of technology transfer, marketing expertise, product diversification, introduction of modern managerial techniques and new possibilities for export promotion for Indian Industries. Areas of Foreign Collaboration: Time-to-time, the Government of India issues a list of industries indicating clearly where foreign investments may be permitted. Foreign Investment Promotion Board (FIPB) of Government of India also considers import of technology in industries listed in Annexure A and Annexure B of Schedule 1 of Foreign Exchange Management Regulations, 2000 subject to compliance with the provisions of the Industrial Policy and Procedures as notified by Secretarial for Industrial Assistance (SIA) in the Ministry of Commerce and Industry of Government of India, from time to time. Procedure for Setting up Foreign Collaboration: As per the Government Policy and Foreign Exchange Laws prevailing in India, proposals for foreign investment and technical collaborations would require

NSOU PGCO-IV 185 Government approval. Later on, with adoption on New Industrial Policy, 1991 and subsequent amendments of laws regulating foreign collaborations and industry, this procedure has been simplified further. With the enactment of FEMA, foreign collaborations and investments have become much easier. Investment and Policy of Foreign Collaboration: In recent years, lot of changes have been brought in the foreign investment and foreign collaboration policy for creating a more favourable fiscal environment for foreign collaborations and investment virtually in every sector of the economy excepting those selective industries reserved for the public sector. The obstacles that once stood in the path of foreign collaborations are becoming thing of the past. The procedures for approval from the Government are now being simplified continuously in order to make foreign investments more attractive and beneficial. Foreign Collaboration and MNCs: In India, collaboration with Indian industrialists is

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**SA** COM 332 Strategic Management - II.pdf (D165094087)

a common form of participation of MNCs in Indian industry. In India, foreign collaboration agreements are being made between Indian and foreign

companies through its sale of technology, spare parts and use of foreign brand names for its final products. In India, almost all the new industries in the large and medium scale category, set up in the post-independence period, had some foreign collaboration agreement. During 1980s, liberalisation process resulted a considerable spurt in foreign collaborations. Accordingly, out of total 12,760 foreign collaboration agreements approved during the period between 1948 and 1988, 6,165 agreements (i.e., 48.3%) were approved during the period between 1981 and 1988. Again with the liberalisation of foreign investment policy announced during the post-1991 period, the number of foreign collaborations in India increased considerably. During the period from August 1991 to November 1993, total number of foreign collaboration proposals approved by the Government was 3,467, including 1,565 proposals of foreign equity valued as Rs.122.9 billion. Again during the period 1991 to 2005, total actual inflows of Foreign Direct Investments was to the extent of \$32.29 billion (Rs.1,31,385 crore) and till 2013-14, total inflow of FDI stood at \$173.28 billion.

NSOU PGCO-IV 186 Favourable Impact of Foreign Collaboration: Foreign Collaborations have some favourable impacts on Indian economy. Initially, Indian industries were concentrated on consumer goods sector only. Foreign collaborations in Indian industry have helped the sector to diversify its production spectrum which includes steel, light and heavy engineering, petroleum refinery, man-made fibre manufacture, automobile, chemical, pharmaceuticals and several other types of industrial products. Without the support of technical knowhow and skills made available from foreign companies through such foreign collaborations approvals, the development of such basic industries would have been difficult. Thus the gain from foreign collaboration in Indian industries is realised both in terms of increase in physical output, training of technicians, technology transfer and development of skills of modern management. Source:

<https://www.microeconomicsnotes.com/india/foreign-trade/foreign-collaboration-subject-matter-and-policy/903>

8.9 Summary International business (IB) includes any type of business activity that crosses national borders. It is a multidimensional concept comprising of various risks and issues like exchange risks, political risks, cultural differences, legal and taxation issues, economic, socio-cultural and technological environmental factors. Globalisation is referred to as the integration of countries into world economy or one global market involving removal of all trade barriers between countries. It is the shift towards a more integrated and interdependent world economy with two main components - the globalization of market and the globalization of production. Further, as per International Monetary Fund, Globalisation is

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the growing economic interdependence of countries world-wide through increasing volume and variety of cross broader transactions

of

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**SA** BA7401\_International\_Business\_Management.pdf (D154411848)

goods and services and of international capital flows and also through the more rapid and widespread diffusion of technology.

Multinational Corporation (MNC) accounts for a significant share of the world's investment, production, employment and trade having both benefits and costs to home and host country where it incorporates and work.

NSOU PGCO-IV 187 The

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**SA** Nidhi Sharma, Final PHD thesis law Correction ... (D117961760)

successor to General Agreement on Tariffs and Trade (GATT), The World Trade Organisation



was established on 1st January, 1995 with its Head Office located at Geneva, Switzerland. It is the embodiment of the Uruguay Round. India is one of the founder members among 146 members of WTO. The Ministerial Conference is the highest authority of WTO consisting of all representative member nations. It meets almost every three years and is empowered to take decisions on all matters under the multilateral trade agreements. Trading Bloc offers advantages to its member countries like (i) Free trade within the bloc (free access to each other's markets, members are encouraged to specialize), (ii) Market access and

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trade creation (free trade enables high-cost domestic producers to be replaced by lower-cost and more efficient imports), (

iii) Economies of scale (

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application of scale economies, which will lead to lower costs and lower prices for consumers), (iv) Jobs (

By removing the restrictions on the labour movement, economic integration can help expand job opportunities), (v)

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Protection (Firms inside the bloc are protected from cheaper imports from outside)

and (vi) Consensus and cooperation (Regional understanding & similarities may also facilitate closer political cooperation). India, the one of the first in Asia recognising the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, established Asia's first EPZ in Kandla in 1965 to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments. In India, Special Economic Zones (SEZs) Policy was announced in April 2000 in view of making SEZs an engine for economic growth supported by quality infrastructure and complemented by an attractive fiscal package, both at the Centre and the State level with the minimum possible regulations. Government of India eased restrictions on Foreign Direct Investment ("FDI") in India with a view to promoting the 'Make in India' and 'Start up India' initiatives. The reforms are wide ranging and aim to ease doing business, simplifying and rationalizing the process of FDI. The key highlight of the recent reforms is that more FDI proposals in more sectors will now be placed under the automatic route and not require the consent of the government. Of particular note is the liberalization in the Broadcasting, Construction, Defence and Single Brand Retailing sectors. Indian and foreign companies through its sale of technology, spare parts and use of foreign brand names for its final products, make collaboration. During 1980s, liberalization process resulted a considerable spurt in foreign collaborations.

NSOU PGCO-IV 188 8.10 Questions Objective Type: 1. What is the full form of the trading block EU (a) European Union, (b) English Union, (c) External Union, (d) Empower Union. 2. What is the full form of the trading block EFTA (a) English Free Trade Association, (b) Empower Free Trade Association, (c) External Free Trade Association, (d) European Free Trade Association. Short Answer type: 1. Narrate the concept of International Environment. Explain its importance. 2. What do you mean by the concept of 'Globalisation'? 3. Narrate briefly the Foreign Collaboration in India Long Answer type: 1. Write a note on Multinational Corporation. 2. Discuss about WTO. Distinguish between GATT and WTO. 3. Write a note on Trading Blocs. 4. Explain briefly the Government Policy on Foreign Investment in India. 8.11 Further Readings Aswathappa, K. (2019). Essentials of Business Environment (15th Revised Edition), Himalaya Publishing House. Cherunilam, F. (2012). Business Environment - Text and Cases (21st Revised Edition), Himalaya Publishing House. Fernando, A.C. (2011). Business Environment, Pearson. Gupta, C.B. (2019). Business Environment (10th revised reprinted edition), Sultan Chand & Sons.

## Hit and source - focused comparison, Side by Side

**Submitted text** As student entered the text in the submitted document.

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<b>1/322</b>	<b>SUBMITTED TEXT</b>	63 WORDS	<b>25% MATCHING TEXT</b>	63 WORDS
	<p>Business Environment 1.3 Nature and Significance of Business Environment 1.3.1 Nature of Business Environment 1.3.2 Significance of Business Environment 1.4 Types and Elements of Business Environment 1.5 Competitive Business Environment 1.6 Coping with Environmental Challenges 1.7 Summary 1.8 Questions 1.9 Further Readings 1.0 Objectives After going through the unit, you will be able to understand the— Concept of business environment Significance of business environment Elements of business environment 1.1 Introduction Business Environment</p> <p><b>SA</b> Sambalpur_MBA_SEM_1_Business Environment_Merged.pdf (D156214879)</p>			
<b>2/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
	<p>as "the total of all things external to firms and industries which affect their</p> <p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>			
<b>3/322</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>77% MATCHING TEXT</b>	23 WORDS
	<p>business environment encompasses the climate or set of conditions, economic, NSOU PGCO-IV 9 social, political or institutional in which business operations conducted" (</p> <p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>			
<b>4/322</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>50% MATCHING TEXT</b>	21 WORDS
	<p>Environment: Micro Micro or Task Environment consists of the actors in the immediate environment of the company which affect the performance of</p> <p><b>SA</b> 023E1110,119E1110,193E1110-Business Environment.pdf (D165201747)</p>			

<b>5/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>67% MATCHING TEXT</b>	16 WORDS
<p>philosophy of political parties; ideology of the Government, nature and extent of bureaucracy, influence of primary groups,</p> <p><b>SA</b> COM 332 Stretagic Management - II.pdf (D165094087)</p>				
<b>6/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>68% MATCHING TEXT</b>	15 WORDS
<p>Economic policies (industrial policy, import-export policy, monetary policy, fiscal policy, foreign investment and technology policy), (</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>7/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>96% MATCHING TEXT</b>	16 WORDS
<p>Air (Prevention and Control of Pollution) Act, 1981; Water (Prevention and Control of Pollution) Act, 1974].</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>8/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>76% MATCHING TEXT</b>	15 WORDS
<p>unit, you will be able to understand the— Concept of Socio-cultural environment</p> <p><b>SA</b> Sambalpur_MBA_SEM_1_Business Environment_Merged.pdf (D156214879)</p>				
<b>9/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>75% MATCHING TEXT</b>	16 WORDS
<p>which includes knowledge, belief, cult, morales, law, custom and other capabilities and habits acquired by a</p> <p><b>SA</b> Sambalpur_MBA_SEM_1_Business Environment_Merged.pdf (D156214879)</p>				
<b>10/322</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>85% MATCHING TEXT</b>	32 WORDS
<p>Culture is the software of the mind - the social programme that runs the way we think, act and perceive ourselves and others. Our brain is simply the hardware that runs the cultural</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>11/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>is cumulative as it is passed on from generation to generation in a given society</p> <p><b>SA</b> 023E1110,119E1110,193E1110-Business Environment.pdf (D165201747)</p>				
<b>12/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>73% MATCHING TEXT</b>	15 WORDS
<p>In some societies, organisational decision makers are risk-averse and would face great difficulties with conditions of uncertainty</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>13/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>85% MATCHING TEXT</b>	16 WORDS
<p>others are more interested in long-range goals (market share and technological development). The culture of some</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>14/322</b>	<b>SUBMITTED TEXT</b>	60 WORDS	<b>73% MATCHING TEXT</b>	60 WORDS
<p>and social interaction, (iii) cumulative, for it is handed down from generation to generation in a given society, (iv) meaningful to human beings of its symbolic quality, (v) learned by each person in the course of his development in a particular society, (vi) therefore, a basic determinant of personality and (vii) dependent on continuous functioning of society but independent of any individual or group.</p> <p><b>SA</b> 023E1110,119E1110,193E1110-Business Environment.pdf (D165201747)</p>				
<b>15/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>The failure of managers to comprehend fully these disparities has led to most international business blunders.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>16/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>87% MATCHING TEXT</b>	14 WORDS
<p>material culture [man-made things (e.g. automobile, television, telephone, etc. and man-made alternatives in the environment)</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>17/322</b>	<b>SUBMITTED TEXT</b>	52 WORDS	<b>80% MATCHING TEXT</b>	52 WORDS
<p>does not mean that every single item of each culture is neatly and precisely integrated with everything else. It means rather that it is normal for the parts NSOU PGCO-IV 44 to be somewhat organized and that culture traits receive their significance and meaning out of their relation to the rest of the culture.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>18/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Many multinational businessmen agree that cultural differences are the most significant and troublesome variables</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>19/322</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>97% MATCHING TEXT</b>	20 WORDS
<p>which includes knowledge, belief, art, morals, law, custom and other capabilities and habits acquired by man as a member of society.</p> <p><b>SA</b> Sambalpur_MBA_SEM_1_Business Environment_Merged.pdf (D156214879)</p>				
<b>20/322</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>95% MATCHING TEXT</b>	44 WORDS
<p>Differentiation based on criteria such as age, sex, caste, occupation, education income and so on, is an important aspect of social structure and cultural organization. Each stratum is assigned or supposed/expected to have a certain rank or position, role or limitations etc. in the societal set-up</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>21/322</b>	<b>SUBMITTED TEXT</b>	55 WORDS	<b>92% MATCHING TEXT</b>	55 WORDS
<p>Such institutions have been established to meet society's common needs of a biological, sociological, psychological, economic and political nature - the type and nature of institutions reflect the common goals, aspirations and the ways of achieving them, definition and regulation of roles, positions, inter-relationships etc. of the individuals and sub-groups and groups and the overall organization of the culture.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>22/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>89% MATCHING TEXT</b>	18 WORDS
<p>point of view a meaningful integration of different traits into integrated complexes and complexes in turn into patterns. The</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>23/322</b>	<b>SUBMITTED TEXT</b>	84 WORDS	<b>72% MATCHING TEXT</b>	84 WORDS
<p>Centralised Vs. Decentralised In some countries, all important organizational decisions are made by top managers In some countries, decisions are diffused throughout the enterprise and middle and lower level managers actively participate in and make key decision. NSOU PGCO-IV 45 Safety Vs. Risk Organisational decision makers are risk-aversive and have great difficulty with condition of uncertainty in</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>24/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>60% MATCHING TEXT</b>	19 WORDS
<p>Vs. Group Reward In some countries, personnel performing outstanding work are given individual reward in the form of bonus and commissions.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>25/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>81% MATCHING TEXT</b>	13 WORDS
<p>Vs. Low Organisational Loyalty In some countries, people identify very strongly with their organization or employer.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>26/322</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>76% MATCHING TEXT</b>	25 WORDS
<p>Vs. Competition Some societies encourage cooperation between their people Short-term Horizon Vs. Long-term Horizon Some nations focus most heavily on short-term horizons, such as short rang goals of profit and efficiency.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>27/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>Stability Vs. Innovation The culture of some countries encourages stability and resistance to change.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>28/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>84% MATCHING TEXT</b>	11 WORDS
<p>Risk-taking is encouraged and decision making under uncertainty is common in some countries.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>29/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>85% MATCHING TEXT</b>	12 WORDS
<p>people identify with their occupational group such as engineer or mechanic. Some societies encourage</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>30/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>70% MATCHING TEXT</b>	18 WORDS
<p>are more interested in long- range goals such as market share and tech- nological development The culture of other countries</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>31/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>71% MATCHING TEXT</b>	14 WORDS
<p>that business is an integral part of the social system. It is the social</p> <p><b>SA</b> 023E1110,119E1110,193E1110-Business Environment.pdf (D165201747)</p>				
<b>32/322</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>34% MATCHING TEXT</b>	37 WORDS
<p>complex whole which includes knowledge, belief, cult, morales, law, custom and other capabilities and habits acquired by a man as a member of society. It is the software of mind and the basic determinant of human personality which is</p> <p><b>SA</b> 023E1110,119E1110,193E1110-Business Environment.pdf (D165201747)</p>				
<b>33/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>82% MATCHING TEXT</b>	19 WORDS
<p>decision-makers to take decisions which protect and improve the welfare of the society a whole along with their own</p> <p><b>SA</b> 023E1110,119E1110,193E1110-Business Environment.pdf (D165201747)</p>				
<b>34/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>to all those economic factors which have a bearing on the functioning of a business unit, (</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>35/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>production and distribution are entirely managed and controlled by the State the</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>36/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>88% MATCHING TEXT</b>	18 WORDS
<p>the science of people or population which is a product of the number of births, deaths, and migrations</p> <p>the science of people or population. The population is a product of the number of births, deaths, and migrations.</p> <p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>				



<b>37/322</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>100% MATCHING TEXT</b>	22 WORDS
<p>Demography is the name given to the study and interaction of the population, and the influence of changes in composition and population growth.</p> <p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>		<p>Demography is the name given to the study and interaction of the population, and the influence of changes in composition and population growth.</p>		
<b>38/322</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>100% MATCHING TEXT</b>	38 WORDS
<p>Demography is the statistical and mathematical study of the size, composition, and spatial distribution of human populations and of changes over time in these aspects through the operation of five processes of fertility, mortality, marriage, migration, and social mobility (Bogue, 1962:1-2).</p> <p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>		<p>Demography is the statistical and mathematical study of the size, composition, and spatial distribution of human populations and of changes over time in these aspects through the operation of five processes of fertility, mortality, marriage, migration, and social mobility. (Bogue, 1962:1-2)</p>		
<b>39/322</b>	<b>SUBMITTED TEXT</b>	56 WORDS	<b>57% MATCHING TEXT</b>	56 WORDS
<p>Being one of the most populous countries in the world, occupying the second place after China and accounting for 16.7% of the world population, India contains only 2.42% of the total world area. Amongst the total population in India, about 72% lives rural area indicating massive dependence on agriculture and other rural industries. The average annual exponential growth rate</p> <p><b>W</b> <a href="https://www.yourarticlelibrary.com/geography/7-striking-features-of-indian-demography/42397">https://www.yourarticlelibrary.com/geography/7-striking-features-of-indian-demography/42397</a></p>		<p>being one of the most populous countries of the world, occupying the second place after China and accounting for 16.7 per cent of the world population, India, however accounts for only 2.42 per cent of the total world area. 2. Overwhelming Proportion of Rural Population: About 72 per cent of the population lives in rural areas. This indicates a massive dependence on agriculture and other rural industries. ADVERTISEMENTS: 3. Fast Rate of Population Growth: The average annual exponential growth rate</p>		
<b>40/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>89% MATCHING TEXT</b>	19 WORDS
<p>encroached upon the surrounding villages as people continue to pour into there in search of jobs and better living.</p> <p><b>W</b> <a href="https://www.yourarticlelibrary.com/geography/7-striking-features-of-indian-demography/42397">https://www.yourarticlelibrary.com/geography/7-striking-features-of-indian-demography/42397</a></p>		<p>encroached upon the surrounding villages, as people continue to pour into urban centres in search of jobs and better living. 4.</p>		

<b>41/322</b>	<b>SUBMITTED TEXT</b>	56 WORDS	<b>61% MATCHING TEXT</b>	56 WORDS
<p>attributed more to the sociological factors like low preference for the female child in the family. Here, in absence of proper attention, the female child falls sick for malnutrition. A large number of women also die during childbirth. In India, only 40 per cent can be classified as workers—this includes the population below 15 years also (i.e., child labour),</p>		<p>attributed more to the sociological factors which explain the low preference for the female child in the family. Of late, female foeticide and infanticide have come to light. In the absence of proper attention, the female child falls an easy prey to diseases caused by under-nutrition. A large number of women also die during childbirth. ADVERTISEMENTS: 5. High Percentage of Non-workers: Only 40 per cent of our population can be classified as workers—this includes the population below 15 years also (i.e., child labour),</p>		
<p><b>W</b> <a href="https://www.yourarticlelibrary.com/geography/7-striking-features-of-indian-demography/42397">https://www.yourarticlelibrary.com/geography/7-striking-features-of-indian-demography/42397</a></p>				
<b>42/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>Above all, the concentration of religious minorities in the strategically located peripheral areas</p>		<p>Above all, the concentration of religious minorities in the strategically located peripheral areas</p>		
<p><b>W</b> <a href="https://www.yourarticlelibrary.com/geography/7-striking-features-of-indian-demography/42397">https://www.yourarticlelibrary.com/geography/7-striking-features-of-indian-demography/42397</a></p>				
<b>43/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>Learning the quantity, quality and distribution of residents in a region.</p>		<p>Learning the quantity, quality, and distribution of residents in a region</p>		
<p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>				
<b>44/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Knowing the causal relationship of variables that affect population growth.</p>		<p>Knowing the causal relationship of variables that affect population growth</p>		
<p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>				
<b>45/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>The basis of appropriate policy-making in the field of population.</p>		<p>The basis of appropriate policy-making in the field of population</p>		
<p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>				

<b>46/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Demographic characteristics help us learn about the conditions of the population in a region</p> <p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>		<p>Demographic characteristics help us learn about the conditions of the population in a region.</p>		
<b>47/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Demographic characteristic is one of the most contributing factors in decision making</p> <p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>		<p>Demographic characteristic is one of the most contributing factors in decision making.</p>		
<b>48/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>88% MATCHING TEXT</b>	18 WORDS
<p>the science of people or population which is a product of the number of births, deaths, and migrations</p> <p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>		<p>the science of people or population. The population is a product of the number of births, deaths, and migrations.</p>		
<b>49/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Demographic characteristics help us learn about the conditions of the population in a region</p> <p><b>W</b> <a href="https://worldsustainable.org/demographic-characteristics/67">https://worldsustainable.org/demographic-characteristics/67</a></p>		<p>Demographic characteristics help us learn about the conditions of the population in a region.</p>		
<b>50/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>refers to all those economic factors which have a bearing on the functioning of a business unit, (</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>51/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>This external element of business includes the effects of pressure groups.</p> <p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>				

<b>52/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	17 WORDS
<p>The country's population democratically elects open government system. In totalitarian systems, government's power derives from a select group.</p>					
<p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>					
<b>53/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>79%</b>	<b>MATCHING TEXT</b>	18 WORDS
<p>business organizations with showing (i) Impact on economy (The political situation of a country affects its economic setting</p>					
<p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>					
<b>54/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	11 WORDS
<p>Changes in regulation (Governments could alter their rules and regulations</p>					
<p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>					
<b>55/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	12 WORDS
<p>Political stability (Lack of political stability in a country effects business operations)</p>					
<p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>					
<b>56/322</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	25 WORDS
<p>Mitigation of risk (Buying political risk insurance is a way to manage political risk. Companies that have international operations use such insurance to reduce their risk exposure).</p>					
<p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>					
<b>57/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	12 WORDS
<p>It could add a risk factor and lead to a major</p>					
<p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>					

<b>58/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>the stability of a political system can affect the appeal of a particular local market, (</p> <p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>				
<b>59/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>Governments view business organizations as a critical vehicle for social reform, (iii) Governments pass legislation</p> <p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>				
<b>60/322</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>91% MATCHING TEXT</b>	36 WORDS
<p>the relationship between the firm and its customers, suppliers, and other companies, (iv) Government is liable for protecting the public interest, (v) Government actions influence the economic environment, (vi) Government is a major consumer of goods and services.</p> <p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>				
<b>61/322</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>69% MATCHING TEXT</b>	21 WORDS
<p>IP refers to creation of the mind (inventions, literary and artistic works, designs and symbols, names and images) used in commerce.</p> <p><b>SA</b> Arjun - IPR Chapter .docx (D142539833)</p>				
<b>62/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>enable people to earn recognition or financial benefit from what they invent or create.</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>				

<b>63/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>IP system aims at fostering an environment in which creativity and innovation can flourish</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>				
<b>64/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>right balance between the interests of innovators and the wider public interest.</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>				
<b>65/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>78% MATCHING TEXT</b>	15 WORDS
<p>The Patents Act, 1970 Concepts: The Patent Act, 1970 amended and consolidated the law related to</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>66/322</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>76% MATCHING TEXT</b>	37 WORDS
<p>Patent is a legal protection for a new, non-obvious and useful invention. Patent gives the Patent holder the exclusive right to make, use or sell the products or process. The main purpose of it is to benefit the society.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>67/322</b>	<b>SUBMITTED TEXT</b>	54 WORDS	<b>86% MATCHING TEXT</b>	54 WORDS
<p>invention subject to the provision of the Act. Invention means a new product or process involving an inventive step and capable of industrial application. Feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention non-obvious to a person skilled in the art.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>68/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>in respect of any improvement in or modification of an invention which is Patented.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>69/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>73% MATCHING TEXT</b>	15 WORDS
<p>an opportunity to recoup the cost of invention and to make profit out of invention,</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>70/322</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>66% MATCHING TEXT</b>	21 WORDS
<p>to secure that the inventions on a commercial scale and to the fullest which is practical enough without undue delay and</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>71/322</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>86% MATCHING TEXT</b>	20 WORDS
<p>The Indian Patent Act, 1970, as amended and effective from 01.01.2005, lays down— (i) Eligibility, procedures and conditions for grant of</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>72/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>Appellate Board" means the Appellate Board referred to in section 116; ( Appellate Board" means the Appellate Board referred to in section 11;] (</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>73/322</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>84% MATCHING TEXT</b>	26 WORDS
<p>Inventions and other subjects not Patentable, (iii) Rights and obligations of Patentee, (iv) Grounds for revocation of Patents, (v) Matters related to working of the Patent and compulsory licensing.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>74/322</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>76% MATCHING TEXT</b>	29 WORDS
<p>licence from a Patentee which confers on the licensee, on the licensee and persons authorised by him, to the exclusion of all other persons (including the Patentee), any right in</p>		<p>licence" means a licence which confers on the licensee on the licensee and persons authorised by him, to the exclusion of all other persons (including the of the copyright) any right comprised in</p>		
<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>75/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>76% MATCHING TEXT</b>	17 WORDS
<p>the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the purposes of Patent Procedure</p>				
<p><b>SA</b> Nidhi Sharma, Final PHD thesis law Correction file.pdf (D117961760)</p>				
<b>76/322</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>100% MATCHING TEXT</b>	22 WORDS
<p>capable of industrial application", in relation to an invention, means that the invention is capable of being made or used in an industry; (</p>				
<p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>77/322</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>82% MATCHING TEXT</b>	21 WORDS
<p>Government, or (iii) by a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956), or (</p>				
<p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>78/322</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>97% MATCHING TEXT</b>	50 WORDS
<p>invention" means a new product or process involving an inventive step and capable of industrial application; (ja) "inventive step" means a feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention not obvious to a person skilled in the art; (</p>				
<p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				



<b>79/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>legal representative" means a person who in law represents the estate of a deceased person; (</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>80/322</b>	<b>SUBMITTED TEXT</b>	57 WORDS	<b>95% MATCHING TEXT</b>	57 WORDS
<p>new invention" means any invention or technology which has not been anticipated by publication in any document or used in the country or elsewhere in the world before the date of filing of Patent application with complete specification, i.e., the subject matter has not fallen in public domain or that it does not form part of the state of the art; (</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>81/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>pharmaceutical substance" means any new entity involving one or more inventive steps; (</p> <p><b>SA</b> IDP_B_1.docx (D123828115)</p>				
<b>82/322</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>100% MATCHING TEXT</b>	30 WORDS
<p>section 67; (y) "true and first inventor" does not include either the first importer of an invention into India, or a person to whom an invention is first communicated from outside India. (2)</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				

**83/322****SUBMITTED TEXT**

117 WORDS

**98% MATCHING TEXT**

117 WORDS

Persons entitled to apply for Patent (1) Subject to the provisions contained in section 134, an application for a Patent for an invention may be made by any of the following persons, that is to say, - (a) by any person claiming to be the true and first inventor of the invention; (b) by any person being the assignee of the person claiming to be the true and first inventor in respect of the right to make such an application; (c) by the legal representative of any deceased person who immediately before his death was entitled to make such an application. (2) An application under sub-section (1) may be made by any of the persons referred to therein either alone or jointly with any other person.

**SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)**84/322****SUBMITTED TEXT**

135 WORDS

**99% MATCHING TEXT**

135 WORDS

Grant of Patent (1) Where an application for a patent has been found to be in order for grant of the patent and either- (a) the application has not been refused by the Controller by virtue of any power vested in him by this Act; or (b) the application has not been found to be in contravention of any of the provisions of this Act, the patent shall be granted as expeditiously as possible to the applicant or, in the case of a joint application, to the applicants jointly, with the seal of the patent office and the date on which the patent is granted shall be entered in the register. On the grant of patent, the Controller shall publish the fact that the patent has been granted and thereupon the application, specification and other documents related thereto shall be open for public inspection. (2)

**SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

**85/322****SUBMITTED TEXT**

180 WORDS

**100% MATCHING TEXT**

180 WORDS

Grant of patents to be subject to certain conditions: The grant of a patent under this Act shall be subject to the condition that- (1) any machine, apparatus or other article in respect of which the patent is granted or any article made by using a process in respect of which the patent is granted, may be imported or made by or on behalf of the Government for the purpose merely of its own use; (2) any process in respect of which the patent is granted may be used by or on behalf of the Government for the purpose merely of its own use; (3) any machine, apparatus or other article in respect of which the patent is granted or any article made by the use of the process in respect of which the patent is granted, may be made or used, and any process in respect of which the patent is granted may be used, by any person, for the purpose merely of experiment or research including the imparting of instructions to pupils; and (4) in the case of a patent in respect of any medicine or drug, the medicine

**SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)**86/322****SUBMITTED TEXT**

127 WORDS

**98% MATCHING TEXT**

127 WORDS

or drug may be imported by the Government for the purpose merely of its own use or for distribution in any dispensary, hospital or other medical institution maintained by or on behalf of the Government or any other dispensary, hospital or other medical institution which the Central Government may, having regard to the public service that such dispensary, hospital or medical institution renders, specify in this behalf by notification in the Official Gazette. General principles applicable to working of Patented inventions.-Without prejudice to the other provisions contained in this Act, in exercising the powers, regard shall be had to the following general considerations, namely;- (a) that Patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay;

**SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

<b>87/322</b>	<b>SUBMITTED TEXT</b>	69 WORDS	<b>81% MATCHING TEXT</b>	69 WORDS
<p>any person interested may make an application to the Controller for grant of compulsory licence on Patent on any of the following grounds, namely— (a) that the reasonable requirements of the public with respect to the Patented invention have not been satisfied, or (b) that the Patented invention is not available to the public at a reasonably affordable price, or (c) that the Patented invention is not worked in the territory of India. (2)</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>88/322</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>89% MATCHING TEXT</b>	22 WORDS
<p>that the reasonable requirements of the public with respect to the Patented invention are not satisfied or that the Patented invention is not</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>89/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>96% MATCHING TEXT</b>	16 WORDS
<p>or that the Patented invention is not available to the public at a reasonably affordable price</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>90/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>a statement setting out the nature of the applicant's interest</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>91/322</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>97% MATCHING TEXT</b>	23 WORDS
<p>that the reasonable requirements of the public with respect to the Patented invention have not been satisfied or that the Patented invention is not</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				

<b>92/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>is not available to the public at a reasonably affordable price,</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>93/322</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>86% MATCHING TEXT</b>	61 WORDS
<p>the nature of the invention, the time which has elapsed since the sealing of the Patent and the measures already taken by the Patentee or any licensee to make full use of the invention; (ii) the ability of the applicant to work the invention to the public advantage; (iii) the capacity of the applicant to undertake the risk in providing capital and working the invention,</p> <p><b>SA</b> Nidhi Sharma, Final PHD thesis law Correction file.pdf (D117961760)</p>				
<b>94/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>whether the applicant has made efforts to obtain a licence from the</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>95/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>79% MATCHING TEXT</b>	17 WORDS
<p>Patentee on reasonable terms and conditions and such efforts have not been successful within a reasonable period</p> <p><b>SA</b> Nidhi Sharma, Final PHD thesis law Correction file.pdf (D117961760)</p>				
<b>96/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>76% MATCHING TEXT</b>	18 WORDS
<p>in case of national emergency or other circumstances of extreme urgency or in case of public non-commercial use</p> <p><b>SA</b> Nidhi Sharma, Final PHD thesis law Correction file.pdf (D117961760)</p>				

<b>97/322</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>86% MATCHING TEXT</b>	30 WORDS
<p>The reasonable requirements of the public shall be deemed not to have been satisfied— (a) if, by reason of the refusal of the Patentee to grant a licence or licences on reasonable terms,- (</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>98/322</b>	<b>SUBMITTED TEXT</b>	113 WORDS	<b>91% MATCHING TEXT</b>	113 WORDS
<p>persons trading or manufacturing in India is prejudiced; or (ii) the demand for the Patented article has not been met to an adequate extent or on reasonable terms; or NSOU PGCO-IV 85 (iii) a market for export of the Patented article manufactured in India is not being supplied or developed; or (iv) the establishment or development of commercial activities in India is prejudiced; or (b) if, by reason of conditions imposed by the Patentee upon the grant of licences under the Patent or upon the purchase, hire or use of the Patented article or process, the manufacture, use or sale of materials not protected by the Patent, or the establishment or development of any trade or industry in India, is prejudiced; or (c) if</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>99/322</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>96% MATCHING TEXT</b>	39 WORDS
<p>Patentee imposes a condition upon the grant of licences under the Patent to provide exclusive grant back, prevention to challenges to the validity of Patent or coercive package licensing; or (d) if the Patented invention is not being worked in the</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>100/322</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>95% MATCHING TEXT</b>	22 WORDS
<p>India on a commercial scale to an adequate extent or is not being so worked to the fullest extent that is reasonably practicable;</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				

<b>101/322</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>89% MATCHING TEXT</b>	46 WORDS
<p>prevented or hindered by the importation from abroad of the Patented article by— (i) the Patentee or persons claiming under him or (ii) persons directly or indirectly purchasing from him; or (iii) other persons against whom the Patentee is not taking or has not taken proceedings for infringement. Surrender of</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>102/322</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100% MATCHING TEXT</b>	20 WORDS
<p>Any claim made for the grant of Patent, has been found invalid or the Central Government feels that a Patent</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>103/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>the mode in which it is exercised is mischievous to the state or generally prejudicial to the public interest.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>104/322</b>	<b>SUBMITTED TEXT</b>	150 WORDS	<b>93% MATCHING TEXT</b>	150 WORDS
<p>the following as not inventions within the meaning of Patent Act, 1970. (a) an invention which is frivolous or which claims anything obviously contrary to well established natural laws; (b) an invention the primary or intended use or commercial exploitation of which could be contrary to public order or morality or which causes serious prejudice to human, animal or plant life or health or to the environment; (c) the mere discovery of a scientific principle or the formulation of an abstract theory or discovery of any living thing or non-living substance occurring in nature; (d) the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant. Explanation. -</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				

105/322	SUBMITTED TEXT	80 WORDS	97% MATCHING TEXT	80 WORDS
<p>salts, esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations and other derivatives of known substance shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy; (e) a substance obtained by a mere admixture resulting only in the aggregation of the properties of the components thereof or a process for producing such substance; (f) the mere arrangement or re-arrangement or duplication of known devices each functioning independently of one another in a known way; [Omitted by</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
106/322	SUBMITTED TEXT	32 WORDS	100% MATCHING TEXT	32 WORDS
<p>Patents (Amendment) Act, 2002] (h) a method of agriculture or horticulture; (i) any process for the medicinal, surgical, curative, prophylactic diagnostic, therapeutic or other treatment of human beings or any process for a similar</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
107/322	SUBMITTED TEXT	123 WORDS	81% MATCHING TEXT	123 WORDS
<p>treatment of animals to render them free of disease or to increase their economic value or that of their products. (j) plants and animals in whole or any part thereof other than micro-organisms but including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals; (k) a mathematical or business method or a computer programme per se or algorithms; (l) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever including cinematographic works and television productions; (m) a mere scheme or rule or method of performing mental act or method of playing game; (n) a presentation of information; (o) topography of integrated circuits; (p) an invention which in effect, is traditional knowledge or which is an aggregation or duplication of known properties of traditionally known component or components. (</p> <p><b>SA</b> Arjun - IPR Chapter .docx (D142539833)</p>				



<b>108/322</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>80% MATCHING TEXT</b>	23 WORDS
<p>in respect of an invention relating to atomic energy falling within sub section (1) of section 20 of the Atomic Energy Act, 1962 (33)</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>109/322</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>Patented Product or process may be made, imported or used by or on behalf of the Government for its own use or purpose, —</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>110/322</b>	<b>SUBMITTED TEXT</b>	69 WORDS	<b>89% MATCHING TEXT</b>	69 WORDS
<p>Any Patented medicine may be imported by Government for the purpose of it or for distribution in any dispensary, hospital or other medical institutions, maintained by or on behalf of the Government or any other specified medical institution specified by the Government in public interest, — Any Patented process or product may be used or made by any person for the purpose merely of experiment or research including the imparting of instructions to pupils.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>111/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>to prevent third parties, who do not have his consent,</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>112/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>from the act of making, using, offering for sale, selling or importing</p> <p><b>SA</b> INTELLECTUAL PROPERTY RIGHTS AND THE IMPACT OF TRIPS AGREEMENT WITH REFERENCE TO INDIAN PATENT LA ... (D29601620)</p>				

<b>113/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>to prevent third parties, who do not have his consent,</p> <p><b>SA</b> Chapter 1 final.pdf (D37997762)</p>				
<b>114/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>from the act of using, offering for sale, selling or importing</p> <p><b>SA</b> INTELLECTUAL PROPERTY RIGHTS AND THE IMPACT OF TRIPS AGREEMENT WITH REFERENCE TO INDIAN PATENT LA ... (D29601620)</p>				
<b>115/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>in the body of the vessel or in the machinery, tackle, apparatus or other accessories</p> <p><b>SA</b> Nidhi Sharma, Final PHD thesis law Correction file.pdf (D117961760)</p>				
<b>116/322</b>	<b>SUBMITTED TEXT</b>	57 WORDS	<b>74% MATCHING TEXT</b>	57 WORDS
<p>and the term of every Patent which has not expired and has not ceased to have effect, on the date of such commencement, under this Act, shall be twenty years from the date of filing of the application for the Patent. Explanation: — For the purposes of this sub-section, the term of Patent in case of International applications filed under the</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>117/322</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>designating India, shall be twenty years from the international filing date accorded under the Patent Cooperation Treaty. — A Patent shall cease to have effect</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				

<b>118/322</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>100% MATCHING TEXT</b>	32 WORDS
<p>on the expiration of the period prescribed for the payment of any renewal fee, if that fee is not paid within the prescribed period or within such extended period as may be prescribed. —</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>119/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>80% MATCHING TEXT</b>	13 WORDS
<p>Notwithstanding anything contained in any other law for the time being in force,</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>120/322</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>61% MATCHING TEXT</b>	36 WORDS
<p>entries in register etc.: — If any person makes, or causes to be made, a false entry in any register kept under this Act, or a writing falsely purporting to be a copy of an entry in such</p> <p>entries in register, etc., for producing or tendering false entries.— Any person who,— (a) makes or causes to be made a false entry in the Register of Copyrights kept under this Act, or (b) makes or causes to be made a writing falsely purporting to be a copy of any entry in such</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>121/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>95% MATCHING TEXT</b>	13 WORDS
<p>register, or produces or tenders, or causes to be produced or tendered,</p> <p>register, or (c) produces or tenders or causes to be produced or tendered</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>122/322</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>100% MATCHING TEXT</b>	33 WORDS
<p>on cessation of the Patent right due to non-payment of renewal fee or on expiry of the term of Patent, the subject matter covered by the said Patent shall not be entitled to any protection.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				

<b>123/322</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>91% MATCHING TEXT</b>	23 WORDS
<p>of section 39 he shall be punishable with imprisonment for a term which may extend to two years, or with fine, or with both.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>124/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>92% MATCHING TEXT</b>	19 WORDS
<p>he shall be punishable with imprisonment for a term which may extend to two years, or with fine, or with both.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>125/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>shall be punishable with fine which may extend to one lakh</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>126/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>96% MATCHING TEXT</b>	14 WORDS
<p>any person uses on his place of business or any document issued by him</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>				
<b>127/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>89% MATCHING TEXT</b>	14 WORDS
<p>words which would reasonably lead to the belief that his place of business is,</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>				
<b>128/322</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>71% MATCHING TEXT</b>	20 WORDS
<p>to be true, he shall be punishable with imprisonment which may extend to six months, or with fine, or with both.</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p> <p>to be shall be punishable with imprisonment which may extend to one year, or with fine, or with both. 1 [68</p>				

<b>129/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	18 WORDS
<p>he shall be punishable with imprisonment for a term which may extend to six months, or with fine,</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					
<b>130/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>80%</b>	<b>MATCHING TEXT</b>	19 WORDS
<p>If any person contravenes the provisions of section 129, he shall be punishable with fine which may extend to</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					
<b>131/322</b>	<b>SUBMITTED TEXT</b>	79 WORDS	<b>82%</b>	<b>MATCHING TEXT</b>	79 WORDS
<p>in charge of, and responsible to, the company for the conduct of its business at the time of the commission of the offence shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly. Provided that nothing contained in this sub-section shall render any such person liable to any punishment if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.</p> <p><b>SA</b> dissertation.docx (D27473427)</p>					
<b>132/322</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	34 WORDS
<p>Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or</p> <p><b>SA</b> dissertation.docx (D27473427)</p>					

133/322	SUBMITTED TEXT	200 WORDS	100% MATCHING TEXT	200 WORDS
<p>Works in which Copyright subsists. - (1) Subject to the provisions of this section and the other provisions of this Act, Copyright shall subsist throughout India in the following classes of works, that is to say, - (a) original literary, dramatic, musical and artistic works; (b) cinematograph films; and (c) sound recording. (2) Copyright shall not subsist in any work specified in sub-section (1), other than a work to which the provisions of section 40 or section 41 apply, unless, - (i) in the case of a published work, the work is first published in India, or where the work is first published outside India, the author is at the date of such publication, or in a case where the author was dead at that date, was at the time of his death, a citizen of India; (ii) in the case of an unpublished work other than a work of architecture, the author is at the date of the making of the work a citizen of India or domiciled in India; and (iii) in the case of work of architecture, the work is located in India. Explanation- In the case of a work of joint authorship, the conditions conferring Copyright specified in this sub-section shall be satisfied by all the authors of the work. 5</p>		<p>Works in which copyright subsists.— (1) Subject to the provisions of this section and the other provisions of this Act, copyright shall subsist throughout India in the following classes of works, that is to say,— (a) original literary, dramatic, musical and artistic works; (b) cinematograph films; and (c) 1 [sound recording]. (2) Copyright shall not subsist in any work specified in sub-section (1), other than a work to which the provisions of section 40 or section 41 apply, unless,— (i) in the case of a published work, the work is first published in India, or where the work is first published outside India, the author is at the date of such publication, or in a case where the author was dead at that date, was at the time of his death, a citizen of India; (ii) in the case of an unpublished work other than a 2 [work of architecture], the author is at the date of the making of the work a citizen of India or domiciled in India; and (iii) in the case of 2 [work of architecture], the work is located in India. Explanation.— In the case of a work of joint authorship, the conditions conferring copyright specified in this sub-section shall be satisfied by all the authors of the work. (3)</p>		
<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				

134/322	SUBMITTED TEXT	114 WORDS	96% MATCHING TEXT	114 WORDS
<p>Copyright shall not subsist- (a) in any cinematograph film if a substantial part of the film is an infringement of the Copyright in any other work; (b) in any sound recording made in respect of a literary, dramatic or musical work, if in making the sound recording, Copyright in such work has been infringed. (4) The Copyright in a cinematograph film or a sound recording shall not affect the separate Copyright in any work in respect of which or a substantial part of which, the film, or, as the case may be, the sound recording is made. (5) In the case of work of architecture, Copyright shall subsist only in the artistic character and design and shall not extend to processes or methods of construction.</p>		<p>Copyright shall not subsist— (a) in any cinematograph film if a substantial part of the film is an infringement of the copyright in any other work; (b) in any 1 [sound recording] made in respect of a literary, dramatic or musical work, if in making the 1 [sound recording], copyright in such work has been infringed. (4) The copyright in a cinematograph film or a 1 [sound recording] shall not affect the separate copyright in any work in respect of which or a substantial part of which, the film, or, as the case may be, the 1 [sound recording] is made. (5) In the case of 2 [work of architecture], copyright shall subsist only in the artistic character and design and shall not extend to processes or methods of construction. 3 [14.</p>		
<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				

<b>135/322</b>	<b>SUBMITTED TEXT</b>	114 WORDS	<b>98% MATCHING TEXT</b>	114 WORDS
<p>Interpretation - In this Act, unless the context otherwise requires,- (a) "adaptation" means,- (i) in relation to a dramatic work, the conversion of the work into a non-dramatic work; (ii) in relation to a literary work or an artistic work, the conversion of the work into a dramatic work by way of performance in public or otherwise; (iii) in relation to a literary or dramatic work, any abridgement of the work or any version of the work in which the story or action is conveyed wholly or mainly by means of pictures in a form suitable for reproduction in a book, or in a newspaper, magazine or similar periodical; and (iv) in relation to a musical work, any arrangement or transcription of the work; (</p>		<p>Interpretation.— In this Act, unless the context otherwise requires,— (a) " means,- (i) in relation to a dramatic work, the conversion of the work into a non-dramatic work; (ii) in relation to a literary work or an artistic work, the conversion of the work into a dramatic work by way of performance in public or otherwise; (iii) in relation to a literary or dramatic work, any abridgement of the work or any version of the work in which the story or action is conveyed wholly or mainly by means of pictures in a form suitable for reproduction in a book, or in a newspaper, magazine or similar periodical; 3 [***] ( iv) in relation to a musical work, any arrangement or transcription of the work; 4 [</p>		
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<b>136/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>b) "architectural work of art" means any building or structure having an artistic character or</p>		<p>b) 5 [" work of architecture"] means any building or structure having an artistic character or 1</p>		
<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>137/322</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>95% MATCHING TEXT</b>	34 WORDS
<p>design, or any model for such building or structure; (c) "artistic work" means (i) a painting, a sculpture, a drawing (including a diagram, map, chart or plan), a photograph, whether or not any such work possesses artistic quality; (</p>		<p>design, or any model for such building or structure; (c) "artistic work" means,— (i) a painting, a sculpture, a drawing (including a diagram, map, chart or plan), an engraving or a photograph, whether or not any such work possesses artistic quality; (</p>		
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138/322	SUBMITTED TEXT	77 WORDS	98% MATCHING TEXT	77 WORDS
<p>is attributable to any neglect on the part of any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly. (1) Explanation.-For the purposes of this section,- (a) "company" means anybody corporate and includes a firm or other association of individuals; and (b) "director", in relation to a firm, means a partner in the firm. 5 6.3.2</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
139/322	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
<p>e) "calendar year" means the year commencing on the 1st day of January; (f) "cinematograph film"</p> <p>e) "calendar year" means the year commencing on the 1st day of January; 4 [(f) "cinematograph film"</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
140/322	SUBMITTED TEXT	56 WORDS	92% MATCHING TEXT	56 WORDS
<p>d) "author" means,- (i) in relation to literary or dramatic work, the author of the work; (ii) in relation to a musical work, the composer; NSOU PGCO-IV 95 (iii) in relation to an artistic work other than a photograph, the artist; (iv) in relation to a photograph, the person taking the photograph; (v) in relation to a cinematograph film,</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
141/322	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS
<p>g) "delivery", in relation to a lecture, includes delivery by means of any mechanical instrument or by</p> <p>g) "delivery", in relation to a lecture, includes delivery by means of any mechanical instrument or by 2 [</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				



142/322	SUBMITTED TEXT	31 WORDS	95% MATCHING TEXT	31 WORDS
	<p>h) "dramatic work" includes any piece for recitation, choreographic work or entertainment in dumb show or acting form of which is fixed in writing or otherwise but does not include a cinematograph film; (</p>		<p>h) "dramatic work" includes any piece for recitation, choreographic work or entertainment in dumb show, the scenic arrangement or acting, form of which is fixed in writing or otherwise but does not include a cinematograph film; 3 [(</p>	
	<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>			
143/322	SUBMITTED TEXT	93 WORDS	99% MATCHING TEXT	93 WORDS
	<p>engravings" include wood-cuts, prints and other similar works, not being photographs; (j) "exclusive licence" means a licence which confers on the licensee or on the licensee and persons authorised by him, to the exclusion of all other persons (including the owner of the Copyright) any right comprised in the Copyright in a work, and "exclusive licensee" shall be construed accordingly; (k) "Government work" means a work which is made or published by or under the direction or control of— (i) the government or any department of the Government; (ii) any Legislature in India; (iii) any court, tribunal or other judicial authority in India; (</p>		<p>engravings" include etchings, lithographs, wood-cuts, prints and other similar works, not being photographs; (j) "exclusive licence" means a licence which confers on the licensee or on the licensee and persons authorised by him, to the exclusion of all other persons (including the owner of the copyright) any right comprised in the copyright in a work, and "exclusive licensee" shall be construed accordingly; (k) "Government work" means a work which is made or published by or under the direction or control of— (i) the Government or any department of the Government; (ii) any Legislature in India; (iii) any court, tribunal or other judicial authority in India; 1</p>	
	<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>			
144/322	SUBMITTED TEXT	18 WORDS	100% MATCHING TEXT	18 WORDS
	<p>l) "Indian work" means a literary, dramatic or musical work, the author of which is a citizen of India; (</p>		<p>l) "Indian work" means a literary, dramatic or musical work,— (i) the author of which is a citizen of India;</p>	
	<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>			
145/322	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
	<p>and "cinematograph" shall be construed as including any work produced by any</p>			
	<p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>			

<b>146/322</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>95% MATCHING TEXT</b>	33 WORDS		
<p>in relation to a literary, dramatic, musical or artistic work, a reproduction thereof otherwise than in the form of a cinematograph film; (ii) in relation to a cinematograph film, a copy of the film</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>						
<b>147/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>57% MATCHING TEXT</b>	19 WORDS		
<p>iii) in relation to a record, any such record embodying the same recording; and (iv) in relation to a programme,</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>						
<b>148/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>88% MATCHING TEXT</b>	17 WORDS		
<p>if such reproduction, copy or record is made or imported in contravention of the provisions of this Act;</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>						
<b>149/322</b>	<b>SUBMITTED TEXT</b>	172 WORDS	<b>99% MATCHING TEXT</b>	172 WORDS		
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>of any agreement to the contrary, be the first owner of the Copyright therein; 2 [(dd) in the case of a work made or first published by or under the direction or control of any public undertaking, such public undertaking shall, in the absence of any agreement to the contrary, be the first owner of the Copyright therein. Explanation.- For the purposes of this clause and section 28A, "public undertaking" means- (i) an undertaking owned or controlled by Government; or (ii) a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);or (iii) a body corporate established by or under any Central, Provincial or State Act;] (e) in the case of a work to which the provisions of section 41 apply, the international organization concerned shall be the first owner of the Copyright therein. [Provided that in case of any work incorporated in a cinematograph work, nothing contained in clauses (b) and (c) shall affect the right of the author in the work referred to in clause (a) of sub-section (1) of section 13.] Registration of Copyright:</p> </td> <td style="width: 50%; vertical-align: top;"> <p>of any agreement to the contrary, be the first owner of the copyright therein; 2 [(dd) in the case of a work made or first published by or under the direction or control of any public undertaking, such public undertaking shall, in the absence of any agreement to the contrary, be the first owner of the copyright therein. Explanation.— For the purposes of this clause and section 28A, "public undertaking" means— (i) an undertaking owned or controlled by Government; or (ii) a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);or (iii) a body corporate established by or under any Central, Provincial or State Act;] (e) in the case of a work to which the provisions of section 41 apply, the international organization concerned shall be the first owner of the copyright therein. 3 [Provided that in case of any work incorporated in a cinematograph work, nothing contained in clauses (b) and (c) shall affect the right of the author in the work referred to in clause (a) of sub-section (1) of section 13.] 18. Assignment of copyright.— (1)</p> </td> </tr> </table> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>					<p>of any agreement to the contrary, be the first owner of the Copyright therein; 2 [(dd) in the case of a work made or first published by or under the direction or control of any public undertaking, such public undertaking shall, in the absence of any agreement to the contrary, be the first owner of the Copyright therein. Explanation.- For the purposes of this clause and section 28A, "public undertaking" means- (i) an undertaking owned or controlled by Government; or (ii) a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);or (iii) a body corporate established by or under any Central, Provincial or State Act;] (e) in the case of a work to which the provisions of section 41 apply, the international organization concerned shall be the first owner of the Copyright therein. [Provided that in case of any work incorporated in a cinematograph work, nothing contained in clauses (b) and (c) shall affect the right of the author in the work referred to in clause (a) of sub-section (1) of section 13.] Registration of Copyright:</p>	<p>of any agreement to the contrary, be the first owner of the copyright therein; 2 [(dd) in the case of a work made or first published by or under the direction or control of any public undertaking, such public undertaking shall, in the absence of any agreement to the contrary, be the first owner of the copyright therein. Explanation.— For the purposes of this clause and section 28A, "public undertaking" means— (i) an undertaking owned or controlled by Government; or (ii) a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);or (iii) a body corporate established by or under any Central, Provincial or State Act;] (e) in the case of a work to which the provisions of section 41 apply, the international organization concerned shall be the first owner of the copyright therein. 3 [Provided that in case of any work incorporated in a cinematograph work, nothing contained in clauses (b) and (c) shall affect the right of the author in the work referred to in clause (a) of sub-section (1) of section 13.] 18. Assignment of copyright.— (1)</p>
<p>of any agreement to the contrary, be the first owner of the Copyright therein; 2 [(dd) in the case of a work made or first published by or under the direction or control of any public undertaking, such public undertaking shall, in the absence of any agreement to the contrary, be the first owner of the Copyright therein. Explanation.- For the purposes of this clause and section 28A, "public undertaking" means- (i) an undertaking owned or controlled by Government; or (ii) a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);or (iii) a body corporate established by or under any Central, Provincial or State Act;] (e) in the case of a work to which the provisions of section 41 apply, the international organization concerned shall be the first owner of the Copyright therein. [Provided that in case of any work incorporated in a cinematograph work, nothing contained in clauses (b) and (c) shall affect the right of the author in the work referred to in clause (a) of sub-section (1) of section 13.] Registration of Copyright:</p>	<p>of any agreement to the contrary, be the first owner of the copyright therein; 2 [(dd) in the case of a work made or first published by or under the direction or control of any public undertaking, such public undertaking shall, in the absence of any agreement to the contrary, be the first owner of the copyright therein. Explanation.— For the purposes of this clause and section 28A, "public undertaking" means— (i) an undertaking owned or controlled by Government; or (ii) a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);or (iii) a body corporate established by or under any Central, Provincial or State Act;] (e) in the case of a work to which the provisions of section 41 apply, the international organization concerned shall be the first owner of the copyright therein. 3 [Provided that in case of any work incorporated in a cinematograph work, nothing contained in clauses (b) and (c) shall affect the right of the author in the work referred to in clause (a) of sub-section (1) of section 13.] 18. Assignment of copyright.— (1)</p>					

150/322	SUBMITTED TEXT	154 WORDS	96% MATCHING TEXT	154 WORDS
<p>There shall be kept at the Copyright Office a register in the prescribed form to be called the Register of Copyrights in which the names or titles of works and the names and addresses of authors, publishers and owners of Copyright and such other particulars as may be prescribed may be entered. Entries in Register of Copyrights.- (1) The author or publisher of, or the owner of or other person interested in the Copyright in, any work may make an application in the prescribed form accompanied by the prescribed fee to the Registrar of Copyrights for entering particulars of the work in the Register of Copyrights provided that in respect of an artistic work which is used or is capable of being used in relation to any goods or services, the application shall include a statement to that effect and shall be accompanied by a certificate from the Registrar of Trade Marks referred to in section 3 of the Trade Marks Act, 1999 (47 of 1999),</p>		<p>There shall be kept at the Copyright Office a register in the prescribed form to be called the Register of Copyrights in which may be the names or titles of works and the names and addresses of authors, publishers and owners of copyright and such other particulars as may be prescribed. 45. Entries in Register of Copyrights.— (1) The author or publisher of, or the owner of or other person interested in the copyright in, any work may make an application in the prescribed form accompanied by the prescribed fee to the Registrar of Copyrights for entering particulars of the work in the Register of Copyrights: 2 [Provided that in respect of an artistic work which is used or is capable of being used in 3 [relation to any goods or services], the application shall include a statement to that effect and shall be accompanied by a certificate from the Registrar of Trade Marks referred to in 4 [section 3 of the Trade Marks Act, 1999 (47 of 1</p>		
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151/322	SUBMITTED TEXT	126 WORDS	100% MATCHING TEXT	126 WORDS
<p>to the effect that no trade mark identical with or deceptively similar to such artistic work has been registered under that Act in the name of, or that no application has been made under that Act for such registration by, any person other than the applicant. (2) On receipt of an application in respect of any work under sub-section (1), the Registrar of Copyrights may, after holding such inquiry as he may deem fit, enter the particulars of the work in the Register of Copyrights. Indexes - There shall be also kept at the Copyright Office such indexes of the Register of Copyrights as may be prescribed. Form and inspection of register - The Register of Copyrights and indexes thereof kept under this Act shall at all reasonable times be open to inspection, and any</p>		<p>to the effect that no trade mark identical with or deceptively similar to such artistic work has been registered under that Act in the name of, or that no application has been made under that Act for such registration by, any person other than the applicant.] (2) On receipt of an application in respect of any work under sub-section (1), the Registrar of Copyrights may, after holding such inquiry as he may deem fit, enter the particulars of the work in the Register of Copyrights. 46. Indexes.— There shall be also kept at the Copyright Office such indexes of the Register of Copyrights as may be prescribed. 47. Form and inspection of register.— The Register of Copyrights and indexes thereof kept under this Act shall at all reasonable times be open to inspection, and any</p>		
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person shall be entitled to take copies of, or make extracts from, such register or indexes on payment of such fee and subject to such conditions as may be prescribed. Register of Copyrights to be prima facie evidence of particulars entered therein - The Register of Copyrights shall be prima facie evidence of the particulars entered therein and documents purporting to be copies of any entries therein, or extracts therefrom, certified by the Registrar of Copyrights and sealed with the seal of the Copyright Office shall be admissible in evidence in all courts without further proof or production of the original. Correction of entries in the Register of Copyrights. - The Registrar of Copyrights may, in the prescribed cases and subject to the prescribed conditions, amend or alter the Register of Copyrights by- (a) correcting any error in any name, address or particulars; or (b) correcting any other error which may have arisen therein by accidental slip or omission. Rectification of Register by 1 [Appellate Board] - The [Appellate Board], on application of the Registrar of Copyrights or of any person aggrieved, shall order the rectification of the Register of Copyrights by- (a) the making of any entry wrongly omitted to be made in the register, or (b) the expunging of any entry wrongly made in, or remaining on, the register, or (c) the correction of any error or defect in the register. Entries in the Register of Copyrights, etc., to be published - Every entry made in the Register of Copyrights or the particulars of any work entered under section 45, the correction of every entry made in such register under section 49, and every rectification ordered under section 50, shall be published by the Registrar of Copyrights in the Official Gazette or in such other manner as he may deem fit.

person shall be entitled to take copies of, or make extracts from, such register or indexes on payment of such fee and subject to such conditions as may be prescribed. 48. Register of Copyrights to be prima facie evidence of particulars entered therein.— The Register of Copyrights shall be prima facie evidence of the particulars entered therein and documents purporting to be copies of any entries therein, or extracts therefrom, certified by the Registrar of Copyrights and sealed with the seal of the Copyright Office shall be admissible in evidence in all courts without further proof or production of the original. 49. Correction of entries in the Register of Copyrights.— The Registrar of Copyrights may, in the prescribed cases and subject to the prescribed conditions, amend or alter the Register of Copyrights by— (a) correcting any error in any name, address or particulars; or (b) correcting any other error which may have arisen therein by accidental slip or omission. 50. Rectification of Register by 1 [Appellate Board].— The [Appellate Board], on application of the Registrar of Copyrights or of any person aggrieved, shall order the rectification of the Register of Copyrights by— (a) the making of any entry wrongly omitted to be made in the register, or (b) the expunging of any entry wrongly made in, or remaining on, the register, or (c) the correction of any error or defect in the register. 2 [50A. Entries in the Register of Copyrights, etc., to be published.— Every entry made in the Register of Copyrights or the particulars of any work entered under section 45, the correction of every entry made in such register under section 49, and every rectification ordered under section 50, shall be published by the Registrar of Copyrights in the Official Gazette or in such other manner as he may deem fit.] 1

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Infringement of Copyright When Copyright infringed - Copyright in a work shall be deemed to be infringed- (a) when any person, without a licence granted by the owner of the Copyright or the Registrar of Copyrights under this Act or in contravention of the conditions of a licence so granted or of any condition imposed by a competent authority under this Act- (i) does anything, the exclusive right to do which is by this Act conferred upon the owner of the Copyright, or (ii) permits for profit any place to be used for the communication of the work to the public where such communication constitutes an infringement of the Copyright in the work, unless he was not aware and had no NSOU PGCO-IV 99 reasonable ground for believing that such communication to the public would be an infringement of Copyright; or (b) when any person- (i) makes for sale or hire, or sells or lets for hire, or by way of trade displays or offers for sale or hire, or (ii) distributes either for the purpose of trade or to such an extent as to affect prejudicially the owner of the Copyright, or (iii) by way of trade exhibits in public, or (iv) imports into India, any infringing copies of the work provided that nothing in sub-clause (iv) shall apply to the import of one copy of any work for the private and domestic use of the importer. Explanation- For the purposes of this section, the reproduction of a literary, dramatic, musical or artistic work in the form of a cinematograph film shall be deemed to be an "infringing copy". Certain acts not to be infringement of Copyright- (1) The following acts shall not constitute an infringement of Copyright, namely- (a) a fair dealing with any work, not being a computer programme, for the purposes of- (i) private or personal use, including research; (

INFRINGEMENT OF COPYRIGHT 51. When copyright infringed.— Copyright in a work shall be deemed to be infringed— (a) when any person, without a licence granted by the owner of the copyright or the Registrar of Copyrights under this Act or in contravention of the conditions of a licence so granted or of any condition imposed by a competent authority under this Act— (i) does anything, the exclusive right to do which is by this Act conferred upon the owner of the copyright, or 1 [(ii) permits for profit any place to be used for the communication of the work to the public where such communication constitutes an infringement of the copyright in the work, unless he was not aware and had no reasonable ground for believing that such communication to the public would be an infringement of copyright; or] (b) when any person— (i) makes for sale or hire, or sells or lets for hire, or by way of trade displays or offers for sale or hire, or (ii) distributes either for the purpose of trade or to such an extent as to affect prejudicially the owner of the copyright, or (iii) by way of trade exhibits in public, or (iv) imports 2 \*\*\* into India, any infringing copies of the work: 3 [Provided that nothing in sub-clause (iv) shall apply to the import of one copy of any work for the private and domestic use of the importer.] Explanation.— For the purposes of this section, the reproduction of a literary, dramatic, musical or artistic work in the form of a cinematograph film shall be deemed to be an "infringing copy". 52. Certain acts not to be infringement of copyright.— (1) The following acts shall not constitute an infringement of copyright, namely,— 4 [(a) a fair dealing with any work, not being a computer programme, for the purposes of— (i) private or personal use, including research; 1

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ii) criticism or review, whether of that work or of any other work; (iii) the reporting of current events and current affairs, including the reporting of a lecture delivered in public. Explanation.- The storing of any work in any electronic medium for the purposes mentioned in this clause, including the incidental storage of any computer programme which is not itself an infringing copy for the said purposes, shall not constitute infringement of Copyright. [(aa) the making of copies or adaptation of a computer programme by the lawful possessor of a copy of such computer programme, from such copy- (i) in order to utilise the computer programme for the purpose for which it was supplied; or (ii) to make back-up copies purely as a temporary protection against loss, destruction or damage in order only to utilise the computer programme for the purpose for which it was supplied; (ab) the doing of any act necessary to obtain information essential for operating inter-operability of an independently created computer programme with other programmes by a lawful possessor of a computer programme provided that such information is not otherwise readily available; (ac) the observation, study or test of functioning of the computer programme in order to determine the ideas and principles which underline any elements of the programme while performing such acts necessary for the functions for which the computer programme was supplied; (ad) the making of copies or adaptation of the computer programme from a personally legally obtained copy for non-commercial personal use; (b) the transient or incidental storage of a work or performance purely in the technical process of electronic transmission or communication to the public; (c) transient or incidental storage of a work or performance for the purpose of providing electronic NSOU PGCO-IV 100 links, access or integration,

ii) criticism or review, whether of that work or of any other work; (iii) the reporting of current events and current affairs, including the reporting of a lecture delivered in public. Explanation.— The storing of any work in any electronic medium for the purposes mentioned in this clause, including the incidental storage of any computer programme which is not itself an infringing copy for the said purposes, shall not constitute infringement of copyright.] 1 [(aa) the making of copies or adaptation of a computer programme by the lawful possessor of a copy of such computer programme, from such copy— (i) in order to utilise the computer programme for the purpose for which it was supplied; or (ii) to make back-up copies purely as a temporary protection against loss, destruction or damage in order only to utilise the computer programme for the purpose for which it was supplied;] 2 [(ab) the doing of any act necessary to obtain information essential for operating inter-operability of an independently created computer programme with other programmes by a lawful possessor of a computer programme provided that such information is not otherwise readily available; (ac) the observation, study or test of functioning of the computer programme in order to determine the ideas and principles which underline any elements of the programme while performing such acts necessary for the functions for which the computer programme was supplied; (ad) the making of copies or adaptation of the computer programme from a personally legally obtained copy for non-commercial personal use;] 3 [(b) the transient or incidental storage of a work or performance purely in the technical process of electronic transmission or communication to the public; (c) transient or incidental storage of a work or performance for the purpose of providing electronic links, access integration, where such links, access or integration

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where such links, access or integration has not been expressly prohibited by the right holder, unless the person responsible is aware or has reasonable grounds for believing that such storage is of an infringing copy: Provided that if the person responsible for the storage of the copy has received a written complaint from the owner of Copyright in the work, complaining that such transient or incidental storage is an infringement, such person responsible for the storage shall refrain from facilitating such access for

where such links, access or integration has not been expressly prohibited by the right holder, unless the person responsible is aware or has reasonable grounds for believing that such storage is of an infringing copy: Provided that if the person responsible for the storage of the copy has received a written complaint from the owner of copyright in the work, complaining that such transient or incidental storage is an infringement, such person responsible for the storage shall refrain from facilitating such access for

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of twenty-one days or till he receives an order from the competent court refraining from facilitation access and in case no such order is received before the expiry of such period of twenty-one days, he may continue to provide the facility of such access; (d) the reproduction of any work for the purpose of a judicial proceeding or for the purpose of a report of a judicial proceeding; (e) the reproduction or publication of any work prepared by the Secretariat of a Legislature or, where the legislature consists of two Houses, by the Secretariat of either House of the Legislature, exclusively for the use of the members of that Legislature; (f) the reproduction of any work in a certified copy made or supplied in accordance with any law for the time being in force; (g) the reading or recitation in public of reasonable extracts from a published literacy or dramatic work; (h) the publication in a collection, mainly composed of non-Copyright matter, bona fide intended for instructional use, and so described in the title and in any advertisement issued by or on behalf of the publisher, of short passages from published literary or dramatic works, not themselves published for such use in which Copyright subsists: Provided that not more than two such passages from works by the same author are published by the same publisher during any period of five years. Explanation- In the case of a work of joint authorship, references in this clause to passages from works shall include references to passages from works by any one or more of the authors of those passages or by any one or more of those authors in collaboration with any other person; (i) the reproduction of any work- (i) by a teacher or a pupil in the course of instruction; or (ii) as part of the question to be answered in an examination; or (iii) in answers to such questions; (j) the performance, in the course of the activities of an educational institution, of a literary, dramatic or musical work by the staff and students of the institution, or of a cinematograph film or a sound recording if the audience is limited to such staff and students, the parents and guardians of the students and persons connected with the activities of the institution or the communication to such an audience of a cinematograph film or sound recording; (k) the causing of a recording to be heard in public by utilising it,- (i) in an enclosed room or hall meant

of twenty-one days or till he receives an order from the competent court refraining from facilitation access and in case no such order is received before the expiry of such period of twenty-one days, he may continue to provide the facility of such access; (d) the reproduction of any work for the purpose of a judicial proceeding or for the purpose of a report of a judicial proceeding; (e) the reproduction or publication of any work prepared by the Secretariat of a Legislature or, where the legislature consists of two Houses, by the Secretariat of either House of the Legislature, exclusively for the use of the members of that Legislature; (f) the reproduction of any work in a certified copy made or supplied in accordance with any law for the time being in force; (g) the reading or recitation in public of reasonable extracts from a published literacy or dramatic work; (h) the publication in a collection, mainly composed of non-copyright matter, bona fide intended for instructional use, and so described in the title and in any advertisement issued by or on behalf of the publisher, of short passages from published literary or dramatic works, not themselves published for such use in which copyright subsists: Provided that not more than two such passages from works by the same author are published by the same publisher during any period of five years. Explanation.— In the case of a work of joint authorship, references in this clause to passages from works shall include references to passages from works by any one or more of the authors of those passages or by any one or more of those authors in collaboration with any other person; (i) the reproduction of any work— (i) by a teacher or a pupil in the course of instruction; or (ii) as part of the question to be answered in an examination; or (iii) in answers to such questions; (j) the performance, in the course of the activities of an educational institution, of a literary, dramatic or musical work by the staff and students of the institution, or of a cinematograph film or a sound recording if the audience is limited to such staff and students, the parents and guadians of the students and persons connected with the activities of the institution or the communication to such an audience of a cinematograph film or sound recording; (k) the causing of a recording to be heard in public by utilising it,— (i) in an enclosed room or hall meant

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for the common use of residents in any residential premises (not being a hotel or similar commercial establishment) as part of the amenities provided exclusively or mainly for residents therein; or (ii) as part of the activities of a club or similar organisation which is not established or conducted for profit; (l) the performance of a literary, dramatic or musical work by an amateur club or society, if the performance is given to a non-paying audience, or for the benefit of a religious institution; (m) the reproduction in a newspaper, magazine or other periodical of an article on current economic, political, social or religious topics, unless the author of such article has expressly reserved to himself the right of such reproduction; (n) the storing of a work in any medium by electronic means by a non-commercial public library, for preservation if the library already possesses a non-digital copy of the work; (o) the making of not more than three copies of a book (including a pamphlet, sheet of music, map, chart or plan) by or under the direction of the person in charge of a non-commercial public library for the use of the library if such book is not available for sale in India; (p) the reproduction, for the purpose of research or private study or with a view to publication, of an unpublished literary, dramatic or musical work kept in a library, museum or other institution to which the public has access: Provided that where the identity of the author of any such work or, in the case of a work of joint authorship, of any of the authors is known to the library, museum or other institution, as the case may be, the provisions of this clause shall apply only if such reproduction is made at a time more than 3 [sixty years] from the date of the death of the author or, in the case of a work of joint authorship, from the death of the author whose identity is known or, if the identity of more authors than one is known from the death of such of those authors who dies last; (q) the reproduction or publication of- (i) any matter which has been published in any Official Gazette except an Act of a Legislature; (ii) any Act of a Legislature subject to the condition that such Act is reproduced or published together with any commentary thereon or any other original matter; (iii) the report of any committee, commission, council, board or other like body appointed by the Government if such report has been laid on the Table of the Legislature, unless the reproduction or publication of such report is prohibited by the Government; (

for the common use of residents in any residential premises (not being a hotel or similar commercial establishment) as part of the amenities provided exclusively or mainly for residents therein; or (ii) as part of the activities of a club or similar organisation which is not established or conducted for profit;] (l) the performance of a literary, dramatic or musical work by an amateur club or society, if the performance is given to a non-paying audience, or for the benefit of a religious institution; (m) the reproduction in a newspaper, magazine or other periodical of an article on current economic, political, social or religious topics, unless the author of such article has expressly reserved to himself the right of such reproduction; 1 [(n) the storing of a work in any medium by electronic means by a non-commercial public library, for preservation if the library already possesses a non-digital copy of the work;] (o) the making of not more than three copies of a book (including a pamphlet, sheet of music, map, chart or plan) by or under the direction of the person in charge of a 2 [non-commercial public library] for the use of the library if such book is not available for sale in India; (p) the reproduction, for the purpose of research or private study or with a view to publication, of an unpublished literary, dramatic or musical work kept in a library, museum or other institution to which the public has access: Provided that where the identity of the author of any such work or, in the case of a work of joint authorship, of any of the authors is known to the library, museum or other institution, as the case may be, the provisions of this clause shall apply only if such reproduction is made at a time more than 3 [sixty years] from the date of the death of the author or, in the case of a work of joint authorship, from the death of the author whose identity is known or, if the identity of more authors than one is known from the death of such of those authors who dies last; (q) the reproduction or publication of— (i) any matter which has been published in any Official Gazette except an Act of a Legislature; (ii) any Act of a Legislature subject to the condition that such Act is reproduced or published together with any commentary thereon or any other original matter; (iii) the report of any committee, commission, council, board or other like body appointed by the Government if such report has been laid on the Table of the Legislature, unless the reproduction or publication of such report is prohibited by the Government; 1

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iv) any judgment or order of a court, tribunal or other judicial authority, unless the reproduction or publication of such judgment or order is prohibited by the court, the tribunal or other judicial authority, as the case may be; (r) the production or publication of a translation in any Indian language of an Act of a Legislature and of any rules or orders made thereunder- (v) if no translation of such Act or rules or orders in that language has NSOU PGCO-IV 102 been previously been produced or published by the Government; or (vi) where a translation of such Act or rules or orders in that language has been produced or published by the Government, if the translation is not available for sale to the public: Provided that such translation contains a statement at a prominent place to the effect that the translation has not been authorised or accepted as authentic by the Government; (s) the making or publishing of a painting, drawing, engraving or photograph of a work of architecture or the display of a work of architecture; (t) the making or publishing of a painting, drawing, engraving or photograph of a sculpture, or other artistic work falling under sub-clause (iii) of clause (c) of section 2, if such work is permanently situate in a public place or any premises to which the public has access; (u) the inclusion in a cinematograph film of- (i) any artistic work permanently situate in a public place or any premises to which the public has access; or (ii) any other artistic work, if such inclusion is only by way of background or is otherwise incidental to the principal matters represented in the film; (v) the use by the author of an artistic work, where the author of such work is not the owner of the Copyright therein, of any mould, cast, sketch, plan, model or study made by him for the purpose of the work: Provided that he does not thereby repeat or imitate the main design of the work; (w) the making of a three-dimensional object from a two-dimensional artistic work, such as a technical drawing, for the purposes of industrial application of any purely functional part of a useful device; (x) the reconstruction of a building or structure in accordance with the architectural drawings or plans by reference to which the building or structure was originally constructed: Provided that the original construction was made with the consent or licence of the owner of the

iv) any judgment or order of a court, tribunal or other judicial authority, unless the reproduction or publication of such judgment or order is prohibited by the court, the tribunal or other judicial authority, as the case may be; (r) the production or publication of a translation in any Indian language of an Act of a Legislature and of any rules or orders made thereunder— (v) if no translation of such Act or rules or orders in that language has been previously been produced or published by the Government; or (vi) where a translation of such Act or rules or orders in that language has been produced or published by the Government, if the translation is not available for sale to the public: Provided that such translation contains a statement at a prominent place to the effect that the translation has not been authorised or accepted as authentic by the Government; 1 [(s) the making or publishing of a painting, drawing, engraving or photograph of a work of architecture or the display of a work of architecture;] (t) the making or publishing of a painting, drawing, engraving or photograph of a sculpture, or other artistic work falling under sub-clause (iii) of clause (c) of section 2, if such work is permanently situate in a public place or any premises to which the public has access; (u) the inclusion in a cinematograph film of— (i) any artistic work permanently situate in a public place or any premises to which the public has access; or (ii) any other artistic work, if such inclusion is only by way of background or is otherwise incidental to the principal matters represented in the film; (v) the use by the author of an artistic work, where the author of such work is not the owner of the copyright therein, of any mould, cast, sketch, plan, model or study made by him for the purpose of the work: Provided that he does not thereby repeat or imitate the main design of the work; 2 [(w) the making of a three-dimensional object from a two-dimensional artistic work, such as a technical drawing, for the purposes of industrial application of any purely functional part of a useful device;] (x) the reconstruction of a building or structure in accordance with the architectural drawings or plans by reference to which the building or structure was originally constructed: Provided that the original construction was made with the consent or licence of the owner of the 1

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Copyright in such drawings and plans; (y) in relation to a literary, dramatic, artistic or musical work recorded or reproduced in any cinematograph film, the exhibition of such film after the expiration of the term of Copyright therein provided that the provisions of sub- clause (ii) of clause (a), sub-clause (i) of clause (b) and clauses (d), (f), (g), (m) and (p) shall not apply as respects any act unless that act is accompanied by an acknowledgment- (i) identifying the work by its title or other description; and (ii) unless the work is anonymous or the author of the work has previously agreed or required that no acknowledgment of his name should be made, also identifying the author; (z) the making of an ephemeral recording, by a broadcasting organisation using its own facilities for its own broadcast by a broadcasting organisation of a work which it has the right to broadcast; and the retention of such recording for archival purposes on the ground of its exceptional documentary character; (za) the performance

copyright in such drawings and plans; (y) in relation to a literary, 1 [dramatic, artistic or] musical work recorded or reproduced in any cinematograph film, the exhibition of such film after the expiration of the term of copyright therein: Provided that the provisions of sub-clause (ii) of clause (a), sub-clause (i) of clause (b) and clauses (d), (f), (g), (m) and (p) shall not apply as respects any act unless that act is accompanied by an acknowledgment— (i) identifying the work by its title or other description; and (ii) unless the work is anonymous or the author of the work has previously agreed or required that no acknowledgment of his name should be made, also identifying the author; 2 [(z) the making of an ephemeral recording, by a broadcasting organisation using its own facilities for its own broadcast by a broadcasting organisation of a work which it has the right to broadcast; and the retention of such recording for archival purposes on the ground of its exceptional documentary character; (za) the performance

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of a literary, dramatic or musical work or the communication to the public of such work or of a sound recording in the course of any bona fide religious ceremony or an official ceremony held by the Central Government or the State Government or any local authority. Explanation - For the purpose of this clause, religious ceremony including a marriage procession and other social festivities associated with a marriage; (zb) the adaptation, reproduction, issue of copies or communication to the public of any work in any accessible format, by- (i) any person to facilitate persons with disability to access to works including sharing with any person with disability of such accessible format for private or personal use, educational purpose or research; or (ii) any organisation working for the benefit of the persons with disabilities in case the normal format prevents the enjoyment of such works by such persons: Provided that the copies of the works in such accessible format are made available to the persons with disabilities on a non-profit basis but to recover only the cost of production: Provided further that the organisation shall ensure that the copies of works in such accessible format are used only by persons with disabilities and takes reasonable steps to prevent its entry into ordinary channels of business.

of a literary, dramatic or musical work or the communication to the public of such work or of a sound recording in the course of any bona fide religious ceremony or an official ceremony held by the Central Government or the State Government or any local authority. Explanation.— For the purpose of this clause, religious ceremony including a marriage procession and other social festivities associated with a marriage;] 3 [(zb) the adaptation, reproduction, issue of copies or communication to the public of any work in any accessible format, by— (i) any person to facilitate persons with disability to access to works including sharing with any person with disability of such accessible format for private or personal use, educational purpose or research; or (ii) any organisation working for the benefit of the persons with disabilities in case the normal format prevents the enjoyment of such works by such persons: Provided that the copies of the works in such accessible format are made available to the persons with disabilities on a non-profit basis but to recover only the cost of production: Provided further that the organisation shall ensure that the copies of works in such accessible format are used only by persons with disabilities and takes reasonable steps to prevent its entry into ordinary channels of business. 1

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Explanation - For the purposes of this sub-clause, "any organisation" includes an organisation registered under section 12A of the Income-tax Act, 1961 (43 of 1961) and working for the benefit of persons with disability or recognised under Chapter X of the Persons with Disabilities (Equal Opportunities, Protection of Rights and full Participation) Act, 1995 (1 of 1996) or receiving grants from the Government for facilitating access to persons with disabilities or an educational institution or library or archives recognised by the Government; (zc) the importation of copies of any literary or artistic work, such as labels, company logos or promotional or explanatory material, that is purely incidental to other goods or products being imported lawfully. (2) The provisions of sub-section (1) shall apply to the doing of any act in relation to the translation of a literary, dramatic or musical work or the adaptation of a literary, dramatic, musical or artistic work as they apply in relation to the work itself. Particulars to be included in sound recording and video films- (1) No person shall publish a sound recording in respect of any work unless the following particulars are displayed on the sound recording and on any container thereof, namely - (a) the name and address of the person who has made the sound recording; (b) the name and address of the owner of the Copyright in such work; and (c) the year of its first publication. (2) No person shall publish a video film in respect of any work unless the following particulars are displayed in the video film, when exhibited, and on the video

Explanation.— For the purposes of this sub-clause, "any organisation" includes an organisation registered under section 12A of the Income-tax Act, 1961 (43 of 1961) and working for the benefit of persons with disability or recognised under Chapter X of the Persons with Disabilities (Equal Opportunities, Protection of Rights and full Participation) Act, 1995 (1 of 1996) or receiving grants from the Government for facilitating access to persons with disabilities or an educational institution or library or archives recognised by the Government; 1 [(zc) the importation of copies of any literary or artistic work, such as labels, company logos or promotional or explanatory material, that is purely incidental to other goods or products being imported lawfully.] (2) The provisions of sub-section (1) shall apply to the doing of any act in relation to the translation of a literary, dramatic or musical work or the adaptation of a literary, dramatic, musical or artistic work as they apply in relation to the work itself. 2 [52A. Particulars to be included in 3 [sound recording] and video films.— (1) No person shall publish a 3 [sound recording] in respect of any work unless the following particulars are displayed on the 3 [sound recording] and on any container thereof, namely:— (a) the name and address of the person who has made the sound recording; (b) the name and address of the owner of the copyright in such work; and (c) the year of its first publication. (2) No person shall publish a video film in respect of any work unless the following particulars are displayed in the video film, when exhibited, and on the video

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cassette or other container thereof, namely:- (a) if such work is a cinematograph film required to be certified for exhibition under the provisions of the Cinematograph Act, 1952 (37 of 1952), a copy of the certificate granted by the Board of Film Certification under section 5A of that Act in respect of such work; (b) the name and address of the person who has made the video film and a declaration by him that he has obtained the necessary licence or consent from the owner of the Copyright in such work for making such video film; and (c) the name and address of the owner for the Copyright in such work. Omitted by the Copyright Act, 2012 (27 of 2012), s. 33 (w.e.f. 21-6-2012). 1 Ins. by Act 27 of 2012, s. 32 (w.e.f. 21-6-2012). 2 Ins. by Act 65 of 1984, s. 4 (w.e.f. 8-10-1984). 3 Subs. by Act 38 of 1994, s. 2, for "record" (w.e.f. 10-5-1995). Importation of infringing copies- (1) The owner of any right conferred by this Act in respect of any work or any performance embodied in such work, or his duly authorised agent, may give notice in writing to the Commissioner of Customs, or to any other officer authorised in this behalf by the Central Board of Excise and Customs,- (a) that he is the owner of the said right, with proof thereof; and (b) that he requests the Commissioner for a period specified in the notice, which shall not exceed one year, to treat infringing copies of the work as prohibited goods, and that infringing copies of the work are expected to arrive in India at a time and a place specified in the notice. (2) The Commissioner, after scrutiny of the evidence furnished by the owner of the right and on being satisfied may, subject to the provisions of sub-section (3), treat infringing copies of the work as prohibited goods that have been imported into India, excluding goods in transit: Provided that the owner of the work deposits such amount as the Commissioner may require as security having regard to the likely expenses on demurrage, cost of storage and compensation to the importer in case it is found that the works are not infringing copies. (3) When any goods treated as prohibited under sub-section (2) have been detained, the Customs Officer detaining them shall inform the importer as well as the person who gave notice under sub-section (1) of the detention of such goods within forty-eight hours of their detention. (4) The Customs Officer shall release the goods, and they shall no longer be treated as prohibited goods, if the person who gave notice under sub-section (1) does not produce any order from a court having jurisdiction as to the temporary or permanent disposal of such goods within fourteen days from the date of their detention.

cassette or other container thereof, namely:— (a) if such work is a cinematograph film required to be certified for exhibition under the provisions of the Cinematograph Act, 1952 (37 of 1952), a copy of the certificate granted by the Board of Film Certification under section 5A of that Act in respect of such work; (b) the name and address of the person who has made the video film and a declaration by him that he has obtained the necessary licence or consent from the owner of the copyright in such work for making such video film; and (c) the name and address of the owner for the copyright in such work.] 52B. [Accounts and audit.] Omitted by the Copyright Act, 2012 (27 of 2012), s. 33 (w.e.f. 21-6-2012). 1 Ins. by Act 27 of 2012, s. 32 (w.e.f. 21-6-2012). 2 Ins. by Act 65 of 1984, s. 4 (w.e.f. 8-10-1984). 3 Subs. by Act 38 of 1994, s. 2, for "record" (w.e.f. 10-5-1995). 1 [53. Importation of infringing copies.— (1) The owner of any right conferred by this Act in respect of any work or any performance embodied in such work, or his duly authorised agent, may give notice in writing to the Commissioner of Customs, or to any other officer authorised in this behalf by the Central Board of Excise and Customs,— (a) that he is the owner of the said right, with proof thereof; and (b) that he requests the Commissioner for a period specified in the notice, which shall not exceed one year, to treat infringing copies of the work as prohibited goods, and that infringing copies of the work are expected to arrive in India at a time and a place specified in the notice. (2) The Commissioner, after scrutiny of the evidence furnished by the owner of the right and on being satisfied may, subject to the provisions of sub-section (3), treat infringing copies of the work as prohibited goods that have been imported into India, excluding goods in transit: Provided that the owner of the work deposits such amount as the Commissioner may require as security having regard to the likely expenses on demurrage, cost of storage and compensation to the importer in case it is found that the works are not infringing copies. (3) When any goods treated as prohibited under sub-section (2) have been detained, the Customs Officer detaining them shall inform the importer as well as the person who gave notice under sub-section (1) of the detention of such goods within forty-eight hours of their detention. (4) The Customs Officer shall release the goods, and they shall no longer be treated as prohibited goods, if the person who gave notice under sub-section (1) does not produce any order from a court having jurisdiction as to the temporary or permanent disposal of such goods within fourteen days from the date of their detention.] 2 [53

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Resale share right in original copies- (1) In the case of resale for a price exceeding ten thousand rupees, of the original copy of a painting, sculpture or drawing, or of the original manuscript of a literary or dramatic work or musical work, the author of such work if he was the first owner of rights under section 17 or his legal heirs shall, notwithstanding any assignment of Copyright in such work, have a right to share in the resale price of such original copy or manuscript in accordance with the provisions of this section: Provided that such right shall cease to exist on the expiration of the term of Copyright in the work. (2) The share referred to in sub- section (1) shall be such as the 3 [Appellate Board] may fix and the decision of the 2 [Appellate Board] in this behalf shall be final: 1 Subs. by Act 27 of 2012, s. 34, for section 53 (w.e.f. 21-6-2012). 2 Ins. by Act 38 of 1994, s. 19 (w.e.f. 10-5-1995). 3 Subs. by Act 7 of 2017, s.160, for "Copyright Board" (w.e.f. 26-5-2017). Provided that the 2 [Appellate Board] may fix different shares for different classes of work: Provided further that in no case shall the share exceed 10% of the resale price. (3) If any dispute arises regarding the right conferred by this section, it shall be referred to the 1 [Appellate Board] whose decision shall be final.] 6 6.3.3

Resale share right in original copies.— (1) In the case of resale for a price exceeding ten thousand rupees, of the original copy of a painting, sculpture or drawing, or of the original manuscript of a literary or dramatic work or musical work, the author of such work if he was the first owner of rights under section 17 or his legal heirs shall, notwithstanding any assignment of copyright in such work, have a right to share in the resale price of such original copy or manuscript in accordance with the provisions of this section: Provided that such right shall cease to exist on the expiration of the term of copyright in the work. (2) The share referred to in sub-section (1) shall be such as the 3 [Appellate Board] may fix and the decision of the 2 [Appellate Board] in this behalf shall be final: 1 Subs. by Act 27 of 2012, s. 34, for section 53 (w.e.f. 21-6-2012). 2 Ins. by Act 38 of 1994, s. 19 (w.e.f. 10-5-1995). 3 Subs. by Act 7 of 2017, s.160, for "Copyright Board" (w.e.f. 26-5-2017). Provided that the 2 [Appellate Board] may fix different shares for different classes of work: Provided further that in no case shall the share exceed ten percent of the resale price. (3) If any dispute arises regarding the right conferred by this section, it shall be referred to the 1 [Appellate Board] whose decision shall be final.]

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First owner of Copyright- Subject to the provisions of this Act, the author of a work shall be the first owner of the Copyright therein: Provided that- (a) in the case of a literary, dramatic or artistic work made by the author in the course of his employment by the proprietor of a newspaper, magazine or similar periodical under a contract of service or apprenticeship, for the purpose of publication in a newspaper, magazine or similar periodical, the said proprietor shall, in the absence of any agreement to the contrary, be the first owner of the Copyright in the work in so far as the Copyright relates to the publication of the work in any newspaper, magazine or similar periodical, or to the reproduction of the work for the purpose of its being so published, but in all other respects the author shall be the first owner of the Copyright in the work; (b) subject to the provisions of clause (a), in the case of a photograph taken, or a painting or portrait drawn, or an engraving or a cinematograph film made, for valuable consideration at the instance of any person, such person shall, in the absence of any agreement to the contrary, be the first owner of the Copyright therein; (c) in the case of a work made in the course of the author's employment under a contract of service or apprenticeship, to which clause (a) or clause (b) does not apply, the employer shall, in the absence of any agreement to the contrary, be the first owner of the Copyright therein; 1 [(cc) in the case of any address or speech delivered in public, the person who has delivered such address or speech or if such person has delivered such address or speech on behalf of any other person, such other person shall be the first owner of the Copyright therein notwithstanding that the person who delivers such address or speech, or, as the case may be, the person on whose behalf such address or speech is delivered, is employed by any other person who arranges such address or speech or on whose behalf or premises such address or speech is delivered;] (d) in the case of a Government work, Government shall, in the absence

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<p>Trade and Merchandise Marks Act, 1958 was replaced by a new Act - Trade Mark Act, 1999, so as to provide for the protection of service marks also.</p>				
<b>SA</b> International Trade-Material I semester.docx (D146751176)				
<b>166/322</b>	<b>SUBMITTED TEXT</b>	120 WORDS	<b>92% MATCHING TEXT</b>	120 WORDS
<p>the Trade Mark Act, 1999 - Trade Mark means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colour and (i) in relation to chapter XII (other than Section, 107), a registered Trade Mark or a Mark used in relation to goods or service for the purpose of indicating or as to indicate a connection in the course of Trade between the goods or services, as the case may be and some person having the right as proprietor to use the mark.(ii) In relation to other provisions of this Act, a mark used in relation to goods or services for the purpose 6</p>				
<b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)				
<b>167/322</b>	<b>SUBMITTED TEXT</b>	59 WORDS	<b>96% MATCHING TEXT</b>	59 WORDS
<p>of indicating or as to indicate a connection in the course of Trade between the goods or services, as the case may be and some perform having the right, either as proprietor or by way of permitted user, to use the mark whether with or without any indication of the identity of that person and includes a Certification Trade Mark or Collective Mark.</p>				
<b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)				
<b>168/322</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>85% MATCHING TEXT</b>	29 WORDS
<p>capable of distinguishing the goods or services in connection with which it is used in the course of trade which are certified by the proprietor of the mark in respect</p>				
<b>SA</b> Final Book in Word.doc (D154488135)				

<b>169/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>origin, material, mode of manufacture of goods or performance of services,</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>				
<b>170/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>interpretation (1) In this Act, unless the context otherwise requires, - (a) ' Interpretation.— In this Act, unless the context otherwise requires,— (a) "</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>171/322</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>80% MATCHING TEXT</b>	31 WORDS
<p>Collective Mark means a Trade Mark distinguishing the goods or services of members of an association of persons, not being a partnership within the meaning of the Indian Partnership Act, 1932 (9</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>172/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>63% MATCHING TEXT</b>	19 WORDS
<p>The registration and better protection of Trade Mark for goods and services, (ii) The prevention of the use of</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>173/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>deemed to be, or required to be, registered as associated Trade Marks under this Act; (</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>174/322</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>85% MATCHING TEXT</b>	29 WORDS
<p>capable of distinguishing the goods or services in connection with which it is used in the course of trade which are certified by the proprietor of the mark in respect</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>				

<b>175/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>origin, material, mode of manufacture of goods or performance of services,</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>				
<b>176/322</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>80% MATCHING TEXT</b>	31 WORDS
<p>collective mark' means a trade mark distinguishing the goods or services of members of an association of persons (not being a partnership within the meaning of the Indian Partnership Act, 1932 (9</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>177/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>83% MATCHING TEXT</b>	17 WORDS
<p>vide notification No. S.O. 1048(E), dated 15th September, 2003, see Gazette of India, Extraordinary, Part II, sec. 3(ii).</p> <p>vide notification No. S.O. 226(E), dated 27-4-1979, see Gazette of India, Extraordinary, Part II, sec. 3(ii),</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>178/322</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>80% MATCHING TEXT</b>	29 WORDS
<p>deceptively similar' A mark shall be deemed to be deceptively similar to another mark if it so nearly resembles that other mark as to be likely to deceive or cause confusion; (</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>179/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>believe that the services are provided or rendered by some person other than the person</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>180/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>the exclusive right to the use of a trade mark given</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				

<b>181/322</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	24 WORDS
<p>m) 'mark' includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colours or any combination thereof; (</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					
<b>182/322</b>	<b>SUBMITTED TEXT</b>	82 WORDS	<b>94%</b>	<b>MATCHING TEXT</b>	82 WORDS
<p>r) 'permitted' use, in relation to a registered trade mark, means the use of trade mark—(i) by a registered user of the trade mark in relation to goods or services—(a) with which he is connected in the course of trade; and (b) in respect of which the trade mark remains registered for the time being; and (c) for which he is registered as registered user; and (d) NSOU PGCO-IV 109 which complies with any conditions or limitations to which the registration of registered user is subject;</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					
<b>183/322</b>	<b>SUBMITTED TEXT</b>	76 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	76 WORDS
<p>ii) by a person other than the registered proprietor and registered user in relation to goods or services- (a) with which he is connected in the course of trade; and (b) in respect of which the trade mark remains registered for the time being; and (c) by consent of such registered proprietor in a written agreement; and (d) which complies with any conditions or limitations to which such user is subject and to which the registration of the trade mark is subject; (</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					

**184/322****SUBMITTED TEXT**

60 WORDS

**99% MATCHING TEXT**

60 WORDS

section 3; (z) 'Service' means service of any description which is made available to potential users and includes the provision of services in connection with business of any industrial or commercial matters such as banking, communication, education, financing, insurance, chit funds, real estate, transport, storage, material treatment, processing, supply of electrical or other energy, boarding, lodging, entertainment, amusement, construction, repair, conveying of news or information and advertising; (

**SA** FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)**185/322****SUBMITTED TEXT**

11 WORDS

**90% MATCHING TEXT**

11 WORDS

of the person for whom the goods are manufactured or services

**SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)**186/322****SUBMITTED TEXT**

182 WORDS

**100% MATCHING TEXT**

182 WORDS

zb) 'trade mark' means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours; and- (i) in relation to Chapter XII (other than section 107), a registered trade mark or a mark used in relation to goods or services for the purpose of indicating or so as to indicate a connection in the course of trade between the goods or services, as the case may be, and some person having the right as proprietor to use the mark; and (ii) in relation to other provisions of this Act, a mark used or proposed to be used in relation to goods or services for the purpose of indicating or so as to indicate a connection in the course of trade between the goods or services, as the case may be, and some person having the right, either as proprietor or by way of permitted user, to use the mark whether with or without any indication of the identity of that person, and includes a certification trade mark or collective mark;

**SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

<b>187/322</b>	<b>SUBMITTED TEXT</b>	81 WORDS	<b>100% MATCHING TEXT</b>	81 WORDS
<p>zg) 'well known trade mark' in relation to any goods or services, means a mark which has become so to the substantial segment of the public which uses such goods or receives such services that the use of such mark in relation to other goods or services would be likely to be taken as indicating a connection in the course of trade or rendering of services between those goods or services and a person using the mark in relation to the first-mentioned goods or services. (2)</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>188/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>The Central Government may, by notification in the Official Gazette, appoint</p> <p>the Central Government may, by notification in the Official Gazette, appoint. 2.</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>189/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>upon, or in any physical or in any other relation whatsoever, to</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>190/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>96% MATCHING TEXT</b>	15 WORDS
<p>or as part of any statement about the availability, provision or performance of such services; (</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>191/322</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>85% MATCHING TEXT</b>	22 WORDS
<p>the superintendence and direction of the Registrar, such functions of the Registrar under this Act as he may from time to time</p> <p>the superintendence and direction of the Registrar of Copyrights such functions of the Registrar under this Act as the Registrar may, from time to time,</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				

<b>192/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
<p>the Controller- General of Patents, Designs and Trade Marks, who</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>					
<b>193/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
<p>The Central Government may, by notification in the Official Gazette,</p> <p>the Central Government may, by notification in the Official Gazette,</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>					
<b>194/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	11 WORDS
<p>as the Central Government may, by notification in the Official Gazette,</p> <p>as the Central Government may, by notification in the Official Gazette,</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>					
<b>195/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>82%</b>	<b>MATCHING TEXT</b>	15 WORDS
<p>proceed with the matter either de novo or from the stage it was so transferred.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					
<b>196/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
<p>shall be at such place as the Central Government may</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					
<b>197/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	11 WORDS
<p>On application made in the prescribed manner by the registered proprietor</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					

<b>198/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>Duration, renewal, removal and restoration of registration.-(1) The registration of a</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>199/322</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>100% MATCHING TEXT</b>	26 WORDS
<p>shall be for a period of ten years, but may be renewed from time to time in accordance with the provisions of this section. (2) The</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>200/322</b>	<b>SUBMITTED TEXT</b>	72 WORDS	<b>90% MATCHING TEXT</b>	72 WORDS
<p>and within the prescribed period and subject to payment of the prescribed fee, renew the registration of the trade mark for a period of ten years from the date of expiration of the original registration or of the last renewal of registration, as the case may be (which date is in this section referred to as the expiration of the last registration). (3) At the prescribed time before the expiration of the last registration of a</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>201/322</b>	<b>SUBMITTED TEXT</b>	45 WORDS	<b>80% MATCHING TEXT</b>	45 WORDS
<p>the Registrar shall send notice in the prescribed manner to the registered proprietor of the date of NSOU PGCO-IV 115 expiration and the conditions as to payment of fees and otherwise upon which a renewal of registration may be obtained, and, if at the expiration of</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>202/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>83% MATCHING TEXT</b>	12 WORDS
<p>the registration of the trade mark for a period of ten years</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				



<b>203/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	17 WORDS
<p>time prescribed in that behalf those conditions have not been duly complied with the Registrar may remove the</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					
<b>204/322</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	29 WORDS
<p>has been removed from the register for non-payment of the prescribed fee, the Registrar shall, after six months and within one year from the expiration of the last registration of the</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					
<b>205/322</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	27 WORDS
<p>on receipt of an application in the prescribed form and on payment of the prescribed fee, if satisfied that it is just so to do, restore the</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					
<b>206/322</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>67%</b>	<b>MATCHING TEXT</b>	36 WORDS
<p>to the register and renew the registration of the trade mark either generally or subject to such conditions or limitations as he thinks fit to impose, for a period of ten years from the expiration of the last registration.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>					

<b>207/322</b>	<b>SUBMITTED TEXT</b>	106 WORDS	<b>100% MATCHING TEXT</b>	106 WORDS
<p>Absolute grounds for refusal of registration.-(1) The trade marks- (a) which are devoid of any distinctive character, that is to say, not capable of distinguishing the goods or services of one person from those of another person; (b) which consist exclusively of marks or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, values, geographical origin or the time of production of the goods or rendering of the service or other characteristics of the goods or service; (c) which consist exclusively of marks or indications which have become customary in the current language or in the bona fide and established practices of the trade, shall not be registered:</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>208/322</b>	<b>SUBMITTED TEXT</b>	124 WORDS	<b>100% MATCHING TEXT</b>	124 WORDS
<p>A mark shall not be registered as a trade mark if- (a) it is of such nature as to deceive the public or cause confusion; (b) it contains or comprises of any matter likely to hurt the religious susceptibilities of any class or section of the citizens of India; (c) it comprises or contains scandalous or obscene matter; (d) its use is prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950 (12 of 1950). (3) A mark shall not be registered as a trade mark if it consists exclusively of- (a) the shape of goods which results from the nature of the goods themselves; or (b) the shape of goods which is necessary to obtain a technical result; or (c) the shape which gives substantial value to the goods.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>209/322</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>88% MATCHING TEXT</b>	29 WORDS
<p>is identical with or similar to an earlier trade mark; and (b) is to be registered for goods or services which are not similar to those for which the earlier</p> <p><b>SA</b> Arjun - IPR Chapter .docx (D142539833)</p>				

<b>210/322</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>100% MATCHING TEXT</b>	28 WORDS
<p>in India and the use of the later mark without due cause would take unfair advantage of or be detrimental to the distinctive character or repute of the earlier</p> <p><b>SA</b> Arjun - IPR Chapter .docx (D142539833)</p>				
<b>211/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Subs. by Act 40 of 2010, s. 2, for clause (a) (w.e.f. 8-7-2013). (</p> <p>Subs. by Act 27 of 2012, s. 32(i), for clause (a) (w.e.f. 21-6-2012). (</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>212/322</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>95% MATCHING TEXT</b>	33 WORDS
<p>shall not be refused registration on the grounds specified in sub-sections (2) and (3), unless objection on any one or more of those grounds is raised in opposition proceedings by the proprietor of the earlier</p> <p><b>SA</b> Arjun - IPR Chapter .docx (D142539833)</p>				
<b>213/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>is identical with or similar to a well-known trade mark.</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>214/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>82% MATCHING TEXT</b>	19 WORDS
<p>vide Notification No. S.O. 1150 (E), dated 1st October, 2003, Gazette of India, Extraordinary Part II, sec. 3(ii). 40 (4)</p> <p>vide notification No. S.O. 226(E), dated 27-4-1979, see Gazette of India, Extraordinary, Part II, sec. 3(ii),</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>215/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>a mark which is identical with or deceptively similar to the</p> <p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				

<b>216/322</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>97% MATCHING TEXT</b>	43 WORDS
<p>be punishable with imprisonment for a term which shall not be less than 6 months but which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees: Provided that the</p>		<p>be punishable with imprisonment for a term which shall not be less than six months but which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees]: Provided that 1 [the</p>		
<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>217/322</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>95% MATCHING TEXT</b>	29 WORDS
<p>makes, disposes of, or has in his possession, any die, block, machine, plate or other instrument for the purpose of falsifying or of being used for falsifying, a trade mark;</p>				
<p><b>SA</b> FINAL DRAFT SIDDHARTH KAMBOJ.docx (D40236165)</p>				
<b>218/322</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>95% MATCHING TEXT</b>	31 WORDS
<p>to which an indication of the country or place in which they were made or produced or the name and address of the manufacturer or person for whom the goods are manufactured</p>				
<p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>219/322</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>70% MATCHING TEXT</b>	43 WORDS
<p>Subs. by Act 50 of 1993, sec. 3 (w.e.f. 18-6-1993). 2. Subs. by Act 50 of 1993, sec. 4 (w.e.f. 18-6-1993). 3. Ins. by Act 50 of 1993, sec. 5 (w.e.f. 18-6-1993). 4. Subs. by Act 50 of 1993, sec. 6 (w.e.f. 18-6- 1993). (4)</p>		<p>Subs. by Act 27 of 2012, s. 19 (iii), for "owners of rights" (w.e.f. 21-6-2012). 2 Ins. By Act 27 of 2012, sec. 19(iv), (w.e.f. 21-6-2012). 3 Ins. By Act 27 of 2012, sec. 20, (w.e.f. 21-6-2012). 4 Subs. by Act 7 of 2017, s.160 (a), for "Copyright Board" (w.e.f. 26-5-2017). (</p>		
<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>220/322</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>70% MATCHING TEXT</b>	41 WORDS
<p>Omitted by Act 50 of 1993, sec. 7 (w.e.f. 18-6-1993). 2. Ins. by Act 50 of 1993, sec. 7 (w.e.f. 18-6-1993). 3. Omitted by Act 50 of 1993, sec. 7 (w.e.f. 18-6-1993). 4. Subs. by Act 50 of 1993, sec. 8 (w.e.f. 18-6-1993). (</p>		<p>Omitted by the Copyright Act, 2012 (27 of 2012), s. 33 (w.e.f. 21-6-2012). 1 Ins. by Act 27 of 2012, s. 32 (w.e.f. 21-6-2012). 2 Ins. by Act 65 of 1984, s. 4 (w.e.f. 8-10-1984). 3 Subs. by Act 38 of 1994, s. 2, for "record" (w.e.f. 10-5-1995). 1 [53.</p>		
<p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				

**221/322****SUBMITTED TEXT**

278 WORDS

**98% MATCHING TEXT**

278 WORDS

Penalty for selling goods or providing services to which false trade mark or false trade description is applied-Any person who sells, lets for hire or exposes for sale, or hires or has in his possession for sale, goods or things, or provides or hires services, to which any false trade mark or false trade description is applied or which, being required under section 139 to have applied to them an indication of the country or place in which they were made or produced or the name and address of the manufacturer, or person for whom the goods are manufactured or services provided, as the case may be, are without the indications so required, shall, unless he proves,- (a) that, having taken all reasonable precautions against committing an offence against this section, he had at the time of commission of the alleged offence no reason to suspect the genuineness of the trade mark or trade description or that any offence had been committed in respect of the goods or services; or (b) that, on demand by or on behalf of the prosecutor, he gave all the information in his power with respect to the person from whom he obtained such goods or things or services; or (c) that otherwise NSOU PGCO-IV 121 he had acted innocently, be punishable with imprisonment for a term which shall not be less than six months but which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees provided that the court may, for adequate and special reasons to be mentioned in the judgment, impose a sentence of imprisonment for a term of less than six months or a fine of less than fifty thousand rupees. 6.4

**SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)**222/322****SUBMITTED TEXT**

10 WORDS

**100% MATCHING TEXT**

10 WORDS

There shall be established for the purposes of this Act,

**SA** Abhishek Pandey @ 9.7.2021.docx (D110295562)

223/322	SUBMITTED TEXT	165 WORDS	91% MATCHING TEXT	165 WORDS
	<p>Definition of the consumer to include e-commerce            Enhancement of pecuniary jurisdiction A complaint can be filed where the consumer is located and not the opposite party Penalties enhanced Alternate Dispute Resolution (Mediation) E-filing of complaints (Rules to be framed) Consumer Protection Act, 2019 was passed on 9th August, 2019. It is a repealing statute, thereby repealing more than three decade old law of Consumer Protection Act, 1986. Objectives : Establishment of the Central Consumer Protection Authority (CCPA) Product Liability Option Establishment of the Mediation Centre Introduce Filling by Video Conferencing The imposition of higher penalties. E-commerce included within the ambit of Consumer Protection. Comparative Analysis: Consumer protection act, 1986 (Old act) v. Consumer protection act, 2019 (New act) Key points Pecuniary jurisdiction Old act District forum (upto 20 lacs) State commission (from 20 lacs to 1 crore)National commission (from 1 crore and above) New act District forum (upto 1 crore)State commission (from 1 crore to 10 crore) National commission (from 10 crore and above) NSOU PGCO-IV 127 Mrp/purchase price</p>		<p>Definition of the consumer to include e-commerce • Enhancement of pecuniary jurisdiction • A complaint can be filed where the consumer is located and not the opposite party • Penalties enhanced • Alternate Dispute Resolution (Mediation) • E-filing of complaints (Rules to be framed) Consumer Protection Act, 2019 was passed on 9th August, 2019. It is a repealing statute, thereby repealing more than three decade old law of Consumer Protection Act, 1986. Objectives of the New Act • Establishment of the Central Consumer Protection Authority (CCPA) • Product Liability Option • Establishment of the Mediation Centre • Introduce Filling by Video Conferencing • The imposition of higher penalties. • E-commerce included within the ambit of Consumer Protection. Comparative Analysis: Consumer protection act, 1986 (Old act) v. Consumer protection act, 2019 (New act) KEY POINTS OLD ACT NEW ACT PECUNIARY JURISDICTION District forum (upto 20 lacs) State commission (from 20 lacs to 1 crore)National commission (from 1 crore and above) District forum (upto 1 crore)State commission (from 1 crore to 10 crore)National commission (from 10 crore and above) MRP/PURCHASE PRICE</p>	
W	<a href="https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/">https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/</a>			
224/322	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS
	<p>Earlier 30 days period for appeal against the order of District forum (Section 15) Earlier 50% or 25,000 whichever is less is to be deposited</p>		<p>Earlier 30 days period for appeal against the order of District forum (Section 15)Earlier 50% or 25,000 whichever is less is to be deposited</p>	
W	<a href="https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/">https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/</a>			

225/322

**SUBMITTED TEXT**

275 WORDS

**92% MATCHING TEXT**

275 WORDS

Now it is 45 days (Section 41)Now 50% of award amount  
 Now all provision applicable to direct seller has been  
 extended to e- commerce Now DCF has power to review  
 Section 49(2) and 59(2) of the new act gives power to the  
 State Commission and NCDRC respectively to declare  
 any terms of contract, which is unfair to any consumer, to  
 be null and void District commissionState  
 commissionNational Consumer Dispute Redressal  
 Commission President and 4 other members NSOU  
 PGO-IV 128 Meditation under the Consumer Protection  
 Act, 2019 (Section 74) The State Governments shall  
 establish a consumer mediation cell to be attached to  
 each of District Commissions and State Commissions of  
 state. (Section 74(1)) Central Government shall establish  
 consumer mediation cell to be attached to the National  
 Commission (Section 74(2)) Holding companies  
 accountable for the default in service or manufacture is  
 the essence of the Consumer Protection Act. The  
 following is how a product manufacturer and service  
 provider can be held liable— Liability of product  
 manufacturer under the Consumer Protection Act, 2019  
 (Section 84) Product manufacturer will be liable for— (a)  
 Manufacturing defect in the product (b) Defective design  
 of the product or (c) Deviation from manufacturing  
 specifications or (d) Product not conforming to express  
 warranty or (e) No adequate instructions of correct usage  
 contained (in order to prevent harm or warning) Liability  
 even if he proves that he was not negligent or fraudulent  
 in making express warranty (Section 84(2)). Liability of  
 product service provider (Section 85)- Product service  
 provider will be liable if- (a) Service provided was faulty or  
 imperfect or deficient or inadequate in quality, nature or  
 manner of performance which is required by or under  
 any law or pursuant to any contract (b) Act of omission or  
 commission or negligence or conscious withholding  
 information which caused harm (c) No adequate  
 instructions or warnings issued to prevent harm (d) No  
 conformity with express warranty or terms and  
 conditions of the contract.

Now it is 45 days (Section 41)Now 50% of award amount  
 E-COMMERCE Earlier no specific mention Now all  
 provision applicable to direct seller has been extended to  
 e-commerce REVIEW Earlier DCF did not have the power  
 to review Now DCF has power to review UNFAIR TERMS  
 AND CONDITIONS No such provision Section 49(2) and  
 59(2) of the new act gives power to the State  
 Commission and NCDRC respectively to declare any  
 terms of contract, which is unfair to any consumer, to be  
 null and void AUTHORITY District consumer forumState  
 consumer forumNational Consumer Dispute Redressal  
 Commission District commissionState  
 commissionNational Consumer Dispute Redressal  
 Commission COMPOSITION OF STATE COMMISSION  
 President other members and 4 other members  
 Meditation under the Consumer Protection Act, 2019  
 (Section 74) The State Governments shall establish a  
 consumer mediation cell to be attached to each of  
 District Commissions and State Commissions of state.  
 (Section 74(1)) Central Government shall establish  
 consumer mediation cell to be attached to the National  
 Commission (Section 74(2)) Holding companies  
 accountable for the default in service or manufacture is  
 the essence of the Consumer Protection Act. The  
 following is how a product manufacturer and service  
 provider can be held liable- Liability of product  
 manufacturer under the Consumer Protection Act, 2019  
 (Section 84) Product manufacturer will be liable for – (a)  
 Manufacturing defect in the product (b) Defective design  
 of the product or (c) Deviation from manufacturing  
 specifications or (d) Product not conforming to express  
 warranty or (e) No adequate instructions of correct usage  
 contained (in order to prevent harm or warning) Liability  
 even if he proves that he was not negligent or fraudulent  
 in making express warranty.(Section 84(2)) Liability of  
 product service provider (Section 85)- Product service  
 provider will be liable if- (a) Service provided was faulty or  
 imperfect or deficient or inadequate in quality, nature or  
 manner of performance which is required by or under  
 any law or pursuant to any contract (b) Act of omission or  
 commission or negligence or conscious withholding  
 information which caused harm (c) No adequate  
 instructions or warnings issued to prevent harm (d) No  
 conformity with express warranty or terms and  
 conditions of the contract.

**W** <https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/>

226/322	SUBMITTED TEXT	226 WORDS	100% MATCHING TEXT	226 WORDS
<p>Liability of product service provider (Section 86)- Product seller will be liable if— (a) Substantial control by him over designing, testing, manufacturing, packaging or labelling of product causing harm (b) he altered or modified the product (such alteration or modification being substantial factor in causing harm) (c) made express warranty independent of express warranty of manufacturer (and product failed to conform express warranty by product seller) (d) product sold by him and identity of manufacturer is now known or if known, service of notice or process cannot be effected (e) failed to exercise reasonable care in assembling, inspecting or maintaining product Exceptions to product liability action (Section 87) Product seller shall be exempted from liability if at time of harm, product was misused, altered or modified. Product manufacturer not to be liable if- (where product liability action is based on failure to provide adequate warnings or instructions) (a) Product purchased by the employer to be used at the workplace &amp; warnings or instructions were provided to the employer. (b) Product sold as component or material for another product and harm was caused by the end product (c) Product was legally meant to be used or dispensed by or under supervision of an expert and warnings or instructions for such usage were given (d) Complainant while using the product was under the influence of alcohol or prescription drug (excluding drugs prescribed by a medical practitioner) (f) No liability in case of danger which is obvious or commonly known to the user or consumer</p>	<p>Liability of product service provider (Section 86)- Product seller will be liable if- (a) Substantial control by him over designing, testing, manufacturing, packaging or labelling of product causing harm (b) he altered or modified the product (such alteration or modification being substantial factor in causing harm) (c) made express warranty independent of express warranty of manufacturer (and product failed to conform express warranty by product seller) (d) product sold by him and identity of manufacturer is now known or if known, service of notice or process cannot be effected (e) failed to exercise reasonable care in assembling, inspecting or maintaining product Exceptions to product liability action (Section 87) Product seller shall be exempted from liability if at time of harm, product was misused, altered or modified. Product manufacturer not to be liable if- (where product liability action is based on failure to provide adequate warnings or instructions) (a) Product purchased by the employer to be used at the workplace &amp; warnings or instructions were provided to the employer. (b) Product sold as component or material for another product and harm was caused by the end product (c) Product was legally meant to be used or dispensed by or under supervision of an expert and warnings or instructions for such usage were given (d) Complainant while using the product was under the influence of alcohol or prescription drug (excluding drugs prescribed by a medical practitioner) (f) No liability in case of danger which is obvious or commonly known to the user or consumer.</p>			
<b>W</b>	<a href="https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/">https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/</a>			

227/322	SUBMITTED TEXT	19 WORDS	75% MATCHING TEXT	19 WORDS
<p>Now discounted price/ actual purchase price is criteria Where complainant resides or works Central Consumer protection authority to be formed Court can refer for settlement through mediation (Section 80)</p>	<p>Now discounted price/ actual purchase price is criteria TERRITORIAL JURISDICTION Where seller has office Where complainant resides or works REGULATOR No such provision Central Consumer protection authority to be formed MEDIATION No such provision Court can refer for settlement through mediation (Section 80)</p>			
<b>W</b>	<a href="https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/">https://lawcirca.com/consumer-protection-act-1986-v-consumer-protection-act-2019/</a>			



<b>228/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>67% MATCHING TEXT</b>	19 WORDS
<p>refers to creation of the mind (inventions, literary and artistic works, designs and symbols, names and images) used in commerce.</p> <p><b>SA</b> Arjun - IPR Chapter .docx (D142539833)</p>				
<b>229/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>enable people to earn recognition or financial benefit from what they invent or create.</p> <p><b>SA</b> Final Book in Word.doc (D154488135)</p>				
<b>230/322</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>69% MATCHING TEXT</b>	38 WORDS
<p>Patent Act, 1970) is a legal protection for a new, non-obvious and useful invention. It gives the Patent holder the exclusive right to make, use or sell the products or process. The main purpose of it is to benefit the society.</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>231/322</b>	<b>SUBMITTED TEXT</b>	175 WORDS	<b>96% MATCHING TEXT</b>	175 WORDS
<p>Trade Mark means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours and (i) in relation to chapter XII (other than Section, 107), a registered Trade Mark or a Mark used in relation to goods or service for the purpose of indicating or as to indicate a connection in the course of Trade between the goods or services, as the case may be and some person having the right as proprietor to use the mark, (ii) In relation to other provisions of this Act, a mark used in relation to goods or services for the purpose of indicating or as to indicate a connection in the course of Trade between the goods or services, as the case may be and some perform having the right, either as proprietor or by way of permitted user, to use the mark whether with or without any indication of the identity of that person and includes a Certification Trade Mark or Collective Mark.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				

<b>232/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>a) original literary, dramatic, musical and artistic works; (b) cinematograph films; and (c) sound recording.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>233/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>96% MATCHING TEXT</b>	18 WORDS
<p>The Water (Prevention and Control of Pollution) Act, 1974 7.3.2 Air (Prevention and Control of Pollution) Act, 1981 7.4</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>234/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>the State to protect and improve the environment and to safeguard forests and</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>235/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>81% MATCHING TEXT</b>	18 WORDS
<p>The Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 133</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>236/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>83% MATCHING TEXT</b>	15 WORDS
<p>Government of India enacted Environment Protection Act (EPA) (1986) under Article 253 of the Constitution</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>237/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>81% MATCHING TEXT</b>	17 WORDS
<p>The Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981.</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				

<b>238/322</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>96% MATCHING TEXT</b>	25 WORDS
<p>in so far as they relate to the protection and improvement of environment and the prevention of hazards to human beings, other living creatures, plants and property".</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>239/322</b>	<b>SUBMITTED TEXT</b>	54 WORDS	<b>67% MATCHING TEXT</b>	54 WORDS
<p>to implement the decisions of the United Nations Conference on the Human Environment where attempt was taken to protect and improve human environment through preventing hazards to human beings, other living creatures, plants and property. The Act plays as an "umbrella" legislation designed to provide a framework for Central Government coordination of the activities of various central and state authorities.</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>240/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>61% MATCHING TEXT</b>	19 WORDS
<p>Act, 1986 are: To implement the decisions made at the United Nations Conference on Human Environment held in</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>241/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>81% MATCHING TEXT</b>	18 WORDS
<p>The Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981.</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>242/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>90% MATCHING TEXT</b>	18 WORDS
<p>The Water (Prevention and Control of Pollution) Act, 1974 The Water (Prevention and Control of Pollution) Act, 1974</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				

<b>243/322</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>87% MATCHING TEXT</b>	47 WORDS
<p>pollution" means such contamination of water or such alteration of the physical, chemical or biological properties of water or such discharge of any sewage or trade effluent or of any other liquid, gaseous or solid substance into water (whether directly or indirectly) as may, or is likely to, create</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>244/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>68% MATCHING TEXT</b>	15 WORDS
<p>such point as the State Government may, by notification in the Official Gazette, specify in this</p> <p>such date 2 as the Central Government may, by notification in the Official Gazette, appoint. 2. Interpretation.— In this</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>245/322</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>95% MATCHING TEXT</b>	35 WORDS
<p>nuisance or render such water harmful or injurious to public health or safety, or to domestic, commercial, industrial, agricultural or other legitimate uses, or to the life and health of animals or plants or of aquatic</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>246/322</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>94% MATCHING TEXT</b>	26 WORDS
<p>or solid substance which is discharged from any premises used for carrying on any 3 [Industry, operation or process, or treatment and disposal system], other than domestic sewage. (</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>247/322</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>68% MATCHING TEXT</b>	24 WORDS
<p>In particular and without prejudice to the generality of the foregoing function, the Central Board may perform all or any of the following functions, namely:— (</p> <p>In particular, and without prejudice to the generality of the foregoing power, the Central Government may make rules to provide for all or any of the following matters, namely:— 3 [***] (</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				

<b>248/322</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>87% MATCHING TEXT</b>	36 WORDS
<p>the name aforesaid having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property and to contract, and may, by the aforesaid name, sue or be sued.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>249/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>or recognise a laboratory or laboratories to enable the Board to perform its functions</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>250/322</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>90% MATCHING TEXT</b>	34 WORDS
<p>having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property and to contract, and may, by the said name, sue or be sued.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>251/322</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>88% MATCHING TEXT</b>	21 WORDS
<p>a) to plan a comprehensive programme for the prevention, control or abatement of pollution of streams and wells in the State</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>252/322</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>93% MATCHING TEXT</b>	28 WORDS
<p>b) to advise the State Government on any matter concerning the prevention, control or abatement of water pollution; (c) to collect and disseminate information relating to water pollution and</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				

<b>253/322</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100% MATCHING TEXT</b>	20 WORDS
<p>prevention, control or abatement thereof; (d) to encourage, conduct and participate in investigations and research relating to problems of water pollution</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>254/322</b>	<b>SUBMITTED TEXT</b>	96 WORDS	<b>92% MATCHING TEXT</b>	96 WORDS
<p>to inspect sewage or trade effluents, works and plants for the treatment of sewage and trade effluents and to review plans, specifications or other data relating to plants set up for the treatment of water, works for the purification thereof and the system for the disposal of sewage or trade effluents or in connection with the grant of any consent as required by this Act; (g) lay down, modify or annul effluent standards for the sewage and trade effluents and for the quality of receiving waters (not being water in an inter State stream) resulting from the discharge of effluents and to classify waters</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>255/322</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>88% MATCHING TEXT</b>	37 WORDS
<p>the State; (h) to evolve economical and reliable methods of treatment of sewage and trade effluents, having regard to the peculiar conditions of soils, climate and water resources of different regions and more especially the prevailing flow [Act 6 of 1974]; (</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>256/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>88% MATCHING TEXT</b>	12 WORDS
<p>lay down, modify or annul effluent standards for the sewage and trade effluents; (</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				

<b>257/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>or recognise a laboratory or laboratories to enable the Board to perform its functions</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>258/322</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>81% MATCHING TEXT</b>	24 WORDS
<p>shall be punishable with imprisonment which may extend to three months or with fine which may extend to ten thousand rupees or with both</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>259/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
<p>shall come into force on such date<sup>1</sup> as the Central Government may, by notification in the Official Gazette, appoint.</p> <p>shall come into force on such date<sup>2</sup> as the Central Government may, by notification in the Official Gazette, appoint. 2.</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				
<b>260/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>which may extend to five thousand rupees for every day</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				
<b>261/322</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>61% MATCHING TEXT</b>	22 WORDS
<p>The Air (Prevention and Control of Pollution) Act, 1981 This Act may be called the Air (Prevention and Control of Pollution) Act, 1981.</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>262/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>81% MATCHING TEXT</b>	16 WORDS
<p>In particular and without prejudice to the generality of the foregoing functions, the Central Board may- (</p> <p>In particular, and without prejudice to the generality of the foregoing power, the Central Government may</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				

<b>263/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>section 3 of the Water (Prevention and Control of Pollution) Act, 1974; (</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>264/322</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>57% MATCHING TEXT</b>	24 WORDS
<p>of Water Pollution constituted under section 3 of the Water (Prevention and Control of Pollution) Act, 1974 (6 of 1974), shall, without prejudice to the</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>265/322</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>62% MATCHING TEXT</b>	30 WORDS
<p>prevention, control or abatement of air pollution; (e) advise the State Government on any matter concerning the prevention, control or abatement of air pollution; (f) collect and disseminate information relating to</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>266/322</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>88% MATCHING TEXT</b>	33 WORDS
<p>having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire and dispose of property and to contract, and may by the said name sue or be sued.</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>267/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>Whoever contravenes any of the provisions of this Act or any order or direction issued</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				



<b>268/322</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>88% MATCHING TEXT</b>	26 WORDS
<p>shall be punishable with imprisonment for a term which may extend to three months or with fine which may extend to ten thousand rupees or with both,</p> <p><b>SA</b> Abhishek Pandey @ 9.7.2021.docx (D110295562)</p>				
<b>269/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>case of continuing contravention, with an additional fine which may extend to</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>270/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>for every day during which such Contravention continues after conviction for the first</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>271/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>The Government of India enacted the Environment Protection Act of 1986 under Article 253 of the Constitution</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>272/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>81% MATCHING TEXT</b>	17 WORDS
<p>The Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981.</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>273/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>shall come into force on such date1 as the Central Government may, by notification in the Official Gazette, appoint.</p> <p>shall come into force on such date 2 as the Central Government may, by notification in the Official Gazette, appoint. 2.</p> <p><b>W</b> <a href="https://copyright.gov.in/Documents/CopyrightRules1957.pdf">https://copyright.gov.in/Documents/CopyrightRules1957.pdf</a></p>				

<b>274/322</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>96% MATCHING TEXT</b>	26 WORDS
<p>in so far as they relate to the protection and improvement of environment and the prevention of hazards to human beings, other living creatures, plants and property". The</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>275/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>83% MATCHING TEXT</b>	14 WORDS
<p>Central and State Board under The Water (Prevention and Control of Pollution) Act, 1974 2.</p> <p><b>SA</b> dissertation.docx (D27473427)</p>				
<b>276/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>61% MATCHING TEXT</b>	18 WORDS
<p>Objectives After going through the unit, you will be able to understand the— Concept of International business</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>277/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>73% MATCHING TEXT</b>	15 WORDS
<p>the growing economic interdependence of countries world-wide through increasing volume and variety of cross broader transaction</p> <p><b>SA</b> Sambalpur_MBA_SEM_1_Business Environment_Merged.pdf (D156214879)</p>				
<b>278/322</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>goods and services and of international capital flows and also through the more rapid and widespread diffusion of technology.</p> <p><b>SA</b> BA7401_International_Business_Management.pdf (D154411848)</p>				
<b>279/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>enterprise which controls assets - factories, mines, sales offices and the like - in two or more countries.</p> <p><b>SA</b> COM 332 Stretagic Management - II.pdf (D165094087)</p>				

<b>280/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>the essential nature of the MNC lies in the fact that its managerial headquarters (</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>281/322</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>77% MATCHING TEXT</b>	23 WORDS
<p>located in one country (known as home country) while the enterprise carries out operations in a number of other countries (known as host countries)</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>282/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>is an enterprise which carries on business operations in more than one</p> <p><b>SA</b> 023E1110,119E1110,193E1110-Business Environment.pdf (D165201747)</p>				
<b>283/322</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>90% MATCHING TEXT</b>	21 WORDS
<p>model, companies put up an executive headquarters in their home country and build various manufacturing plants and production facilities in other countries</p> <p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>				
<b>284/322</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>76% MATCHING TEXT</b>	50 WORDS
<p>company keeps its headquarters in one country that supervises a collection of offices located in other countries. It includes subsidiaries and affiliates all report to headquarters. Under Multinational Model, a parent company operates in the home country and puts up subsidiaries in different countries where the subsidiaries and affiliates are more independent in their operations.</p> <p><b>SA</b> Business Environment M.Com II semester.docx (D146772726)</p>				

<b>285/322</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>85% MATCHING TEXT</b>	20 WORDS		
<p>Firms that participate in international business, however, large they may be solely be exporting or by hunting technology are not multinational</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>						
<b>286/322</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>52% MATCHING TEXT</b>	22 WORDS		
<p>Companies in developed economies would expand their operations overseas to exploit the market abroad. MNC would also enjoy marketing superiorities over the</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>						
<b>287/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>73% MATCHING TEXT</b>	15 WORDS		
<p>availability of more reliable and up-to-date information about market conditions, (b) popular brands and image</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>						
<b>288/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>88% MATCHING TEXT</b>	16 WORDS		
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>building factories, investing in training centres and supporting educational facilities with intention of improving their productive capacities.</p> </td> <td style="width: 50%; vertical-align: top;"> <p>building factories, investing in training centers, and supporting educational facilities with the intention of improving their productive capacities</p> </td> </tr> </table> <p><b>W</b> <a href="https://vittana.org/19-advantages-and-disadvantages-of-multinational-corporations">https://vittana.org/19-advantages-and-disadvantages-of-multinational-corporations</a></p>					<p>building factories, investing in training centres and supporting educational facilities with intention of improving their productive capacities.</p>	<p>building factories, investing in training centers, and supporting educational facilities with the intention of improving their productive capacities</p>
<p>building factories, investing in training centres and supporting educational facilities with intention of improving their productive capacities.</p>	<p>building factories, investing in training centers, and supporting educational facilities with the intention of improving their productive capacities</p>					
<b>289/322</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>45% MATCHING TEXT</b>	20 WORDS		
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>more access to the import/export market, better goods, more opportunities and higher wage standard to build up standard of living for</p> </td> <td style="width: 50%; vertical-align: top;"> <p>more access to the import/export market. That allows them to access better goods, create more opportunities, and eventually raise the standard of living for</p> </td> </tr> </table> <p><b>W</b> <a href="https://vittana.org/19-advantages-and-disadvantages-of-multinational-corporations">https://vittana.org/19-advantages-and-disadvantages-of-multinational-corporations</a></p>					<p>more access to the import/export market, better goods, more opportunities and higher wage standard to build up standard of living for</p>	<p>more access to the import/export market. That allows them to access better goods, create more opportunities, and eventually raise the standard of living for</p>
<p>more access to the import/export market, better goods, more opportunities and higher wage standard to build up standard of living for</p>	<p>more access to the import/export market. That allows them to access better goods, create more opportunities, and eventually raise the standard of living for</p>					

<b>290/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>92% MATCHING TEXT</b>	18 WORDS
<p>weak labour conditions allow multinationals to lower wages to the greatest extent possible to pad their own profit margins), (</p> <p><b>W</b> <a href="https://vittana.org/19-advantages-and-disadvantages-of-multinational-corporations">https://vittana.org/19-advantages-and-disadvantages-of-multinational-corporations</a></p>		<p>weak labor conditions allow multinationals to lower wages to the greatest extent possible to pad their own profit margins.</p>		
<b>291/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>87% MATCHING TEXT</b>	16 WORDS
<p>huge financial resources, more effective and economic utilization of funds through transfer of excess funds from</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>292/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>can invent and innovate new products and processes more easily and frequently</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>293/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>92% MATCHING TEXT</b>	13 WORDS
<p>successor to General Agreement on Tariffs and Trade (GATT), The World Trade Organisation</p> <p><b>SA</b> Nidhi Sharma, Final PHD thesis law Correction file.pdf (D117961760)</p>				
<b>294/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>71% MATCHING TEXT</b>	15 WORDS
<p>The General Agreement on Tariffs and Trade (GATT) (1947) was formed as a result of</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>295/322</b>	<b>SUBMITTED TEXT</b>	62 WORDS	<b>97% MATCHING TEXT</b>	62 WORDS
<p>GATT refers to an international multilateral treaty, signed by 23 nations to promote international trade and remove cross-country trade barriers. On the contrary, WTO is a global body which deals with the rules of international trade between member nations. While GATT is a simple agreement, there is no institutional existence, but have a small secretariat. Conversely, WTO is a permanent institution along with a secretariat.</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>296/322</b>	<b>SUBMITTED TEXT</b>	64 WORDS	<b>93% MATCHING TEXT</b>	64 WORDS
<p>The participating nations are called as contracting parties in GATT, whereas for WTO, they are called as member nations. GATT commitments are provisional in nature which the government can make a choice to treat it as a permanent commitment or not after 47 years. On the other hand, WTO commitments are permanent, since the very beginning. The scope of WTO is wider than that of</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>297/322</b>	<b>SUBMITTED TEXT</b>	89 WORDS	<b>97% MATCHING TEXT</b>	89 WORDS
<p>in the sense that the rules of GATT are applied only when the trade is made in goods. As opposed to, WTO rules are applicable to services and aspects of intellectual property along with the goods. GATT agreement is primarily multilateral, while plurilateral agreement is added to it later. In contrast, WTO agreements are purely multilateral. The domestic legislation is allowed to continue in GATT, while the same is not possible in the case of WTO. The dispute settlement system of GATT was slower, less automatic and susceptible to blockages. Unlike,</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>298/322</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>88% MATCHING TEXT</b>	11 WORDS
<p>Trade in Services"). Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS):</p> <p><b>SA</b> International Trade-Material I semester.docx (D146751176)</p>				

<b>299/322</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
<p>Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU).</p> <p><b>SA</b> BA7401_International_Business_Management.pdf (D154411848)</p>					
<b>300/322</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>80%</b>	<b>MATCHING TEXT</b>	29 WORDS
<p>Trade bloc is an intergovernmental agreement or often part of a regional intergovernmental organization where regional barriers to trade (tariffs and non-tariff barriers) are reduced or eliminated among the participating states.</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>					
<b>301/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>76%</b>	<b>MATCHING TEXT</b>	12 WORDS
<p>countries within a geographic region that protect them from imports from non-members</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>					
<b>302/322</b>	<b>SUBMITTED TEXT</b>	70 WORDS	<b>97%</b>	<b>MATCHING TEXT</b>	70 WORDS
<p>Preferential Trade Area: Preferential Trade Areas (PTAs) exist when countries within a geographic region agree to reduce or eliminate tariff barriers on selected goods imported from other members of the area. This is often the first small step towards the creation of a trading bloc. Free trade area: Free Trade Areas (FTAs) are created when 2 or more countries in a region agree to reduce or eliminate barriers to trade on all</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>					
<b>303/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76%</b>	<b>MATCHING TEXT</b>	13 WORDS
<p>members agree to treat trade with non- member countries in a similar manner.</p> <p><b>SA</b> IB.docx (D154310691)</p>					

<b>304/322</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>92% MATCHING TEXT</b>	21 WORDS
<p>members may negotiate as a single bloc with third parties, such as with other trading blocs, or with the WTO. The</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>305/322</b>	<b>SUBMITTED TEXT</b>	106 WORDS	<b>95% MATCHING TEXT</b>	106 WORDS
<p>Common market: A 'common market' is the first significant step towards full economic integration and occurs when member countries trade freely in all economic resources, not just tangible goods. This means that all barriers to trade in goods, services, capital and labour are removed. In addition, as well as removing tariffs, non-tariff barriers are also reduced and eliminated. For a common market to be successful there must also be a significant level of harmonization of macroeconomic policies and common rules regarding monopoly power and other anti-competitive practices. There may also be common policies affecting key industries, such as the Common Agricultural Policy (CAP) and Common Fisheries Policy (CFP) of the European Single Market (ESM).</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>306/322</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>57% MATCHING TEXT</b>	26 WORDS
<p>visa or work permit to work in another member country of the common market. An example is the Common Market for Eastern and Southern Africa (COMESA).</p> <p><b>SA</b> IB.docx (D154310691)</p>				
<b>307/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>94% MATCHING TEXT</b>	17 WORDS
<p>trade creation (free trade enables high-cost domestic producers to be replaced by lower-cost and more efficient imports), (</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				



<b>308/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>91% MATCHING TEXT</b>	16 WORDS
<p>political union may exist when two or more countries share common decision-making bodies and have common policies.</p> <p><b>SA</b> BA7401_International_Business_Management.pdf (D154411848)</p>				
<b>309/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>91% MATCHING TEXT</b>	17 WORDS
<p>application of scale economies, which will lead to lower costs and lower prices for consumers), (iv) Jobs (</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>310/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>Protection (firms inside the bloc are protected from cheaper imports from outside)</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>311/322</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>92% MATCHING TEXT</b>	21 WORDS
<p>Trading blocs are likely to distort world trade, and reduce the beneficial effects of specialization and the exploitation of comparative advantage)</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>312/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>inefficient producers within the bloc can be protected from more efficient ones outside the bloc).</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>313/322</b>	<b>SUBMITTED TEXT</b>	7 WORDS	<b>77% MATCHING TEXT</b>	7 WORDS
<p>North American Free Trade Agreement (NAFTA) Association of South-East Asian Nations (ASEAN) South Asian Association for Regional Cooperation (SAARC)</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				

<b>314/322</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>Subject to the provisions of the FDI policy, FDI in the manufacturing sector is</p> <p><b>SA</b> M21CM06DC.pdf (D155282201)</p>				
<b>315/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>93% MATCHING TEXT</b>	17 WORDS
<p>The Industrial Policy 1991 prepared a specified list of high technology and high investment 34 priority industries (</p> <p><b>SA</b> Sambalpur_MBA_SEM_1_Business Environment_Merged.pdf (D156214879)</p>				
<b>316/322</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>47% MATCHING TEXT</b>	21 WORDS
<p>a common form of participation of MNCs in Indian industry. In India, foreign collaboration agreements are being made between Indian and foreign</p> <p><b>SA</b> COM 332 Stretagic Management - II.pdf (D165094087)</p>				
<b>317/322</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>73% MATCHING TEXT</b>	15 WORDS
<p>the growing economic interdependence of countries world-wide through increasing volume and variety of cross broader transactions</p> <p><b>SA</b> Sambalpur_MBA_SEM_1_Business Environment_Merged.pdf (D156214879)</p>				
<b>318/322</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
<p>goods and services and of international capital flows and also through the more rapid and widespread diffusion of technology.</p> <p><b>SA</b> BA7401_International_Business_Management.pdf (D154411848)</p>				
<b>319/322</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>92% MATCHING TEXT</b>	13 WORDS
<p>successor to General Agreement on Tariffs and Trade (GATT), The World Trade Organisation</p> <p><b>SA</b> Nidhi Sharma, Final PHD thesis law Correction file.pdf (D117961760)</p>				

<b>320/322</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>94% MATCHING TEXT</b>	16 WORDS
<p>trade creation (free trade enables high-cost domestic producers to be replaced by lower-cost and more efficient imports), (</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>321/322</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>91% MATCHING TEXT</b>	17 WORDS
<p>application of scale economies, which will lead to lower costs and lower prices for consumers), (iv) Jobs (</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				
<b>322/322</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>Protection (Firms inside the bloc are protected from cheaper imports from outside)</p> <p><b>SA</b> Study Material IB - Jagadeesh Sir.docx (D141315455)</p>				











## Document Information
















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## Sources included in the report

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<b>SA</b>	<b>CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf</b> Document CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)	 52
<b>W</b>	URL: <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a> Fetched: 2021-08-13 12:22:49	 26
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<b>SA</b>	<b>304 Corporate Taxation.docx</b> Document 304 Corporate Taxation.docx (D117962176)	 40
<b>W</b>	URL: <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a> Fetched: 2021-11-06 04:45:32	 30
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<b>SA</b>	<b>Tax Planning and Management BAA 751.doc</b> Document Tax Planning and Management BAA 751.doc (D91797431)	 20
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<b>SA</b>	<b>PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF POLICY AND STRUCTURE OF TAXATION IN INDIA AND ITS EFFECTS AND IMPLICATION...3.docx</b> Document PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF POLICY AND STRUCTURE OF TAXATION IN INDIA AND ITS EFFECTS AND IMPLICATION...3.docx (D161889559)	 14
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<b>W</b>	URL: <a href="https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-...">https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-...</a> Fetched: 2022-10-29 12:08:27	 5
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<b>SA</b>	<b>ruchita (sip).edited (1) (1) (1).pdf</b> Document ruchita (sip).edited (1) (1) (1).pdf (D144345467)	 1
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## Entire Document

PREFACE In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in a subject introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. I am happy to note that university has been recently accredited by National Assessment and Accreditation Council of India (NAAC) with grade 'A'. Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing, and devising of a proper layout of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great deal of these efforts are still experimental— in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Subha Sankar Sarkar Vice-Chancellor

Printed in accordance with the regulations of the Distance Education Bureau of the University Grants Commission. \*  
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Netaji Subhas Open University PG : Commerce (M. Com) (New Syllabus) Course : Taxation Course Code : PGCO - V Module - I : Direct Taxation Unit - 1  Exempted Income 9-22 Unit - 2  Taxation of Business Income 23-93 Unit - 3  Clubbing of Income 94-113 Unit - 4  Assessment Procedure 114-156 Modules - II : Indirect Taxation Unit - 5  GST in India : Levy and Collection 159-170 Unit - 6  Concept of Supply under GST 171-226 Unit - 7  GST Management 227-256 Unit - 8  Customs Duties 257-270 Suggested Readings 271

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NSOU • PGCO - V 7 Module - 1 Direct Taxation

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Unit - 1 Exempted Income Structures 1.0 Objectives 1.1 Introduction to Tax 1.2 Exempted Income 1.2.1 Kinds of Exempted Income 1.2.2 Various sections under section 10 1.2.3 Eligibility for Deduction under section 10AA 1.3 Income exempted from tax as per section 10 1.4 Agricultural Income [Section 10(1)] 1.4.1 Amount Received by a Co-parcener from H.U.F. [Sec. 10(2)] 1.4.2 Share of Income from the Firm [Section 10(2A)] 1.5 Exemptions under Section 10(14) 1.6 Summary 1.7 Questions 1.0

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Objectives After studying this unit, we will be able to understand— • The basic concept of

tax and exempt incomes of different types. • The eligibility to claim deduction u/s 10AA. • The concept of agricultural income. • The tax treatment of share of income from firm. • The different exemptions available u/s 10(14). 1.1 Introduction to Tax Tax is a compulsory payment made by the people of a country to its government. Whenever, there is any income either by way of profits from business or remuneration for services or from sale or transfer of goods and services, unless it is expressly exempt from tax, tax shall be levied by the government on such income. Tax revenue is one of the best sources of government revenue to meet huge public expenditure. In every form of society, 10 NSOU • PGCO - V taxation plays a very significant role to raise fund for smooth running and maintenance of the society. Tax revenue collection is the most favorable choice of any nation since it is not 'quid pro quo' i.e. nothing is payable in respect of tax revenue collection in consideration thereof to the taxpayers. Thus, charges which are levied on product or services or income or activity are called Tax. Tax is actually a fee charged by the government on product or services, income or activity. There may be of two types of taxes; viz.- a) Direct Taxes and b) Indirect Taxes. Direct Taxes: Direct tax is a tax which is levied directly on income, thus when tax is levied directly (from the source)

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on the income or wealth of a person, then it is called direct tax

e.g., income tax, Wealth Tax etc. Wealth tax has been abolished with effect from 28 th February 2016. The taxpayer becomes liable to pay direct tax personally and he cannot shift it on the shoulder of others. Indirect Taxes: The tax which is imposed indirectly on income is called Indirect Tax. Indirect Tax is not directly related to income, but when we buy something, sell something keeping aside the value of the transaction is called Indirect Tax. Thus, whether we are buying a pencil, lozenge or car we have to pay indirect tax. When tax is levied (indirectly) from the users of Goods and/or Services

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on the price of goods and/or services then it is called indirect tax; viz.-Goods and Services Tax (GST),

Excise duty, Customs Duty, etc. Component of Income Tax Law: Income Tax (IT) Law consists of the following components- Sr. Components Brief analysis No. 1 Income Tax Act, There are 298 sections and XIV schedules under Income Tax 1961 Act, 1961. 2 Finance Acts Every year the Finance Minister of GOI presents the Budget to the Parliament. Part A of the Budget speech comprises the proposed policies of the Government. Part B contains the detailed tax proposals. Such, proposals become finance act once get these approved by the parliament. 3

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Income Tax Rules The management of direct taxes is looked after by the Central Board of Direct Taxes (CBDT).

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(D103495020)

Circulars and Circulars are issued by the CBDT from time to time to deal Notifications with certain specific problems and to clarify doubts regarding the scope and meaning of

the provisions. Though, the department is bound by the circulars while the assessee can take only the advantages of beneficial circulars. 5 Legal Directions

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The study of case law is an important and unavoidable part of the study of income-tax law.

Supreme Court is the apex court of our country. 1.2 Exempted Income There are certain incomes which are not part of the total income. Exempt Incomes are the incomes for which no tax is payable as per Income Tax Law i.e., these incomes are not included in the total income for the purpose of tax liability computation while taxable incomes are liable to tax under the Income Tax Act. Exempt income is that income on which there is no need to pay tax. Some instances are partner's share in firm's income, agricultural income, daily allowance of MPs and MLAs etc. 1.2.1 Kinds of Exempted Income Following are various kinds of income that are exempt from tax- i. House Rent Allowance. ii. Allowance on transportation, children's education, subsidy on hostel fee. iii. Exemption on Housing Loan. iv. Income defined as per Section 10, Section 54 of the Income Tax Act, 1961. v. Leave and Travel Allowance.

12 NSOU • PGCO - V 1.2.2 Various Sections under Section 10 Section Particulars Sec.10A Deduction relating to newly established undertaking under Section 10A. This section was applicable when an entrepreneur, who starts manufacturing or producing articles or things or provides any services during 01.04.2005 to 31.03.2020. Sec. 10AA Section 10AA deals with the deduction related to newly established undertakings which are in Special Economic Zones (SEZ). In April 2000, with a view to fascinating foreign investment in India, the Government proclaimed that tax approval would be provided for businesspersons who set up the definite businesses in Special Economic Zones. Therefore, primarily, SEZs were introduced to roll and continue under the dispensation of the Foreign Trade Policy. However, increasingly, the SEZ Act and SEZ instructions were shaped and made operative from the year 2006. Amount of Exemption = Profit

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of Unit in SEZ × Export Turnover of Unit SEZ Total Turnover of Unit SEZ



Amount of Deduction The deduction under this section will be permitted as under for a total period of 15 relevant assessment years. 100% of export profit is qualified for the deduction for the first five years. 50% of export profit is eligible for the deduction for the next five years. Sum not surpassing 50% of export profit is qualified for the deduction for the next five years.

NSOU • PGCO - V 13 Example: 1. Durjoy Manufacturing Ltd. has a Unit at SEZ. The company Provided Total Sales Rs.4, 00, 000/- and Export Sales Rs.3, 00, 000/- and Net Profit Rs.1, 00, 000/- for the previous year 2020-21. Calculate the eligible deduction under section 10AA of the Income tax act, for the assessment year 2021- 2022, if the unit was set up and start manufacturing from 22-05-2013. Solution: Amount of Exemption = Profit

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of Unit in SEZ × Export Turnover of Unit SEZ Total Turnover of Unit SEZ

Profit Percentage =  $\frac{3,00,000}{4,00,000} = 75\%$  Profit from Export =  $\text{Rs.}1,00,000 \times 75\% = \text{Rs.}75,000$  Therefore, the exempted amount is Rs. 50% of Rs.75, 000 i.e., Rs. 37, 500/-. Note: Total Year = 8 (2013-2021). Therefore, Amount will be exempted @ 50%. 2. Charlie Ltd. has a Unit at SEZ. The company Provided Total Sales Rs.10, 00, 000/- and Export Sales Rs.8, 00, 000/- and Net Profit Rs.5, 00, 000/- for the previous year 2020-21. Calculate the eligible deduction under section 10AA of the Income tax act, for the assessment year 2021-2022, if the unit was set up and start manufacturing from 22-05-2015. Solution: Amount of Exemption = Profit

**96% MATCHING BLOCK 9/875**

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of Unit in SEZ × Export Turnover of Unit SEZ Total Turnover of Unit SEZ 14

NSOU • PGCO - V Profit Percentage =  $80\%$  ( $\frac{8,00,000}{10,00,000}$ ) Profit from Export =  $5,00,000 \times 80\% = \text{Rs.}4,00,000$  Therefore, the exempted amount is Rs.2, 00, 000. Self-Practice Question: Priya Manufacturing Ltd. has a Unit at SEZ and another unit at Domestic Tariff Area (DTA). The company Provides the following details for the previous year 2020-21. Priya Ltd- Total Sales Rs.15, 00, 000/-, Export Sales 14, 50, 000/-, Net Profit Rs.10, 00, 000/-. Unit in DTA- Total Sales Rs.12, 00, 000/-, Export Sales Rs.12, 50, 000/-, Net Profit Rs.8, 00, 000/-. Calculate the eligible deduction under section 10AA of the Income tax act, for the assessment year 2021-2022, in the following situation if the unit was set up and started manufacturing from 22-05-2014. Ans. Rs.66, 670/-. 1.2.3 Eligibility for deduction under Section 10AA To avail deduction u/s 10AA of the Income Tax Act., SEZ units are required to fulfil the following conditions- i) The businessperson should be enclosed within the provisions of section 2 (j) of the Special Economic Zone Act, 2005. ii) Special Economic Zone unit should have commenced its business activity or provision of service, as the case may be,

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during the earlier year related to any assessment year beginning on or after 1st April 2006. iii) Special Economic Zone unit is not designed by

any splitting up, or the modernization of the business that is already in existence.

NSOU • PGCO - V 15 iv) Special Economic Zone unit is not designed by any transfer of plant or machinery, before used for any purpose, to a new business; and v) Units which have already enjoyed the advantage of deduction under section 10A of the Income Tax Act for a constant period of 10 years are not qualified to right deduction under Section 10AA of the Act. 1.3 Income Exempted from Tax as per Section 10 Some of the exempted income under section 10 are given in the table below: Sl. Section / Name of Income No. Sub-sections 1 10(1) Agricultural Income 2 10(2) Amount received out of family income, Hindu Undivided Family (H.U.F.) 3 10(2A) Share of profit of Partner from a firm 4 10(4)(i) Interest paid to Non-Resident 5 10(4)(ii) Interest to Non-Resident on Non-Resident (External) Account 6 10(4 B) Interest paid to a person of Indian Origin and who is Non- Resident 7 10(5) Leave Travel Concession or Assistance 8 10 (6A), 10(6B), Tax paid by Government or Indian concern on Income of a 10 (6BB) and Foreign Company [Section 10(6A), (6B), (6BB) 10(6C) and (6C)] 9 10(7) Commissions/Allowances given by Government to its Employees serving outside India 10 10(8) Staff of Foreign Countries working in India under Cooperative Technical Assistance Programme 11 10(8A) Income of a Consultant 12 10(8B) Income of Employees of Consultant 13 10(9) Revenue of any member of the family of persons working in India under cooperative technical assistance programme

16 NSOU • PGCO - V 14 Given with the Perquisite [Section 10(10)] a. Perquisite received by respective income. Government servants [Section 10(10)(i)] b. Perquisite obtained by a Non-Government Employee covered by Payment of Gratuity Act, 1972 [Section 10(10)(ii)] 15 10(10A) Commuted value of Pension received 16 10(10AA) Amount received as Leave Encashment on retirement 17 10(10B) Retrenchment Compensation received by Workmen 18 10 (10BB) Payment received under Bhopal Gas Leak Disaster (Processing of Claims) Act 1985 19 10(10BC) Compensation received in case of any disaster 20 10(10C) Retirement Compensation from a Public Sector Company or any other Company 21 10(10CC) Tax on Non-monetary Perquisites paid by Employer 22 10(10D) Amount received under a Life Insurance Policy 23 10(11) Statutory Provident Fund 24 10(12) Recognized Provident Fund 25 10(13) Superannuation Fund 26 10(13A) House Rent Allowance-HRA 27 10(14) Special Allowance to Employces 28 10(15) Interest Incomes 29 10(16) Scholarship granted to meet cost of education 30 10(17) Allowance of M.P./M.L.A. 31 10(17A) Awards Instituted by Government 32 10(18) Pension received by certain winners of gallantry awards 33 10(19) Family pension obtained by family members of armed forces including para military forces 34 10(20) Income of a Local Authority 35 10(21) Income of Scientific Research Association 36 10(22B) Income of a News Agency 37 10(23A) Income of some Professional Institutions Sl. Section / Name of Income No. Sub-sections

NSOU • PGCO - V 17 1.4 Agricultural Income [Section 10(1)] According to

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Section 10(1), agricultural income earned by the taxpayer in India is exempt from tax.

But agricultural income earned abroad is taxable. Agricultural income is distinct under section 2(1A) of the Income-tax Act. As per section 2(1A), agricultural income usually means- i) Any rent or income which has been gained from land located in India and is used for the purpose of agriculture. ii) Any income derived from such land by farming processes which is included for the purpose of agricultural produce to make the product fit for the market or for the purpose of making the product saleable. iii) Any revenue which has been attributable to a farm house which has been subject to contentment of specific conditions and which has been specified in this regard in section 2(1A). Agricultural income can be defined as the income which has derived from trees or seedlings grown in a nursery and this will be considered as agricultural income. 1.4.1 Amount received

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by a Co-parcener from Hindu Undivided Family (H.U.F.) [Section 10(2)] Under section 10(2), any amount received by an individual as a member of

HUF which is in relation to domestic income, or in case of the other circumstance

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of impartible estate or amount received out of income of domestic estate by any affiliate of such HUF is exempt from tax. 1.4.2

Share of Income from the Firm [Section 10(2A)] Section 10(2A), defines that share of profit which has been obtained by a partner of a partnership firm, this portion of profit

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is exempt from tax in the hands of the partner. Further, in the circumstances where the share of the profit which has been obtained by a partner of LLP from the LLP will be exempt from tax in the hands of such partner. 18

NSOU • PGC0 - V 1.5 Exemptions under Section 10(14) Exemptions under section 10(14) refer to special allowances to employees provided under the Income Tax Act. Section 10(14) deals with special allowance, these specific allowances are actually treated in totally different way, this is categorized actually as a special exemption under Section 10 and no tax is being charged. The exception is actually dependent on the amount sanctioned or the actual money which has been operated for the precise purpose, whichever is actually lower. Some of the special allowances under sub-section (14) of Section 10 of the Income Tax Act include: i) Travelling allowance: Travelling allowance is an allowance which actually comprises daily compensation which is given for the purpose of covering expenditure while on an official tour or at the time of shifting / moving to a new job location. ii) Travel Grant: Allowance is approved to the staff for the aim of covering their travel expenditures while on an official tour or during the transfer of employment. It contains expenses incurred in transferring of private belongings, etc. iii) Uniform Allowance: Uniform allowance is given where in any office it is mandatory to wear uniform while the employees are on duty., the allowance is offered to cover outlays of purchase and preservation of uniform. iv) Conveyance Allowance: Where it is needed to travel while on duty then a conveyance allowance is being given to the employee, this allowance is provided to cover expenses suffered on official travelling. In our daily regular life, we need to travel from home to office, the cost which will be incurred for travelling from home to office will be borne by the employee. v) Research or Academic Grant: This exemption is given by education and/or a research institution for uplifting research or academic training, education, etc. vi) Special allowance under Section 10(14)(ii) include: Climatic allowance comprises reimbursement for working in high altitude or hilly areas.

NSOU • PGC0 - V 19 For hills of Himachal Pradesh, Uttar Pradesh, Jammu & Kashmir and therefore the North East up to Rs. 800. Deductions up to Rs. 7,000/month for Siachen. For other high-altitude places deductions up to Rs. 300. Grant of Rs. 200 for those working in pre-classified Tribal, Schedule or Agency areas like Karnataka, West Bengal, Madhya Pradesh, Assam, Orissa, Tamil Nadu, Bihar, Uttar Pradesh, and Tripura. As per Rule 2BB of Section 10 (14)(ii), soldiers personnel serving within the border area, remote places or in any disturbed areas are provided allowance starting from Rs. 200 to Rs. 1,300/month. A grant of Rs. 2,600/month is allowable under Section 10 (14)(ii), provided it's given to a private for delivering responsibilities in unusual fields like Nagaland, Jammu & Kashmir, Himachal Pradesh, Uttar Pradesh, Sikkim, Andhra Pradesh and Manipur. Section 10 (14)(ii) exemption is provided to an allowance of Rs. 100/child maximum up to 2 children. A hostel stipend can also be allowed for Rs. 300/month/child up to 2 children maximum. Grant of Rs. 3,900/month in Section 10 (14)(ii) is concentrated to those employed in soldiers for counterinsurgency. An exemption as per Section 10 (14)(ii) of Rs. 3,250/month is for members of the soldiers serving within the Andaman and Nicobar Islands or Lakshadweep Group of Islands. Other grants under sub-section (14)(ii) of Section 10 of the tax Act include: Rs. 800/month for underground mine workers. In highly active areas Rs. 4,200/month for workers. For workers in certain enhanced field areas Rs. 1,000/month. Transport allowance to physically inactivated employees Rs. 1,600/month. Rs. 1,600/month as transport allowance for workers to travel between homes to the office.

20 NSOU • PGCO - V 1.6 Summary After Studying this unit, we could understand—the concept of tax; Exempt incomes; Incomes exempt from tax as per section 10; Eligibility for deduction under section 10AA; Agricultural Income under section 10(1); Share of income from firm under section 10(2A) ; Some other exemptions under section 10. 1.7 Questions A. Multiple Choice Questions (MCQ) 1. A government employee who has been posted abroad and allowances given to them are - a) Fully exempt b) Partly exempted c) Fully taxable d) Taxable by the country where the person is posted 2. House rent allowances are- a) Fully exempted b) Partly exempt c) Fully taxable d) Taxable by the country where the person is posted 3. HRA in 4 metropolitan cities in India are exempted upto what percentage- a) 50% of salary b) 40% of salary c) 30% of salary d) None of these 4. Maximum for how many children education allowances is exempted for - a) One Child b) Two Child c) Three Child d) None of these 5. The portion of the salary on which income tax is borne by the employer is called- a) Foregoing salary b) Tax free salary c) Tax holiday d) None of these 6. — — — deals with exempted incomes. a) Sec.80 b) Sec.70 c) Sec.10 d) None of these

NSOU • PGCO - V 21 7. Income tax is a form of — — . a) Direct tax b) Indirect tax c) Value added tax d) None of these 8. As per municipal valuation the rent which has been is called- a) Actual rent b) Fair rent value c) Standard rent d) Municipal value 9. Rent free accommodation is an example for- a) Allowance b) Compensation c) Perquisite d) None of these 10. Whether the Dividends which has been received from co-operative society are taxable or not - a) Fully exempted b) Partly exempted c) Taxable d) Partially taxable B. Short Answer Type Questions 1. What do you mean by exempted income? Define the various types of exempted incomes 2. Briefly discuss sections 10A and 10AA. 3. Describe in detail the provisions which regulate tax incidence on charitable trusts and industries. 4. Discuss eligibility for deduction under section 10AA. 5. Explain and briefly describe with some examples of income exempt from tax as per section 10. C. Broad Answer Type Questions 1. There are five incomes which are entirely exempted from tax, briefly describe that five incomes. 2. Allowances received by a member of a State Legislative are exempted, briefly define the provision. 3. A Municipality under section 10(20) is granted exemption, briefly describe those exemptions.

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Discuss the provisions of the Income-tax Act relating to

exemption available to a newly established unit in Special Economic Zone (SEZ). 5. What do you mean by “Casual” and “non-recurring receipts, briefly describe the two terms. Answer Key (A) 1(a) 2(b) 3(a) 4(b) 5(b) 6(c) 7(a) 8(d) 9(c) 10(c).

NSOU • PGCO - V 23 Unit-2 Taxation of Business Income (Sections 28 to 44D) Structure 2.0 Objectives 2.1 Introduction 2.2 Business 2.3 Profession 2.4

Business Incomes Taxable under the ‘Profit

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and Gains of Business or Profession’ [Section 28]. 2.5 Business Income not chargeable to tax under the “Profits and Gains from Business or Profession” 2.6

Expenses Allowed as Deductions against Profits and Gains from Business or Profession [Section-30 to 37] 2.6.1

Expenditure on Scientific Research-Section 35 2.6.2 Expenditure for obtaining right to use Spectrum for

Telecommunication Services- Section 35ABA 2.6.3 Expenditure for obtaining License to operate Telecommunication

Services- Section 35ABB 2.6.4 Deduction in respect of Expenditure on

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Specified Business- Section 35AD 2.6.5 Payment to Associations and Institutions carrying out Rural Development

Programmes- Section 35CCA 2.6.6 Expenditure on Agricultural Extension Project- Section 35CCC 2.6.7 Expenditure on

Skill Development Project- 35CCD 2.6.8

Preliminary Expenditure incurred by India Companies and other resident non-corporate assessee- Section 35D 2.7  
 Taxation of Business Income of Companies 2.7.1 Indian Company [Section 2 (26)] 2.7.2 Domestic Company [Section 2  
 (22A)] 2.7.3 Foreign Company [Section 2 (23A)] 2.7.4 Venture Capital Company  
 24 NSOU • PGCO - V 2.7.5 Computation of Taxable Income and Tax Liability of Companies 2.8 Taxation of Business  
 Income of a Partnership Firm/LLP 2.9 Inadmissible Deductions - Section 40 2.9.1 Payment of any interest, royalty, fees  
 etc. 2.9.2 Default pertaining to Non-Deduction / Non-Deposit of Equalisation Levy [Section 40(a)(ib)] 2.9.3 Disallowance  
 of royalty, licence fees, etc., in case of State Government Undertakings [Section 40(a)(iib)] 2.9.4 Tax on Non-Monetary  
 Perquisite paid by the Employer [Section 40(a)(v)] 2.9.5 Payments to partners of a firm or LLP- Section 40(b) 2.10  
 Expenses or Payments not deductible in certain circumstances - Section 40A 2.10.1 Amounts not deductible in respect of  
 Payment to Relatives [Section 40A(2)] 2.10.2 Payment exceeding Rs. 10,000 (Rs. 35,000 if an assessee makes payment for  
 Plying, Hiring or Leasing Goods Carriages) otherwise than through prescribed modes [Section 40A(3)] 2.10.3  
 Disallowance in respect of Provision for Unapproved Gratuity Fund [Section 40A(7)] 2.10.4 Amount not deductible

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in respect of contributions to Non-Statutory Funds [Section 40A(9)] 2.10.5

Certain Deductions to be Allowed only on Actual Payment Basis [Section 43B] 2.11 Deemed Profits 2.11.1 Remission or  
 Cessation of Trading Liability[Section 41(1)] 2.11.2 Balancing Charge on Assets of an undertaking engaged in Generation  
 and Distribution of Power [Section 41(2)] 2.11.3 Profit on Sale of Capital Assets used for Scientific Research [Section 41(3)]  
 2.11.4 Recovery of Bad Debts allowed as a deduction [Section 41(4)]  
 NSOU • PGCO - V 25 2.11.5 Amount withdrawn from Special Reserve created and maintained by certain Financial  
 Institutions [Section 41(4A)] 2.11.6 Adjustment of Loss of a business [Section 41(5)] 2.11.7 Recovery after Discontinuance  
 of Business or Profession [Section 176(3A), (4)] 2.12 Deductions from Gross Total Income 2.12.1

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Deduction in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure  
 development- Section 80-IA 2.12.2 Deduction in respect of profits and gains from certain industrial undertakings other  
 than infrastructure development undertakings- Section 80-IB 2.12.3 Special provisions in respect of

certain undertakings or enterprises in  
 Himachal Pradesh, Sikkim, Uttaranchal and North Eastern States - Section 80-IC 2.12.4 Deduction from profits and gains  
 from business of hotels/convention centres in North-Central Region (NCR) area- Section 80-ID 2.12.5 Deduction for  
 certain undertakings in North-Eastern  
 States- Section 80-IE 2.12.6

**79%**      **MATCHING BLOCK 21/875**      **SA**      M. Com. II Adc. Accountancy P. V & VII all.PDF  
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Deduction in respect of profits and gains from the business of collecting and processing of biodegradable waste-  
 Section 80JJA 2.12.7 Deduction in respect of employment of new workmen- Section 80JJAA 2.12.8 Deduction in  
 respect of certain income of Offshore Banking Units

and International Financial Services Centre -  
 Section 80LA 2.13  
 Provision for MAT (Minimum Alternate Tax) - Section 115JB 2.13.1 Adjustments to be made in computing Book Profit:  
 2.13.2 MAT Credit under section 115JAA 2.14 Dividend Distribution Tax 2.15 Provisions for Set Off and Carry Forward of  
 Losses 2.15.1 Inter Source Adjustment (Intra-head adjustment) [Sec. 70]  
 26 NSOU • PGCO - V 2.15.2 Inter-Head Adjustment [Sec. 71] 2.15.3 Carry forward and set off of Losses from House  
 Property [Sec. 71B] 2.15.4

**60% MATCHING BLOCK 23/875**

**SA**

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Carry forward and set off of Business Losses other than speculation loss [Sec. 72] 2.15.5 Carry forward and set off of

Speculation loss [Sec. 73] 2.15.6 Carry forward and set off of losses of Specified business [Sec. 73A] 2.15.7 Losses under the head Capital Gains [Sec. 74] 2.15.8 Losses from activities of Owning and Maintaining Race-Horses [Sec. 74 A (3)] 2.15.9

**52% MATCHING BLOCK 22/875**

**W**

Carry forward and set off of loss in case of change in the constitution of firm or succession- Section 78 2.15.10 Carry forward and set off of loss in case of closely held companies [Section 79] 2.15.11 Carry forward and set

off of accumulated business losses and unabsorbed depreciation of the amalgamating company incase of merger/amalgamation-Section 72A 2.15.12 Order of loss to be set off 2.16 Examples of Business Income 2.17 Summary 2.18 Questions 2.0 Objectives After going through this unit, we will be able to— • understand the concept and meaning of income from business or profession; • conceptualize the different expenses allowed as deduction in computing profits and gains from business; • understand inadmissible deduction and payments not allowed as deductions; • come to know the deemed profits chargeable to tax as business income; • realize the concept and the tax provision for set off and carry forward of losses identify the different examples of business income; NSOU • PGCO - V 27 • understand the provision for MAT; • come to know the Dividend Distribution Tax. 2.1 Introduction Business income can be defined as the income which we are getting from sale of products or services. If we give an example- Fees received by a person from the regular practice of a profession are

**88% MATCHING BLOCK 24/875**

**SA**

Basics of taxation.docx (D126935931)

business income and chargeable under the head “Profits and Gains of Business or Profession”.

Actually, Business income is a type of earning which is classified as ordinary income arising from business for tax purposes. Profession is generally defined as various activities done by the human being by which they earn a living. To earn a living through profession one needs to have some intellectual skill and special knowledge. Examples of profession are Chartered Accountant, Cost and Management Accountant, Company Secretary in practice, doctor in practice, Lawyer in practice etc. As per section 2(23) profession also includes vocation. Vocation is actually a process or way through which a person passes his/her life. There are some vocations which are included within the meaning of profession. Line, we can give the example of engineers, tax consultants and accountants. If a CMA is practicing then the income of the practicing CMA will be chargeable to income from business and profession. Thus, here we actually get three terms, business, profession and vocation. 2.2 Business Business is being defined in the following terms. Business is being called either an occupation, profession, or trade, or business is a commercial activity which includes providing goods or services in exchange for profits within the allowed laws of country. By the following definition business can be defined. Business is generally defined as an organization, enterprise or entity which is engaged in professional, commercial or industrial activity. 2.3 Profession The term profession has not been defined under the Income Tax Act. It refers to an occupation requiring some degree of learning, skill and expertise. The term profession includes vocation as well [Section 2(36)].

28 NSOU • PGCO - V 2.4

**100%**

**MATCHING BLOCK 26/875**

**SA**

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Business Incomes Taxable under the head of 'Profit and Gains of Business or Profession' (Section 28).

Section 28 of the Act deals with

**100%**

**MATCHING BLOCK 25/875**

**W**

the income chargeable under the head "Profits and gains of business or profession" where

following incomes are chargeable to tax: - i) Profits and gains from any kind of business or profession carried on by assessee during the previous year. ii)

**90%**

**MATCHING BLOCK 28/875**

**SA**

Tax Planning and Management BAA 751.doc (D91797431)

Any compensation or other payment due to or received by any person specified in section 28(ii) iii) Income derived by a trade, professional or similar association from specific services performed for its members.

iv) Incentives

received or receivable by the assessee carrying on export business: a)

**100%**

**MATCHING BLOCK 27/875**

**W**

Profits on sale of a licence granted under the Imports (Control) Order, 1955, made under the Imports and Exports (Control) Act, 1947.

b)

**93%**

**MATCHING BLOCK 29/875**

**W**

Cash assistance (by whatever name called) received or receivable by any person against exports under any scheme of the Government of India. c) Any

custom duty or excise duty

**100%**

**MATCHING BLOCK 30/875**

**W**

re-paid or re-payable as drawback to any person against exports under the Customs and Central Excise Duties Drawback Rules, 1971.

d)

**100%**

**MATCHING BLOCK 31/875**

**SA**

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Any profit on the transfer of the Duty Entitlement Pass Book Scheme

or the Duty- Free Replenishment Certificate, being the Duty Remission Scheme under the export and import policy formulated and announced under section 5 of the Foreign Trade (Development and Regulation) Act, 1992. v)

The

**89% MATCHING BLOCK 33/875 W**

value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of any profession. vi) Any interest, salary, bonus, commission or remuneration received by a partner

from firm.

**78% MATCHING BLOCK 32/875 W**

vii) Any sum received or receivable under an agreement for not carrying out any activity

NSOU • PGCO - V 29

**100% MATCHING BLOCK 34/875 SA** Tax Planning and Management BAA 751.doc (D91797431)

in relation to any business or profession or not to share any know-how, patent, copyright, trademark, etc.

viii) Any sum received by the assessee under

**62% MATCHING BLOCK 36/875 W**

a Keyman insurance policy including bonus. ix) Fair market value of inventory on the date of its conversion or treatment as capital asset. x) Any sum received or receivable in cash or kind, on account of any capital asset being demolished, destroyed, discarded or transferred, if the whole of the expenditure on such capital asset has been allowed as a deduction under section 35AD. 2.5

Business Income which is

**84% MATCHING BLOCK 35/875 W**

not chargeable under the head "Profits and Gains from Business or Profession" i) Rental Income

in case of dealer of Property: Rental Income from House Property is chargeable to tax separately u/s 22 under the head "Income from House Property". Such income will not be involved here even it is a business of the owner or assessee. ii) Dividend Income: All dividend income is chargeable to tax u/s 56 under the head "Income from Other Sources". Such income will not be included here, even if the income is derived from dealing in shares and such shares are held as Stock-in-trade. iii) Income from Letting Out Commercial Asset: If such letting out of income is permanent in nature, this will not be involved here. iv) Winning from Lotteries, etc.: Income from lottery, gambling, horse race, etc. are taxable u/s 56 (ib) under the head "Income from Other Sources". Such income will not be chargeable here even it is a regular business of the assessee. v) Interest received on Compensation or Enhanced Compensation: Such interest is always chargeable to tax in the year of receipt under the head "Income from Other Sources", even if it is relating to a regular business activity. 30 NSOU • PGCO - V There are certain exceptions in the above-mentioned rules, like the below mentioned incomes will be classified under Profit & Gains of Business or Profession even if the business is not

**73% MATCHING BLOCK 39/875 SA** Basics of taxation.docx (D126935931)

carried on by the assessee during the previous year Recovery against any loss, expenditure or trading liability earlier allowed as deduction.



Sale of capital asset which was used as scientific research. Recovery of Bad Debts. 2.6 Expenses

**73% MATCHING BLOCK 37/875**

**W**

Allowed as Deductions against Prof its and Gains of Business or Profession [Section 30-37] 1 Rent, Rates, Taxes, Repairs

and Insurance for Building 30 2 Repairs and insurance of machinery, plant and furniture 31 3 Depreciation 32 4 Investment allowance in Notified Backward Area in Andhra 32AD Pradesh, Bihar, Telangana or West Bengal 5 Tea/Coffee /Rubber Development Account 33AB 6 Site Restoration Fund 33ABA 7 Expenditure on Scientific Research 35 8 Expenditure for Obtaining Right to use Spectrum for 35ABA Telecommunication Services 9 Expenditure for obtaining License to operate 35ABB Telecommunication Services 10 Deduction in respect of Expenditure on

**57% MATCHING BLOCK 38/875**

**W**

Specified Business 35AD 11 Payment to Associations and Institutions for carrying 35CCA out Rural Development Programs 12 Expenditure on Agricultural Extension Project 35CCC 13 Expenditure on Skill Development Project 35CCD 14

Preliminary expenditure incurred by Indian companies and 35D other resident non-corporate Sl. Expenses Allowed as Deductions Section/Sub- No. sections  
 NSOU • PGCO - V 31 Sl. Expenses Allowed as Deductions Section/Sub- No. sections 15 Amortization of expenditure in case of Amalgamation / 35DD Demerger 16 1/5 th of the Expenditure incurred by assessee-employer in connection with Voluntary Retirement Scheme 35DDA 17 Amortization of Expenditure on Prospecting etc., for 35E Development of Certain Minerals 18 Insurance Premium 36(1)(i) 19 Bonus or Commission to Employees 36(1)(ii) 20 Interest on Borrowed Capital for the purpose of business or 36(1)(iii) profession 21 Discount on issue of Zero-Coupon Bonds 36(1)(iiia) 22 Employer's Contribution to RPF or approved 36(1)(iv) superannuation fund 23 Sum paid by employer as contribution towards a pension 36(1)(iva) scheme referred to in sec. 80CCD 24 Sum received from Employees for Contribution to Staff 36(1)(va) Welfare fund 25 Allowance in respect of Dead or Permanently useless Animals 36(1)(vi) 26 Bad debts written off as irrecoverable 36(1)(vii) 27 Provision for Bad and Doubtful Debts relating to Rural 36(1)(viiia) Branches of Commercial Banks 28 Transfer to Special Reserve 36(1)(viii) 29 Expenditure incurred by company for promoting Family 36(1)(ix) Planning amongst employees 30 Securities Transaction Tax paid by assessee 36(1)(xv) 31 Commodities Transaction Tax 36(1)(xvi) 32 Expenditure by Co-Operative Society for purchase 36(1)(xvii) of Sugarcane 33 General Deductions as provided in this section 37  
 32 NSOU • PGCO - V 2.6.1 Expenditure on Scientific Research-Section 35 Expenditure on scientific research expenditure refers to expenses incurred on scientific research for the development of business and business related activities. It covers any scientific research expenditure, revenue or capital nature, which may help to improve an extension of any business or all the businesses of that class or any scientific research of a medical nature relating to the welfare of the workers employed in that business or all the businesses of that class, as the case may be. 2.6.1-1 Revenue Expenditure Where an assessee incurs any scientific research expenditure of revenue nature related to his business, such expenditure is allowed as deduction in full (i.e.,100% deduction from the A.Y. 2021-22 onwards) in the year in which it is incurred under section 35(1)(i).

**47% MATCHING BLOCK 40/875**

**W**

Any such expenditure incurred within 3 years immediately preceding the commencement of the business on payment of salary to research personnel engaged in scientific research

related to his business carried on by the taxpayer or on purchase of material inputs for such scientific

**95% MATCHING BLOCK 41/875**

**W**

research will be allowed as deduction in the year in which

the business is commenced. The deduction will

**100% MATCHING BLOCK 42/875**

**W**

be limited to the amount certified by the prescribed authority. 2.6.1-2 Capital Expenditure

Where an assessee incurs any scientific research expenditure of capital nature related to the business carried on by the assessee, such expenditure is deductible in full (i.e., 100% deduction for the A.Y. 2021-22 onwards) in the previous year in which it is incurred under section 35(1)(iv). However, any capital expenditure which has been incurred prior to the commencement of the business, the aggregate of the expenditure so

**47% MATCHING BLOCK 43/875**

**W**

incurred within the three years immediately preceding the commencement of the business shall be deemed to have been incurred in the previous year in which the business is commenced and will also qualify for deduction

as expenditure for scientific research incurred during the previous year. While claiming deduction for capital expenditure for scientific research related to the business of the assessee, the following points are to be noted: a) Disallowance of expenditure on land: There will be no deduction available under section 35 in respect of capital expenditure incurred on the acquisition of any land whether the land is acquired as such or as part of any property.

NSOU • PGC0 - V 33 b) Carry Forward of Deficiency: Capital expenditure incurred on scientific research which cannot be absorbed/set off owing to shortfall in business profits of the relevant previous year can be carried forward to the immediately succeeding previous year and shall be treated as the allowance for that year without any time bar for such carry forward. c) Disallowance of Depreciation: No depreciation will be admissible on any capital asset representing scientific research expenditure which has been allowed as a deduction under section 35 whether in the year in which such deduction was allowed or in any other previous year. d) Sale of Scientific Research Assets: Where any capital asset representing scientific research is sold, discarded, demolished or destroyed, either after the cessation of its use for scientific research purpose related to the business or without having been used for other purposes, the tax liability will be applicable as follows: i) Where the asset is sold, etc., after the cessation of its use for scientific research purpose,

**64% MATCHING BLOCK 44/875**

**W**

the moneys payable in respect of such asset together with the amount of scrap value, if any,

could be brought to tax under section 41(1) and to bring to tax that amount of deductions allowed in earlier years. ii) Where the asset is sold etc.

**75% MATCHING BLOCK 45/875**

**W**

without having been used for other purposes, if the proceeds of sale together with

the total amount of the deductions made under section 35 exceed the amount of capital expenditure, the excess or the amount of deduction so made, whichever is less, will

**87% MATCHING BLOCK 46/875**

**W**

be charged to tax as income of the business of the previous year in which the

sale took place. 2.6.1-3

Contribution to

Outsiders Where an assessee does not himself carry on scientific research but contributes to others/ public institutions, such contributions will be allowed as deduction as follows : a) Contribution to Notified Approved Research Association, University, College or Other Institutions : In terms of section 35(1)(ii), where any amount is paid as contribution by an assessee, related to his business or not and whether the payment is of a revenue nature or of a capital nature,

**90% MATCHING BLOCK 47/875**

**W**

to a research association having its object, the undertaking of scientific research or to a university, college or other institution to be used for scientific research

duly approved for this purpose and notified by the Central Government, the amount paid as contribution is allowed as deduction in full (i.e. 100% deduction for the A.Y. 2021-22 onwards).

34 NSOU • PGCO - V b) Contribution to Approved Indian Company for Scientific Research: In terms of section 35(1)(ia), where an assessee makes payment as contribution to a company registered in India with its main object to provide scientific research and duly approved by the prescribed authority, such payment is allowed as deduction in full (i.e. 100% deduction for the A.Y. 2021-22 onwards). c) Contribution to Approved Notified Research Association, University, College or Other Institution: In terms of section 35(1)(iii), where an assessee pays as contribution to a

**88% MATCHING BLOCK 48/875**

**W**

research association having its object the undertaking of research in social science or statistical research or to a university, college or other institution to be used for research in any social science or statistical research

duly approved for this purpose and notified by the Central Government, such contribution is allowed as deduction in full (i.e. 100% deduction for the A.Y. 2021-22 onwards). d) Sum paid to National Laboratory, etc.: By virtue of section 35(2AA), where an assessee pays

**91% MATCHING BLOCK 49/875**

**W**

any sum to a National Laboratory or University or Indian Institute of Technology or a specified person

for carrying out programmes of scientific research approved by the prescribed authority, such sum is allowed as deduction in full (i.e., 100% deduction for the A.Y. 2021-22 onwards). e) Expenses on In-House Research and Development: By virtue of section 35(2AB),

**86% MATCHING BLOCK 50/875**

**W**

where a company engaged in the business of bio-technology or in any business of manufacture or production of any article or thing, not being

an article or thing specified in the list of

**88% MATCHING BLOCK 51/875**

**W**

the Eleventh Schedule incurs any expenditure on scientific research on in- house research

and development facility

as approved by the prescribed authority, such expenditure will be allowed in full (i.e. 100% deduction for the A.Y. 2021-22 onwards) provided such expenditure is not

**100% MATCHING BLOCK 52/875**

**W**

in the nature of cost of any land or building.

Example: ABC Ltd., engaged in the business of manufacturing, gives the following particulars for the year ended 31.3.2021: a) Amount paid to notified approved Indian Institute of Science, Ahmedabad for scientific research : Rs. 2,10,000/- b) Amount paid to IIT, Guwahati for an approved scientific research programme : Rs. 1,80,000/- c)

**68% MATCHING BLOCK 53/875**

**W**

Amount paid to TS Ltd., a company registered in India as scientific research and development company, as approved by the prescribed authority :

Rs. 3,00,000/-

NSOU • PGC - V 35 d) Expenditure incurred on in-house research and development facility as approved by the prescribed authority i) Revenue expenditure on scientific research : Rs. 2,30,000/- ii) Capital expenditure (including cost of acquisition of land & building : Rs. 5,00,000/- on scientific research : Rs. 7,50,000/- Compute the deduction allowable under section 35 for the A.Y. 2021-22, while

**87% MATCHING BLOCK 54/875**

**W**

computing its income under the head "Profits and gains of business or profession".

Solution: Computation of allowable deduction under section 35 for the A.Y. 2021-22 of ABC Ltd. Particulars Amount of Section % of Amount expenditure deduction of deduction Payment/Contribution for scientific research- Indian Institute of Science, Ahmedabad IIT, Guwahati TS Ltd. Expenditure on in-house and development- Revenue expenditure Capital expenditure (excluding cost of acquisition of land & building Rs. 5,00,000/-) 2,10,000 35(1)(ii) 100% 2,10,000 1,80,000 35(2AA) 100% 1,80,000 3,00,000 35(1)(ia) 100% 3,00,000 2,30,000 35(2AB) 100% 2,30,000 2,50,000 35(2AB) 100% 2,50,000 Total allowable deduction under 11,70,000 section 35 2.6.2 Expenditure for obtaining right to use Spectrum for Telecommunication Services- Section 35ABA Any capital expenditure incurred by an assessee for acquiring any spectrum rights for telecommunication services, is allowable

**53% MATCHING BLOCK 56/875**

**SA**

Income tax Planning.DOC (D116135474)

as deduction in equal instalments over the period starting from the previous year in which payment is made for spectrum fee or the year in which business commences where

the fee has been paid before the commencement of business and ending with the previous year up to which spectrum fee shall be in force.

36 NSOU • PGC - V Depreciation under section 32 of the Income Tax Act will not be available, towards amount claimed and allowed as deduction under section 35ABA. The consequence of failure in complying with the provisions of section 35ABA are as follows- a) It would be deemed that the deduction is wrongly allowed. b) An

**100% MATCHING BLOCK 55/875**

**W**

assessing officer can re-compute the total income of the

defaulting assessee and undertake necessary rectification. c) The rectification can be done

**90% MATCHING BLOCK 57/875**

**W**

within a period of four years from the end of the previous year in which

the

failure takes place. d) In case of amalgamation or demerger, the provisions of section 35ABA will continue to apply, if the amalgamated or the resulting company is an Indian company. 2.6.3 Expenditure for obtaining License to operate Telecommunication Services- Section 35ABB Where an assessee incurs any expenditure

**92% MATCHING BLOCK 58/875**

**SA**

304 Corporate Taxation.docx (D117962176)

of capital nature for acquiring any right to operate telecommunication services and for which payment has actually been made to obtain a licence, there shall be allowed

for each of the relevant previous years,

**100% MATCHING BLOCK 59/875**

**SA**

304 Corporate Taxation.docx (D117962176)

a deduction equal to the appropriate fraction of the amount of such expenditure.

Here 'appropriate fraction' means the fraction the numerator of which is one and the denominator of which is the total number of the relevant previous years.

The payment

**97% MATCHING BLOCK 60/875**

**SA**

Incroe tax Planning.DOC (D116135474)

will be allowed as deduction in equal instalments over the period starting from the year in which

such payment has been made and ending in

**100% MATCHING BLOCK 62/875**

**SA**

Incroe tax Planning.DOC (D116135474)

the year in which the licence comes to an end.

**65% MATCHING BLOCK 61/875**

**W**

The deduction will be allowed for the previous year relevant to the previous year in which the licence fee is actually paid.

**100% MATCHING BLOCK 63/875**

**W**

Where a deduction for any previous year is claimed and allowed under section 35ABB, then no deduction

of the same expenditure shall be allowed u/s 32 for the same previous year or any subsequent previous year. However, if the licence is sold or transferred and the proceeds of the

**88% MATCHING BLOCK 64/875**

**W**

transfer are less than the expenditure incurred remaining unallowed, a deduction equal to

such

**80% MATCHING BLOCK 65/875**

**W**

expenditure remaining unallowed, as reduced by the proceeds of the transfer, shall be allowed in

respect of the previous year in which the licence is transferred. Where, however, the proceeds of the transfer become higher than the amount of the expenditure incurred remaining unallowed,

**100% MATCHING BLOCK 66/875**

**W**

so much of the excess as does not exceed the difference between the

expenditure incurred to obtain the licence and the amount of such expenditure remaining unallowed shall be NSOU • PGCO - V 37

**100% MATCHING BLOCK 67/875**

**W**

chargeable to income-tax as profits and gains of the business in the previous year in which

the licence has been transferred. 2.6.4 Deduction in respect of Expenditure on Specified Business- Section 35AD Deduction under section 35AD shall be allowed to an assessee who carries on any of the following

**96% MATCHING BLOCK 68/875**

**W**

specified business: 1. Setting up and operating a cold chain facility; 2. setting up and operating a warehousing facility for storage of agricultural produce; 3. Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network; 4.

The business of

**100% MATCHING BLOCK 69/875**

**W**

building and operating anywhere in India, a hotel of two-star or above category,

as classified by the Central Government; 5.

**95% MATCHING BLOCK 70/875**

**W**

Building and operating, anywhere in India, a hospital with at least 100 beds for patients; 6. Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the

Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed; 7.

**90% MATCHING BLOCK 71/875**

**W**

Developing and building a housing project under a scheme for affordable housing

framed

**47% MATCHING BLOCK 72/875**

**W**

by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in

accordance with the guidelines as may be prescribed; 8.

**85% MATCHING BLOCK 73/875**

**W**

Production of fertiliser in India; 9. Setting up and operating an Inland Container Depot or Container Freight Station

notified and approved under the Customs Act, 1962; 10.

**88% MATCHING BLOCK 74/875**

**W**

Bee-keeping and production of honey and beeswax; and 11. Setting up and operating a warehousing facility for storage of sugar. 12. Laying and operating a slurry pipeline for the transportation of iron ore; 13. Setting up and operating a semiconductor wafer fabrication manufacturing unit,

if such unit is notified by the Board in accordance with the prescribed guidelines; 14.

**100% MATCHING BLOCK 75/875**

**W**

Developing or maintaining and operating or developing maintaining and operating a new infrastructure facility. 38

NSOU • PGCO - V Business mentioned above

**72% MATCHING BLOCK 76/875**

**W**

is not set up by splitting up, or the reconstruction, of a business already in existence. Where the business is

of

**90% MATCHING BLOCK 77/875**

**W**

laying and operating a cross country natural gas or crude or petroleum oil pipelines network

it should be owned by a Indian or by a consortium of such

**89% MATCHING BLOCK 78/875**

**W**

companies or by an authority or a board or a corporation established or constituted under any Central or State Act

and is duly approved by the Notified Petroleum and Natural Gas Regulatory Board. Business mentioned in clause (12) or (13) above should commence its operation on or after 1-4-2014. 2.6.4-1 Deduction under section 35AD shall be allowed subject to satisfying the following conditions: a) The specified business should not be set up

**81% MATCHING BLOCK 79/875**

**W**

by splitting up, or the reconstruction, of a business already in existence. Moreover, it should not

be set up by the transfer of old plant and machinery. b)

**77% MATCHING BLOCK 81/875**

**SA**

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The value of the transferred assets does not exceed 20 per cent of the total value of the machinery or plant used in the business.

c) Second-hand imported machinery is to be treated as new if

**79% MATCHING BLOCK 80/875**

**W**

such machinery or plant was not, at any time previous to the date of the installation by the assessee, used in India and if such machinery or plant is imported into India from any country outside India. d) No deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the Act in computing the total income of any person for any period prior to the date of the installation of the machinery or plant by the

assessee. 2.6.4-2 Conditions for availing deduction under Section-35AD 100% Deduction shall be allowed an account of any

**83% MATCHING BLOCK 83/875**

**SA**

Basics of taxation.docx (D126935931)

expenditure of capital nature incurred wholly and exclusively for the purpose of

the above

**76% MATCHING BLOCK 82/875**

**W**

specified business carried on by such assessee during the previous year in which such expenditure in incurred by him.

Expenditure incurred prior to the commencement of operation,



**93% MATCHING BLOCK 87/875**

**W**

wholly and exclusively, for the purpose of any specified business, shall be allowed as deduction during the previous year in which the assessee commences

the operation of his specified business, if the amount is capitalized in the books of account of the assessee on the date of commencement of operation.

**85% MATCHING BLOCK 84/875**

**W**

Any asset in respect of which a deduction is claimed and allowed under section 35AD, NSOU • PGC0 - V 39 shall be used only for the specified business for a period of 8 years beginning with the previous year in which such asset is acquired or constructed. Further, if

such asset

**87% MATCHING BLOCK 85/875**

**W**

is used for any purpose other than the specified business during the

period of 8 years,

**94% MATCHING BLOCK 86/875**

**W**

the total amount of deduction so claimed and allowed in any previous year in respect of such asset, as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction had been allowed under section 35AD, shall be deemed to be income of the assessee chargeable under the head "Profits and gains of business or profession" of the previous year in which the asset is so used.

If deduction is claimed and allowed under section 35AD,

**87% MATCHING BLOCK 90/875**

**SA**

304 Corporate Taxation.docx (D117962176)

the assessee shall not be allowed any deduction in respect of the

specified business under the provisions of Chapter VIA under sections 80HH to 80RRB or under section 10AA

**100% MATCHING BLOCK 88/875**

**W**

for the same or any other assessment year. Any sum

received or receivable on account of any capital asset, in respect of which deduction has been allowed under section 35AD, being demolished, destroyed, discarded or transferred shall be treated as income of the assessee and

**100% MATCHING BLOCK 89/875**

**W**

chargeable to income-tax under the head "Profits and gains of business or profession".

**84% MATCHING BLOCK 91/875**

**SA** Basics of taxation.docx (D126935931)

Any loss computed in respect of the specified business shall not be set off except against profits and gains, if any, of any other specified business.

To the extent the loss is unabsorbed, the same

**93% MATCHING BLOCK 93/875**

**SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

will be carried forward for set off against profits and gains from any specified business in the following assessment year and so on (

no timelimit for carry forward of such loss). The books of account of the assessee should be audited. Example: PQ Ltd. Commenced its three-star hotel business in Hyderabad on 1.4.2019. PQ Ltd. incurred capital expenditure of Rs. 50 lakh during the period from 1.12.2018 to 31.3.2019 exclusively for the purpose of hotel business and capitalised the same in its books of accounts as on 1.4.2019. Further, the company incurred Rs. 2 crore during the P.Y. 2019-20 of which Rs. 1.5 crore was for acquisition of land to be used solely for the purpose of hotel business. The profit of the new hotel business in the P.Y. 2019-20 amounted to Rs. 38 lakh. Compute

**100% MATCHING BLOCK 92/875**

**W**

the income under the head 'Profits and gains from business or profession'

of  
PQ Ltd. for the previous year 2019-20 assuming that the company has fulfilled all the conditions specified under section 35AD.  
40 NSOU • PGCO - V

**70% MATCHING BLOCK 96/875**

**SA** Basics of taxation.docx (D126935931)

Solution: Computation of taxable income from business/profession of PQ Ltd. For the A.Y. 2020-21 (

P.Y. 2019-20) 2.6.5

**95% MATCHING BLOCK 94/875**

**W**

Payment to Associations and Institutions carrying out Rural Development Programmes- Section 35CCA

Where an assessee incurs any expenditure by way of payment of any sum— a)

**93% MATCHING BLOCK 95/875**

**W**

To an association or institution, which has as its object the undertaking of any programme of rural development, to be used for carrying out any programme of rural development approved

by the prescribed authority 84; or b)

**60% MATCHING BLOCK 97/875**

**W**

To an association or institution, which has as its object the training of persons for implementing programmes of rural development;

or c)

**100% MATCHING BLOCK 98/875**

**W**

To a rural development fund set up and notified by the Central Government

in this behalf; or d)

**100% MATCHING BLOCK 99/875**

**W**

To the National Urban Poverty Eradication Fund set up and notified by the Central Government

in this behalf, the assessee shall, subject to the provisions of sub-section (2), be allowed a deduction of the amount of such expenditure incurred during the previous year. The deduction under clause (a) of sub-section (1) shall not be allowed in respect

**100% MATCHING BLOCK 100/875**

**W**

of expenditure by way of payment of any sum to

any association or institution referred to in the said clause unless the assessee furnishes a certificate from such association or institution to the effect that- Particulars Amount (Rs.) Profits from specified business of new hotel in Hyderabad 38 lakh (before allowing deduction under section 35AD) Less: Deduction available under section 35AD: Capital expenditure incurred during the P.Y. 2019-20 (excluding the expenditure incurred on acquisition of land), i.e. Rs. 200 lakh - Rs.150 lakh 50 lakh Capital expenditure incurred prior to 1.4.2019, i.e. prior to commencement of new hotel business 50 lakh 100 lakh Total deduction available under section 35AD for the A.Y. 2020-21 Loss from specified new hotel business in Hyderabad (62 lakh)

NSOU • PGCO - V 41 a) The programme of rural development had been approved by the prescribed authority before the 1st day of March, 1983; and b) Where such payment is made after the 28th day of February, 1983, such programme involves work by way of construction of any building or other structure (whether for use as a dispensary, school, training or welfare centre, workshop or for any other purpose) or the laying of any road or the construction or boring of a well or tube-well or the installation of any plant or machinery, and such work has commenced before the 1st day of March, 1983. The deduction under clause (b) of sub-section (1) shall not be allowed in respect

**100% MATCHING BLOCK 101/875**

**W**

of expenditure by way of payment of any sum to

any association or institution unless the assessee furnishes a certificate from such association or institution to the effect that— a) The prescribed authority had approved the association or institution before the 1st day of March, 1983; and b) The training of persons for implementing any programme of rural development had been started by the association or institution before the 1st day of March, 1983. However, the deduction, to which the assessee is entitled under section 35CCA in respect of any sum paid to an association or institution for carrying out the programme of rural development referred to in sub-section (1), shall not be denied merely on the ground that subsequent to the payment of such sum by the assessee, the approval granted to such programme of rural development, or as the case may be, to the association or institution has been withdrawn. Where a deduction under this section is claimed and allowed for any assessment year in respect of

**90% MATCHING BLOCK 102/875 W**

any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such

expenditure under section 35C or section 35CC or section 80G or

**100% MATCHING BLOCK 103/875 W**

any other provision of this Act for the same or any other assessment year. 2.6.6

**100% MATCHING BLOCK 104/875 W**

Expenditure on Agricultural Extension Project- Section 35CCC Where an assessee incurs any expenditure on agricultural extension project notified by the Board

in this behalf in accordance with the guidelines as may be prescribed, then, there

**91% MATCHING BLOCK 105/875 W**

shall be allowed a deduction of a sum equal to one and one-half times of such expenditure.

Where a deduction under this section is claimed and allowed for any assessment year in respect of

**80% MATCHING BLOCK 106/875 W**

any expenditure referred to in this section, deduction shall not be allowed in respect of such expenditure under any other provisions of this Act for the same or any other assessment year. 42

NSOU • PGCO - V 2.6.7

**98% MATCHING BLOCK 107/875 W**

Expenditure on Skill Development Project- 35CCD Where a company incurs any expenditure (not being expenditure in the nature of cost of any land or building) on any skill development project notified by the Board

in this behalf in accordance with the guidelines as may be prescribed, then, there

**91% MATCHING BLOCK 108/875**

**W**

shall be allowed a deduction of a sum equal to one and one-half times of such expenditure.

Where a deduction under this section is claimed and allowed for any assessment year in respect of

**85% MATCHING BLOCK 109/875**

**W**

any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such expenditure under any other provisions of this Act for the same or any other assessment year. 2.6.8

Preliminary Expenditure incurred by India Companies and other resident non- corporate assesseees- Section 35D The following categories of assesses are eligible to claim deduction under section 35D– a) An Indian Company; b) A person, other than the company, resident in India. Lower of the following amount will be available as the total amount of deduction under section 35D – a) Aggregate amount of actual expenditure incurred by the assessee; b) 5%

**73% MATCHING BLOCK 110/875**

**W**

of the cost of the project- Cost of the project means the actual cost of fixed assets (

i.e., land, building, leaseholds, machinery, plant, fittings, furniture and railway sidings) as on the last day of the previous year of commencement of business or

**80% MATCHING BLOCK 111/875**

**W**

extension of undertaking or setting up of the new unit; c) 5% of the

**82% MATCHING BLOCK 112/875**

**W**

capital employed- Capital employed means the total amount of issued share capital; debentures and long-term borrowings as on the last day of the previous year

of commencement of business or

**90% MATCHING BLOCK 113/875**

**W**

extension of undertaking or setting up of the new unit. The

total amount of deduction, as calculated above, will be available as a deduction in five equal instalments. The instalments will begin from

**64% MATCHING BLOCK 114/875**

**W**

the previous year in which business is commenced or extension of the undertaking is completed or new unit commences production / operation.

This benefit of amortization under section 35D, however, is continued to be availed where

**87% MATCHING BLOCK 115/875**

**W**

the undertaking of an Indian company which is entitled to amortization is transferred to another Indian company in a scheme of amalgamation or demerger within the 5-year period of amortization. In that event, the deduction in respect of previous year in which the amalgamation

or demerger takes place and the following previous year within the 5-year

NSOU • PGCO - V 43 period, will be allowed to the amalgamated company or resulting company and not the amalgamating company or demerged company. List of preliminary expenditure allowable as deduction under section 35D Amortization of preliminary expenditure is available towards eligible expenditure for deduction under section 35D includes- a) Expenditure for preparation of the feasibility report and project report. b) Expenses incurred for conducting market or other surveys which is

**62% MATCHING BLOCK 116/875**

**W**

necessary for the business of the assessee. c) Expenditure for acquiring engineering services relating to the

assessee's business. d) Legal expenses for drafting of Memorandum of Association and Article of Association of the company. e) Expenditure for the printing of Memorandum and Article of Association of the company. f) Expenses for drafting, printing, typing and advertisement of the prospectus of the company. g) Registration fees paid for registering the company under the Companies Act, 1956. h) Expenditure towards the issue of shares/ debenture for public subscription. i) Any other prescribed expenditure which is not deductible under any other provisions of the Act. However, for claiming deduction under section 35D, the assessee (other than a company or co-operative society) should- a) Get the accounts audited, for the year/ years during which the preliminary expenditure is incurred, by the practising-chartered accountant, and b) Furnish audit report in Form No. 3AE in the first year of claiming the deduction. c) Deduction under section 35D will apply to the amalgamated/ demerged company. d) The expenditure claimed/ allowed as a deduction under section 35D will not qualify for any other deduction under other provisions of the Act. 2.7 Taxation of Business Income of Companies For the purposes of taxation of business income of companies, companies are broadly classified as follows: 44 NSOU • PGCO - V 2.7.1

**100% MATCHING BLOCK 118/875**

**SA**

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Indian Company [Section 2 (26)] Indian Company means a company formed and registered under the companies Act, 1956 and includes-a)

**59% MATCHING BLOCK 117/875**

**W**

A company formed and registered under any law relating to companies formerly in force in any part of India (other than the State of Jammu and Kashmir and the Union territories specified in (d) below: a) A corporation established by or under a Central, State or Provincial Act; b) Any institution association or body which is declared by the Board to be a company under section 2(17); c) A company formed and registered under any law for the time being in force in

**84% MATCHING BLOCK 119/875**

**SA**

Tax Planning and Management BAA 751.doc (D91797431)

the State of Jammu and Kashmir; d) A company formed and registered under any law for the time being in force in the Union territories of Dadra and Nagar Haveli, Goa, Daman and Diu and Pondicherry.

In the aforesaid cases, a company, corporation, institution, association or body will be treated as Indian company if its registered office is situated

**92%**      **MATCHING BLOCK 120/875**      **SA** Tax Planning and Management BAA 751.doc (D91797431)

in India. 2.7.2 Domestic Company [Section 2 (22A)] Domestic company means an Indian company or any other company which, in respect of its income liable to tax under this Act, has made the prescribed arrangements for the declaration and payment, within India

in accordance with section 194.

Domestic companies are further classified into two groups- Domestic companies in which public are substantially interested,

i.e., Public Company; Domestic companies in which public are not substantially interested, i.e., Private

**83%**      **MATCHING BLOCK 121/875**      **SA** Tax Planning and Management BAA 751.doc (D91797431)

Company. 2.7.3 Foreign Company [Section 2 (23A)] A foreign company means a company which is not a domestic company.i.e.

not registered under the Indian Companies Act and

**76%**      **MATCHING BLOCK 122/875**      **SA** Tax Planning and Management BAA 751.doc (D91797431)

whose control and management is located outside India and which has not made prescribed arrangement for declaration and payment of dividend within India. 2.7.4

Venture Capital Company A venture capital company is one which is engaged in in providing finance to venture capital undertakings mainly by way of acquiring equity shares of such undertakings, or by advancing loans to such undertakings and is approved by the Government in this behalf.

NSOU • PGCO - V 45 2.7.5 Computation of Taxable Income and Tax Liability of Companies The salient features of taxation of companies are discussed below: A company is a corporate body that has a separate and distinct legal entity from its shareholders. Domestic as well as foreign companies are liable to pay corporate tax under the Income Tax Act irrespective of their quantum of income. The taxable income of companies is computed in the same manner as used for other non-corporate assesses. New corporate tax rates have become applicable from 1st April 2019 onwards for certain types of corporations. In case of domestic companies, the rate of income- tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2019-20 do not exceed four hundred crore rupees and in all other cases the rate of income-tax shall be 30% of the total income. However, domestic companies have an option for reduced rate of taxation under section 115BAA, section 115BAB and section 115BA of the Act on fulfilment of certain conditions mentioned therein. The tax rate is 15% in section 115BAB, 22% in section 115BAA and 25% in section 115BA. Surcharge is applicable at a flat rate of 10% in these cases irrespective of the amount of total income.

**100%**      **MATCHING BLOCK 124/875**      **SA** Basics of taxation.docx (D126935931)

The domestic company who has opted for special taxation regime under section 115BAA, 115BAB

and section 115BA is exempted from the provisions of MAT. Surcharge at the rate of 7% shall be levied

**66%**      **MATCHING BLOCK 123/875**      **W**

in case of a domestic company (except those opting for taxation under section 115BAA, section 115BAB

and section 115BA of the Act), if the total income of the domestic company

**71% MATCHING BLOCK 125/875 W**

exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12%

shall be levied, if the total income of the domestic company (except those opting for taxation under section 115BAA, section 115BAB and section 115BA of the Act) exceeds Rs. 10 crore. However, non-resident or foreign companies will be liable to tax @ 40% ;of their total income plus

**91% MATCHING BLOCK 126/875 W**

surcharge @2% of tax where total income exceeds Rs. 1 crore/ @ 5% of tax if total income exceeds Rs. 10 crore

plus SAHE @ 4%. From the gross total income of corporate bodies so aggregated under different heads other than income from salary [since a company cannot have salary income], the deductions u/s 80 G, 80 GGA, 80 GGC, 80 IA, 80 IAB, 80 IB, 80 IC, 80 ID, 80 IE, 80 JJA and 80 JJAA only are allowable under Chapter VI-A of the Income Tax Act. 46 NSOU • PGCO - V 2.8 Taxation of Business Income of a Partnership Firm/LLP The following are the salient features of taxation of income of a partnership firm/LLP: The firm/LLP

**83% MATCHING BLOCK 129/875 SA**

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will be taxed as a separate entity, with no distinction between registered and unregistered firms.

**81% MATCHING BLOCK 127/875 W**

In computing the total income of the firm/LLP, any salary bonus, commission or remuneration, to

a partner, shall be deductible subject to certain restrictions. While computing the total income of a firm/LLP, the profit or loss as shown by Profit & Loss Account of the firm/LLP shall be adjusted in the same manner as is done in

**89% MATCHING BLOCK 128/875 W**

the computation of income under the head Profit and Gains of Business or Profession. The

share of income of a partner

**75% MATCHING BLOCK 130/875 W**

in the income of the firm will not be included in the hands of the partner

as it is fully exempt from tax under section 10(2A). Where a firm pays interest to any partner, the firm can claim deduction of such interest at a maximum rate of 12% p.a. according to the partnership deed. Interest paid in excess of the above will be disallowed in the hands of the firm. Where a firm pays any



**70% MATCHING BLOCK 131/875**

**W**

salary, bonus, commission or remuneration, by whatever name called, to any partner, it will be allowed as deduction in the hands of the firm

subject to following conditions : i) The salary is paid to a working partner under section 40(b)(i). For this purpose, 'working partner' means an individual partner

**83% MATCHING BLOCK 132/875**

**W**

who is actively engaged in conducting the business/ profession of the firm.

Sleeping partners or financing partners cannot be allowed any remuneration etc. by the firm. ii) The payment

**100% MATCHING BLOCK 133/875**

**W**

is authorized by, and is in accordance with, the terms of the partnership deed.

iii)

The payment relates to a period which falls after to the date of the partnership deed. In other. words, the deduction for salary to partners cannot be claimed with retrospective date. iv)

**29% MATCHING BLOCK 134/875**

**W**

The amount of remuneration, bonus, commission etc. to all the partners during a previous year should not exceed the limit specified below: a) On first Rs. 3,00,000 of book profit or in the case of loss b) On balance of book profit

Book Profit

Quantum of Deduction Rs. 1,50,000 or 90% of book profit, whichever is higher 60% of book profit

NSOU • PGCO - V 47 Income tax is levied on Partnership Firms and LLPs at a flat rate of 30% plus surcharge @ 12% if the total income exceeds Rs. 1 crore plus SAHE @ 4%. From the Gross Total Income of the firm/LLP, the deductions u/s 80 G, 80 GGA, 80 GGC, 80 IA, 80 IAB, 80 IB, 80 IC, 80 ID, 80 IE, 80 JJA and 80 JJAA are applicable. 2.9 Inadmissible Deductions - Section 40 While computing income from business or profession, certain expenses are expressly disallowed under section 40 of the Income Tax Act or in other words there are some inadmissible expenses by virtue of section 40 in computing taxable income from business or profession as follows: 2.9.1 Payment of any interest, royalty, fees etc. a) Section 40(a)(i): Where

**63% MATCHING BLOCK 135/875**

**W**

any interest, royalty, fees for technical services or other taxable sums other than salary, which is payable outside India or in India to anon-resident or to a foreign company

by an any assessee, on which tax has not been deducted

at source in the relevant previous year or, after deduction, the same is not deposited into the Government treasury

**84% MATCHING BLOCK 136/875**

**W**

on or before due date for filing of return under section 139(1), 100 % of such sum shall be disallowed.

However,

**42% MATCHING BLOCK 137/875**

**W**

where in respect of any such sum tax is deducted in subsequent year or paid and deposited after the due date for filing the return of income under section 139(1), such sum shall be deductible in the previous year in which tax

is so deducted or deposited, as the case may be. Example: B Ltd. paid technical fees of Rs. 50,000 to a foreign national in the P.Y. 2017-18 without deducting tax at source or after deduction of tax, the same has not been deposited to the Government

**100% MATCHING BLOCK 138/875**

**W**

on or before the due date of filing return under section 139(1). However,

in the previous year 2018-19, B Ltd. deducted tax at source on technical fees and deposited the same in the same previous year into the government exchequer. Show the tax treatment of the above for the relevant previous years in the hands of B Ltd. Solution: Since B Ltd. failed to deduct tax at source for paying technical fees to a foreign national or after deduction of tax, the same has not been deposited to the Government

**100% MATCHING BLOCK 139/875**

**W**

on or before the due date of filing return under section 139(1), 100 %

of such sum of technical fees i.e. Rs. 50,000 shall not be allowed as deduction in computing income from business of B Ltd. for the assessment year 2018-19 (previous year 2017-18).

48 NSOU • PGCO - V For the previous year 2018-19, since B Ltd. duly deducted tax at source and deposited the same with the Government, the sum of Rs. 50,000 will be allowed as deduction in computing income from business of B Ltd. for the assessment year 2019-20 (previous year 2018-19). b) Section 40(a)(ia): Where any salary,

**50% MATCHING BLOCK 140/875**

**W**

interest, royalty, fees for technical services or other taxable sums, which is payable in India to a resident by any assessee, on which tax has not been deducted

at source in the relevant previous year or, after deduction, the same is not deposited into the Government treasury

**84% MATCHING BLOCK 141/875**

**W**

on or before due date for filing of return under section 139(1), 30 % of such sum shall be disallowed.

However,

**42% MATCHING BLOCK 142/875**

**W**

where in respect of any such sum tax is deducted in subsequent year or paid and deposited after the due date for filing the return of income under section 139(1), such sum shall be deductible in the previous year in which tax

is so deducted or deposited, as the case may be. However, by virtue of first proviso to section 201(1), the payer of such sum to resident without tax deducted at source or after deduction tax has not been deposited with the Government,

**100% MATCHING BLOCK 143/875**

**W**

shall not be deemed to be an assessee-in-default in respect of such tax if

the recipient resident : a)

**89% MATCHING BLOCK 144/875**

**W**

has furnished his return of income under section 139; b) has taken into account such sum for computing income in such return of income; c) has paid the tax due on the income declared by him in such return of income, and d) furnishes a certificate to this effect from an accountant in

such form as may be prescribed. If the above conditions are satisfied, then for the purposes of section 40(a)(ia) the payer of such sum shall be deemed to have deducted tax at source and deposited the tax on the date of furnishing the return by the resident recipient. Example: On 15.6.2018, A Co. Ltd. paid Rs. 80,000 as commission to D Co. Ltd. (an Indian company) but failed to deduct tax at source or after deducting tax at source failed to deposit

**71% MATCHING BLOCK 145/875**

**W**

the same with the Government on or before the due date of filing return under section 139(1). However,

A Co. Ltd. deducted tax at source on commission paid to D Co. Ltd. and deposited the same with the Government in the previous year 2019-20 duly. Show tax treatment of the above in the hands of A Co. Ltd. for the relevant previous years. NSOU • PGC0 - V 49 Solution: Previous year 2018-19: Since A Co. Ltd. failed to deduct tax at source for paying commission to an Indian company or after deduction of tax, the same has not been deposited to the Government

**100% MATCHING BLOCK 146/875**

**W**

on or before the due date of filing return under section 139(1), 30 %

of such sum of commission i.e., Rs. 80,000 x 30% = Rs. 24,000 shall not be allowed as deduction in computing income from business of A Co. Ltd. for the assessment year 2019- 20 (previous year 2018-19). Previous year 2019-20: Since A Co. Ltd. deducted tax at source and also deposited the same with the Government

**67% MATCHING BLOCK 148/875**

**SA**

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in the previous year 2019-20 on or before the due date of filing return under section 139(1), the sum of

Rs. 24,000 being 30% of the commission of Rs. 80,000 will be allowed as deduction in computing income from business of A Co. Ltd. for the assessment year 2020-21 (previous year 2019-20). Example: Suppose in the above case, though A Co. Ltd. failed to deduct tax at source or after deduction failed to deposit with the Government in the previous year 2018-19, D Co. Ltd. i.e. the recipient of commission income duly paid its advance tax on its total income for the previous year 2018-19 including commission income from A. Co. Ltd. and also submitted its return of income for the previous year 2018-19 duly under section 139(1). Also, A Co. Ltd. has received a certificate in prescribed form to this effect from a chartered accountant. Show the tax treatment for subsequent payment of tax by recipient of commission (D Co.Ltd.). Solution: After payment of tax by D Co. Ltd., the recipient of commission, A Co. Ltd. cannot be treated as an assessee-in-default in terms of first proviso to section 201(1), as the following conditions are satisfied: a) D Co. Ltd, the recipient of commission from A Co. Ltd. has submitted its return of income duly under section 139(1); b) D Co. Ltd. has taken into account the commission income in its return of income; c) D Co. Ltd. has paid tax duly on its total income including commission income; d) A Co. Ltd. has a certificate in prescribed form to this effect from a chartered accountant.

50 NSOU • PGCO - V It is, therefore, assumed that A Co. Ltd. has deducted and deposited tax duly as per section 40(a)(ia) and accordingly the sum of Rs. 24,000 being 30% of the commission of Rs. 80,000 will be allowed as deduction in computing income from business of A Co. Ltd. for the assessment year 2019-20 (previous year 2018-19). c) Salary Payable outside India without Tax Deduction [Section 40(a)(iii)]

**54% MATCHING BLOCK 147/875**

**W**

Section 40(a)(iii) is applicable if salary is paid outside India or paid to a non-resident and tax has not been paid

to the Government nor deducted at source under the Income-tax Act. 2.9.2 Default pertaining to Non-Deduction / Non-Deposit of Equalisation Levy [Section 40(a)(ib)] Any consideration paid or payable (to a non-resident for a specified service on which equalisation levy is applicable) will be disallowed in the following cases: a) Equalisation levy is deductible and such levy has not been deducted. b) Equalisation levy is deductible (and it is so deducted) but it is not

**100% MATCHING BLOCK 150/875**

**SA**

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deposited [on or before the due date of submission of return of income

under section 139(1)].

If, however, equalisation levy is deducted/deposited in a subsequent year, the aforesaid consideration

**92% MATCHING BLOCK 149/875**

**W**

shall be allowed as a deduction in computing the income of the previous year in which such levy has been paid. 2.9.3

Disallowance of royalty, licence fees, etc., in case of State Government Undertakings [Section 40(a)(iib)] The following shall not be allowed as deduction—

a)

**75% MATCHING BLOCK 151/875**

**W**

Any amount paid by way of royalty, licence fee, service fee, privilege fee, service charge or any other fee or charge (by whatever name called), which is levied exclusively on a State Government undertaking by the State Government. b) Any amount which is appropriated (directly or indirectly) from a State Government Undertaking by the State Government. 2.9.4

Tax on Non-Monetary Perquisite paid by the Employer [Section 40(a)(v)] - The provisions of section 40(a)(v) are given below – a) The employer provides non-monetary perquisites to employees. b) Tax on non-monetary perquisites is paid by the employer.

NSOU • PGCO - V 51 c) The tax so paid by the employer is not taxable in the hands of employees by virtue of section 10(10CC). d) While calculating income of the employer, the tax paid by the employer on non- monetary perquisites is not deductible under section 40(a)(v). 2.9.5 Payments to partners of a firm or LLP- Section 40(b) In the case of any firm assessable as such or a limited liability partnership (

**72% MATCHING BLOCK 152/875**

**W**

LLP) the following amounts shall not be deducted in computing the income from business of any firm/LLP: a) Any salary, bonus, commission, remuneration

by whatever name called, to any partner who is not a working partner. (In the following discussion, the term 'remuneration' is applied to denote payments in the nature of salary, bonus, commission); b) Any remuneration paid to the working partner or

**75% MATCHING BLOCK 153/875 W**

interest to any partner which is not authorised by or which is inconsistent with the terms of the partnership deed;

c) Any interest payment authorised by the partnership deed falling after the date of such deed to the extent such interest exceeds 12% simple interest p.a. d) Any remuneration paid to a partner, authorised by a partnership deed and falling after the date of the deed in excess of the following limits:

**42% MATCHING BLOCK 154/875 W**

On the first Rs 3 lakh of book profit or in case of loss, the limit would be the higher of Rs 1,50,000 or 90% of book profit and on the balance of book profit,

the limit would be 60%.

**88% MATCHING BLOCK 155/875 W**

Example: A firm has paid Rs. 8,00,000 as remuneration to its partners for the P.Y.2017-18, in accordance with its partnership deed, and it has a book profit of Rs. 10 lakh. Determine the remuneration allowable as

deduction under section 40(b). Solution:

The allowable remuneration calculated as per the limits specified in section 40(b) will be as follows:

**100% MATCHING BLOCK 156/875 W**

On first Rs. 3 lakh of book profit [Rs.3,00,000 × 90%] Rs. 2,70,000 On balance Rs. 7 lakh of book profit [Rs. 7,00,000 × 60%] Rs. 4,20,000

Remuneration allowable as deduction under section 40(b)

Rs. 6,90,000 Thus, the excess amount of remuneration

**100% MATCHING BLOCK 157/875 W**

of Rs. 1,10,000 (i.e., Rs. 8,00,000 – Rs. 6,90,000) would be disallowed as per section 40(b). 52

NSOU • PGCO - V 2.10 Expenses or Payments not Deductible in Certain Circumstances- Section 40A While computing income under the head 'Profits and gains from Business or Profession', certain expenses or payments are liable to be disallowed under section 40A of the Act as discussed below: 2.10.1 Amounts not deductible in respect of Payment to Relatives [Section 40A(2)] Amount paid to relatives or associates will be disallowed under section 40A(2), if the following conditions are satisfied: a) the payment is in respect of any expenditure; b) the payment has been made or is to be made to a specified person in respect of such expenditure; c) the payment for the expenditure is considered

**57% MATCHING BLOCK 158/875**

**W**

excessive or unreasonable having regard to: i) The fair market value of the goods, services or facilities; or ii) The legitimate business needs of the assessee's business or profession; or iii) The benefit derived by or accruing to

the assessee from the payment. If the above conditions are fulfilled, the Assessing Officer can disallow the expenditure to the extent it is considered excessive or unreasonable by the above objective standards or otherwise. For the purposes of section 40A(2), the following cases are to be considered – a) Payment made by an individual to his or her relative including husband, wife,

**100% MATCHING BLOCK 159/875**

**W**

brother or sister or any lineal ascendant or descendant of that individual.

b) Payment made by a company to a director of the company or any relative of the director. c) Payment made by a firm/AOP/HUF to a partner/member or a relative of partner/member. d) Payment made to an

**77% MATCHING BLOCK 160/875**

**W**

individual who has a substantial interest in the business of the payer or a relative of such individual.

e) Payment made to a company who has a

**61% MATCHING BLOCK 161/875**

**W**

substantial interest in the business of the payer, any director of such company or relative of such director.

f) Payment made to a firm/AOP/HUF

**67% MATCHING BLOCK 162/875**

**W**

who has a substantial interest in the business of the payer or partner/ member of such person

or relative of partner/member.

NSOU • PGCO - V 53 Example: Z Ltd. made a payment of Rs. 17,000 to a relative of its director for a piece of work done. However, the same work is available to be completed and done in the open market for Rs. 11,000 only. Show the tax treatment of the above. Solution: Since the work was done by Z Ltd. by the relative of its director in excess of the reasonable cost in the open market, the excess payment of Rs. 6,000 (17000-11,000) shall be disallowed by virtue of section 40A(2). 2.10.2 Payment exceeding Rs. 10,000 (Rs. 35,000 if an assessee makes payment for Plying, Hiring or Leasing Goods Carriages) otherwise than through prescribed modes [Section 40A(3)] According to section 40A(3) if an

**74% MATCHING BLOCK 163/875**

**W**

assessee incurs any expenditure in respect of which payment or agreement payments made in a day otherwise than by an account payee cheque or bank draft or

use of electronic system through bank account or any other prescribed

modes like use of credit card, debit card, net banking, RTGS, NEFT etc. exceeds Rs. 10,000 (Rs. 35,000 if an assessee makes payment for Plying, Hiring or Leasing Goods Carriages), such expenditure or payment shall not be allowed as deduction. Exceptions to the above rule provided under Section 40A(3) a) Payment made to a bank (including private sector banks, co-operative bank, credit societies), LIC, etc. b) Payment made to Government. c) Payment through banking system. d) Payment made by

**94% MATCHING BLOCK 164/875**

**W**

book adjustment by an assessee in the account of the payee against money due to the assessee for any goods supplied or services rendered by him to the payee.

e) Payment made to a cultivator, grower or producer in respect of the purchase of agricultural or forest produce or product of animal husbandry (including livestock, meat, hides and skins) or dairy or poultry farming or fish or fish products or products of horticulture or apiculture (even if these products have been subjected to some processing provided the processing has been done by the cultivator, grower or the producer of the product). f) Payment made to a producer in respect of the purchase of the products manufactured or processed without the aid of power in a cottage industry.

54 NSOU • PGCO - V g) Payment made to a person who ordinarily resides or carries on business in a village not served by any bank. h) Payment of terminal benefits, such as gratuity, retrenchment compensation, etc., not exceeding Rs. 50,000. i) Payment made by an assessee by way of salary to his employee after deducting tax and when such employee is temporarily posted for a continuous period of 15 days or more

**100% MATCHING BLOCK 165/875**

**W**

in a place other than his normal place of duty or on a ship

and does not maintain any account in any

**75% MATCHING BLOCK 166/875**

**W**

bank at such place or ship. j) Payment required to be made on a day on which the banks were closed either on account of holiday or strike. k) Payment made

by any person

**86% MATCHING BLOCK 167/875**

**W**

to his agent who is required to make payment in cash for goods or services on behalf of

such person. l) Payment made by an authorised dealer or a money changer against purchase of foreign currency or traveller's cheques in the normal course of his business. Example: ABC Ltd. purchased goods on credit from PQ Ltd. on June 13, 2019 for Rs. 63,000 for which ABC Ltd. made the following payments to PQ Ltd.: i) Rs. 5,000 in cash on July 5, 2019; ii) Rs. 22,000 by a bearer cheque on July 31, 2019; iii) Rs. 36,000 by an account payee cheque on August 2, 2019. Solution: i) Nothing will be disallowed for of the payment of Rs. 5,000 in cash as the payment does not exceed Rs. 10,000. ii) 100% of Rs. 22,000 will be disallowed under section 40A(3) as it was paid by bearer cheque. iii) Nothing will be disallowed for the payment of Rs. 36,000 as it was paid by account payee cheque. Example: P Ltd. purchased goods on credit from a relative of a director on February 12, 2019 for Rs. 60,000 (market value: Rs. 53,000). The amount was paid in cash on March 18, 2019 by P Ltd. Show the tax treatment of the above.

NSOU • PGCO - V 55 Solution: Out of the payment of Rs. 60,000, Rs. 7,000 (being the excess payment to a relative, i.e. 60,000 - 53,000) shall be disallowed under section 40A(2). As the payment was made in cash and the amount exceeds Rs. 10,000, 100% of the balance payment (i.e., Rs. 53,000) shall be disallowed under section 40A(3). 2.10.3 Disallowance in respect of Provision for Unapproved Gratuity Fund [Section 40A(7)] In terms of section 40A(7), it is provided that no deduction would be allowable to any taxpayer carrying on any business or profession on account of provision for gratuity made towards payment of gratuity to the employees on their retirement or on termination of employment, as the case may be, unless the contribution is made to an approved gratuity fund for the exclusive benefits of employees under an irrevocable trust. Thus, deduction under section 40A(7) shall be allowed only when- a) the amount of gratuity has actually become payable during the previous year to the employees' (provided deduction has not been claimed under clause (b) below); or b) when a provision has been made

**96% MATCHING BLOCK 168/875**

**W**

for payment of a sum by way of any contribution towards an approved gratuity fund.

Therefore,

**84% MATCHING BLOCK 169/875**

**W**

no deduction shall be allowed in respect of any provision made for the payment of gratuity to the employees,

even though the assessee may be following the mercantile system of accounting, unless it is a provision for the purpose of

**100% MATCHING BLOCK 170/875**

**W**

payment of a sum by way of any contribution towards an approved gratuity fund.

In other words, any provision for unapproved gratuity fund (for meeting future liability) is not deductible. Example: Mr. A retired from the service of D Ltd. on June 30, 2019. The company paid gratuity of Rs. 1,70,000, according to the provisions of the Payment of Gratuity Act, 1972. D Ltd. does not maintain any provision for gratuity account. Show the tax treatment of the above. Solution: Where gratuity is actually paid during the previous year or where gratuity has become payable during the previous year, it is deductible if no deduction has been claimed on the basis of provisions earlier. Consequently, Rs. 1,70,000 is allowed as deduction for the assessment year 2020-21 in the hands of D Ltd.

56 NSOU • PGCO - V 2.10.4 Amount not deductible

**100% MATCHING BLOCK 175/875**

**SA**

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in respect of contributions to Non-Statutory Funds [Section 40A(9)]

**100% MATCHING BLOCK 171/875**

**W**

Any sum paid by the assessee as an employer by way of contribution towards

**95% MATCHING BLOCK 172/875**

**W**

Recognised Provident Fund, or Approved Superannuation Fund or an Approved Gratuity Fund,



is deductible to the extent it is required by any law. If the following conditions are satisfied, then contribution or payment is not deductible by section 40A(9) : a) The contribution/payment is made by an assessee as an employer. b) It is paid

**82% MATCHING BLOCK 173/875 W**

towards setting up (or formation of) any trust, company, association of persons, body of individuals, society or

it is paid by way of contribution to any fund. c) The contribution or payment is not required by any law. 2.10.5 Certain Deductions to be Allowed only on Actual Payment Basis [Section 43B] Section 43B is applicable only if the taxpayer maintains books of account on the basis of mercantile system of accounting. The provisions of section 43B are given below: The following expenses (which are otherwise deductible under the other provisions of the Income-tax Act) are deductible on payment basis:

a) any sum payable

**64% MATCHING BLOCK 174/875 W**

by way of tax, duty, cess or fee (by whatever name called under any law for the time being in force); b) any sum payable by an employer by way of contribution to provident fund or superannuation fund or any other fund for the welfare of employees; c)

any sum payable as bonus or commission to employees for service rendered; d) any sum payable as interest on any loan or borrowing from a public financial institution (i.e., ICICI, IFCI, IDBI, LIC and UTI)

**100% MATCHING BLOCK 176/875 W**

or a State financial corporation or a State industrial investment corporation;

e) interest on any loan or advance taken from a scheduled bank or

a

**92% MATCHING BLOCK 177/875 W**

co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank;

f) any sum payable by

**85% MATCHING BLOCK 178/875 W**

an employer in lieu of leave at the credit of his employee; and g)

any sum payable to the Indian Railways for the use of railway assets. The above expenses are deductible in the year in which payment is actually made. However, if the aforesaid

**100% MATCHING BLOCK 179/875 W**

payment is actually made on or before the due date of submission of return of income,

deduction can be claimed under section 43B on accrual basis.

NSOU • PGC0 - V 57 2.11 Deemed Profits - Section 41 By virtue of the provisions of section 41 of the Income Tax Act, the following receipts are chargeable to tax as business income notwithstanding that the business or profession to which the receipts relate ceases to exist in the year in which these are received: a) Remission or Cessation of Trading Liability [Section 41(1)] b) Balancing Charge on Assets of

**100% MATCHING BLOCK 180/875**

**W**

an undertaking engaged in Generation or Generation and Distribution of Power [

Section 41(2)] c) Profit on Sale of Capital Assets used for Scientific Research [Section 41(3)] d) Recovery out of Bad Debts Allowed as a Deduction [Section 41(4)] e) Amount withdrawn from Special Reserve Created and Maintained by certain Financial Institutions [Section 41(4A)] f) Adjustment of Loss [Sec. 41(5)] g) Recovery after Discontinuance of Business or Profession [Sec. 176(3A), (4)] By virtue of section 41, the following receipts are chargeable to tax as business income notwithstanding that the business or profession to which the receipts relate ceased to be in existence in the year in which they are received: 2.11.1 Remission or Cessation of Trading Liability [Section 41(1)] i)

**83% MATCHING BLOCK 181/875**

**W**

Where an allowance or deduction has been made in the assessment for any year in respect of loss, expenditure or trading liability incurred by an assessee and subsequently,

during any previous year, the assessee concerned i.e. the assessee under whose hand the allowance or deduction was made earlier

**100% MATCHING BLOCK 182/875**

**W**

has obtained, whether in cash or in any other manner whatsoever, any amount in respect of such loss or expenditure or some benefit in respect of such trading liability by way of remission or cessation thereof,

the amount obtained by such person or the value of benefit accruing to him

**90% MATCHING BLOCK 183/875**

**W**

shall be deemed to be profits and gains of business or profession and accordingly chargeable to income-tax as the income of that previous year,

**100% MATCHING BLOCK 184/875**

**W**

whether the business or profession in respect of which the allowance or deduction has been made is

in existence in that year or not; or ii) Where the 'successor in business' of the assessee

**92% MATCHING BLOCK 185/875**

**W**

has obtained, whether in cash or in any other manner whatsoever, any amount in respect of which loss or expenditure was incurred by the assessee

**71% MATCHING BLOCK 186/875**

**W**

or some benefit in respect of the trading liability by way of remission or cessation thereof, the amount obtained by the

successor in business or  
58 NSOU • PGCO - V

**60% MATCHING BLOCK 187/875**

**W**

the value of benefit accruing to the successor in business shall be deemed to be profits and gains of

the

**83% MATCHING BLOCK 188/875**

**W**

business or profession, and accordingly chargeable to tax as the income of that previous year.

For the purposes of this section, "successor in business" means-

**100% MATCHING BLOCK 190/875**

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a) where there has been an amalgamation of a company

with another company, the amalgamated company; b) where the first-mentioned person i.e. the assessee concerned is succeeded by any other person in that business or profession, the other person; c)

**96% MATCHING BLOCK 189/875**

**W**

where a firm carrying on a business or profession is succeeded by another firm, the

other firm; d) where there has been a demerger, the resulting company. Example: ABC & Co. purchased on credit goods worth Rs. 85,000 from Fancy Traders in the year 2018-19. However, ABC & Co. did not make payment to Fancy Traders owing to some dispute as to the quality of goods supplied by Fancy Traders. ABC & Co. debited the amount of Rs. 85,000 in its Profit & Loss Account for the year ended 31.3.2019 and the same was allowed as business expenses. Later, on 15.9.2020 Fancy Traders made a settlement with ABC & Co. by receiving a cash of Rs. 60,000 as full and final recovery of the dues. Show the tax treatment of the above Solution: Here, the remission of Rs. 25,000 (Rs. 85,000-Rs. 60,000) in the liability of ABC & Co. shall be treated as deemed income from business of ABC & Co. for the previous year 2020-21.

2.11.2 Balancing Charge on Assets of

**100% MATCHING BLOCK 191/875**

**W**

an undertaking engaged in Generation or Generation and Distribution of Power [

Section 41(2)]

**60% MATCHING BLOCK 192/875**

**W**

Where any building, machinery, plant or furniture which is owned by the assessee in respect of which depreciation is claimed

under section 32(1)(i) and which was or has been used

**86%      MATCHING BLOCK 193/875      W**

for the purposes of business of generation or generation and distribution of power- is sold, discarded, demolished or destroyed and the 'Moneys Payable' in respect of such building, machinery, plant or furniture, as the case may be, together with the amount of scrap value, if any, exceeds the 'written down value', then, so much of the excess as does not exceed the difference between the 'actual cost' and the 'written down value' shall be chargeable to income-tax as income of the business of the previous year in which the moneys payable for the building, machinery, plant or furniture became due.

NSOU • PGC0 - V 59 Where the moneys payable in respect of the building, machinery, plant or furniture referred to in this sub-section become due in a previous year in which the business for the purpose of which the building, machinery, plant or furniture was being used

**93%      MATCHING BLOCK 194/875      W**

is no longer in existence, the provision of this sub-section shall apply as if the business is in existence in that previous year. 2.11.3

Profit on Sale of Capital Assets used for Scientific Research [Section 41(3)] Where an asset representing expenditure of a capital nature for scientific research purposes is sold, without having been used for other purposes, and the proceeds of the sale together with the total amount of the deductions made under section 35 exceed the amount of the capital expenditure, the excess or the amount of the deductions so made, whichever is

**70%      MATCHING BLOCK 195/875      W**

the less, shall be chargeable to income-tax as income of the business or profession of the previous year in which the sale took place.

However, where the moneys payable in respect of any asset referred to in this sub-section become due in a previous year in which the business for which capital expenditure for scientific research was made

**100%      MATCHING BLOCK 196/875      W**

is no longer in existence, the provisions of this sub-section shall apply as if the business is in existence in that previous year.

Example: X Co. Ltd. purchased a machine costing Rs. 1,40,000 in the P.Y. 2017-18 to be used for scientific research purposes and the same amount was allowed as deduction under 35 in the P.Y. 2017-18. Later, X Co. Ltd. sold the machinery for Rs. 54,000 on 23.2.2020. Show the tax treatment of the above. Solution: Here, the sale proceeds of Rs. 54,000 shall be treated as deemed business income of X Co. Ltd. for the P.Y. 2019-20. 2.11.4 Recovery of Bad Debts allowed as a deduction [Section 41(4)] Where an amount has been allowed as deduction in respect of a bad debt or part of debt under section 36(1)(vii), and thereafter an amount is subsequently recovered on any such debt or part which is greater than the difference between the debt or part of debt and the amount so allowed,

**62%      MATCHING BLOCK 197/875      W**

the excess shall be deemed income from business or profession of the previous year in which

it is recovered. The applicability of deemed income for such recovery shall not be affected even if

**82% MATCHING BLOCK 198/875****W**

the business or profession in respect of which the deduction has been allowed is

in existence in that year or not.

60 NSOU • PGCO - V Example: Z Ltd. sold goods worth Rs. 60,000 on credit to a customer in the P.Y. 2016-17. The customer did not pay the amount to Z Ltd. and accordingly Z Ltd. write off Rs. 60,000 as bad debt in its Profit & Loss Account for the year ended 31.3.2017. However, the Assessing Officer while assessing the taxable income of Z Ltd. for the A.Y. 2017-18 allowed Rs. 35,000 only as bad debt and disallowed the rest amount of Rs. 25,000 as recoverable in future. Later, in the P.Y. 2019-20, Z Ltd. finally recovered Rs. 42,000 from the defaulting customer. Show the tax treatment of the above. Solution: Here, the excess amount of bad debt recovery of Rs. 17,000 [42,000 – (60,000 - 35,000)] being the excess of debt recovered over the debt and the amount allowed as bad debt shall be treated as deemed income from business of Z Ltd. by virtue of section 41(4) for the P.Y. 2019-20 in which such recovery was made. 2.11.5 Amount withdrawn from Special Reserve created and maintained by certain Financial Institutions [Section 41(4A)]

**93% MATCHING BLOCK 199/875****W**

Where a deduction has been allowed in respect of any special reserve created and maintained under clause (viii) of sub-section (1) of section 36

by certain financial institution, banking company, co-operative bank and a housing finance company etc.,

**98% MATCHING BLOCK 200/875****W**

any amount subsequently withdrawn from such special reserve shall be deemed to be the profits and gains of business or profession and accordingly be chargeable to tax as the income of the previous year in which such amount is withdrawn

even if the business is not in existence in that previous year. 2.11.6

Adjustment of Loss of a business [Section 41(5)] The Income Tax Act does not allow a business loss to be carried forward for set off after 8 years. However, there is an exception provided by section 41(5). This exception is applicable if the following conditions are satisfied: a) The business or profession is discontinued. b) Loss of such

**64% MATCHING BLOCK 201/875****W**

business or profession pertaining to the year in which it is discontinued could not be set-off against any other income of that year.

c) Such business is not a speculation business. d) After discontinuation of such business or profession, there is a receipt which is deemed as business income under section 41(1), (3), (4) or (4A).

NSOU • PGCO - V 61 The unabsorbed loss pertaining to the year in which business/profession was discontinued is permitted to be set off against notional business income under section 41(1), (3), (4) or (4A) even after 8 years. It can be set off even if the return of loss under section 139(3) is not submitted in time. 2.11.7 Recovery after Discontinuance of Business or Profession [Section 176(3A), (4)] There may be income received after the discontinuance of the

**44% MATCHING BLOCK 202/875**

**W**

business or profession which will also be treated as deemed income of the previous year in which it is received. Where any business or profession is

discontinued  
in any year, any sum received after the discontinuance

**63% MATCHING BLOCK 203/875**

**W**

shall be deemed to be the income of the recipient and charged to tax accordingly in the year

of receipt, if such sum would have been included in the total income of the person who carried on the business or profession had such sum been received before such discontinuance. 2.12 Deductions from Gross Total Income Under Chapter VIA of the Income Tax Act, several deductions are available to different assesseees from gross total income. However, the following deductions are available in respect of gross total income under the head 'Income from Business or Profession': 2.12.1

**92% MATCHING BLOCK 204/875**

**W**

Deduction in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development- Section 80-IA Deduction

under this section is available in respect of the following businesses; a) provision of infrastructural facility; b) telecommunication services; c) industrial park or special economic zones; d) power generation, transmission and distribution; e) undertaking set up for reconstruction of a power unit; and f) a cross-country natural gas distribution network 2.12.1-1 Provision of Infrastructural Facility: The infrastructure facilities refer to all toll roads, bridges or rail systems and housing and other activities that are related to highway projects. Water projects like

**100% MATCHING BLOCK 205/875**

**W**

water treatment system, irrigation project, sanitation, and sewerage system or solid waste management system

and travelling means including a port, airport, inland waterway or inland port or navigational channel in the sea can also avail this deduction.

62 NSOU • PGC0 - V The deduction for the infrastructure facilities is applicable to a company that is owned by an Indian company or a company that is owned by an authority, board, corporation or institution that comes under the Central or State Act. For a new infrastructure facility, there should be an agreement made to the Government, local authority or statutory body for developmental purposes. 100 per cent of the profit of the business of providing infrastructural facility is allowable as deduction for 10 years commencing from the initial assessment year in which the enterprise begins operating and maintaining the infrastructure facility. 2.12.1-2 Telecommunication Services: Telecommunication services include all agencies that provide telecommunication services such as

**88% MATCHING BLOCK 206/875**

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basic or cellular for radio paging, domestic satellite service or network of trunking,

broadband network and internet services. The time limit for providing telecommunication services is from 1st April 1995 to 1st April 2005 to be eligible for deduction under section 80-IA subject to satisfying

**51% MATCHING BLOCK 207/875**

**W**

following conditions: a) It is not developed by splitting up or reconstruction of a business that has already been in use.  
b) It is not developed by the transfer of machinery or plant

that has already been in use. In case of telecommunication services, deduction under section 80-IA is available at 100 per cent of profit for the first 5 years commencing from the initial assessment year and at 30 per cent for the next 5 years thereof. 2.12.1-3 Industrial Parks or Special Economic Zones: In case of an undertaking which develops or operates industrial parks or special economic zones has to satisfy the following conditions to get the benefit of deduction under section 80-IA: a) The undertaking develops and operates or maintains and operates an industrial park or from the assessment year 2002-03 a special economic zone notified for this purpose

**87% MATCHING BLOCK 208/875**

**W**

in accordance with any scheme framed and notified by the Central Government;

b) The industrial park must start its operating during April 1, 2006 and March 31, 2011 and it should be notified by the Central Government under the Industrial Park Scheme, 2008 or the special economic zone must start operating during April 1, 1997 and March 31, 2005; c) From the assessment year 2006-07,

**60% MATCHING BLOCK 209/875**

**W**

the return of income should be furnished on or before the due date of submission of voluntary return of income

under section 139(1).

NSOU • PGCO - V 63 If return is not submitted or return is submitted belatedly, deduction under this section is not available; and d) Deduction under section 80-IA is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. If all the aforesaid conditions are satisfied, 100 per cent of profit is deductible for 10 years commencing from the initial assessment year which means the assessment year specified by the assessee at his option to be the initial year not falling beyond the fifteenth assessment year starting from the previous year in which the undertaking starts its operating and developing industrial park. 2.12.1-4 Power Generation and Distribution Undertaking: In case of an undertaking engaged in power generation and distribution, deduction under section 80-IA is available if the following conditions are satisfied: a) The undertaking should be a new undertaking and it

**78% MATCHING BLOCK 210/875**

**W**

should not be formed by splitting up or the reconstruction of a business already in existence; b) It should not be formed by transfer of machinery or plant previously used for any purpose;

c) The undertaking must be

**92% MATCHING BLOCK 211/875**

**W**

set up in any part of India for the generation or generation and distribution of power and it begins

the operation at any time during April 1, 1993 and March 31, 2017; d)

**55% MATCHING BLOCK 212/875****W**

The return of income should be furnished on or before the due date of submission of return of income

given by section 139(1), otherwise no deduction under this section will be available. e) Deduction for this purpose under section 80-IA is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. If all the aforesaid conditions are satisfied, 100 per cent of the profits deductible for 10 years commencing from the initial assessment year (Initial assessment year means the assessment year specified by the assessee at his option to be the initial year not falling beyond the fifteenth assessment year starting from the previous year in which the undertaking generates power or commences transmission or distribution of power). 2.12.1-5 Reconstruction of Power Unit: Deduction for reconstruction of power unit by an industrial undertaking is available if the following conditions are satisfied:

64 NSOU • PGC - V a) The undertaking set up for this purpose should be owned by an Indian company and set up for reconstruction or revival of a power generating plant; b) The undertaking so set up should be formed before November 30, 2005

**88% MATCHING BLOCK 213/875****W**

with majority equity participation by public sector companies for the purposes of enforcing the security interest of the lenders to the company owning the power generating plant

and

**47% MATCHING BLOCK 214/875****W**

such Indian company is notified before December 31, 2005 by the Central Government; c) Such undertaking begins to generate or transmit or distribute power before

March 31, 2011. d)

**55% MATCHING BLOCK 215/875****W**

The return of income should be submitted on or before the due date of submission of return of income

given by section 139(1). If the return is not submitted within the time frame mentioned under section 139(1), deduction under this section is not enjoyable; e) Deduction for this purpose under section 80-IA is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. If all the aforesaid conditions are satisfied, 100 per cent of the profits deductible for 10 years commencing from the initial assessment year (Initial assessment year means the assessment year specified by the assessee at his option to be the initial year not falling beyond the fifteenth assessment year starting from the previous year in which the undertaking generates power or commences transmission or distribution of power). 2.12.1-6 Laying and Operating Cross-Country Natural Gas Distribution Network- Deduction in respect of business of laying and operating cross-country natural gas distribution network including pipelines and storage facilities carried on by an undertaking shall be available under section 80-IA if the following conditions are satisfied: a) Such business is owned by a company registered in India or by a consortium of such

**72% MATCHING BLOCK 216/875****W**

companies or by an authority or a board or a corporation established or constituted under any Central or State Act; b) It



has been approved by the Petroleum and Natural Gas Regulatory Board and notified by the Central Government; c) One-third of its total pipeline capacity is available for use on common carrier basis by any person other than the assessee or an associated person; d) It starts functioning on or after April 1, 2007 and fulfils such other conditions as may be prescribed; e) Such undertaking should not be formed by way of reconstruction or splitting up or by transfer to a new business of old plant and machinery (subject to certain exceptions);  
NSOU • PGCO - V 65 f)

**68% MATCHING BLOCK 217/875 W**

The return of income should be submitted on or before the due date of submission of return of income

given by section 139(1). If the return is not submitted within the time frame mentioned under section 139(1), deduction under this section is not enjoyable; g) Deduction for this purpose under section 80-IA is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. If the above conditions are satisfied, 100 per cent deduction will be available

**100% MATCHING BLOCK 218/875 W**

for 10 consecutive assessment years out of 15 years beginning from the year in which

an undertaking lays and begins to operate the cross-country natural gas distribution network. 2.12.2

**100% MATCHING BLOCK 219/875 W**

Deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings- Section 80-IB Deduction

under this section is available to various undertakings as follows: a) business of industrial undertaking b) operation of ship (presently deduction is not allowed for such operation) c) hotels d) industrial research e) production of mineral oils f) developing and building housing projects g) integrated handling, storage and transportation of food grains units h) multiplex theatres i) convention centre j) operating and maintaining hospital in rural area; and k) hospital located in certain areas. 2.12.2-1 Business of industrial undertaking: For claiming deduction under section 80-IB in respect of business of industrial undertaking, the following conditions are to be satisfied: a) The industrial undertaking should be a new undertaking and it should not be formed by transfer of machinery or plant used previously for any purpose. b) It should not manufacture or produce articles specified in the Eleventh Schedule. c) It must start manufacturing between a specified period and should employ 10

**73% MATCHING BLOCK 221/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

or more workers in a manufacturing process carried on with the aid of power and should employ 66 NSOU • PGCO - V 20 or more workers in a manufacturing process carried on without the aid of power.

This condition is applicable only for industrial undertaking and not for cold storage, ship or hotel. d) The deduction in case of

**86% MATCHING BLOCK 220/875 W**

an assessee whose gross total income includes any profits and gains from any business of

an industrial undertaking, shall be of the following amount: i) Where the industrial undertaking is located in an industrial Backward State: For the initial 5 assessment years – 100% of the profit and gains derived from such undertaking and Thereafter, for the next 5 assessment years – 25%

**100% MATCHING BLOCK 222/875 SA** 304 Corporate Taxation.docx (D117962176)

of the profits and gains derived from such industrial undertaking. (30%

in case of a company) (25% for 7 assessment years in case of co-operative society) ii) Where the industrial undertaking located in an industrial Backward district: For the initial 5 assessment years – 100% of the profit and gains derived from such undertaking and Thereafter, for the next 5 assessment years – 25%

**100% MATCHING BLOCK 224/875 SA** 304 Corporate Taxation.docx (D117962176)

of the profits and gains derived from such industrial undertaking. (30%

in case of a company) (25% for 7 assessment years in case of co-operative society) The deduction is available to an Industrial Undertaking, which fulfils all

**90% MATCHING BLOCK 223/875 W**

the following conditions: It is not formed by splitting up, or the reconstruction of a business in existence. It is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

However, the following exceptions are available: In case of imported old plant and machinery 20% of total value of plant and machinery can be old.

**100% MATCHING BLOCK 225/875 W**

The undertaking employs ten or more workers in a manufacturing process carried on with the aid of power or employs twenty or more workers in a manufacturing process carried on without the aid of power. 2.12.2-2

Hotel industry The following conditions are to be satisfied for getting deduction under this section: a) The business of hotel is

**100% MATCHING BLOCK 226/875 W**

not formed by splitting up or the reconstruction, of a business

NSOU • PGCO - V 67

**89% MATCHING BLOCK 227/875 W**

already in existence or by the transfer to a new business of a building used at a hotel or of any machinery or plant previously used for any purpose; b) The business of

the hotel is owned and carried on by an Indian company with a paid- up capital of Rs. 5,00,000 or more; c) The business of

**85% MATCHING BLOCK 228/875**

**W**

hotel is located in a hilly area or a rural area or a place of pilgrimage or such other place

as the Central Government may specify for the purpose; d) It starts operation at any time during the period April 1, 1990 and March 31, 1994. e) Deduction for this purpose under section 80-IB is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. The amount of deduction is allowed at 50 per cent of profit for the first 10 years in respect of

**92% MATCHING BLOCK 229/875**

**W**

hotel located in hilly area or rural area or a place of pilgrimage or

in a notified area and 30 per cent of profit for the first 10 years in case of any other hotel. 2.12.2-3 Carrying of Industrial Research Deduction under section 80-IB for carrying of industrial research is available if the following conditions are satisfied: a) The taxpayer is a company registered in India with its main objective to carry on scientific and industrial research and development duly approved by the prescribed authority (Secretary, Department of Scientific and Industrial Research); b) Deduction for this purpose under section 80-IB is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. The amount of deduction allowable is 100 per cent of profit from such business if the company is approved by the prescribed authority before April 1, 1999 for 5 years beginning with the initial assessment year and is 100 per cent of profit from such business if the company is approved by prescribed authority after March 31, 2000 but before April 1, 2007 for 10 years beginning with the initial assessment year. 2.12.2-4 Undertaking for Carrying of Business of Mineral Oils To avail deduction under this section, the following conditions are to be satisfied: a) The undertaking should be a new business and it should not be formed by transfer of old machinery or plant; b) It should commence commercial production of mineral oils in

**76% MATCHING BLOCK 230/875**

**W**

North-Eastern Region comprising the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, 68

NSOU • PGCO - V Nagaland, Sikkim and Tripura before April 1, 1997 or anywhere in India after March 31, 1997 and for refining of mineral oils after September 30, 1998 but before April 1, 2012 or commencing production of natural gas on or after April 1, 2009. c) It should employ 10

**85% MATCHING BLOCK 231/875**

**W**

or more workers in a manufacturing process carried on with the aid of power and should employ 20 or more workers in a manufacturing process carried on without the aid of power.

d) Deduction for this purpose under section 80-IB is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. The amount of deduction allowable is 100 per cent of profit for the first 7 years commencing with the year in which the undertaking commences commercial production of mineral oil or refining of mineral oil. 2.12.2-5 Undertakings Engaged in Developing and Building Housing Projects Undertakings engaged in developing and building housing projects shall be eligible to claim deduction under this section if the following conditions are satisfied: a) The project should be approved by a local authority before March 31, 2008; b) The size of the plot used for this purpose should be of minimum one acre; c) It should start development and construction of housing project after September 30, 1998 and should complete the project with the specified time;

**77% MATCHING BLOCK 232/875**

**W**

d) The built-up area of the shops and commercial establishments included in the housing project should not exceed 5 per cent of the aggregate built-up area of the project or 2,000

sq. ft.; e) If the allottee is a person other than an individual, not more one residential unit will be allotted to the same allottee and in case of individual allottee only one unity should be allotted to the individual or his spouse/minor children; f) Deduction for this purpose under section 80-IB is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. The amount of deduction available is 100 per cent of the profit derived from such housing project. 2.12.2-6 Undertaking engaged in Business of Processing, Preservation and Packaging of Fruits and Vegetable including Storage and Transportation of Food Grains The deduction under this section in respect of such operations carried on by an NSOU • PGCO - V 69 undertaking is available where the undertaking derives profits from such operations of processing, preservation, packaging etc. of fruits and vegetables. The amount deduction available is 100 per cent of profits for first 5 years and 30 per cent of profits for next 5 years in case the undertaking is owned by a company and 100 per cent of profits for first 5 years and 25 per cent of profits for next 5 years in case the undertaking is owned by any other person. 2.12.2-7 Undertaking carrying on Multiplex Theatres Deduction under this section is available if the following conditions are satisfied: a) Such multiplex theatre is construction at any time during April 1, 2002 and March 31, 2005; b) Such business is

**75% MATCHING BLOCK 233/875**

**W**

not formed by splitting up or the reconstruction, of a business already in existence or by the transfer of any machinery or plant previously used for any purpose;

c) Such multiplex theatre is

**96% MATCHING BLOCK 234/875**

**W**

not located at a place within the municipal jurisdiction of Kolkata, Chennai, Delhi

and Mumbai; d) The taxpayer of such business must file alongwith

**95% MATCHING BLOCK 235/875**

**W**

the return of income, the report of audit in the prescribed

manner; e) Deduction for this purpose under section 80-IB is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. The amount of deduction available is 50

**75% MATCHING BLOCK 236/875**

**W**

per cent of the profits from such business for 5 years beginning with the initial assessment year

in which the cinema hall starts its operation on a commercial basis. 2.12.2-8 Undertaking operating convention centre (i.e., a building of a prescribed authority comprising of convention halls to be used for the purpose of holding conferences and seminars, with specific size, number and other amenities and facilities) Deduction under this section is available if the following conditions are satisfied: a) Such convention centre is constructed at any time during April 1, 2002 and March 31, 2015; b) The business of convention is

**75% MATCHING BLOCK 237/875 W**

not formed by splitting up or the reconstruction, of a business already in existence or by the transfer of any machinery or plant previously used for any purpose; 70

NSOU • PGCO - V c) The taxpayer of such business must file

**96% MATCHING BLOCK 238/875 W**

along with the return of income, the report of audit in the prescribed

manner; d) Deduction for this purpose under section 80-IB is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. The amount of deduction is available is 50

**74% MATCHING BLOCK 239/875 SA** 304 Corporate Taxation.docx (D117962176)

per cent of profits earned by the assessee from the business of building, owning and operating a convention centre for 5 years commencing from the initial assessment year. 2.12.2-9

Undertaking operating and maintaining a hospital in rural area The

**85% MATCHING BLOCK 241/875 SA** Basics of taxation.docx (D126935931)

deduction under this section will be available if the following conditions are satisfied: a) The

assessee owns an undertaking for

**96% MATCHING BLOCK 240/875 W**

deriving profits from the business of operating and maintaining hospital in a rural area;

b) Such rural hospital is situated during October 1, 2004 and ending on March 31, 2008. And contains at least 100 beds for patients; c) The construction of such hotel is as per the regulations of the local authority; d) The deduction for this purpose under section 80-IB is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. Amount of deduction available under this deduction is 100 per cent of the profits of such business

**66% MATCHING BLOCK 243/875 SA** PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF CO ... (D161889559)

for 5 years commencing with the initial assessment year. 2.12.3 Special provisions in respect of certain undertakings or enterprises in

Himachal Pradesh, Sikkim, Uttaranchal and North Eastern States - Section 80-IC The deduction under section 80-IC has been inserted w.e.f. the assessment year 2004- 2005. To avail deduction under section 80-IC, the undertaking must satisfy the following: a) The undertaking must

**83% MATCHING BLOCK 242/875**

**W**

not be formed by splitting up or reconstruction of existing business or

not formed by transfer of old plant and machinery. b) The undertaking should be set up in certain special category of states like Sikkim, Himachal, Uttaranchal and North-Eastern States i.e., Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura and it should have specified manufacture/production of articles/goods other than those mentioned in Thirteenth Schedule.

NSOU • PGCO - V 71 c) The amount of deduction is 100 per cent of profits and gains of the industrial undertaking for 10 years commencing from the initial assessment year in case of undertaking set up in Sikkim. d) The amount of deduction is 100 per cent of profits and gains of the industrial undertaking for 5 years commencing with the initial assessment year and 25 per cent (30 per cent in the case of a company) for the next 5 years in case of undertaking set up in Himachal or Uttaranchal. e) The amount of deduction is 100 per cent of profits and gains of the industrial undertaking for 10 years commencing from the initial assessment year in case of undertaking set up in North-Eastern States i.e., Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. f) Deduction for this purpose under section 80-IC is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. 2.12.4 Deduction from profits and gains from business of hotels/convention centres in North-Central Region (NCR) area- Section 80-ID Deduction under this section is available if the following conditions are satisfied: a) The taxpayer is operating business of hotel located in specific NCR area; b) The business

**65% MATCHING BLOCK 244/875**

**W**

of the taxpayer must not be formed by splitting up or reconstruction of existing business or

not formed by transfer of old plant and machinery; c) The taxpayer must submit alongwith the return of income, the audit report in the prescribed manner; d) The deduction for this purpose under section 80-ID is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. The amount of allowable deduction is 100

**65% MATCHING BLOCK 246/875**

**SA**

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per cent of the profits of such business for 5 years commencing with the initial assessment year. 2.12.5

Deduction for certain undertakings in North-Eastern States-Section 80-IE Deduction under this section is available if the following conditions are satisfied: a) The taxpayer begins manufacture or production goods or undertakes substantial expansion during April 1, 2007 and March 31, 2017;

72 NSOU • PGCO - V b) The eligible services for this purpose are hotel (2-star or above), nursing home (25 beds or more), old age homes, vocational training institutes for hotel management, catering and food crafts, entrepreneurship development, nursing and paramedical, civil aviation related training, fashion designing and industrial training, IT related training centres, IT hardware manufacturing units and bio-technology; c) No deduction under section 80-IE will be available in respect of manufacture or production of tobacco, pan masala, plastic carry bags of less than 20 microns or goods produced by petroleum oil and gas refineries; d) The above operations should take place in any North-Eastern States like Arunachal Pradesh, Assam, Mizoram, Manipur, Meghalaya, Nagaland, Sikkim and Tripura; e) Such business

**65% MATCHING BLOCK 245/875**

**W**

of the taxpayer must not be formed by splitting up or reconstruction of existing business or

not formed by transfer of old plant and machinery; f) The taxpayer must submit alongwith the return of income, the audit report in the prescribed manner; g) The deduction for this purpose under section 80-IE is available only if it is claimed in the return of income. As such,if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. The amount of allowable deduction is 100 per cent

**53% MATCHING BLOCK 248/875**

**SA**

PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF CO  
... (D161889559)

of the profits of such business for 10 years commencing with the previous year in which such undertaking begins to manufacture /produce the specific articles or things or complete substantial expansion. 2.12.6

**100% MATCHING BLOCK 247/875**

**W**

Deduction in respect of profits and gains from the business of collecting and processing

of biodegradable waste- Section 80JJA

a) The deduction under section 80JJA is available if

**96% MATCHING BLOCK 251/875**

**SA**

304 Corporate Taxation.docx (D117962176)

the gross total income of an assessee includes any profits and gains derived from the business of collecting, processing and treating of bio-degradable waste for generating power or producing bio-fertilizers, bio-pesticides or other biological agents or for producing bio-gas or making pellets or briquettes for fuel or organic manure;

b) Deduction under section 80JJA is not available unless it is claimed in the return of income; c) Such activity of collection and processing of bio-degradable waste should be the part of business of the taxpayers;

NSOU • PGCO - V 73 The amount of deduction available under this section is 100 per cent of profit from the above activities or Rs. 5 lakh, whichever is less. 2.12.7

**88% MATCHING BLOCK 249/875**

**W**

Deduction in respect of employment of new workmen- Section 80JJAA The deduction under this section is available if the

following conditions are satisfied: a) The taxpayer is an Indian company; b) Income of the taxpayer includes any profits and gains derived from any

**87% MATCHING BLOCK 250/875**

**W**

industrial undertaking engaged in the manufacture or production of article or thing;

c) The industrial undertaking is not formed by splitting up or reconstruction of an existing undertaking or amalgamation with another industrial undertaking; d) The taxpayer company must submit along with the return of income the audit report in the prescribed format containing such particulars as may be prescribed; e) The deduction for this purpose under section 80JJAA is available only if it is claimed in the return of income. As such, if the assessee fails to make a claim in his return of income of this deduction, no deduction will be allowed. The amount of deduction available under this section is 30 per cent

**82% MATCHING BLOCK 252/875**

**W**

of "additional wages" paid to the new "regular workmen" employed by the assessee in the previous year. The deduction is available for 3 assessment years including the assessment year relevant for the previous year in which such employment is provided. 2.12.8

**90% MATCHING BLOCK 253/875**

**SA**

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Deduction in respect of certain income of Offshore Banking Units and International Financial Services Centre -

Section 80LA

The deduction under section 80LA is available if the following conditions are satisfied: a) The taxpayer is a scheduled bank

**100% MATCHING BLOCK 254/875**

**SA**

304 Corporate Taxation.docx (D117962176)

and having an offshore banking unit in a special economic zone;

ora foreign bank

**80% MATCHING BLOCK 257/875**

**SA**

304 Corporate Taxation.docx (D117962176)

and having an offshore banking unit in a special economic zone; ora unit of International Financial Services Centre;

b) The gross total income of the taxpayer includes any income from the offshore banking unit in a Special Economic Zone; any income

**93% MATCHING BLOCK 255/875**

**W**

from the business referred to in section 6(1) of the Banking Regulation Act, with an undertaking located in Special Economic Zone or any other undertaking which develops, develops and operates or operates and maintains a Special Economic Zone;

any income from any unit of the International Financial Services Centre from its business for which it has been approved for setting up in such a centre in a Special Economic Zone. c) An audit report in the prescribed format must be furnished along with the return of income and a copy of permission obtained under section 23(1)(a) of Banking Regulation Act should also be furnished as annexure with the return of income;

74 NSOU • PGCO - V d) No deduction under section 80LA will be available unless it is claimed in the return of income. The amount of deduction available under section 80LA is 100 per cent of the income from the above business



**97% MATCHING BLOCK 256/875**

**W**

for 5 consecutive assessment years beginning with the assessment year relevant to the previous year in which the permission

has been

obtained under section 23(1)(a) of Banking Regulation Act or permission of SEBI or under any other law and is 50 per cent for the next 5 years. 2.13 Provision for MAT (Minimum Alternate Tax)- Section 115JB Section 115JB of the Income Tax Act provides that where the income-tax payable by domestic or foreign company on the total income computed under the normal provision of Income Tax Act, 1961 is found less than 15% of the book profit (applicable from the assessment year 2021-22 but earlier the rate was 18.5%),

**90% MATCHING BLOCK 258/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

such book profit shall be deemed to be the total income of the assessee company and

it shall be

regarded as MAT liability of the company under section 115JB. The domestic company shall be liable to pay tax on such income (book profit) at the rate of 15%

**96% MATCHING BLOCK 259/875**

**SA**

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plus surcharge @7% if total income exceeds Rs. 1 crore (@ 12% if total income exceeds Rs. 10 crore)

plus education cess

as applicable. In the case of foreign companies, MAT liability shall be 15% of book profits

**96% MATCHING BLOCK 260/875**

**SA**

304 Corporate Taxation.docx (D117962176)

plus surcharge @2% if total income exceeds Rs. 1 crore (@ 5% if total income exceeds Rs. 10 crore)

plus education cess

as applicable. 2.13.1 Adjustments to be made in computing Book Profit: MAT liability is computed on the basis of book profit which is determined by making some adjustments with the net profit as determined as per normal provisions of the Income tax Act as follows: I. Items to be added back: a) Income tax paid or payable and the provision made therefor (here income-tax includes dividend distribution tax/ tax on distributed income,

**65% MATCHING BLOCK 261/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

interest, surcharge and education cess); b) Amount carried forward to any reserves, by whatever name called,

other than

any amount transferred to Special Reserve under section 33AC;

c)

**78% MATCHING BLOCK 262/875**

**SA**

304 Corporate Taxation.docx (D117962176)

Amounts set aside to provision for meeting liabilities other than ascertained liabilities; d) Amount

or  
provision for losses of subsidiary companies; e) Amount of dividend paid or proposed;  
NSOU • PGCO - V 75

**88%      MATCHING BLOCK 263/875      SA      304 Corporate Taxation.docx (D117962176)**

f) Amount of expenditure relatable to any income to which section 10 [other than

section 10(38)], 11 or 12 apply;

**74%      MATCHING BLOCK 264/875      SA      304 Corporate Taxation.docx (D117962176)**

g) Amount of depreciation charged; h) Amount of deferred tax and provision made therefor; i) Amount set aside as provision for diminution in the value of any asset; j) Amount standing in Revaluation Reserve relating to

revaluation of

**80%      MATCHING BLOCK 268/875      SA      CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)**

asset on retirement or disposal of such asset, if the same is not credited to Profit & Loss Account

II.Items

**95%      MATCHING BLOCK 265/875      W**

to be deducted: a) Amount withdrawn from any reserve or provision

and credited to Profit & Loss Account; b)

**69%      MATCHING BLOCK 266/875      W**

Amount of income to which section 10 [other than section 10(38)], or 11 or 12 apply, if such amount is credited to Profit & Loss Account; c) Amount of depreciation debited to Profit & Loss Account (excluding depreciation on account of revaluation of assets); d) Amount withdrawn from the revaluation reserve and credited to Profit & Loss Account, to the extent it does not exceed the amount of depreciation on revaluation of assets;

e)

**67%      MATCHING BLOCK 267/875      W**

Amount of loss brought forward or unabsorbed depreciation, whichever is lower, as per books of accounts. The loss shall, however, not include depreciation.

If  
either of the above is 'NIL', no deduction  
is to be made; f) Amount

**86%**

**MATCHING BLOCK 269/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

of profit of sick industrial unit/company commencing from the previous year in which the company became sick and ending with the assessment year during which the entire net worth

becomes positive; g) Amount of deferred tax, if credited to Profit & Loss Account 2.13.2 MAT Credit under section 115JAA When any amount of tax is paid as per provisions of MAT by an assessee being a company, then a credit in respect of excess tax so paid over the normal provision of the Act shall be allowed to the assessee in accordance with the provision of section 115JAA as follows: 1) Allowable Tax Credit = Difference of MAT paid and income tax payable under normal provision of Income tax Act, 1961. (However, no interest shall be paid on this tax credit by the revenue.) 2) Such tax credit shall

**68%**

**MATCHING BLOCK 271/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

be carried forward for set off during 10 assessment years immediately succeeding the assessment year in which

such credit is become allowable.

76 NSOU • PGCO - V 3) Tax credit shall be allowed for set off in a year when tax becomes

**72%**

**MATCHING BLOCK 270/875**

**W**

payable on the total income in accordance with the normal provisions of the Act. 4) Set off shall be allowed to

the extent of difference between tax on the total income (under normal provision) and tax which would have been payable by the assessee u/s 115JB for that assessment year. Example: PQ Ltd. earned a net profit of Rs. 31,75,000 after debiting/crediting the following in its Profit & Loss A/c for the year ended 31.03.2021: a) Items debited: Provision for income-tax 6,24,000 Transfer to General Reserve 1,56,000 Provision for gratuity 1,05,000 Securities Transaction Tax 63,000 Proposed dividend 1,11,400 Provision for losses of subsidiary company 76,000 Expenditure to earn agricultural income 28,500 Expenditure to earn LTCG exempt u/s 10(38) 49,300 Expenditure to earn dividend income 11,000 Depreciation (incl. depreciation of Rs. 1,18,000 on revaluation) 3,29,000 b) Items credited: Amount credited to P&L A/c from Special Reserve 1,23,700 Amount credited to P&L A/c from Revaluation Reserve 1,45,000 Agricultural income 2,85,000 LTCG exempt u/s 10(38) 2,00,000 Dividend income 38,000 a) Other information: The company had brought forward business loss of Rs. 1,49,000 and unabsorbed depreciation of Rs. 1,23,000. You are required to examine the applicability of sec. 115JB of the I. T. Act, 1961 assuming the total income computed under the normal provision of Income Tax Act is Rs. 16,05,000 for the said previous year.  
NSOU • PGCO - V 77

**52%**

**MATCHING BLOCK 272/875**

**W**

Solution: Computation of book profit of PQ Ltd. under section 115JB for the assessment year 2021-22 Net profit as per P&L A/c 31,75,000 Add:

Net profit to be increased as per sec.15JB Provision for income-tax 6,24,000 Transfer to General Reserve 1,56,000 Provision for gratuity 1,05,000 Proposed dividend 1,11,400 Provision for losses of subsidiary 76,000 company Expenditure to earn agricultural 28,500 income Expenditure to earn dividend income 11,000 Depreciation 3,29,000 14,40,900 46,15,900 Less: Net profit to be decreased as sec. 115JB Amount credited to P&L A/c from 1,23,700 Special Reserve Amount credited to P&L A/c from 1,18,000 Revaluation Reserve (to the extent of depreciation on revaluation) Agricultural income 2,85,000 Dividend income 38,000 Depreciation (excl. depreciation (3,29,000- 2,11,000 on revaluation of assets) 1,18,000) Brought forward business loss of 1,23,000 8,98,700 Rs. 1,49,000 or unabsorbed depreciation of Rs. 1,23,000, whichever is loss Book Profit 37,17,200 Amount (Rs.) Amount (Rs.) Amount (Rs.)

78 NSOU • PGCO - V Amount (Rs.) Applicability of section 115JB (Rs.) 15 % of Book Profit, i.e., Rs. 37,17,200x15% 5,57,588 Add: Education cess incl. SAHE of 4% (Surcharge not applicable) 22,303 Tax liability under sec.115JB 5,79,891 Tax payable on total income as per normal prov. of income-tax 4,81,500 @30% i.e. Rs. 16,05,000x30% Add: Education cess incl. SAHE of 4% 19,260 Tax Payable under normal prov. of Income Tax Act, 1961 5,00,760 Here, it is observed that the tax liability under the normal provision of Income Tax Act, 1961 (Rs. 5,00,760) is less than 15% of book profit incl. surcharge and education cess computed under section 115JB (Rs. 5,79,891). Thus, the book profit so computed (Rs. 37,17,200) shall be deemed to be the total income of PQ Ltd. for the year ended 31.03.2021 and tax payable as per MAT provision shall be Rs. 5,79,891 including education cess as applicable. However, tax credit shall be available to PQ Ltd. under Section 115JAA at Rs. 79,131 being the excess of MAT paid over the tax liability under the normal provision of income- tax, i.e. Rs. (5,79,891 - 5,00,760). 2.14 Dividend Distribution Tax Dividend distribution tax refers to tax on dividend income distributed by a company to its shareholders. The dividend income is the amount received by an investor, whether it is an individual or HUF or a company assessee, on account of holding shares in a company. It is income from other sources in the hands of the recipient shareholders. Earlier the companies paying and distributing dividends were obliged to pay tax on behalf of the shareholders. However, the Finance Act, 2020 has completely changed the method of dividend distribution taxation. Dividend distribution tax which was tax on dividend declared and paid by companies to their shareholders under Section 115-O of the Income Tax Act has been discontinued with effect from 1 st April, 2020. The dividend paying companies are not liable to pay dividend tax on dividend distribution on or after 1 st April, 2020. Accordingly, all dividends received on or after 1 April 2020 is taxable in the hands of the recipient investors/shareholders and the company paying and distributing dividends are not liable to pay tax on dividend distributed. The recipient shareholders are now liable to pay tax on dividend income on the basis of their slab system of taxation.

NSOU • PGCO - V 79 However, the domestic companies paying dividends are liable to deduct tax at source while paying dividend on or after 1.4.2020 under Section 194 @ 10% on dividend distributed to the resident shareholders if the aggregate amount of dividend paid to a shareholder during a financial year exceeds Rs. 5,000. The recipient shareholders shall have to pay tax on dividends on the basis of their residential status, relevant slab rates applicable under the Act. The domestic companies are also liable to deduct tax at source under Section 195 in accordance with the relevant DTAA for payment of dividend to non-resident shareholders on or after 1.4.2020. Dividend income of non-resident shareholders shall be chargeable to tax @ 20% of the dividend income from a domestic company without any deduction. Dividend received by shareholders from a foreign company is taxable as income from other sources and shall be chargeable to tax as per the normal rate of tax based on slab system of taxation applicable to the shareholders. Dividend received from a foreign company is entitled to get tax

**76% MATCHING BLOCK 273/875**

**W**

double taxation relief under section 91 of the Income Tax Act. However, in case of

dividend received by a company from another company by virtue of its shareholding in another company, the dividends received being inter-corporate dividends is allowable as deduction under section 80M to avoid double taxation. 2.15 Provisions for Set off and Carry Forward of Losses Profit and losses are two sides of a coin. However, the Income tax law in India does offer taxpayers some assistances for set off of losses. The law comprises

**87% MATCHING BLOCK 274/875**

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provisions for set-off and carry forward of losses which are discussed

in detail in this section.

**53% MATCHING BLOCK 275/875**

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Set off of losses means adjusting the losses against the profit or income from another source/head of income of that assessment year. Losses that are not set off

due to inadequate profit  
in the same assessment

**88% MATCHING BLOCK 276/875**

**SA**

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year can be carried forward to the following years for set off against

eligible profit of those years subject to certain restrictions.

**78% MATCHING BLOCK 277/875**

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A set-off could be an intra-head set-off or an inter-head set-off. 2.15.1 Inter Source Adjustment (Intra-head

adjustment) [Sec. 70] When there is loss in the net result  
of any

**72% MATCHING BLOCK 278/875**

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source of income, such loss can be set-off against income from any other source under the same head. For example:  
Loss from Business X can be set off against profit from Business Y, where Business X is one source and Business Y is  
another source and the common head of income is "

Profits and gains of business or profession"  
80 NSOU • PGCO - V

**87% MATCHING BLOCK 279/875**

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Exceptions to an Intra-head Set Off 1) Losses from a Speculative Business can only be set off against the profit of other  
speculative business.

However, non-speculative business losses can

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be set off against the income from speculative business. 2) Long-term capital loss can only be adjusted against long-  
term capital gains. However, a short-term capital loss can be set off against both long-term capital gains and short-  
term capital

gains. 3) No loss can be set off against the income from winning

<b>68%</b>	<b>MATCHING BLOCK 280/875</b>	<b>W</b>
from lotteries, crossword puzzles, race, card game and any other game of any sort or from gambling or betting of any nature. 4) Loss from a business activity of owning and maintaining race-horses		

can

<b>82%</b>	<b>MATCHING BLOCK 282/875</b>	<b>SA</b>	Tax Planning and Management BAA 751.doc (D91797431)
be set off only against the profit from a business activity of owning and maintaining race-horses. 5)			

Losses from specified business under section 35AD can only

<b>66%</b>	<b>MATCHING BLOCK 283/875</b>	<b>SA</b>	Tax Planning and Management BAA 751.doc (D91797431)
be set off against income from specified business. But, losses from any other business or profession can be set off against			

the income

from specified businesses. 2.15.2 Inter-Head Adjustment [Sec. 71] If there is loss under one head of income even after inter-source adjustment then such loss can be set off or adjusted against income from another head of income. Exception to the Inter Head Adjustment 1) When there is loss under any head of income (except "Capital Gains") then such loss can be set off against income assessable for that assessment year under any other head of income including "Capital Gains". 2) If there is a loss under the head "Profit and gains of business or profession", then such loss cannot be adjusted against income under the head "Salaries". 3) When the computed net result under the head "Capital gains" is a loss, then such a capital loss cannot be set off under any other head of income. 4) When there is

<b>60%</b>	<b>MATCHING BLOCK 284/875</b>	<b>SA</b>	M. Com. II Adc. Accountancy P. V & VII all.PDF (D142210236)
loss under the head "Income from house property" then such loss can be set off against income from any other head			

up to Rs. 2 lakhs only. 5) If there is loss from speculation business, activities of owning and maintaining race horses and specified business included in section 35AD, then such losses cannot

<b>66%</b>	<b>MATCHING BLOCK 285/875</b>	<b>SA</b>	Basics of taxation.docx (D126935931)
be set off against income under any other head. NSOU • PGCO - V 81 2.15.3 Carry forward and set off of Losses			

from House Property [Sec. 71B] 1) When there is a

<b>42%</b>	<b>MATCHING BLOCK 286/875</b>	<b>SA</b>	M. Com. II Adc. Accountancy P. V & VII all.PDF (D142210236)
loss under the head "Income from house property" in any assessment year, then such loss, at first, will be set off against income from any other head			

up to Rs. 2 Lakhs during the same year. The unabsorbed loss will

**76% MATCHING BLOCK 287/875 SA** Tax Planning and Management BAA 751.doc (D91797431)

be carried forward to the following assessment years for set off against income

under the head "Income from house property". 2) Such loss under this head can be carried forward up to the

**66% MATCHING BLOCK 288/875 SA** Tax Planning and Management BAA 751.doc (D91797431)

next 8 assessment years immediately succeeding the assessment year in which the loss was first calculated. 3) It can be carried forward even if the return of income for the loss year is belatedly filed. 2.15.4

Carry forward and set off of Business Losses other than speculation loss [Sec. 72] 1) When there is loss under the head "Profit and gains of business or profession" (except speculation loss) then such loss can be carried forward and can

**78% MATCHING BLOCK 289/875 SA** M. Com. II Adc. Accountancy P. V & VII all.PDF (D142210236)

be set off against income under the same head only. 2) Such loss can be carried forward for a maximum period of 8 assessment years immediately succeeding the assessment year in which the loss was

incurred. 3)

Loss cannot be carried forward if the return

of loss under section 139(3) is not filed within the original due date. 2.15.5 Carry forward and set off of Speculation loss [Sec. 73] 1) Losses occurred

**87% MATCHING BLOCK 290/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

in speculation business cannot be set off in the same year against any other non-speculation

income and also cannot

**100% MATCHING BLOCK 291/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

be carried forward and set off against other income in the subsequent years. 2)

Loss from

**52% MATCHING BLOCK 292/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

speculation can be carried forward for a maximum period of 4 years only from the end of the related assessment year in which the loss was

first

incurred. 3) Such loss cannot be carried forward if the return

of loss under section 139(3) is not filed within the original due date. 2.15.6

Carry forward and

**51% MATCHING BLOCK 293/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

set off of losses of Specified business [Sec. 73A] 1) Any loss computed from specified business mentioned under section 35AD can only be set off against profit and gains, if any, of the other specified business. The unabsorbed loss will be carried forward

to be set off against the profit

**75% MATCHING BLOCK 294/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

and gains of any specified business in the subsequent assessment years and so on. 2) Such loss can be

carried forward for indefinite period of years to be set off against the income from specified business. 82 NSOU • PGCO - V 2.15.7 Losses under the head Capital Gains [Sec. 74] 1) Short-term capital losses which is carried forward

**89% MATCHING BLOCK 295/875 SA** Tax Planning and Management BAA 751.doc (D91797431)

can be set off against long-term capital gains as well as short-term capital gains. 2) If carried forward

loss is long-term capital loss, then such loss can be adjusted only against long-term capital gains. 3) Net loss under the head Capital Gains cannot be adjusted against the income from any other head. 4) Any unabsorbed

**100% MATCHING BLOCK 297/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

loss can be carried forward for a maximum period of 8 assessment years immediately succeeding the assessment year in which the loss was incurred. 2.15.8

Losses from activities of Owning and Maintaining Race-Horses [Sec. 74A (3)] 1) Losses

**78% MATCHING BLOCK 296/875 W**

from the activities of owing and maintaining race horses cannot be set off against

the income from any other source other than income from activities of owing and maintaining race horses. 2) Such

**96% MATCHING BLOCK 300/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

a loss can be carried forward for a maximum period of 4 assessment years

for set off against the income from activities of owing and maintaining race horses in the following years. 3) Such losses cannot be carried forward if the return of loss under section 139(3) is not filed within the original due date. 2.15.9

**81% MATCHING BLOCK 298/875 W**

Carry forward and set off of loss in case of change in the constitution of firm or succession- Section 78 1)

Where there is



**61% MATCHING BLOCK 299/875**

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a change in the constitution of a firm, so much of the loss attributable to the share of a retired/deceased partner

remaining unabsorbed, shall not be allowed to be carried forward by the firm. However, the amount of unabsorbed depreciation can be carried forward. 2) Where any person carrying on any business or profession has been succeeded in such capacity by another person otherwise than by inheritance, such other person shall not be allowed to carry forward and set off against his income, any loss incurred by the predecessor. 3) However, in case of succession by inheritance, the legal heirs are allowed to carry forward and set off the business loss of the predecessor. Even when the legal heirs constitute themselves as a partnership firm, the firm so constituted shall be entitled to carry forward and set off the loss of the predecessor.

NSOU • PGCO - V 83 2.15.10

**88% MATCHING BLOCK 301/875**

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Carry forward and set off of loss in case of closely held companies [

Section 79 1) Where in any previous year, there has been a change in the shareholding of a company in which public are not substantially interested, unabsorbed loss of such company shall be allowed to

**61% MATCHING BLOCK 302/875**

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be carried forward for set off against the income of the previous year only if the beneficial shareholders of at least 51% of the voting power on the last day of the

previous year remained the same as

**71% MATCHING BLOCK 303/875**

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on the last day of the previous year/ previous years in which the loss was incurred. 2)

This restriction does not apply in the case where

**84% MATCHING BLOCK 304/875**

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change in voting power occurs upon the death of a shareholder or on account of transfer of shares by way of gift

by a shareholder to his relative. 3) This restriction also does not apply in the case where the change in the shareholding takes place in an

**72% MATCHING BLOCK 305/875**

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Indian company, being a subsidiary of a foreign company, as a result of amalgamation/demerger, subject to the condition that 51% shareholders of the amalgamating/demerged company continue to remain shareholders of the amalgamated/ resulting company. 2.15.11

**100% MATCHING BLOCK 307/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

Carry forward and set off of accumulated business losses and unabsorbed depreciation

of the amalgamating company in case of merger/amalgamation- Section 72A The Income Tax Act, 1961 prescribes that unabsorbed depreciation of assets and accumulated business loss can be carried forward only by the same assessee under whose hands the loss incurred or depreciation remains unabsorbed except in case of succession of business by inheritance. However, under the provisions of Section 72A of the Act, in the case of

**100% MATCHING BLOCK 306/875**

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amalgamation of a company, owning an industrial undertaking or a ship or a hotel with another company or

the amalgamation of a banking company with a specified bank, the amalgamated company is entitled to carry forward the unabsorbed depreciation and brought forward loss of the amalgamating company provided certain conditions are fulfilled. Accordingly,

**80% MATCHING BLOCK 308/875**

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CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

the accumulated business loss and unabsorbed depreciation of the amalgamating company shall be deemed to be the loss and depreciation of the amalgamated company for the previous year in which amalgamation took place.

As a result of this, the amalgamated company shall enjoy a fresh period of 8 years to carry forward unabsorbed business loss of the amalgamating company (disregarding the period of carry forward of loss already entertained by the amalgamating company) and shall be able to carry forward unabsorbed depreciation for further indefinite period by virtue of section 72A of the Income Tax Act. However, to avail this tax neutrality, the amalgamating companies as well as the amalgamated companies are required to satisfy the following conditions :

84 NSOU • PGCO - V

**78% MATCHING BLOCK 309/875**

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304 Corporate Taxation.docx (D117962176)

a) Conditions to be fulfilled by the amalgamating company The amalgamating company should have been engaged in the business, in which the accumulated loss occurred or depreciation remains unabsorbed, for three or more years; The amalgamating company has held continuously as on the date of amalgamation at least three-fourths of the book value assets held by it, two years prior to the date of amalgamation. b) Conditions to be fulfilled by the amalgamated company The amalgamated company holds continuously for a minimum period of five years from the date of amalgamation at least

seventyfive per cent in

the book value of fixed assets of the amalgamating company acquired in a scheme

**84% MATCHING BLOCK 311/875**

**SA**

304 Corporate Taxation.docx (D117962176)

of amalgamation; The amalgamated company continues the business of the amalgamating company for a minimum period of five years from the date of amalgamation; The amalgamated company fulfils such other conditions as may be prescribed to ensure the revival of the business of the amalgamating company or to ensure that the

amalgamation is for genuine business purpose. 2.15.11-1  
Consequences

for not satisfying the conditions after adjusting loss/ depreciation In case the above specified conditions are not satisfied, then that part of brought forward loss and unabsorbed depreciation which has been set off by the amalgamated company shall be treated as the income the amalgamating company for

**95% MATCHING BLOCK 310/875**

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the year in which the failure to comply with the conditions

occur. The portion of brought forward loss and unabsorbed depreciation of the amalgamated company not yet set off shall stand lapsed. 2.15.12 Order of loss to be set off As per provision to section 72(2), brought forward business loss is to be set off before setting off unabsorbed depreciation. The order of set off may be highlighted as below: i) Current year depreciation/capital expenditure on scientific research and current year expenditure on family planning, to the extent allowed; ii) Brought forward loss from business/profession; iii) Unabsorbed depreciation; iv) Unabsorbed capital expenditure on scientific research; v) Unabsorbed expenditure on family planning.

NSOU • PGCO - V 85 2.16 Examples of Business Income 1. The WDV of P & M on 1.04.2020 of Akhilesh Ltd engaged in manufacturing of Durga granules of Rs. 1000 lacks, company purchased additional P&M for Rs. 800 lacks on 18.04.2020 inclusive of a second-hand machine imported from China of Rs. 200 lacs, the production of new machine was taken w.e.f 01.12.2020. Discuss the tax consequences for the assessment year 2021-22. Solution As per section 32(1)(iia), an

**77% MATCHING BLOCK 312/875**

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assessee engaged in the business of manufacture or production of any article of things engaged in the business of generation and distribution of power

is entitled for an additional depreciation @20% of the actual cost of such P & M acquired and installed. Additional depreciation shall, however not be available in respect of those plant and machinery which is

**78% MATCHING BLOCK 313/875**

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before its installation by the assessee were used within India by any other person

The depreciation allowable will be as under Particulars Depreciation on WDV of machinery as on 1.04.2020= Rs. 1000 lakhs@15% Depreciation on P&M purchased on 18th April but actual production commenced w.e.f 1st December. Depreciation will be restricted to 50% of normal depreciation i.e 50% of (Rs. 800 lakhs \*15%) Additional depreciation @20% of the actual cost of new P & M. This depreciation is also to be restricted to 50% since production has commenced only on 01st December, 50% (20% of Rs. 600 Lakhs) Total Depreciation Period starts from 150 60 60 270 86 NSOU • PGCO - V 2. "SKY WALK Limited" to provide telecom services in Chennai obtained a license on 01.04.2018 for a period of 10 years ending on 31.03.2028 against a fee of Rs 27 lakhs to be paid in 3 installments of Rs 9 lakhs each by April 2018, April 2019, April 2020, respectively. The company has commenced business on 01.05.2019. Explain how the payment made for license fee shall be dealt with under the Income Tax Act, 1961 and the amount if any deductible for A.Y. 2021-22. Solution The payment made for acquiring the license to operate telecom services in Chennai shall be subject to deduction as per the scheme in section 35ABB. As per section 35ABB, any amount actually paid for obtaining license to operate telecommunication services shall be allowed deduction in equal installments during the number of years for which the license in force. If the payment is made

**78% MATCHING BLOCK 314/875**

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before the commencement of business: - The deduction shall be allowed beginning with the year

of commencement of business. In any other case: -it will be allowed commencing for the year of payment. Deduction shall be allowed up to the year in which the license shall cease to be in force, The amount of deduction available for A.Y. 2021-22 is worked out below

1	2	3	4=3/2
Previous year of Unexpired period	Installment paid	Deduction in payment of License (Rs.)	respect of each installment (Rs.)
2018-19	9 years	900000	100000
2019-20	9 years	900000	100000
2020-21	8 years	900000	112500
		2700000	312500

The deduction under section 35ABB for assessment year 2021-22 shall be Rs 312500

3. Explain in brief the treatment as to their taxability and/or allowability under the provision of Income Tax Act, 1961 for the assessment year 2021-22 in the following cases- i) Vijay receives a sum of Rs.50 lakhs from Abdul limited on 3 rd January 2021 for agreeing not to carry on any business relating to computer software in India for the next three years.

NSOU • PGCO - V 87 ii) P Ltd. paid dollars equivalent to Rs. 50 lakhs as sales commission for the year ended 31 st March 2021. Without deducting tax at source to Mr. Peterson, a citizen of Canada and a non-resident who acted as agent for booking orders, from various customers who are outside India. Solution i) As per section 28 any sum received under

<b>100%</b>	<b>MATCHING BLOCK 315/875</b>	<b>W</b>
an agreement for not carrying out any activity in relation to any business (		

i.e., non-compete fees) is chargeable to Income Tax under the head PGBP, accordingly Rs. 50 lakhs received by Atul Limited from Kiran Limited is chargeable to Income Tax under the head PGBP. The amount shall be allowable as deduction to Abdul Limited provided tax has been deducted at source u/s 194J on the payment so made to Vijay limited, if tax is not deducted at source, 30% of the expenditure will be disallowed u/s 40a(ia). ii) A foreign agent of an Indian exporter operates in his own country and no part of his income accrues and arises in India. His commission is usually remitted directly to him and is therefore not received by him or on his behalf in India. The commission paid to the non-resident agent for services rendered outside India is thus not chargeable to tax in India, since commission is not subject to tax in India, disallowance u/s 40(a)(i) is not attracted even though tax has not been deducted at source. It shall be allowed as expenses. 4. The net result of a business carried on by a branch of foreign company in India for the year ended 31.03.2021 was a loss of Rs. 100 Lakhs after charge of head office expenses of Rs. 200 lakhs allocated to the branch. Explain with reason the income to be declared by the branch in its return for the assessment year 2021-22. Solution Section 44C allows head office expenses (i) an amount equal to 5%

<b>51%</b>	<b>MATCHING BLOCK 316/875</b>	<b>W</b>
of the adjusted total income or (b) amount actually incurred as is attributable to the business of the Assessee in India, whichever is actually less, for the purpose of computing adjusted total income. The		

head office expenses of Rs. 200 Lakhs charged to the profit and loss account have to be added back. The amount of income to be declared by the assessee for A.Y. 2021-22 will be as under-

88 NSOU • PGCO - V Particulars Net loss for the year ended on 31.03.2021 Add: Amount of head office expenses to be considered separately as per section 44C Adjusted total Income Less: Head office expenses allowable u/s 44C is i) Rs 5 lakhs being 5% of 100 lakhs ii) Rs 200 Lakhs Whichever is lower Income to be declared in return Rs. in Lakhs (100) 200 100 5 95 5. The following are the particulars in respect of scheduled bank incorporated in India- Particulars Provision for bad & doubtful debts u/s 36(1) (viiia) up to assessment year 20-21 Gross total income of A.Y 21-22 (Before deduction u/s 36(1) (viiia) Aggregate average advances made by rural branches of the bank Bad debt written off (for the first) in the books of account (in respect of urban advances only) during the previous year 20-21 Period starts from 100 800 300 2100

NSOU • PGCO - V 89 Particulars Bad debts written off (for the first time) in the books of account Less:

<b>100%</b>	<b>MATCHING BLOCK 317/875</b>	<b>W</b>
Credit balance in the "Provision for Bad and Doubtful Debts"		

u/s 36(1)(viiia) as on 31st March 2021 (i) Provision for Bad & Doubtful debts u/s 36(1) (viiia) (ii) Current year provision for the bad & doubtful debts u/s 36(1) (viiia)(8.5% of Rs 800 Lakhs+ 10% of 300 Lakhs Deduction u/s 36(1)(vii) in respect of bad debts written off for assessment year 2021-22. 100 98 Rs. in Lakhs 210 198 12 2.17 Summary After studying this unit, we could understand the concept of Business and Profession; Business Incomes Taxable under the head of ‘

**62% MATCHING BLOCK 318/875**

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Profits and Gains of Business or Profession’ (Section 28); Business Income which is not Chargeable under the head “

Profits and Gains from Business

or Profession”; Expenses Allowed as Deductions against Profits and Gains of Business or Profession [Section-30-37]; Computation of business income of corporate and partnership firms/LLPs; Inadmissible deductions under section 40; Expenses or Payments not deductible in certain circumstances under section 40A; Deemed Profits chargeable to tax as Business Income under Profits and Gains of Business or Profession [section 41]; Deductions from Gross Total Income from Business or Profession, Provisions of Minimum Alternate Tax; Dividend Distribution Tax and taxability of dividend income; Provisions for Set off and Carry Forward of Losses. Compute the deduction available u/s 36(1)(vii) for the assessment year 2021-22 Solution

90 NSOU • PGCO - V 2.18 Questions A. Multiple Choice Questions (MCQ) 1. As per section 30, which expenditure incurred for building shall not be allowed as deduction under business and profession? a) Repairs of Building b) Revenue Expenditure c) Capital Expenditure d) None of these 2. Which is the charging section of income under the head profits and gains from business & profession? a) Sec.27 b) Sec.28 c) Sec.29 d) None of these 3. Circulars and Notifications are binding on the.....? a) Income Tax Authorities b) Central Board of Direct Taxes (CBDT) c) International Revenue Authorities d) None of these 4. Income from illegal business is .....? a) Exempted b) Fully Taxable c) Partly Taxable d) None of these 5) Business has been defined under section....

NSOU • PGCO - V 91 a) 2 (14) b) 2(13) c) 2(10) d) None of these 6. While computing the business income,

**23% MATCHING BLOCK 319/875**

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which of the following taxes are allowed as deduction? a) Sales tax b) Income Tax c) Direct tax d) All of the above 7. Business included which of the following as per section 2(13) a) Commerce b) Manufacture c) Trade d) All of the above 8.

Dividend paid by an Indian company is .....in Income tax. a) Exempted b) Taxable c) Partly Taxable d) None of these 9. “Business” under Income-tax Act, does not include- a) Any trade b) Commerce c) Manufacture d) Adventure or concern in the nature

**75% MATCHING BLOCK 320/875**

**W**

of leisure or sport 10. In computing income under the head “Profits and Gains of Business or Profession”,

income from

which of the following business is taxable?

92 NSOU • PGCO - V a) Legal Business b) Illegal Business c) Both (as) and (b) d) None of the above B. Short Answer Type Question 1. Give a few examples of income from business not taxable under the head "Profits or gains of business or profession. 2. Give a few examples of losses which are allowable in computing business income. 3. Discuss the conditions for deductibility of interest on borrowed capital. 4. What is Business? 5. Discuss the expenses which are expressly disallowed under section 40 and 40(a). C. Broad Answer Type Question 1. Discuss the taxability of profits from illegal business. 2. What is the Income that are chargeable under the head of Profit & Gains of Business or profession? 3. What is the income mentioned under section 28 under Profit & gains of Business and profession? 4. What do you mean by intra head set off? 5. What is Deemed Profit? 6. What is Dividend Distribution Tax? 7. What is the rule of Set off and carry forward? 8. Briefly Define amortization of Telecom license fees (Sec 35ABB). 9. Define the deduction which is available in respect of expenditure on specified business. 10. What do you mean by written down value of a block of assets? 11. What is the deduction which are allowed under Profit and Gains of Business and Profession? 12. Give few examples of exceptions of an Intra-head Set Off.

NSOU • PGCO - V 93 13. What is Capital Loss? 14. What are the exceptions to Intra-head set off? 15. What is Intra head Set-off? 16. House property losses can forward for how many years? 17. Can House Property loss can be set off if return is filed after due date u/s 139 (1)? 18. Can Loss from Long term capital gain be set off from gain from short term capital gain? 19. Can loss from owing & maintaining of race horses be set of from Income from any other sources? Answer Key (A) 1(c) 2(b) 3(a) 4(b) 5(b) 6(a) 7(d) 8(b) 9(d) 10(c).

94 NSOU • PGCO - V Unit - 3  Clubbing of Income (Sections 60 to 65) Structure 3.0 Objectives 3.1 Introduction 3.2 Specified persons to Club Income 3.3 Various Provision Related to Clubbing of Income 3.4 Cross Transfer 3.5 Cases Where Clubbing of Income not Applicable 3.6 Examples of Clubbing Income 3.7 Summary 3.8 Questions 3.0

**78%**

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Objectives After studying this unit, we will be able to understand the concepts of— •

Specified persons to club income; • Various sections related to clubbing of income cross Transfer; and • Some incomes that are not applicable for clubbing. 3.1 Introduction In general an assessee is liable to tax in respect of his own income. However, in certain circumstances, the Income Tax Act provides for clubbing of income whereby income earned by some other person is assessed to tax in the hands of a specified person by virus of section 60 to 64 of the Act. Thus, clubbing is called as a process which is called of adding the income of other individual to one's own income. Sections 60 to 64 of the Income-tax Act, 1961 is related to clubbing of income and 65 is recovery section. Usually, when a person earns an income then only, he is needed to pay tax, but there are certain instances where one has to pay tax without earning of an income. Such their persons may be of his wife, daughter-in-law, minor son or any other relatives. Here generally income is being transferred without transferring the ownership and in such a situation the transferor

**75%**

**MATCHING BLOCK 321/875**

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will be responsible to pay tax in respect of his income (if any) as NSOU • PGCO - V 95 well as income of other person too.

Sections 60 to 64 of the Act comprise numerous provisions involving to clubbing of income. 3.2 Specified persons to club income Income earned by any particular person cannot be clubbed randomly with income earned by another person. There are certain norms by which income earned can be treated under Income Tax Act 1961. While calculating total income of an individual each assessee needs to follow certain norms and while clubbing of certain income, we need to follow certain rules. Section 64, speaks about certain rules where there are some specified incomes of specified persons which can be clubbed with the income of the assessee while calculating total income of an individual. 3.3 Various Provision of Clubbing of Income Section 60 talks about transfer of income that takes place without transferring of ownership, here income is being transferred by the assessee without transferring the ownership of the asset, then section 60 will be applicable. Under Section 60 any income arises from such assets, it is taxable in the hands of transferor, and not transferee. Example- 1. Mr. Subhadip owns 10, 000, 20% debentures at Sunshine India Ltd. of Rs. 100/- each (

**73%**

**MATCHING BLOCK 323/875**

**W**

annual interest being Rs. 2, 00,000). On 25th December, 2020, he transfers interest income to Mr. Bikash, his friend, without transferring the ownership of these debentures.

Discuss tax consequences for the Assessment year 2021-22. Ans. The Taxable income in the hands of Mr. Subhadip is Rs. 2, 00, 000/- for the Assessment Year 2021- 22. But in the hand of Mr. Bikash it is Nil as the income was transferred without transferring the ownership of the asset. Sections Particulars Transfer of income without Transferring the Ownership of Asset u/s 60

96 NSOU • PGCO - V Sections Particulars 2. Mr. Roy had 1000, 10% Debentures @ Rs.100/- each in Sun Shine Ltd. Before going abroad for pursuing higher education Mr. Roy gave such Debentures to his friend Mr. Deep and advised to collect the interest. In April, 2020 the company gave Rs. 10,000/- as an interest to Mr. Deep. Subsequently, Deep spends such amount for his household expenses. In July, 2021 Mr. Roy came back from abroad and took back the Debentures. Discuss tax consequences of such income of Rs. 10, 000/- for the Assessment year 2021-22. Ans. The Taxable income in the hands of Mr. Roy is Rs. 10, 000/- for the Assessment year 2021-22. But in the hand of Mr. Deep it will not be taxable as the income was transferred without transferring the ownership of the asset. Section 61 deals with the kind of a situation where assets are being transferred to the transferee on a condition that the asset may revocable at any latter date. Section 61 is applicable in this case. If any income arises from such assets,

**71%**

**MATCHING BLOCK 327/875**

**SA**

304 Corporate Taxation.docx (D117962176)

it is taxable in the hands of transferor u/s 61 and not in the hands of

transferee. Example- 3. Mr. Roy had a playground. He transferred the property to his friend Mr. Dey through power of attorney. During the previous year 2020-21 Mr. Dey earned Rs. 60, 000/- as rent from the property. Compute taxable income in the hand of Mr. Roy and Mr. Dey for the Assessment year 2021-22. Ans. Mr. Roy has not transferred the property to Mr. Dey permanently, only power of attorney is given, as the property may be taken back at the latter date, by Mr. Roy, thus this amounts to revocable transfer. The taxable income in the hands of Mr. Roy is Rs. 60, 000/- for the Assessment Year 2021-22. It will not be taxable in the hands and Mr. Dey as it was a arevocable transfer. Revocable Transfer of Assets u/s 61

NSOU • PGCO - V 97 Sections Particulars 4. Richard had a playground. He transferred the property to his wife Mrs. Maria through power of attorney. During the previous year 2020-21 Mrs. Maria spends Rs. 40, 000/- towards the caretaker of the ground. She earned Rs. 1, 60, 000/- as rent from the property. Compute taxable income in the hand of Mr. Richard and Mrs. Maria for the Assessment year 2021-22. Ans. The taxable income in the hands of Mr. Richard is Rs. 1, 20, 000/- (1, 60, 000 - 40, 000) for the Assessment Year 2021-22. Mrs. Maria is not leable to tax as the asset assumes a right to re-acquire. Remuneration to Spouse u/s 64(1)(ii) Where the spouse of an individual receivex any remunsation from a concern where the individual holds substantial interest and the sponse of me individual does not prosess any technical or professional qualification to justify his/her remunsation, the remunsation so received by the sparse shall be clubbed under section 64(i)(ii) in the hards of the individual holding substantial right. Example- 5. Mr. Roy holds 60% of shares of ABC India Ltd. His wife, Mrs. Papiya works as the personal assistant in the office of the company. Mrs. Papiya gets a salary of Rs. 4, 80, 000/- p.a. from the company. Discuss tax consequences of such income for the assessment year 2021-22. If Mrs. Papiya had a technical skill would your answer differ? Ans. The income of Mrs. Papiya (Rs. 4, 80, 000/-) will be added up with the income of Mr. Roy as he has substantial interest in the company u/s 64(1)(ii) for the assessment year 2021-22. Yes, If Mrs. Papiya passesses technical skill, then the income of Mrs. Papiya need not be added. Her income would be assessed separately in her own hand.

98 NSOU • PGCO - V Sections Particulars 6. Mr. Dey holds 2/3rd of profits in a firm. He took his wife, Mrs. Dey as a manager in the firm. Mrs Dey did MBA in Finance from a renowned university. She gets a Salary of Rs. 16, 80, 000/- p.a. from the firm. Discuss tax consequences of such income for the assessment year 2021-22. Ans. The income of Mrs. Dey (Rs. 16, 80, 000/-) will not be clubbed with the income of Mr. Dey though he has the substantial interest in the firm, as Mrs. Dey has a professional skill for the job u/s 64(1)(ii). So, the income of Mrs. Dey will be assessed separately. If an

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individual transfers (directly or indirectly) any asset (other than house property) without adequate consideration to his spouse, income arising from such asset will be included in the

total income of the transferor

u/s 64(1)(iv). Example- 7. Miss Munmun owns 10, 000, 20% debentures at Sunshine Ltd. of Rs. 100 each. On 25th December, 2020, she gifted these debentures to Mr. Das, her husband. During previous year Mr. Das earned by way of interest Rs. 2, 00, 000/- from such debenture. Discuss tax consequences for the Assessment year 2021-22. Ans. The debenture interest will be taxable in the hands of Miss Munmun for the assessment year 2021-22. The debenture interest of Rs. 2, 00, 000 will not be taxable in the hands of Mr. Das as debentures were gifted to him by his wife. Thus, clubbing provision u/s 64(i)(iv) will be applicable here. 8. Mrs. Monalisa had a house property. During previous year she transferred the property without any consideration to her husband, Rental income earned by her husband during the previous year was Income from Assets transferred to Spouse u/s 64(1)(iv)

NSOU • PGCO - V 99 Sections Particulars Rs. 60, 000/-. Discuss tax consequences for the Assessment year 2021-22. Ans. In this case Mrs. Monalisa will be the deemed owner of the property as such transfer is disregarded and will be considered for taxation u/s 22 and not in section 64(1)(iv) as such income is from the transfer of house property to spouse. The taxable income in the hands of Mrs. Monalisa is Rs. 42, 000/- (60, 000 - 30%) for the assessment year 2021-22. If an individual transfers (directly or indirectly) any asset after May 31, 1973 without adequate consideration to his son's wife, income arising

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from such asset will be included in the total income of the transferor.

Example- 9. Mr. Roy had 10, 000, 20% debentures at Sunshine India Ltd. of Rs. 100 each. During the previous year, Mr. Roy gave such debentures to his daughter-in-law, Mrs. Monalisa. During the previous year Mrs. Monalisa earned by way of interest Rs. 2, 00, 000/- from such debenture. Discuss tax consequences for the assessment year 2021-22. Ans. The income of Rs. 2, 00, 000/- will be clubbed with the income of Mr. Roy for the assessment year 2021- 22. And in the hands of Mrs. Monalisa it will not be taxable as income from any asset transferred to son's wife is taxable in the hands of transferor u/s 64(1)(vi). 10. Mrs. Dey had a fixed deposit (FD) of Rs.50,00,000/-. He transferred the FD to his son's wife Mrs. Lata. During the previous year 2020-21 Mrs. Lata earned Rs. 1, 40, 000/- as interest from the FD. Discuss tax consequences of such income in the hand of Mr. Dey and Mrs. Lata for the assessment year 2021-22. Ans. The income of Rs. 1, 40, 000/- from the asset transferred to son's wife will be clubbed with the Income from Assets transferred to Son's Wife u/s 64(1)(vi)

100 NSOU • PGCO - V income of transferor for the assessment year 2021- 22. Mrs. Lata shall not be taxable as income from any asset transferred to son's wife is taxable in the hands of transferor u/s 64(1)(vi). If an individual transfers (directly or indirectly) any asset to a person or an association of persons without adequate consideration with a condition that the person or association in return will pay an amount to the spouse of the transferor, then

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such income will be included in the total income of the transferor



u/s 64(i)(vii). Example- 11. Mr. Das had a house property. He transferred it to a trust without any adequate consideration with a condition that an income of Rs. 4, 80, 000/- will be paid to the spouse of Mr. Das, Mrs. Monalisa. Discuss the tax consequences of such income for the assessment year 2021-22. Ans. The rent of Rs. 4, 80, 000/- received by Mrs. Monalisa from the trust, will be clubbed with the income of transferor, Mr. Das u/s 64(i)(vii). 12. Mr. Dey had 1000 Equity Shares of Rs. 100/- each in Moon India Ltd. He transferred these to Mr. Das without any adequate consideration with a condition that an income of Rs. 60, 000/- will be paid to the spouse of Mr. Dey, Mrs. Muni. Discuss the tax consequences of such income for the assessment year 2021-22. Ans. The earning of Rs. 60, 000/- received by Mrs. Muni from Mr. Das, will be clubbed with the income of the transferor, Mr. Dey u/s 64(i)(vii). Sections Particulars Income from Assets transferred to a Person for the benefit of the Spouse of the transferor u/s 64(i)(vii)  
NSOU • PGC0 - V 101 Sections Particulars Any income which has been earned by an individual by transferring (directly or indirectly) asset on or after 01.06.1973 to a person or an association of persons without adequate consideration with a condition that the person or association in return will pay an amount to the son's wife of the transferor. Such income will be clubbed or added up in the total income of the transferor u/s 64(i)(viii). Example- 13. Mr. Roy had a Playground. He transferred it to a trust without any adequate consideration with a condition that an income of Rs. 8, 60, 000/- from it will be paid to the spouse of the son of Mr. Roy. Discuss tax consequences of such income for the assessment year 2021-22. Ans. The earning of Rs. 8, 60, 000/- received by the son's wife from the trust, will be clubbed with the income of transferor, Mr. Roy u/s 64(i)(viii). 14. Mrs. Monalisa had a ground. She transferred the ground to the local market without any adequate consideration with a condition that an income of Rs. 4, 80, 000/- will be paid to the spouse of the son of Mrs. Monalisa. Discuss tax consequences of such income for the assessment year 2021-22. Ans. The earning of Rs. 4, 80, 000/- received by the spouse of the son of Mrs. Monalisa from the local market, will be clubbed with the income of transferor, Mrs. Monalisa u/s 64(i)(viii). Any income accruing or arising to a minor child will be clubbed u/s 64(1A) to the total income of the parent whose income is higher (excluding minor's income). But, in case

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where the marriage of his parents does not subsist, it will be clubbed with the income of that parent who maintains the minor child in the previous year.

Section 64(1A) will not be applicable when. Minor earns through manual work; or application of his skill, talent or specified knowledge or experience.

**82%**

**MATCHING BLOCK 333/875**

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Income from Assets transferred to a person for the benefit of Son's Wife

u/s 64(1)(viii) Income of a Minor Child u/s 64(1A)

102 NSOU • PGC0 - V Sections Particulars Example- 15. Miss Sarbjit, a minor child earns Rs. 60, 000/- from the FD made by his parents. Discuss tax consequences of such income for the assessment year 2021-22. Ans. The income of Sarabjit be clubbed to his parents' income whose total income is higher u/s 64(1A). 16. Miss Sanchari, a minor child earns Rs. 10, 000/- from uploading her smiling and singing photos in the YouTube. Discuss tax consequences of such income for the assessment year 2021-22. Ans. The income of the minor girl will not be clubbed to her parents' income as such earnings are out of the application of her skill, talent or specified knowledge or experience in the particular field. So, in the hand of Sanchari, the minor girl, the income will be assessed to tax. N.B.- Child includes step child and/or adopted child also. u/s 2(15B). Income arising out of self-acquired property converted into joint family property without adequate consideration will be clubbed or added up with the total income of the transferor u/s 64(2). But, in case of such property being re-distributed among the members of the family, the proportionate income i.e., the share of spouse only will be added up or clubbed with the total income of the transferor member. Example- 17. Dr. Roy, is a member of a HUF. During the previous year he converted his self-acquired property without adequate consideration, yielding an income of Rs. 4,60,000/- p.a. into joint family property. Discuss tax consequences of such income for the assessment year 2021-22. Ans. The earning of Rs. 4, 60, 000/- from the converted asset without adequate consideration will be clubbed  
Conversion of Self- acquired Property into Joint Family Property and Subsequent Partition u/s 64(2).

NSOU • PGCO - V 103 Sections Particulars with the total income of Dr. Roy for the assessment year 2021-22 u/s 64(2). 18. Mr. Roy had a self-acquired property. He transferred such property to the Hindu Undivided Family (HUF) business without adequate consideration. During the previous year such property was re-distributed among the members of the family. An income of Rs. 7,60,000/- was received by her spouse during the previous year. Discuss tax consequences of such income for the assessment year 2021-22. Ans. The earning of Rs. 7, 60, 000/- received by his spouse from the converted asset without adequate consideration will be clubbed with the total income of Mr. Roy for the assessment year 2021-22 u/s 64(2). The section deals with the collection of tax on such clubbed income. It empowers the assessing officer to serve a 'demand notice' to recover the applicable tax either from the person assessed or to whom the income actually belongs. Example- 19. Mr. Das had 1000, 12% Debentures of Rs. 100/- each in ABC Ltd. He transferred such shares to his wife Mrs. Puspa. During the previous year she earned of Rs. 12,000/- from such debentures. Discuss tax consequences of Mr. Das for the assessment year 2020-21 and discuss recovery of the applicable tax. Ans. The earnings Rs. 12, 000/- from transferred assets to spouse will be added up with the income of transferor. However, the Assessing Officer (AO) may collect tax either from the Mrs. Puspa (the recipient of income) or from Mr. Das (the deemed owner of the asset). 20. Mr. Roy is dealing with timber. He has a house property which was let out to a tenant with income of Rs. 6, 40,000/- per annum. He transfers the house property to his wife, Mrs. Roy as a gift. During the Collection of Tax u/s 65 104 NSOU • PGCO - V Sections Particulars year he had an income of Rs. 7, 60,000/- from the business. Compute income of Mr. Roy for the assessment year 2020-21 and discuss recovery of the applicable tax. Ans. The total income of Mr. Roy is Rs. 14, 00,000/- including the income from house property as transfer being disregarded. The concerned Assessing Officer (AO) has two options for recovery of such tax: (i) He may recover the entire amount of tax from Mr. Roy; or (ii) He may recover the amount of tax partly from Mr. Roy and partly from his wife. N.B.- (i) Clubbing of negative income will be calculated as usual. (ii) Income arising to the transferee from accretion or reinvestment of the income is not includible to the total income of the transferor. 3.4 Cross transfer Cross transfer is a very typical situation. When two or more transfers are inter-connected and be the parts of same transaction, such transfers will be treated as cross transfer. In such case, both the transfers will be disregarded and will be taxed in the hands of respective transferors. 1. Mr. Roy made a gift of Rs. 60,000/- to Mrs. Lata, the wife of his brother Mr. Dhruva to purchase a house property and immediately Mr. Dhruva transferred certain number of shares of Rs. 60,000/- to Mr. Roy's daughter Miss Sanchari. During the year ending March 31, 2021 the chargeable income from house property was Rs. 40,000/- while the amount of dividend received on the shares was Rs. 30,000/-. State with reason how and in whose hands these two items of income will be taxed. Ans. This is a case of cross transfer happened to by-pass the provisions of section 64(1). Therefore, income arising to Mrs. Dhruva (Rs.30, 000/-) will be taxed in the hands of Mr. Dhruva. And income arising to daughter of Mrs. Roy (Rs. 40, 000/-) will be taxable in the hands of Mr. Roy u/s 64(1A).

NSOU • PGCO - V 105 3.5 Cases Where Clubbing of Income not Applicable ●●●● Income transferred before marriage: If any asset has been given to fiancée before marriage, then that asset would not be treated under clubbing provision. The important factor under law is that relation between husband and wife should exist between the two persons at the time of execution of the transactions and at the time of receipt of income. ●●●● Income derived from clubbed income: Where any additional income arises to a transferee from accretion or reinvestment of transferred income. The clubbing provision shall not apply. ●●●● Saved money is not asset transferred: If any money is being saved for the purpose of meeting regular or household expenditure i.e., the money which has been saved will not fall under the ambit of clubbing provisions. 3.6 Examples of Clubbing of Income 1) Mr. Dayal and Mrs. Dayal have the following income for the P.Y. 2020-21: Mr. Dayal Rs. Rs. Income from Salary 3,25,000 1,30,000 Business income 1,86,000 — Income from other sources 58,000 1,07,000 Total 5,69,000 2,37,000 Compute taxable income of Mr. Dayal and Mrs. Dayal for the A.Y. 2021-22 assuming that Mrs. Dayal gets remuneration from or concern where Mr. Dayal holds substantial interest.

106 NSOU • PGCO - V Solution: Calculation of taxable of Mr. and Mrs. Dayal for the A.Y. 2021-22: Mr. Dayal Mrs. Dayal Rs. Rs. Income from Salary 3,25,000 — Income from Salary of Mrs. Dayal 1,30,000 — under section 64(i)(ii) Income for business 1,86,000 — Income from other sources 58,000 1,07,000 6,99,000 1,07,000 Note : It is assumed that Mrs. Dayal has no technical / professional skill to justify her renunciation. However, if it is assumed that Mrs. Dayal has proliferation or technical skill to justify her renunciation from the concern where her husband Mr. Dayal has substantial interest, the clubbing provision under section 64(i)(ii) will not attract. 2) Mr. Suresh (age: 35 years, resident) gifts Rs.10, 00, 000/- to Mrs. Suresh (age: 31 years, resident), she deposits the same in a bank @ 10 per cent per annum. Ashis, minor child of Suresh and Mrs. Suresh, Sanjoy has a bank deposit of Rs.80, 000/- (rate of interest 8 per cent) which was gifted to him by his grandfather. Other income of Suresh and Mrs. Suresh is as follows- Mr. Suresh: Rs.3, 60, 000/- [salary: Rs.2, 60, 000/-, bank interest: 1, 00, 000/-], Mrs. Suresh: Rs. 2, 70, 000/- (interest on company deposits). Out of interest income, Mrs. Suresh deposits Rs.1, 000/- in public provident fund. Suresh's contribution to the recognized provident fund is Rs. 45, 000/-. Find out the net income of Mr. Suresh and Mrs. Suresh for the assessment year 2021- 2022. Solution: Calculation for Net income of Mr. Suresh and Mrs. Suresh for the previous year 2020-2021 and assessment year 2021-2022. NSOU • PGCO - V 107 3)

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Mr. Akash gifted a let-out building which fetches rental income of

Rs.10,500/-

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per month to his son's wife on 1.11.2020. The municipal tax on

Rs.6,000/-

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on the property was paid on 10.1.2021. The total income from all other sources (computed) amounts to

Rs.2,70,000/-

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except income from above said property. Calculate his total income chargeable to tax.

Solution:

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Rs. Gross Annual Value Rs.10, 500 ×12 = Rs. 1, 26, 000 Less Municipal Taxes Paid Rs. 6, 000 Net Annual Value Rs. 1, 20, 000

Less Standard deduction u/s 24 @ 30% Rs. 36, 000 Income from House Property Rs. 84, 000 Therefore, Total income of Mr. Akash = Rs.2,70, 000 + Rs.84, 000 = Rs.3, 54, 000/-

**90% MATCHING BLOCK 334/875**

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The Income from House Property will be clubbed in the hands of Mr. Akash u/s 64(1)(

VIII). Particulars - Salary - Income from other sources: -Bank interest of Mrs. Suresh (10% of Rs. 10, 00, 000) u/s 64(i)(iv) -Bank interest of Sanjoy [8% of Rs.80, 000 - Rs.1, 500] u/s 64(1A) -Bank interest of Mr. Suresh -Interest of company deposit Gross Total Income Less : Deduction under section 80C Net Income Mr. Suresh Rs. 2, 60, 000 1, 00, 000 4, 900 1, 00, 000 - 4, 64, 900 45, 000 4, 19, 900 Mrs. Suresh Rs. - - - - 2, 70, 000 2, 70, 000 1, 000 2, 69, 000 Mr. Sanjoy Rs. - - - - Nil

108 NSOU • PGCO - V 4) Mr. Jodunath makes a gift of Rs.1, 30, 000/- to Mr. Roy which is invested by Mr. Roy in his business. The following are the data relating to the business of Mr. Roy for the year 2020-2021. Total capital in the business as on April 1, 2020. Rs.7, 50, 000/- . (Including Rs.1, 30, 000/- gifted by Mr. Roy) Taxable profit for the year Rs.1, 50, 000/- Calculate the amount of profit from the said business to be clubbed with the income of Mr. Jadunath. Solution: Amount of profit from business of Mr. Roy to be clubbed with the income of Mr. Jadunath = Profit from business × Amountof investment (out of gift) made by Mr. Roy on April 1, 2020 Totalinvestmenton April 1, 2020 = Rs. 1, 50, 000 × Rs.1,30,000 Rs. 7,50,000 = Rs. 26, 000/- 5) Mr. Z makes a gift of Rs. 4, 50, 000/- to Mrs. Z which is contributed by Mrs. Z in a firm as capital. Total capital contribution of Mrs. Z on April 1, 2020 is Rs. 9,00, 000/- . Particulars of income of Mrs. Z from the firm for the year 2020- 2021 are as follows: Share of profit from the firm Rs.1, 20, 000/- Interest from the firm Rs.1, 00, 000/- Salary from the firm Rs.72, 000/- Calculate the income of Mrs. Z from the firm to be clubbed with the income of Mr. Z. Solution: Only proportionate interest receivable by Mrs. Z from the firm will be clubbed with the income of Mr. Z. No portion of the share of the profit and salary receivable from the firm by Mrs. Z will be clubbed with the income of the transferor. The amount to be clubbed with the revenue of Mr. Z in respect of income of Mrs. Z from the firm is computed as under-

NSOU • PGCO - V 109 =Interest from the firm× Amountof investment of gift made by Mrs. Z on April2020 Totalinvestmenton April 1, 2020 = Rs. 1, 00, 000 × Rs.1,50,000 Rs. 9,00,000 = Rs. 50, 000/- 6) Ritesh is the minor child of Mr. and Mrs. Jogesh. Mr. Jogesh has business income of Rs. 2, 80, 000/- and Mrs. Jogesh has salary income of Rs. 2, 30, 000/- . Ritesh earns income of Rs. 64, 000/- from a dancing programme. Ritesh also earns interest of Rs.15, 000/- from a fixed deposit with a bank. Compute total income of Mr. Jogesh, Mrs. Jogesh and Ritesh. Solution: Computation of Total Income of Mr. Jogesh, Mrs. Jogesh and Ritesh for the assessment year 2021-2022. Particulars Business income Income from salary Income from dancing programme. Interest or bank deposit Subject to exemption under section 10(32) [Rs.15,000 - Rs.1,500] Gross Total Income Mr. Jogesh Rs. 2, 80, 000 - - 13, 500 2, 93, 500 Nil 2, 93, 500 Mrs. Jogesh Rs. - 2, 30, 000 - - 2, 30, 000 Nil 2, 30, 000 Ritesh Rs. - - 64, 000 - 64, 000 Nil 64, 000 Less: deduction under section VIA Total Income

110 NSOU • PGCO - V Note: i) Income of Ritesh from dancing programme is not clubbed with the income of the parent as per the provision to section 64(1A). ii) Interest income of Ritesh is clubbed with the income of Mr. Jogesh after giving exemption under section 10(32), as total income (without considering the income of the minor) of Mr. Jogesh is higher than that of Mrs. Jogesh. 7) From the details given below, calculate the total income of Mr. D (aged 51 Years & resident in India) for the assessment year 2021-22. i) Income from business Rs. 1, 00, 000/- . ii) Income from minor son (singer by profession) Rs. 15,000/- . iii) Winning from lottery (gross) [ ticket bought in the name of Mr. D's minor daughter] Rs. 8,500/- . iv) Mr. D's wife is a government servant and her income computed under the head salaries Rs. 70,000/- . v) Interest on Fixed deposit with SBI in the title of minor Daughter

**71%**

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Rs. 22,500/- . Solution: Computation of total Income of Mr. B for the Assessment Year 2021-22. Particulars Amount Rs.

Amount Rs. Income from business Winning from lottery bought in the name of minor daughter Interest on Fixed deposit with SBI in the title of minor Daughter Less: - Exemption u/s 10(32) Total Income 8,500 22,500 31, 000 1,500 1, 00, 000 29, 500 1, 29, 500

NSOU • PGCO - V 111 Note: i) Minor daughter's revenue is clubbed with the income of Mr. D as total income of D is greater than that of Mrs. D. ii) Income of Minor son of Rs. 15,000 is not clubbed in the hands of Mr. D as the minor son earned such income using his personal skill [ proviso to section 64(1A). 3.7 Summary After studying this unit, we could understand the concepts of Specified persons to club income; Various sections related to clubbing of income; Cross Transfer; Cases where clubbing of income is not applicable. 3.8 Questions A. Multiple Choice Questions (MCQ) 1. Under "Transfer" for the purpose of sections 60, 61 and 62 which of the following is included a) Settlement b) Trust c) Covenant d) All of the above 2. Interest on deposit, received by minor married daughter (minor) is —

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a) Taxable in the hands of the father of minor b) Taxable in the hands of the minor c) Taxable in the hands of

either of the parents of minor whose income before including minor's income is higher d) Taxable in the hands of husband of such minor 3. The notice of demand in respect of tax paid on clubbed income can be served on—

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a) Transferor b) Transferee c) Both (a) and (b) d) None of these 112

NSOU • PGCO - V 4. Under which section revocable transfer of assets has been defined..... a) Sec. 51 b) Sec. 61 c) Sec. 71 d) None of these 5. Some necessary clubbing provisions have been incorporated under which section for the purpose of curbing tax avoidance practice ..... a) 60 to 64 b) 50 to 54 c) 70 to 74 d) None of these 6. Inclusion of others incomes in the income of the assessee is known as ..... a) Inclusion of income b) Other income c) Clubbing of income d) None of the above 7. Minor child has been defined under which section for clubbing of income a) Sec 64(1A) b) Sec. 74 (1A) c) Sec. 64(1B) d) None of these 8. Exemption to parent for clubbing of minor's income comes u/s... a) Sec. 10(31) b) Sec. 10(32) c) Sec. 10(33) d) None of these 9. Amounting to Rs. .... is available exemption in respect to each minor child under clubbing and aggregation of income. a) Rs. 2500/- b) Rs. 1, 500/- c) Rs. 2, 000/- d) None of these 10. Clubbing provisions are applicable for- a) HUF b) Individual c) Firms d) None of these B. Short Answer Type Questions 1. For application of clubbing of income also apply for clubbing of loss, discuss the rules regarding the statement. 2. Incomes of other person are included in the assessee's total income, mention the cases regarding this.

NSOU • PGCO - V 113 3. Regarding provisions of clubbing of income from the property converted into joint family property, what are the provisions? 4. State the significance of clubbing of income. 5. Discuss the provisions regarding the inclusion of the income of a minor child and the wife of the assessee in his total income. C. Broad Answer Type Questions 1. Mention the various categories of incomes of other persons deemed to be the income of persons sought to be taxed under the provisions of the income-tax Act, 1961. 2. Discuss the provisions under section 64 (1) (viii). 3. Mr. Jignesh Kumar makes a gift of Rs.1, 50, 000/- to Mr. Roy which is invested by Mr. Roy in her business. The following are the data concerning to the business of Mr. Roy for the year 2020-21. Total capital in the business as on April 1, 2020 Rs.7, 00, 000/- . (Including Rs.1, 30, 000/- gifted by Mr. Roy) Taxable profit for the year Rs.1, 50, 000/-. Calculate the amount of profit from the said business to be clubbed with the income of Mr. Roy. Ans. 32, 143/- 4. Mr. Y makes a gift of Rs. 5, 00, 000/- to Mrs. Y which is contributed by Mrs. Y in a firm as capital. Total capital contribution of Mrs. Y on April 1, 2020 is Rs. 10,00, 000/-. Particulars of income of Mrs. Y from the firm for the year 2020-2021 are as follows- Share of profit from the firm Rs.1, 50, 000/-. Interest from the firm Rs.1, 00, 000/-. Salary from the firm Rs.72, 000/-. Calculate the income of Mr. Y from the firm to be clubbed with the income of Mr. Y. Ans. 50, 000/- 5. What is Clubbing of Income? Discuss the significances of Clubbing of Income. Answer Key (A) 1(d) 2(c) 3(c) 4(b) 5(a) 6(c) 7(a) 8(b) 9(b) 10(b).

114 NSOU • PGCO - V Unit : 4 Assessment Procedure Structure 4.0 Objectives 4.1 Introduction 4.2 Income Tax Return 4.2.1 Voluntary Return [Section 139(1)] 4.2.2 Filing Return of Loss [Section 139(3)] 4.2.3 Late Filing of Return or Belated Return [139(4)] 4.2.4 Income Tax Return of Charitable and Religious Trust [Section 139(4A)] 4.2.5 Political Party to furnish the Return of Income [Section 139(4B)] 4.2.6 Revised Return [Section 139(5)] 4.2.7 Defective Return [Section 139(9)] 4.3 Return Forms 4.3.1 Due dates for filing return of income 4.4 Kinds on Income Tax

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Assessment 4.4.1 Self-Assessment [Section 140(A)] 4.4.2 Summary Assessment [Section 143(1)] 4.4.3 Regular or Scrutiny Assessment [Section 143(3)] 4.4.4 Best Judgement Assessment [Section 144] 4.4.5 Income Escaping Assessment [Section 147] 4.5 Assessment or Reassessment Notice under section 148 of the Income Tax Act 4.5.1 Reasons to receive a notice under section 148 4.5.2 Who can issue a notice under section 148 4.5.3 Time limit to issue a notice under section 148 4.6 Penalties and Prosecution 4.6.1 Prosecutions 4.7 Advance Payment of Tax 4.7.1 Advance Tax Payment Due Dates (Instalment) 4.7.2 Computation of Advance Tax under section 209 4.7.3 Exemption in Advance Tax Payments 4.7.4 Benefits of Paying Advance Tax NSOU • PGCO - V 115 4.7.5 Refundin Advance Tax Payment 4.7.6 Examples of Advance Tax Payment 4.8 Provisions regarding TDS and TCS 4.8.1 Deduction

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of tax at source from salary [Section 192] 4.8.2 TDS from Interest on securities [Section 193] 4.8.3 TDS from dividend [194] 4.8.4 TDS from Interest other than interest on securities [Section 194A] 4.8.5 TDS from Winnings from lotteries, puzzles and horse races [Section 194B and section 194BB] 4.8.6 TDS from Payments to contractors and sub-contractors [Section 194 C] 4.8.7 TDS from Insurance commission [Section 194D] 4.8.8 TDS from Payments to non-resident sportsmen or

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sports association [Section 194E] 4.8.9 TDS from Payments in respect of deposits under National Savings Scheme etc. [Section 194EE] 4.8.10 TDS for Repurchase of units by Mutual Fund or Unit Trust of India [Section 194F] 4.8.11 TDS from Commission etc. on the

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sale of lottery tickets [Section 194G] 4.8.12 TDS from Commission or brokerage [Section 194H] 4.8.13 TDS from Rent [Section 194 I] 4.8.14 TDS from Fees for professional or technical services [Section 194J] 4.8.15 TDS from Interest payable to a non-resident or foreign company [Section 194LB] 4.9 Refund of Tax 4.9.1 Interest on Tax Refund 4.10

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Interest Payable 4.10.1 Interest for default in furnishing return of income [Section 234A] 4.10.2 Interest for default in payment of advance tax [Section 234B] 4.10.3 Interest for deferment of advance tax [Section 234C] 116 NSOU • PGCO - V 4.10.4 Interest on excess refund [Section 234D] 4.10.5 Interest for failure to deduct or collect and pay tax at source [Section 201(1A)] 4.10.6 Interest for making late payment of income tax [Section 220(2)] 4.11 Appeals and Revision 4.11.1 Appeal to the Commissioner (Appeals) 4.11.2 Procedure in Appeal [Section 250] 4.11.3 Appeal to the Appellate Tribunal 4.11.4 Appeal to the

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High Court 4.11.5 Appeal to the Supreme Court 4.11.6 Revision of Orders prejudicial to the revenue [Section 263] 4.11.7 Revision of

other orders [Section 264] 4.12 Settlement of Cases 4.12.1 Objectives of the Income Tax Settlement Commission 4.12.2. Powers of Settlement Commission 4.13 Summary 4.14 Questions 4.0 Objectives After studying this unit we will be able to understand—

- Voluntary Return [Sec. 139(1)];
- Return of Loss [Sec. 139(3)];
- Balated Return [Sec. 139(4)];
- Income Tax Return of Charitable and Religions Trust [Sec. 139(4a)];
- Income Tax Return of Political Party [Sec. 139(4b)];
- Revised Return [Sec. 139(5)];
- Defective Return [Sec. 139(9)];
- Due dates for filing of return;
- Income Tax Assessment;
- Penalties and Prosecution; and
- Advance Payment of Tax;

NSOU • PGC0 - V 117 • Instalment and Due Dates for Advance Payment of Tax; • Provisions regarding TDS; • Refund of Tax; • Interest; • Appeals and Revisions; • Settlement of Cases.

4.1 Introduction The word assessment means to determine something. For income tax purposes, assessment means to find out the total income and also to find out the taxable payable thereon. Assessment also covers the process of finding out whether the tax paid by the assessee is correct or not. Thus, it is very much evident that the word assessment covers an important position in income tax, assessment means the process of collecting and also reviewing the information which has been filed by the assessee and also to examine whether the assessment is right or wrong. Thus, assessment refers to the calculation of income, sometimes for the purpose of resolving tax payable, by assessment income tax department also finds out the tax payable by the assessee. Assessment procedure involves four phases: the first phase involves the step where the assessee in his or her own capacity files the return of his total income, again return can also be filed by Tax Return Preparer on behalf of assessee. The second stage is concerned with computation of taxable income of the assessee. The third phase involves the matter of resolving the amount of tax payable by assessee on the basis of such calculation. The last phase is actually about the making of the assessment order and matter of issuing notice of demand specifying the amount, if any, payable by the assessee. The most important matter about assessment is that the process of assessment also involves reassessment and re-computation.

4.2 Income Tax Return Income Tax Return (ITR) is a specific form which an assessee is supposed to submit to the Income Tax Department of India in respect of his income earned from various heads viz.

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income from salary, income from house property, income from business and profession, capital gains and income from other sources

such as dividend, interest on deposits, royalty income, winning on lottery, cross-word puzzles, betting and card games etc. It contains detail information about the assessee's income and the taxes already paid him and yet to be paid for the relevant previous year. For this purpose, the Income Tax Department has

118 NSOU • PGC0 - V prescribed seven types of ITR forms - ITR-1, ITR-2, ITR-3, ITR-4, ITR-5, ITR-6, ITR-7 and the applicability of these forms will depend on the nature of income and the type of taxpayers. 4.2.1 Voluntary Return [Sec. 139(1)] In income tax voluntary return refers to return being filed on a voluntary basis. There may be certain situations where income tax return has to be filed mandatorily, these situations include : (a) there are taxable income earned by the assessee; (b) where any TDS has been made from the income of the assessee; (c) where the assessee needs to claim a refund, in all these cases the return has to be filed on a mandatory basis. However, an assessee can file return as per his/her own will even if the filing of return is not mandatory and there is no binding or obligation on the assessee. Voluntary return with no taxable income can be filed by the assessee in certain cases where the assessee needs to submit return so that he can apply for bank loan or in certain cases to be eligible for carry forward and set off of losses. Section 139(1) – Mandatory Voluntary Returns Section 139 (1) deals with the situation when the return has to be submitted by the assessee on a mandatory basis. In the following situations, the filing of Income Tax Return is mandatory— Where a person other than a firm or company, has earned income which is above the basic exempted limit, then the person has to submit the return on a mandatory basis, within the due date specified under the Act. ●●●● Any private, public, domestic or foreign company situated and/or doing business in India has to file

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return of income for every previous year on or before the due date in the prescribed form

irrespective of the amount of income or loss. ●●●● Every HUF (Hindu Undivided Family), AOP (Association of Persons) and BOI (Body of Individuals) – if the total income passes the prescribed exemption limit, are accountable to file the Income Tax Return in the prescribed form within the due date as mentioned under the Act. ●●●● Any firm LLP (Limited Liability Partnership) is liable to file return voluntarily irrespective of the amount of income or loss. 4.2.2 Filing Return of Loss [Sec. 139(3)] Generally, where any loss is suffered by an assessee in the preceding financial year, then in that case filing of tax return is not obligatory on the part of the assessee NSOU • PGC0 - V 119 section 139(3) of the Income Tax Act provides that an assessee is required to file a loss return within the due date specified. Filing of loss return is very significant because an assessee cannot be allowed to carry forward and set off of losses in certain cases if the assessee does not file a return of loss u/s 139(3). ●●●● Tax return for loss is required compulsory by the assessee in the following cases: a) If the loss takes place under

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the head "Profits and Gains of Business and Profession" or under the head '

Capital Gains', loss return filing is obligatory if the assessee wants to carry forward this loss and offset with the upcoming income in future. b) In case the loss arises from the activity of owning and maintaining race horses, filing of loss return is obligatory. 4.2.3 Late Filing of Income Tax Return or Belated Return [Sec. 139(4)] The taxpayers have to file the tax return before the due date as defined under Section 139(1), or within the permissible time by a notice that is issued under the Section 142(1). If they fail to do so, they may still file the belated return for any previous year

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at any time until the end of one year from the end of the relevant year of assessment or before conclusion of the assessment, whichever happens earlier.

However, the



taxpayer might be charged with a penalty of Rs. 5,000/-, under Section 271F of IT Act 1961, in case the return is submitted after the relevant assessment year. Again, the taxpayer submitting belated return would be liable to pay simple interest @ 1% per month u/s 234A for every month or part thereof delay. Interest shall be charged from the due date to the date of filing return or where no return has been filed up to the date of completion of assessment u/s 144 and shall be calculated on the amount of tax payable on returned income as reduced by advance tax, tax deducted at source and payment of self-assessment tax.

**4.2.4 Income Tax Return of Charitable and Religious Trusts [Sec. 139(4A)]** Filing Tax Return under Section 139(4A) is required by a person who takes an income derived from the

**51% MATCHING BLOCK 348/875 W**

property held under any trust or other legal compulsion, either exclusively for religious or charitable purposes or partly for such purposes only, or of income being voluntary contributions

referred to in sub-section 2(24)(ia), shall, in case

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the total income (without giving effect to the provisions of sections 11 and 12) exceeds the

maximum permissible amount which is not taxable under the Income Tax Act.

**4.2.5 Political Party to furnish the Return on Income [Section 139(4B)]** Section 139(4B) provides that every political parties are to file Income Tax Return in case the total income surpasses the maximum permissible tax-exempt limit. The total income is calculated for this precise purpose and under this act excluding the effects of provisions 120 NSOU • PGCO - V under Section 13A). The Chief Executive Officer or the Secretary of all political parties are obliged to furnish this return of income.

**4.2.6 Revised Return [Sec. 139(5)]** If any person having furnished a return u/s 139(1)

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or in reply to a notice u/s 142(1) finds any omission or any incorrect statement, he may furnish a revised return at any time within one year from the end of the relevant assessment year or before the completion of assessment, whichever is earlier.

**4.2.7**

**Defective Returns [Sec. 139(9)]** Under section 139(9), where the Assessing Officer (AO) considers that the return submitted by an assessee is defective or imperfect, the AO

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may intimate the defects to the assessee with an opportunity to rectify the defects with 15 days from the date of giving such intimation.

This time-limit of 15 days

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may be extended by the AO on an application made by the assessee. If the

assessee fails to rectify

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the defects within the time-limit of 15 days or such further extended period, then the AO shall treat the return as invalid return and other provisions of the Act shall apply as if the assessee has failed to

submit a return. However, if

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the assessee rectifies the defects after the expiry of 15 days time limit or further extended time but before assessment is made, the AO may condone the delay and treat the return a valid

one. The

following documents are essential to avoid the return filed to be deemed as defective: ●●●● A duly filled tax return in the prescribed form. ●●●● Proof of all claims of paid taxes – like proof of tax assumption and collection that was done at source, payment of self-assessment tax and advance tax. ●●●● A statement for the audit done under section 44AB, where prior to filing the return, the report is furnished. ●●●● A statement displaying the calculation of taxes payable. ●●●● If tax payer preserves books of account, then the mandatory copies are: a) Profit and Loss A/C, Manufacturing A/C, Trading A/C, Balance Sheet, Income & Expense A/C. b) Personal A/Cs of partners in case of partnership firms. c) For AOP/BOI, personal accounts of the members. d) For proprietors, the personal account. ●●●● In case of Cost Audit, the related report.

NSOU ● PGCO - V 121 ●●●● If the tax client's account is examined, then the copies of audited account, balance sheet and audited profit and loss account. ●●●● If books of account of the tax payer are not preserved, then a declaration containing the gross receipts, turnover amount, expenses and net profit, bank balance, stocks, cash, debtors and creditors information and so on. 4.3 Return Forms The forms are given below in the table- New ITR Form Subject ITR-1 (i.e., SAHAJ) For individuals

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having income from salary/one house property (not being brought forward loss

from previous years/income from other sources (not being winning from lottery and income from race horses). ITR-2 For individuals and HUF's not having business/professional income. ITR-3 For persons/HUF's being partners in firms and not carrying out business or profession. ITR-4 For individuals and HUF's having income from a proprietary business or profession. ITR-4S (i.e., Sugam) For individuals/HUF's deriving business income

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and such income is computed in accordance with special provisions referred to in sections 44AD

and 44

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AE. ITR-5 For firms, AOPs and BOIs or any other person (not being individual

of HUF or company).

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ITR-6 For companies other than companies claiming exemption under section 11. ITR-7 For individuals as well as companies essential to furnish return under section 139(4A)/(4B)/(4C)/(4D)/(4E)/(4F). ITR-V Acknowledgement [Where the date of the return of income in forms ITR-1, ITR-2, ITR-3, ITR-4, ITR-5

and ITR-6].

122 NSOU • PGCO - V The ITR Forms has been reviewed, the new ITR forms has been discussed below: ITR 1: ITR 1 may be filed in following situations- ●●●●● If Agricultural Income is less than Rupees Five Thousand. ●●●●● If the total income does not exceed Rs. 50, 00, 000/- . ●●●●● If not more than 1 Crore has been deposited in bank account in one particular year ●●●●● If not more than 1 Lakhs have been spent for electricity expenses ●●●●● If not more than 2 Lakhs have been spent for travelling abroad ITR 2: Individual and HUF can file ITR 2, those having the following criteria- ●●●●● Income is more than 50 Lakhs ●●●●● Agricultural Income is more than Rupees Five Thousand. ●●●●● If a person is an administrator of the company ●●●●● Persons who do not make money from business ventures. ●●●●● Income received through Salary, Pension, House property, lottery, horse race, capital gain ●●●●● Having foreign income or having foreign assets ITR 3: This is applicable for persons/HUF's being partners in firms and not carrying out business or profession with the following criteria- ●●●●● Individual and HUF can file the return ●●●●● Person having business and profession ●●●●● If the person is individual director of the company ●●●●● Income received as partner of a firm ●●●●● Investment in unlisted equity share ●●●●● Income from salary, pension, house property & other sources

NSOU • PGCO - V 123 ITR 4: Individual, HUFs, Partnership Firms which are having income from business and profession can opt for ITR 4 form, those who have chosen for presumptive income scheme under section 44AD, 44ADA, 44 AE will choose ITR 4 form, If the turnover is exceeding Rupees 2 crore, then the assessee has to file ITR 3 ITR 5: It can be filed by firm, Co-operative Society, Limited Liability partnership, Body of Individuals, Investment Fund, Estate of Insolvent, Local Authorities, Investment Fund and Business Trust ITR 6: The form can be filed electronically by companies other than companies defined under section 11 i.e those companies who are claiming exemption under income from a religious or charitable property. ITR 7: It can be filed by individuals holding a property of religious or charitable purposes. Political parties, medical institutions, News Agency, Educational Institutions, agencies involved in scientific research. 4.3.1 Due dates for filing return of income Under the Act, the following are the specific due dates mentioned for filing return of income: a)

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Where the assessee is required to furnish a report u/s 92E (

for having international Within 30 th November of the relevant A.Y. transactions)— b) Where the assessee is a company (without having international Within 30 th September of the relevant A.Y. transactions)— c) Where the assessee is a non-corporate assessee and is required to have the accounts Within 30 th September of the relevant A.Y. audited— d) In any other cases Within 31 st July of the relevant A.Y.

124 NSOU • PGCO - V 4.4 Kinds of Income Tax Assessment The assessments may be as follows: 4.4.1 Self-Assessment [Sec 140A] Every person, before submitting a return of income under section 139(1) or section 142(1) or section 148 or section 153A of the Income Tax Act is liable to make a self-assessment of his income to determine tax still payable after considering the tax already paid by way of advance tax, tax deduction at source etc. The assessee also has to pay interest up to the date of filing of the return along with self-assessment of tax. The return of income submitted by the assessee will be taken as the proof of payment of both tax and interest. Assessing officer, if he considers, may make an investigation for getting full information in respect of assessee's income.

**85% MATCHING BLOCK 360/875**

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Where the amount paid by assessee falls short of the aggregate of tax and interest, the amount

so paid shall first be adjusted towards interest payable and the balance, if any, shall be adjusted towards tax payable. 4.4.2 Summary Assessment [Section 143(1)] On the basis of return filed by assessee under section 139(1) or section 142(1), the Assessing Officer may complete the assessment as summary assessment without making any query from the assessee concerned. However, before making any such assessment, the Assessing Officer (A.O.) may make following adjustments in the returned income of the assessee: i)

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any arithmetical error in the return; ii) any incorrect claim, if such incorrect claim is apparent from any information in the return.

After completing the above adjustments as may be necessary, the A.O. shall send an intimation to the assessee

**93%      MATCHING BLOCK 363/875      W**

within a period of one year from end of the financial year in which the return

was submitted. The intimation shall specify the sum so payable by way of tax or any refund due, to the assessee. Where there is neither any adjustment nor any tax due from or refund payable to the assessee, the acknowledgement of the return shall be deemed to be the intimation under section 143(1) for the completion of assessment. 4.4.3 Regular or Scrutiny Assessment [Section 143(3)]

**89%      MATCHING BLOCK 364/875      W**

On the basis of return of income submitted by the assessee under section 139(1) or in

pursuance of a notice under section 142(1), if the A.O. is of the opinion

**61%      MATCHING BLOCK 365/875      W**

that the assessee NSOU • PGC0 - V 125 has understated the income or has computed excessive loss or has

short payment of tax in any manner, he may serve a notice under section 143(2) requiring him

**80%      MATCHING BLOCK 366/875      W**

to attend his office or produce or caused to be produced any evidence which the

A.O. may rely in support of the assessee's claim so as to give an opportunity of being heard to the assessee. Such a notice has to be served before

**100%      MATCHING BLOCK 367/875      W**

the expiry of six months from the end of the financial year in which the return is furnished.

After hearing such evidence as the assessee may produce in response to the notice under section 143(2) or

**84% MATCHING BLOCK 368/875**

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such other evidence as the A.O. may require on specified points and after taking into account all relevant

information which  
the A.O. may have

**82% MATCHING BLOCK 369/875**

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gathered, then the A.O. shall, by order in writing, make an assessment of the total income or loss of the assessee and determine the sum payable by

the assessee  
as further tax liability or the refund due to the assessee thereof. 4.4.4 Best Judgement Assessment[Section 144] Under section 144, an Assessing Officer,after considering all relevant material which he has collected, shall make a best judgement assessment to determine the total income or loss of an assessee: a) if the assessee

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fails to submit return as required under section 139(1) or section 139(4) or section 139(5); or b) if the assessee fails to comply with all the terms of a notice issued under section 142(1) or

fails to comply with  
the direction given under section 142(2A)  
as to get his accounts audited; or c) if the assessee, after

**90% MATCHING BLOCK 370/875**

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having submitted a return, fails to comply with all the terms of a notice issued under section 143(2)

requiring his presence or production of evidence and documents; or d) if

**78% MATCHING BLOCK 371/875**

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the Assessing Officer is not satisfied with the correctness or completeness of the accounts of the assessee or if no method of accounting has been regularly employed by the assessee.

Before making any such best judgment assessment, the assessee must be given an opportunity of being heard. Such

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opportunity shall be given by the A.O. by serving a notice calling upon the assessee to show cause on a date and time mentioned in the notice,

as to

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why the assessment should not be completed to the best of

his judgement. The best judgment assessment is also known as ex-parte assessment as it is done by the A.O. on his best of knowledge and judgment. Accordingly, the A.O.

<b>100%</b>	<b>MATCHING BLOCK 378/875</b>	<b>SA</b>	PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF CO ... (D161889559)
shall make an assessment of the total income or loss of the assessee			

to the best of his judgement and determine the sum  
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<b>100%</b>	<b>MATCHING BLOCK 375/875</b>	<b>W</b>	
payable by the assessee on the basis of such assessment			

under section 144. However, it is to be noted that no refund shall be granted under section 144. In case of best judgment assessment, an assessee is entitled to file an appeal as his right under section 246 or to make an application for revision of order under section 264 to the Commissioner of Income Tax. 4.4.5

<b>80%</b>	<b>MATCHING BLOCK 376/875</b>	<b>W</b>	
Income Escaping Assessment [Section 147] Where the A.O. has reason to believe that any income chargeable to tax has escaped assessment for any assessment year, he may, subject to the provisions of sections 148 to 153 assess or reassess such income			

and also any other income chargeable to tax which has escaped assessment and which comes to the notice of the A.O. subsequently in the course of the proceedings under this section, or re-compute

<b>89%</b>	<b>MATCHING BLOCK 377/875</b>	<b>W</b>	
the loss or depreciation allowance or any other allowance, as the case may be, for the relevant previous year.			

Where an assessment under section 143(3)

<b>85%</b>	<b>MATCHING BLOCK 379/875</b>	<b>W</b>	
or section 147 has been made for the relevant assessment year, no action shall be taken under this section after the expiry of four years from the end of the relevant assessment year unless any income chargeable to tax has escaped assessment by reason of the failure on the part of the assessee to furnish return under section 139(1) or section 142(1) or section 148 or to disclose fully and truly all material facts necessary for assessment			

purposes by the A.O. The A.O. may assess or reassess an income which is chargeable to tax and the same has escaped assessment other than the income involving matters which are pending in an appeal, revision or reference etc. The following are deemed to be the

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cases where income chargeable to tax has escaped assessment: i) where no return has been furnished by the assessee although his total income or the total income of any other person in respect of whom he is assessable under the Act during the previous year has exceeded the maximum amount not chargeable to tax; ii) where a return has been furnished by the assessee but no assessment has been made and it is noticed by the A.O. that the assessee has understated the income or has claimed excessive loss, deduction, allowance or relief in the return; iii) where

an assessment has been made but the

**100% MATCHING BLOCK 381/875**

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income chargeable to tax has been under- assessed or such income has been assessed at too low a rate.

NSOU • PGCO - V 127 Before making any assessment, reassessment or re-computation under

**80% MATCHING BLOCK 382/875**

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section 147, the A.O. shall serve on the assessee, a notice requiring him to furnish

a return

**94% MATCHING BLOCK 383/875**

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within such period as may be specified in the notice, a return of his income or the income of any other person in respect of whom he is assessable

under the Act. The

notice under section 148 must be issued as follows: a) where the income which has escaped assessment amounts to one lakh or more, the notice shall be issued within six years from

**42% MATCHING BLOCK 384/875**

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the end of the relevant assessment year; b) in any other case, the notice shall be issued within four years from the end of the relevant assessment year. 4.5

Assessment or Reassessment Notice under

**75% MATCHING BLOCK 385/875**

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section 148 of the Income Tax Act As per Section 147 of the Income Tax Act, 1961,

the Assessing Officer has the power to reassess a person's income based on tax returns which has been filed earlier. The Assessing Officer can do so by sending a notice under section 148 for income escaping assessment. As per Union Budget 2021 outcome- The time limit to re-open income tax assessment cases has been diminished to 3 years from 6 years. Also, in case of serious tax evasion the assessment can be re-opened for previous 10 years, in the case only when concealment of income is more than Rs. 50 lakhs.

4.5.1 Causes to receive a notice u/s 148 A person could receive a notice u/s 148 in circumstances where the assessing officer believes that such a person's income chargeable to tax might have escaped assessment. Where the proof supporting his reasons to believe is available, the A.O. would record his reasons in writing and send the person notice u/s 148. The assessing officer in this case cannot change his mind and go for re-investigation without a valid reason. In case the assessee has revealed all the documents and accurate information during the original assessment, the Assessing Officer cannot send a notice to the assessee for reassessing the same documents. Some of the evidences or new papers which show that the income has escaped assessment should come to the light. In case the original evidence or documents come to light representing that the individual has concealed income, then the AO could take action against such assessee under section 147 and 148.

128 NSOU • PGCO - V 4.5.2 Who can issue a notice under section 148 The Income Tax Act, 1961, Sec.151(1) contains the provisions for issue of notice:

**84%**      **MATCHING BLOCK 386/875**      **W**

After the end of four years from the end of relevant assessment year

no notice would be issued by an Assessing Officer under section 148, unless Principal Chief Commissioner or Principal Commissioner or Chief Commissioner or Commissioner is pleased, on reasons recorded by the AO, that it's a perfect case for issuing such notice. ●●●● Other than the above-mentioned cases in all other cases, no notice would be issued by an Assessing Officer under section 148, where AO is below the rank of a Joint Commissioner. Again, the notice wouldn't be issued unless Joint Commissioner is pleased, on explanations recorded by such AO, that it's a fit case for issuing such notice. ●●●● For the purposes of above (1) and (2), Principal Chief Commissioner or the Principal Commissioner or the Chief Commissioner or the Joint Commissioner the Commissioner, liable on the case, being pleased on reasons recorded by AO about the fitness of the case for issuing notice under section 148 of the Income Tax Act, need not issue the notice by himself.

4.5.3 Time limit to issue a notice u/s 148 ●●●● Section 149

**47%**      **MATCHING BLOCK 387/875**      **W**

of the Income Tax Act, states that the notice under section 148 can be issued within a period of 4 years from the end of

related AY (assessment year) in circumstance the income so evaded doesn't exceed INR 1 lac. ●●●● In case the revenue is more than INR one lac the notice under the said section could be issued within a period of 6 years from the end of related A.Y. subject to provisions comprised in section 151. ●●●● The notice under section 148 could be issued within a period of 16 years from the end of related A.Y. in situation the revenue that has run-away assessment narrates to assets located outside India. ●●●● Further, if the assessment has been done under section 143(3) or 147

**50%**      **MATCHING BLOCK 388/875**      **W**

no further action could be taken under section 147 after finishing of 4 years from the end of related A.Y. unless income chargeable to tax has run-away assessment for such

A.Y. due to letdown on assessee's part to file the return under section 139 or 142 or 148 or fully and truly revealing all the material facts essential for the assessment, for that AY.

NSOU • PGCO - V 129 4.6 Penalties and Prosecutions Under the Income Tax Act, there are provisions for levying penalty as well as prosecution for



**100% MATCHING BLOCK 390/875 SA** 304 Corporate Taxation.docx (D117962176)

default in complying with provisions of or with conditions prescribed under the Income- tax.

The quantum of levying penalty depends on the nature and gravity of default.

**100% MATCHING BLOCK 389/875 W**

Chapters XVII and XXI of Income-tax Act, 1961, contain various provisions empowering an Income Tax Authority to levy penalty in case of certain defaults under the

Act in the following cases where

**95% MATCHING BLOCK 391/875 SA** 304 Corporate Taxation.docx (D117962176)

the assessee: a) Is in default or is deemed to be in default in making payment of tax, including the tax deducted at source, advance tax and the self-assessment tax

with penalty of such an amount as Assessing Officer may impose but not exceeding tax in arrears [Section 221 read with Sec.201(1)]; b) Does not pay the advance tax in terms of section 208 of the Act with penalty

**71% MATCHING BLOCK 393/875 SA** 304 Corporate Taxation.docx (D117962176)

as directed by the tax authority [Section 273(1)]; c) Fails to comply with a notice issued under section 142(1) or 143(2) or fails to comply with the direction issued under section 142(2A) to get the accounts audited

with penalty fixed at Rs. 10,000 for each failure [Section 271(1)(b)]; d) Makes material

**62% MATCHING BLOCK 392/875 W**

concealment of particulars of income or furnishing of inaccurate particulars of income with penalty of 100 % to 300 % of the amount of tax sought to be evaded [

**79% MATCHING BLOCK 394/875 SA** 304 Corporate Taxation.docx (D117962176)

Section 271(1)(c); e) Does not maintain books of accounts and documents by persons carrying on profession or business as prescribed under section 44AA

with penalty of Rs. 25,000. [Section 271A];

**88% MATCHING BLOCK 396/875 SA** 304 Corporate Taxation.docx (D117962176)

f) Fails to get the accounts audited in prescribed circumstances or fails to obtain the prescribed audit report within prescribed time period of failure to furnish the audit report along with the return, as required under section 44AB with penalty

of one-half per cent of total sales, turnover or gross receipts,

etc., or Rs.1,50,000, whichever is less. [Section 271B]; g) Makes default to deduct tax at source with penalty of an amount equal to tax not deducted or paid. [Section 271C]; h) Fails to file the return of income as required under Section 239 (1) with penalty of

130 NSOU • PGCO - V Rs. 5,000 if return is furnished after due date specified under section 139(1). However, if the total income of the person does not exceed Rs. 5 lakhs then Rs. 1,000 shall be the late filing fees. [Section 271F]; i) Fails to attend or give evidence or produce books of accounts and documents in compliance with the requirements of summons under section 131(1) with penalty of Rs. 10,000 for each failure/default. [Section 272A(1)(c)]; j) Makes failure to comply with the provisions of section 139A dealing with the application for and allotment of Permanent Account Number with penalty of Rs.10,000 for each default. [Section 272A(1)(d)]; k) Makes failure for which penalty leviable is Rs. 10,000 for each default: i) to furnish in due time the return of income by charitable or religious institutions. [Section 272A(2)(e), ii) to deliver in due time a copy of declaration of non-deduction of tax at source u/s.197A. [Section 272A(2)(f)], iii) to furnish a certificate of tax deducted at source to the person on whose behalf tax has been deducted or collected as required by Section 203 or Section 206C. [Section 272A(2)(g), and iv) to deduct and pay tax from salary payable to an employee as directed by the Assessing Officer or the Tax Recovery Officer as required by Section 226(2). [Section 272A(2)(h)] 4.6.1 Prosecutions Under the Income Tax Act, 1961 an assessee shall be liable to be prosecuted in respect of the following offences committed by the assessee: a) For removal, parting with or otherwise dealing with

**95% MATCHING BLOCK 395/875**

**W**

books of accounts, documents, money, bullion, jewellery or other valuable article or

things put under restraint during the search with imprisonment up to 2 years [Section 275A]; b) For fraudulent removal, concealment, transfer or delivery of any property or any interest in the property with the intention to thwart recovery of tax with imprisonment up to 2 years [Section 276]; c) For failure on the part of a liquidator or receiver of a company to give notice of his

NSOU • PGCO - V 131 appointment to the Assessing Officer or failure to set apart amount notified by the Assessing Officer, or parting away of company's properties in contravention of income-tax provision with imprisonment from 6 months to 2 years [Section 276A]; d) For failure to enter into written agreement or failure to furnish the statement of immovable property intended to be transferred u/s.269UC, or failure to surrender or deliver the property u/s.269UE, purchased by the Appropriate Authority or doing or omitting to do anything u/s.269UL, which will have the effect of transfer of property without the permission of the Appropriate Authority (under the provisions of Chapter XX-C) with imprisonment from 6 months to 2 years [Section 276AB]; e) For non-compliance

**88% MATCHING BLOCK 397/875**

**W**

of depositing tax deducted at source to the credit of the Central Government

with imprisonment from 3 months to 7 years [Section 276B]; f) For failure to pay or deposit the tax collected at source with imprisonment from 3 months to 7 years [Section 276BB]; g) For undertaking wilful attempt to evade any tax, penalty or interest with imprisonment from 6 months to 7 years [Section 276C(1)]; h) For undertaking

**100% MATCHING BLOCK 398/875**

**W**

wilful attempt to evade the payment of any tax, penalty or interest

levied under Income Tax Act with imprisonment from 6 months to 7 years [Section 276C(2)]; i) For wilful failure to furnish in due time return of income with imprisonment from 6 months to 7 years [Section 276CC]; j) For non-compliance with the furnishing of return of income in Search Cases as required under section 158BC with imprisonment from 3 months to 3 years [Section 276CCC]; k) For wilful failure to produce accounts and documents as directed by issue of notice under section 142(1) with imprisonment up to 1 year [Section 276D]; l) For wilful failure to get the accounts audited as directed by the Assessing Officer under section 142(2A) with imprisonment up to 1 year [Section 276D]; m) For making of a statement in verification or delivery of an account or statement which  
132 NSOU • PGO - V is false and which the concerned person

**96% MATCHING BLOCK 399/875 SA** 304 Corporate Taxation.docx (D117962176)

knows or believes to be false or does not believe to be true

with imprisonment from 6 months to 7 years [Section 277]; n) For abetting or inducing another person to make and deliver an account or statement or declaration relating to any taxable income

**100% MATCHING BLOCK 400/875 SA** 304 Corporate Taxation.docx (D117962176)

which is false and which he either knows or believes to be false

with imprisonment from 6 months to 7 years [Section 278]. 4.7 Advance Tax Payment Advance Tax is a type of tax which is paid by an assessee in advance within the relevant previous year. Advance tax is payable on the basis of estimated current income of the assessee by specified instalments during the relevant previous year. Advance Tax Payment by an assessee is in addition to any tax deducted at source from the income of the assessee. This type of tax can be paid through challans at bank branches which are sanctioned by the Income tax department. Payment of advance Tax can be made online through the website of the Income Tax department or the National Securities Depository. Who is liable to pay Advance Tax? The eligibility criteria which one has to accomplish in order to pay advance tax are: a) Assessee's current tax liability exceeds Rs.10,000 during the relevant previous year; b) Every income earned by an assessee incl. capital gains, winning from lottery, cross- word puzzles etc. is liable for payment of advance tax. Senior citizens i.e., an assessee who is above the age of 60 years are exempted from paying advance tax. An assessee, who has opted for computing business income under section 44AD on presumptive basis, shall be exempted from payment of advance tax. 4.7.1 Advance Tax Payment Due Date (Installment) Due date for payment of Advance Tax for all assesses including from F. Y. 2016– 2017 corporate assesseees.

NSOU • PGO - V 133 However, the above mentioned schedule would not apply to those taxpayers who have opted for presumptive scheme of taxation under section 44 AD or 44ADA. Such tax payeees would be liable to pay advance tax by 15th march@ 100%. 4.7.2 Computation of Advance Tax Liability

**65% MATCHING BLOCK 401/875 SA** 304 Corporate Taxation.docx (D117962176)

The amount of advance tax payable by an assessee in the financial year will be calculated as follows: 1) Estimating the present income of the financial year for which the advance tax is payable. 2) Computation tax as such on estimated income at the rate of tax

applicable for the relevant financial year. 3) Adding surcharge, educational cess and secondary & higher education charge. 4) Allowing relief if any, u/s 89, 90, 90A and 91. 5) Deducting tax deducted at source and tax collected at source during the P.Y. 6) The balance will be the amount of advance tax to be paid. 4.7.3 Exemption in Advance Tax Payments Senior citizens aged 60 years and above are exempted from paying the advance tax. ●●●● Salaried persons falling under TDS net are released from paying the advance tax. However, any incomes such as interest, capital gains rent and other non- salary income will also attract advance tax.

**38% MATCHING BLOCK 403/875**

**SA** 304 Corporate Taxation.docx (D117962176)

Due Date of Payment Amount to be paid as Advance Tax Not less than 15% of the Advance Tax liability. Not less than 45% of the Advance Tax liability. Not less than 75% of the Advance Tax liability. 100%

of the Advance Tax Liability. On or before 15 June of the relevant P.Y. On or before 15 September of the relevant P.Y. On or before 15 December of the relevant P.Y. On or before 15 March of the relevant P.Y.

134 NSOU • PGCO - V ●●●●● If Tax Deducted at Source (TDS) deducted is more than the tax payable for the year, then one does not have to pay the advance tax. 4.7.4 Benefits of Paying Advance Tax ●●●●● Advance tax decreases the stress of taxpayers. As taxpayer is paying tax in advance, taxpayers do not have to concern about money shortage or tax payments at the last moment. ●●●●● It speeds up the tax collection procedure. ●●●●● It increases government funds as the government can earn an interest on the collected amount. ●●●●● It assists businesses in managing their funds well and delivers an idea of the income they have earned during the year. 4.7.5 Refund in Advance Tax Payment At the end of the year, if the Income Tax department discovers that the assessee has paid more tax than they should have paid, then it will refund the excess amount. Taxpayers can claim refund by filling and submitting Form 30. Assessee has to make the claim within a period of one year from the last year of the assessment year. 4.7.6 Examples of Advance Tax Payment 1) Bijoy is a freelancer earning income from the profession of interior decoration. For the FY 2020-21, Bijoy estimates his annual gross receipts at Rs 20,00,000. Bijoy estimates his expenses at Rs. 12,00,000/-. Bijoy has deposited Rs. 40,000/- in PPF account. Bijoy has also paid Rs. 25,000/- towards LIC premium. Further, Bijoy has paid Rs 12,000 towards medical insurance premium. The professional receipts of Bijoy are subject to TDS. TDS of Rs. 30,000/- has been deducted on certain professional receipts Bijoy for the FY 2020-21. Besides professional receipts, Bijoy estimates an interest of Rs. 10,000/- on fixed deposits held by him. Compute Bijoy's Advance Tax Liability

NSOU • PGCO - V 135 Solution. Calculation for advance tax liability of Bijoy Income Estimation for Advance Tax Amount Rs. 20,00,000 12,00,000

**41% MATCHING BLOCK 402/875**

**W**

Amount Rs. 8, 00, 000 10,000 8, 10, 000 77, 000 7, 33, 000 59,100 2,364 61,464 30,000 31,464 31,500 Income from Profession: Gross receipts Less: Expenses Income from Other Sources: Interest from fixed deposit Gross Total Income Less: Deduction under section 80C/80

D Contribution to PPF LIC premium Deduction under 80D for payment of medical insurance premium Total Income Tax on Total Income : up to Rs. 2,50,000 Nil up to Rs. 2,50,001- Rs. 5,00,000 @ 5% 12,500 on Balance Rs. 2,33,000 @ 20% 46,600 Add: Education cess @ 4% Less: TDS Tax Payable in Advance Rounded off 40,000 25,000 65, 000 12,000

136 NSOU • PGCO - V 2) The estimated gross salary of Shri Jagdish Chowdhury (aged 38 years) for the previous year 2020-2021 is Rs.5, 70, 000/-. In addition, he has certain incomes assessable under the head "Income from other sources" amounting Rs.62, 000/-. Mr. Jagdish will be entitled to deduction under section 80C amounting Rs.40, 000/-. Tax deduction at source during the year is Rs. 15, 000/-. State whether Mr. Basu is required to pay advance tax or not.

**55% MATCHING BLOCK 405/875**

**SA** Basics of taxation.docx (D126935931)

Solution: Computation of Total Income and Tax Payable by Shri Jagdish Chowdhury A. Income from Salary Gross Salary

Less: Deduction u/s 16(i) 5, 70, 000 50,000 5, 20, 000 62, 000 5, 82, 000 Particulars Amount Amount Rs. Rs. B.

**96% MATCHING BLOCK 404/875**

**W**

Income from other sources Gross total income Less: Deduction u/s 80C Total Income Tax (

including cess) on total income:

Less: Tax deductible at source 40,000 5,42,000 21,736 15,000 6,736 Tax Payable on next Rs. 2.5 lakh to 5 lakh @ 5% 12,500 on balance Rs. 42,000 @ 20% 8,400 20,900 Add: Edu. Cess @ 4% 836 on first Rs. 25,000 Nil Advance Tax Payable  
Advance Tax payable Amount Rs. Due Date

**78% MATCHING BLOCK 406/875**

**W**

On or Before 15th June, 2020 15% of Advance Tax 4,725 On or Before 15th September, 2020 30% of Advance Tax 9,450

On or Before 15th December, 2020 30% of Advance Tax 9,450

**76% MATCHING BLOCK 407/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

On or Before 15th March, 2021 25% of Advance Tax 7,825 Total of Advance Tax Payable - 31,500

NSOU • PGCO - V 137 Since tax payable by Mr. Jagdish for the previous year 2020-2021 after reducing the amount of tax deductible at source is not Rs.10,000/- or more, he is not liable to pay advance tax as per section 208. 3) The estimated incomes of Mr. X a resident individual (aged 52 years), for the year 2020-2021 are as follows: Particulars

**90% MATCHING BLOCK 408/875**

**SA**

Basics of taxation.docx (D126935931)

Income from House Property Income from Business Income from other Sources

Amount Rs. 42,500 5,45,000 25,500 Mr. X is entitled to deduction under section 80C and 80G amounting Rs.51,500/- and Rs.7,500/- respectively. Tax deductible at source during the year is Rs.7,330/-. Calculate the amount of advance tax payable by Mr. X. Solution: Calculation of advance tax payable by Mr. X Particulars A.

**60% MATCHING BLOCK 409/875**

**W**

Income from House Property B. Income from Business C. Income from Other Sources Gross total Income Less:  
Deduction under section 80C Deduction under section 80G

Total Income on first Rs. 25,000 Nil on next Rs. 2.5 lakh to 5 lakh @ 5% 12,500 on balance Rs. 54,000 @ 20% 10,800 23,300 Add: Education Cess @ 4% 932 Tax (including cess) on total income Less: Tax deductible at source Advance tax payable Rounded off Amount Rs. 51,500 7,500 Amount Rs. 42,500 5,45,000 25,500 6,13,000 59,000 5,54,000 24,232 7,330 16,902 16,900

138 NSOU • PGCO - V 4) Mr. Z has estimated the following income for the financial year 2020-21 a. Income from House property (Taxable) – Rs. 75,000/- b. Income from profession (Taxable) – Rs. 7,07,500/- c. Dividend from X Ltd – Rs. 10,000/-. Determine the instalments of Advance Tax payable during financial year 2020-21. Solution: Computation of Taxable income for the financial year 2020-21

**50% MATCHING BLOCK 410/875**

**W**

Income from HP (Taxable) 75,000 Income from profession (Taxable) 7,07,500 Income from other sources: Dividend from Indian company 10,000 Gross Total Income 7,92,500 Less: Deduction u/s 80 NIL Total Income 7,92,500

Calculation of Tax Payable : Tax on 7,92,500

Up to Rs. 2,50,000 - NIL Next Rs. 2,50,000 - 12,500 Balance Rs. 2,92,500 - 58,500 71,000 Add: 4% cess 2,840 Tax Payable 73,840 Amount Rs. Amount Rs. Particulars Advance Tax Payable Advance Tax payable Amount Rs. Due Date

**78% MATCHING BLOCK 411/875**

**W**

On or Before 15th June, 2020 15% of Advance Tax 2,535 On or Before 15th September, 2020 30% of Advance Tax 5,070

On or Before 15th December, 2020 30% of Advance Tax 5,070

**76% MATCHING BLOCK 415/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

On or Before 15th March, 2021 25% of Advance Tax 4,225 Total of Advance Tax Payable - 16,900

NSOU • PGC0 - V 139 Particulars Amount Rs. Business income taxable 4,80,000 STCG taxable 1,20,000 6,00,000  
GTI/NTI

**61% MATCHING BLOCK 412/875**

**W**

Tax on STCG 1,20,000 x 15% 18,000 Balance 4,80,000 x 30% 1,44,000 1,62,000 Add: Surcharge NIL 1,62,000 Add: 4%  
cess 6,480 1,68,480 Less: TDS 11,000 Advance tax payable 1,57,480 Advance Tax Payable Advance Tax

payable Amount Rs. Due Date

**78% MATCHING BLOCK 413/875**

**W**

On or Before 15th June, 2020 15% of Advance Tax 10,176 On or Before 15th September, 2020 30% of Advance Tax  
22,152

On or Before 15th December, 2020 30% of Advance Tax 22,152

**76% MATCHING BLOCK 418/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

On or Before 15th March, 2021 25% of Advance Tax 18,460 Total of Advance Tax Payable - 73,840 5)

Milk Co. Ltd., has an estimated taxable business income of Rs. 4,80,000/- and taxable STCG of Rs. 1,20,000/- on  
03-06-2020. Calculate advance tax if the TDS is deducted at Rs. 11,000/- for the financial year 2020-21. Solution:  
Computation of Taxable income for the financial year 2020-21

140 NSOU • PGC0 - V 4.8 Provision regarding TDS and TCS [Section 190]

**100% MATCHING BLOCK 414/875**

**W**

The concept of TDS was introduced with an aim to collect tax from the very source of income.

Under the Income Tax Act, it has become customary to deduct tax at source from income as when income is paid or  
credited to the receiver of income. In today's scenario, the collection of tax through TDS and TCS by Government of India  
amounts to a big share in the revenue of Indian Economy. The objective of charging tax deducted at source (TDS) and  
tax collection at source is to collect and recover tax from the source of income itself. Under the provisions of section  
190, where a person making

**68% MATCHING BLOCK 416/875**

**W**

payment of specified income to any other person, shall deduct tax at source and deposit the same into the accounts of the Central Government within the specified time. The person from whose income TDS is made would be entitled to get credit of the amount so deducted on the basis of Form 26 AS or TDS certificate issued by the

person making such deduction of tax at source along with mentioning the PAN of the deductee. Tax collection at source (TCS) is another mode of tax collection from the source of income by which a certain percent of specified transactions like sale of tobacco leaves, timber wood, minerals and mining materials, purchase of motor car of value exceeding Rs. 10 lakh etc. is deducted by the seller from the buyer of such products or things. The following are the cases where tax is deducted at source under various provisions of the Act : 4.8.1 Deduction of tax at source from salary [Section 192] Under Section 192, TDS is deducted at source at the time of actual payment of salary by the employer to his/her employees having income from salary more than the basic exemption limit under the Income Tax Act. This section is obligatory on every person responsible for paying any income chargeable to tax under the head 'Salaries' to deduct income-tax on the amount payable before transferring or crediting the amount of salary payable to the accounts of employees or before paying salary by way of any cheque or draft. Such income-tax has Advance Tax Payable Amount Rs. Due Date

**78% MATCHING BLOCK 417/875**

**W**

On or Before 15th June, 2020 15% of Advance Tax 10,176 On or Before 15th September, 2020 30% of Advance Tax 22,152

On or Before 15th December, 2020 30% of Advance Tax 22,152

**76% MATCHING BLOCK 419/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

On or Before 15th March, 2021 25% of Advance Tax 18,460 Total of Advance Tax Payable - 73,840

NSOU • PGCO - V 141

**85% MATCHING BLOCK 420/875**

**SA**

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to be calculated at the average rate of income-tax computed on the basis of the rates in force for the

relevant

**75% MATCHING BLOCK 421/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

financial year in which the payment is made, on the estimated total income of the

assessee. Therefore,

**63% MATCHING BLOCK 423/875**

**SA**

304 Corporate Taxation.docx (D117962176)

the liability to deduct tax at source in the case of salary arises only at the time of payment.

In respect of salary payments to employees of Government or to employees of companies, co-operative societies, local authorities, universities, institutions, associations or bodies, deduction of tax at source should be made after allowing relief under section 89(1), wherever eligible as per the income tax slab and the rates thereof applicable in the relevant financial year under the Finance Act. 4.8.2 TDS from Interest on securities [Section 193] Section 193 provides that where a person making payment to a resident any amount by way of interest on securities, such person shall be liable to deduct tax at source at the rates in force from the amount of interest payable. The rate at which tax is deductible under section 193 is 10%, both in the case of domestic companies and resident non-corporate assessees. Tax should be deducted

**98% MATCHING BLOCK 422/875**

**W**

at the time of credit of such income to the account of the payee at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier. 4.8.3

TDS from Dividend [Section 194] Owing to total withdrawing the provision for exemption under section 10(34) of the Act in respect of dividend income, any dividend income received by shareholders is now taxable in the hands of the recipient shareholders. The companies declaring and paying dividend are no more liable to pay dividend distribution tax from the assessment year 2021-22. However, the companies paying dividend are under obliged to deduct tax at source, if such dividend exceeds Rs. 5,000 per annum. The rate of deduction of tax is 10 per cent in this case. 4.8.4 TDS from Interest other than interest on securities [Section 194A] In terms of section 194A, the provision for TDS is applicable on interest other than 'interest on securities'. The provisions apply only to interest paid or credited to residents. In respect of payments to non-residents, the provisions are contained under section 195. The deduction of tax must be made

**58% MATCHING BLOCK 424/875**

**W**

at the time of crediting such interest to the payee or at the time of its payment in cash or by any other mode, whichever is earlier. The

deduction of tax at source is to

**71% MATCHING BLOCK 425/875**

**W**

be made in all cases where the amount of income by way of interest, or as the case may be, the aggregate of the amount of interest credited or paid or likely to be credited or paid during the financial year to the account of or to the payee

or any other person on his behalf is more than Rs. 5,000. The rate of tax deducted at source is 10 per cent in this case both for resident non-corporate assessee and domestic company.

142 NSOU • PGCO - V 4.8.5 TDS from Winnings from lotteries, puzzles and horse races [Section 194B and section 194BB] Where a person making any payment of income to another person, resident or non-resident, in the nature

**76% MATCHING BLOCK 426/875**

**W**

of winnings from lotteries, cross-word puzzles, card game and other game of any sort

is liable to deduct tax at source @ 30% if the income thereon exceeds Rs. 10,000 under section 194B. Similar provision is applicable in respect of any income arising on races including horse races whereby the person making such payment shall be liable to deduct tax at source at the rate of 30 per cent if the amount of exceeds Rs. 10,000 under section 194BB. 4.8.6 TDS from Payments to contractors and sub-contractors [Section 194 C] By virtue of section 194C, where a person making payment of any sum to any resident contractor and sub-contractor for carrying out any work or supplying labour in pursuance of a contract shall be liable to deduct tax at source at the prescribed rate when



**88% MATCHING BLOCK 427/875**

**W**

such payment credited or paid or is likely to be credited or paid

exceeds Rs. 30,000 or when the aggregate of such payment in a financial year exceeds Rs. 1,00,000. This is applicable in respect of any contract between a contractor and the Central Government, State Government, local authority, statutory corporation, co-operative society etc., as the case may be. Where any such payment is made by individuals, HUFs, AOPs, BOIs to a contractor, such individual shall be liable to deduct tax at source if the total sales or turnover exceeds Rs. 60 lakh or gross receipts exceed Rs. 15 lakh in the immediately preceding financial year. The prescribed rate for TDS is 1 per cent in case of advertising and 2 per cent in other cases. 4.8.7 TDS from Insurance commission [Section 194D] Where any person makes a payment to a resident by way of remuneration or reward in the form of income which is insurance commission or other remuneration in consideration for soliciting or procuring insurance business (including the business relating to the continuance, renewal or revival of policies of insurance), such person by virtue of section 194D is liable to deduct tax at source at the rate of 10%, both in the case of resident non-corporate assessee and domestic companies. The deduction is to be made

**70% MATCHING BLOCK 429/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

at the time of the credit of the income to the account of the payee or at the time of

making the payment (by whatever mode) to the payee, whichever is earlier. If

**74% MATCHING BLOCK 428/875**

**W**

the amount of such income or the aggregate of the amounts of such income credited or paid during the financial year to the account of the payee

exceeds Rs. 15,000, only then the provision for TDS shall apply. 4.8.8 TDS from Payments to non-resident sportsmen or sports association [Section 194E] The provision of section 194E shall be applicable in respect of any income payable to a NSOU • PGCO - V 143

**86% MATCHING BLOCK 430/875**

**W**

non-resident sportsman (including an athlete) who is not a citizen of India or a non-resident sports association

or institution. The deduction of tax at source

**96% MATCHING BLOCK 432/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

shall be at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.

In this case, the deduction of tax at source shall be @ 20 per cent of the amount paid. 4.8.9 TDS from Payments

**100% MATCHING BLOCK 431/875**

**W**

in respect of deposits under National Savings Scheme etc. [Section 194EE]

Where a person making payment from the National Savings Scheme Account under section 80CCA shall be liable to deduct tax at source @ 20 per cent at the time of payment. However, tax shall not be deducted at source if the amount of payment or the aggregate amount of payment is less than Rs. 2,500 in a financial year. This provision shall not be applicable where the payment is made to the heirs of the depositor. 4.8.10 TDS for Repurchase of units by Mutual Fund or Unit Trust of India [Section 194F] In terms of section 194F, a person making payment to another person on account of repurchase of units covered under section 80CCB(2) shall be liable to deduct tax at source at the rate of 20 per cent at the time of such payment. 4.8.11 TDS from Commission etc. on the sale of lottery tickets [Section 194G] By virtue of

**69% MATCHING BLOCK 433/875**

**W**

section 194G, a person making payment by way of commission, remuneration or prize or by whatever name called on lottery tickets

and the amount of such payment exceeds Rs. 15,000, the person making such payment shall be liable to deduct tax at source @ 10 per cent. 4.8.12 TDS from Commission or brokerage [Section 194H] The provisions of section 194H states that where any person (other than an individual or Hindu undivided family) who is making payment by way of commission or brokerage (not being insurance commission) to a resident shall be liable to deduct tax at source at the rate of 10 per cent if such payment exceeds Rs. 15,000 in a financial year. 4.8.13 TDS from Rent [Section 194I] In terms of section 194I, where a person (other than an individual or Hindu undivided family) who is making payment by way of rent to a resident shall be liable to deduct tax at source at the rate of 2 per cent where amount is paid in respect of rent for plant, machinery or equipment or at the rate of 10 per cent in case rent is paid for use of any land, building, factory building, land appurtenant to a building of furniture or fixtures if such payment credited or paid exceeds Rs. 1,80,000 in a financial year.

144 NSOU • PGCO - V 4.8.14 TDS from Fees for professional or technical services [Section 194J] Section 194J of the Act provides that any person (

**84% MATCHING BLOCK 434/875**

**W**

other than an individual or Hindu undivided family) who is not subject to

tax audit under section 44AB in the immediately preceding financial year and who is making payment to a resident any amount by way of fees for professional or technical services or royalty or non-compete fee referred to in section 28(va) shall be obliged to deduct tax at source at the rate of 10 per cent provided the amount of fees or the aggregate amount of fees credited or paid exceeds Rs. 30,000 in a financial year. 4.8.15 TDS from Interest payable to a non-resident or foreign company [Section 194LB] Where any person make payment for interest income to a non-resident or a foreign company in respect of infrastructure debt fund referred under section 10(47), such person by virtue of section 194LB shall be liable to be deduct tax at source @ 5%

**65% MATCHING BLOCK 435/875**

**W**

at the time of credit of such income to the account of the payee or at the making such payment either in cash or cheque or draft or by any other mode. 4.9 Refund of Tax Section 237 of the Income Tax

Act, 1961 provides that any excess amount of tax paid by an assessee under the Act shall be refunded to the assessee. Where any person or assessee satisfies the assessing officer that the amount of the tax paid by him or paid by any person on his behalf during any previous assessment year exceeds the amount with which he is properly chargeable under the Act for that year, he is entitled to refund of excess amount of tax paid. It is right of every assessee to demand refund of excess tax paid by him. The tax authority after being satisfied with the facts and circumstances of the demand claimed by the assessee, shall issue order for the refund of excess tax paid by the assessee. Where the taxpayer has to make a claim of income-tax refund, then the claim should be made in Form No. 30. However, w.e.f., 01-09-2019, the Finance (No. 2) Act, 2019, it has amended whereby the refund can be claimed only through filing of return of income within the time limit prescribed under Section 139. However, as per section 240, in a case where the income-tax refund becomes due as a result of any order passed in an appeal or other proceeding under the Act, the Assessing Officer shall, except as otherwise provided in the Act, refund the amount to the taxpayer without making any claim in this behalf by the assessee.

4.9.1 Interest on Tax Refund Where any refund of tax is payable to an assessee, the assessee is entitled to receive interest along with the refund of tax as per the following provisions :

NSOU • PGCO - V 145 a) When refund is of any advance tax paid or tax deducted at source or tax collection at source, the interest is payable

**63%**      **MATCHING BLOCK 436/875**      **W**

at the rate of one-half percent per month or part of month from 1st April of the

relevant assessment year to the date of grant of refund if the return of income is furnished as specified under section 139(1) otherwise interest shall be allowed

**80%**      **MATCHING BLOCK 437/875**      **W**

from the date of furnishing of return of income to the date on which the refund is granted.

b) When refund is of tax other than advance tax paid or tax deducted at source or tax collection at source, the interest is payable

**78%**      **MATCHING BLOCK 438/875**      **W**

at the rate of one-half percent per month or part of month of furnishing of return of income or payment of tax, whichever is later, to the date on which the refund is granted. c) However, no interest

is payable if the excess payment is less than 10% of the tax determined on regular assessment or under section 143(1). 4.10 Interest Payable Under the Income Tax Act, an assessee shall be liable to pay interest for failure to comply with the provisions of the Act in various cases like non-submission of return of income, failure to deduct or collect and pay tax etc. In such situations, the defaulting assessee shall be obliged to pay interest as per provisions of sections 234A, 234B, 234C, 234D, 201(1A), 220(2) etc. 4.10.1

**100%**      **MATCHING BLOCK 439/875**      **W**

Interest for default in furnishing return of income [Section 234A]

Where an assessee fails to submit his/her return of income or submits return after the due date as provided under section 139(1) of the Act, the assessee shall be liable to pay interest under section 234A as follows: a) Simple interest will be charged

**57% MATCHING BLOCK 440/875**

**W**

at 1 per cent per month or part of month for the period commencing on the date immediately following the

due date of submission of

**91% MATCHING BLOCK 441/875**

**W**

return and ending on the date of : i) furnishing the return (where return

has been filed after due date by the assessee); ii) completion of assessment under section 144 (where no return has been filed by the assessee). b) Interest will be calculated on the amount of tax on total income computed after deducting amount of advance tax paid, tax deducted or collected at source, tax relief, tax credit of MAT (but not self-assessment tax). c) However, no interest would be payable where self-assessment tax has been paid in full by the assessee prior to the date of filing of return of income even if the return has been submitted after the due date of filing of such return in terms of section 139(1).

146 NSOU • PGCO - V Example: Mr. Z submitted his return of income for the assessment year 2020-21 on October 18, 2020 declaring his income at Rs. 8,80,000. The Assessing Officer completed his assessment on November 12, 2020 with an assessed income of Rs.7,56,000. Mr. Z paid advance tax of Rs. 36,000 during the previous year 2019-20 and he also paid the self-assessment tax in full for the said previous year before submitting his return on October 18, 2020. During the previous year 2019-20, tax deducted at source of Mr. Z was Rs. 15,000. Compute the amount of interest payable by Mr. Z under section 234A. Solution: Computation of interest payable by Mr. Z under section 234A for the Assessment Year 2020-21 (Previous Year 2019-20) Period of default for submission of return = Date on which return actually filed – Due date for filing of return = 3 months i.e., [October 18, 2020 – July 31, 2020] Assessed income by AO = Rs. 7,56,000 Tax liability on assessed income including education cess @ 4% = Rs. 66,248 Shortfall in payment of tax = Rs. (66,248 – 36,000 – 15,000) = Rs. 15,248. Interest payable by Mr. Z under section 234A = Rs. 15,248 × 1% × 3 = Rs. 457 4.10.2 Interest for default in payment

**72% MATCHING BLOCK 442/875**

**W**

of advance tax [Section 234B] If an assessee who is liable to pay advance tax, fails to pay such tax,

he shall be obliged

**75% MATCHING BLOCK 443/875**

**W**

to pay interest at the rate of 1% (simple interest) for every month or part

thereof from 1 st April of the assessment

**82% MATCHING BLOCK 444/875**

**W**

year to the date of determination of income under section 143(1) and where a regular assessment has been made to the date of such assessment.

However, if the assessee has paid advance tax partly and has paid

**88% MATCHING BLOCK 445/875**

**W**

less than 90 % of the assessed tax, he shall be chargeable to pay interest

at the rate of 1% (simple interest) for every month or part thereof from 1 st April of the assessment

**82% MATCHING BLOCK 446/875**

**W**

year to the date of determination of income under section 143(1) and where a regular assessment has been made to the date of such assessment.

Example: The final assessment of Mr. Sunil (aged 48 years) was passed by the A.O. for the A.Y. 2020-21 on November 22, 2020 at Rs. 9,25,000. Tax deducted at source of Mr. Sunil for the previous year 2019-20 was Rs. 31,000. Mr. Sunil also paid advance tax in the P.Y. 2019-20 as follows :

NSOU • PGCO - V 147 a) On Sept. 15, 2019 — Rs. 15,300 b) On Dec. 15, 2019 — Rs. 14,700 c) On March 15, 2020 — Rs. 11,100 d) On March 16, 2020 — Rs. 17,220 Compute the interest liability of Mr. Sunil under section 234B. Solution: Computation of interest payable by Mr. Sunil under section 234B Particulars Amount Rs. Assessed Income 9, 25, 000 Tax on Rs. 9, 25, 000 incl. edu. cess @ 4% 1,01,400 Less: Tax deduction at source 31,000 Assessed Tax 70,400 90% of assessed tax i.e. Rs.70, 400 x 90% 63,360 Less: Advance tax paid i.e. Rs. (15, 300 + 14, 700 + 11, 100 + 17, 220) 58,320 Shortfall in advance payment tax 5,040 Since the advance tax paid during the P.Y. 2019-20 is less than 90% of the assessed tax, Mr. Sunil is liable to pay interest under section 234B on the shortfall of Rs. 5,000 (rounded off) for 8 months [1.4.2020 to 22.11.2020] @1% per month. Thus, interest obligation of Mr. Sunil under section 234B = Rs. 5,000 × 1% × 8] 400 4.10.3 Interest for deferment of advance tax [Section 234C] Under section 234C of the Act, an assessee shall be liable to pay interest if he has not paid advance tax or has underestimated instalments of advance tax. In the case of non-corporate assessee a) If the amount of

**87% MATCHING BLOCK 447/875**

**W**

advance tax paid on or before 15 th September is less than 30 % of

the net tax payable, simple interest of 1% per month for three months on 30 %

**52% MATCHING BLOCK 449/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

of net tax payable less amount of advance tax paid on or before 15 th September of the relevant previous year shall be payable as

interest; 148 NSOU • PGCO - V b) If the amount of

**87% MATCHING BLOCK 448/875**

**W**

advance tax paid on or before 15 th December is less than 60 % of

the net tax payable, simple interest of 1% per month for three months on 60 %

**52%**

**MATCHING BLOCK 451/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

of net tax payable less amount of advance tax paid on or before 15 th December of the relevant previous year shall be payable as

interest; c) If the amount of

**88%**

**MATCHING BLOCK 450/875**

**W**

advance tax paid on or before 15 th March is less than 100 % of the

net tax payable, simple interest of 1% on 100 %

**58%**

**MATCHING BLOCK 453/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

of net tax payable less amount of advance tax paid on or before 15 th March of the relevant previous year shall be payable as

interest. In the case of corporate assesseees a)

**88%**

**MATCHING BLOCK 452/875**

**W**

If advance tax paid on or before 15 th June is less than 12 % of

the

net tax payable, simple interest of 1% per month for three months on 15 %

**48%**

**MATCHING BLOCK 454/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

of net tax payable less amount of advance tax paid on or before 15 th June of the relevant previous year shall be payable; b) If advance tax paid

on or before 15 th September is less than 36 % of

the

net tax payable, simple interest of 1% per month for three months on 45 %

**48%**

**MATCHING BLOCK 455/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

of net tax payable less amount of advance tax paid on or before 15 th September of the relevant previous year shall be payable; c) If advance tax paid

on or before 15 th December is less than 75 % of

the

net tax payable, simple interest of 1% per month for three months on 75 %

**48%**

**MATCHING BLOCK 456/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

of net tax payable less amount of advance tax paid on or before 15 th December of the relevant previous year shall be payable; d) If advance tax paid

on or before 15 th March is less than 100 % of the net tax payable, simple interest of 1% on 100 %

**61% MATCHING BLOCK 457/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

of net tax payable less amount of advance tax paid on or before 15 th March of the relevant previous year shall be

payable. 4.10.4 Interest on excess refund [Section 234D] If an assessee is granted excess refund of tax under the Act, the assessee shall be liable to interest on excess refund under section 234D in the following circumstances : a) Where an assessee is granted a refund under section 143(1) but in fact he is not to get such refund under regular assessment; b) Where an assessee is granted a refund under section 143(1) and the refund so granted exceeds the amount refundable on regular assessment. The assessee, in such cases, shall be liable to pay interest at the rate of one-half percent per month or part thereof from the date of grant of refund to the date of regular assessment on NSOU • PGCO - V 149 the amount actually refunded in situation (a) above and on the excess of amount refunded over the amount refundable on regular assessment in situation (b). 4.10.5 Interest for failure to deduct or collect and pay tax at source [Section 201(1A)] Where a person who is responsible for deducting or collecting tax at source does not deduct or collect tax at source, either wholly or partly, or even after collecting and deducting tax, fails to pay the same as required under the Act, the person shall be liable to pay interest mandatorily as follows :

**67% MATCHING BLOCK 459/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

a) at the rate of 1 percent from the date on which tax was deductible to the date

when tax was actually collected or deducted; b) at the rate of 1.5 percent from the date on which tax was collected or deducted to the date when it was actually paid; Example: ABC Ltd. paid Rs. 50,000 to Mr. Yadav on 1.9.2020 towards royalty without tax deducted at source. Subsequently, another payment of Rs. 40,000 on account of royalty income was made by ABC Ltd. to Mr. Yadav on 28.2.2021 and total TDS of Rs. 9,000 being 10 per cent of total royalty payment was made by ABC Ltd. However, ABC Ltd. deposited the TDS only on 18.5. 2021. Compute the interest payable by ABC Ltd. under section 201(1A). Solution: Delay in deduction of tax at source = 6 months (from 1.9.2020 to 28.2.21) Delay in deposit of tax at source = 3 months (from 28.2.2021 to 18.5.21) Thus, interest chargeable under section 201(1A) is computed as follows: 1 per cent on Rs. 5,000 for 6 months = Rs. 300 1.5 per cent on Rs. 9,000 for 3 months = Rs. 270 Total interest payable by ABC Ltd. under section 201(1A) = Rs. 570 4.10.6 Interest for making late payment of income tax [Section 220(2)] Where an assessee fails to pay any tax (other than advance tax) in response to a notice of demand

**90% MATCHING BLOCK 458/875**

**W**

within 30 days of the service of notice of demand, the assessee

concerned shall be liable

**52% MATCHING BLOCK 460/875**

**W**

to pay interest at the rate of 1% for every month or part thereof from the expiry of 30 days of the service of

notice of demand.

150 NSOU • PGCO - V 4.11 Appeals and Revision As per provisions of the Income Tax Act, where an assessee becomes aggrieved by the order of the taxation authority, he has the right of appeal before the appropriate authority. There are four stages of appeal under the Income Tax Act as follows: 4.11.1 Appeal to the Commissioner (Appeals) On being aggrieved, an assessee may appeal to the Commissioner (Appeals) for justice. Under

**63% MATCHING BLOCK 461/875**

**W**

section 248, where under an agreement or other arrangement, the tax deductible on any income, other than trust, in terms of section 195 is to be borne by the person by whom the income is payable,

**97% MATCHING BLOCK 462/875**

**W**

and such person having paid tax to the credit of the Central Government, claims that no tax

is

**100% MATCHING BLOCK 463/875**

**W**

to be deducted on such income, he may appeal to the Commissioner (Appeals) for a declaration that no tax was deductible on such income.

An appeal to the Commissioner (Appeals) against any order which is appealable is to be presented within 30 days from the date specified. 4.11.2 Procedure in Appeal [Section 250] For the purposes of an appeal, the

**77% MATCHING BLOCK 464/875**

**W**

Commissioner (Appeals) shall fix a day and place for the hearing of the appeal and shall give notice of the same to the assessee and the Assessing Officer against whose order the appeal is made. Both the assessee and the Assessing Officer have the right to be heard at the hearing of the appeal either in person or by an authorised representative. The

Commissioner (Appeals), before passing an order on an

**48% MATCHING BLOCK 466/875**

**SA**

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appeal, may make such further enquiries as he thinks fit or direct the Assessing Officer to make further enquiries and to send the same to him. He may also allow the appellant to go into any grounds of appeal

not specified  
previously by the appellant

**100% MATCHING BLOCK 465/875**

**W**

if he is satisfied that the omission of that ground

was wilful or unreasonable.

**85% MATCHING BLOCK 467/875**

**W**

The order of the Commissioner (Appeals) disposing of the appeal shall be in writing and shall state the points for determination, the decision thereon and the reasons for the decision. On disposal of the appeal

the Commissioner (Appeals) must communicate the order passed by him to the assessee as well as the Commissioner. 4.11.3 Appeal to



**80% MATCHING BLOCK 468/875**

**W**

the Appellate Tribunal The Central Government shall constitute an Appellate Tribunal of judicial and accountant members to exercise the powers and discharge the conferred on the Tribunal by the Act.

An assessee can appeal to the Appellate Tribunal so formed for this purpose. Every appeal to the Appellate Tribunal has to be made from

**97% MATCHING BLOCK 469/875**

**W**

the date on which the order sought to be appealed against is communicated to the assessee or the Commissioner, as the case may be.

NSOU • PGCO - V 151 4.11.4 Appeal to the High Court Section 260A provides that a direct appeal may be made to the High Court against the orders of the Appellate Tribunal. The appeal

**83% MATCHING BLOCK 470/875**

**W**

shall be in the form of a memorandum of appeal, precisely stating

in it the substantial question of law involved. The

**85% MATCHING BLOCK 471/875**

**W**

appeal to the High court shall be made within 120 days from the date on which the order appealed against is received by the assessee, or the Chief Commissioner or Commissioner. 4.11.5

**78% MATCHING BLOCK 473/875**

**SA**

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Appeal to the Supreme Court Under section 261, an appeal shall lie to the Supreme Court from any

judgement of the High Court delivered before the establishment of the National Tax Tribunal (NTT), in a case where

**73% MATCHING BLOCK 472/875**

**W**

the High Court certifies to be a fit one for appeal to the Supreme Court. The provisions of the Code of Civil Procedure, 1908 in regard to appeal shall apply in the case of appeals

to the Supreme Court in the same manner as in the case of appeals from decrees from a High Court. 4.11.6  
Revision of Orders

**85% MATCHING BLOCK 480/875**

**SA**

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prejudicial to the revenue [Section 263] The Commissioner may call for and examine the record of any proceeding

under the

**98% MATCHING BLOCK 474/875**

**W**

Act. If he considers that any order passed by the Assessing Officer is erroneous in so far as it is prejudicial to the interests of the revenue, he may, after giving the assessee an opportunity of being heard and after making or causing to be made such inquiry as

may be necessary, pass a suitable order. The Commissioner can enhance, modify or cancel an assessment and can also direct that a fresh assessment should be made. Where any order referred to in section 263(1) passed by the Assessing Officer had

**80% MATCHING BLOCK 475/875**

**W**

been the subject-matter of any appeal, the powers of the Commissioner under section 263(1) shall extend and shall be deemed always to have extended to such matters as had not considered and decided in such appeal. No order shall be made after the expiry of 2 years from the end of the financial year in the order sought to be revised was passed. 4.11.7

Revision of other orders [Section 264] In the case of any other order (not being an order

**43% MATCHING BLOCK 476/875**

**W**

prejudicial to the Revenue) passed by any subordinate authority including the Deputy Commissioner (Appeals), the Commissioner may either on his own motion or on

receipt of an application from the assessee, call for the record of any proceedings under the Act in the course of which the order was passed. After making such enquiries as may be necessary the Commissioner may such order as he thinks fit. The Commissioner is not empowered to revise any order on his own motion if a period of more than one year has expired

**90% MATCHING BLOCK 477/875**

**W**

from the date of the order sought to revised. Under section 264, the

Commissioner of Income tax is empowered to revise an order passed by the subordinate authority where no appeal has been filed. For filing an application, 152 NSOU • PGO - V the time limit is one year.

**78% MATCHING BLOCK 478/875**

**W**

It is obligatory on the part of the Commissioner to pass an order within a period of one year from the end of

the financial year in which such application is made by the assessee for revision. 4.12 Settlement of Cases For the purposes of settlement of income-tax cases waiting for justice, the Settlement Commission was constituted in 1976 under section 245 B of Income-tax Act, 1961 (Chapter XIX-A) to expedite the process of mitigating tax disputes and litigations and to settle up the pending cases. The Commission has its Principal Bench at New Delhi and three Additional Benches at Chennai, Kolkata and Mumbai. The Settlement Commission consists of one Chairman and two Members in the Principal Bench in New Delhi and one Vice Chairman and two Members in each of the three Additional Benches. An assessee

**84% MATCHING BLOCK 479/875**

**W**

may make an application to the Settlement Commission to have the case settled, in such form

and in such manner as may be prescribed,  
on  
containing

**75% MATCHING BLOCK 481/875**

**W**

a full and true disclosure of his incomewhich has not been disclosed before the Assessing Officer

and the manner in which such incomehas been derived. The additional tax and interest thereon under section 234B and 234C have to be paid on or before the date of making the application and the proof of such payment is to be attached with the application. In terms of section 245C, an assessee may, at any stage of a case relating to him, make an application in the prescribed form and manner, containing

**77% MATCHING BLOCK 482/875**

**W**

a full and true disclosure of his income which has not been disclosed before the Assessing Officer. The form in which such

application is to be prescribed in 34-B which is notified under the Income-Tax Rules, 1962. The assessee should also disclose the following to the Settlement Commission for favouring the settlement of his case : a) The manner in which such income has been actually derived by the assessee; b) The additional amount of income-tax payable on such income; c) Such other relevant particulars as may be prescribed to assist the Commission to make settlement of the case. After receiving the application from the assessee for settlement purposes, the Commission shall call for report of the Commissioner of Income Tax under section 245D (2B). Where the report of the Commissionerof Income Tax is not received within the period of 30 days  
NSOU • PGCO - V 153 from the date of receipt of letter from the Commission, the Settlement Commission shall pass an order on the basis of its satisfaction on the litigation within 15 days of the expiry of the period of 30 days given to the Commissionerof Income Tax for submitting the report.The order passed by the Settlement Commission is conclusive as to the matters stated therein and no appeal lies to any authority against the order passed by the Settlement Commission.  
4.12.1 Objectives of the Income Tax Settlement Commission The following are the objectives of Tax Settlement Commission: a) To set up a quasi-judiciary machinery for giving opportunity to the defaulting taxpayers to achieve a clean status through compromise and settlement; b) To provide speedy settlement of pending disputes; c) To mitigate litigation by way of providing conclusiveness of proceedings; d) To resolve controversies in complicated cases; e) To ensure prompt collection of tax revenues at low cost of collection. 4.12.2 Powers of Settlement Commission The following are the powers of Settlement Commission: The Settlement Commission has all the powers of Income Tax authorities in respect of proceedings pending before it. It has the authority to reopen completed proceedings under section 245E of the Income Tax Act, 1961. It has unique jurisdiction to rectify any error committed by it when such error is prejudicial to a party for which that party is not responsible. However, it does not have the power to review its own order if the matter raised by the applicant has been properly considered and a decision has been taken thereon. It has the power to grant immunity from prosecution and penalty under the Income Tax Act,under the Indian Penal Code or any other Central Act. The Settlement Commission has the power to order provisional attachment to protect the interest of revenue. It may refer back a case to the concerned Assessing Officer where the assessee does not cooperate with the Commission. The Commission may waive interest permitted under the provisions of the Income Tax Act and Rules and the circulars issued thereunder. The Settlement Commission may also prohibit subsequent applications for settlement in certain cases, if so required.

154 NSOU • PGCO - V 4.13 Summary After studying this unit we would understand the concepts of voluntary. Return [Sec. 139(1)], Return of loss [Sec. 139(3)], Belated Return [Sec. 139(4)]. Revised Return [Sec. 139(5)], Defective Return [Sec. 139(4)], Tax Return of Charitable Trust and Political Party, Assessment Procedure Reassessment, Issue of Notice u/s 148, Time limit to issue Notice u/s 148, Penalties and Prosecution,

**76%      MATCHING BLOCK 483/875****W**

Advance Payment of Tax, Instalment and due dates for payment of advance tax,

provisions regarding Tax Deducted of Source, Refund of Tax, Interest, Appeals and Revisions under the I.T.Act, Settlement of Cases. 4.14 Questions A. Multiple Choice Questions (MCQ) 1. Advance Tax is being paid by a person other than senior citizen whose estimated total payable tax (liability) is Rs 10000 or more for the coming year. Among the following sections which is applicable, for those persons who are going to pay the tax in form of "advance tax" a) 205 b) 208 c) 215 d) None of these 2. Advance Tax has been paid in 4 installments, identify and mention which out of the four dates mentioned below in which all taxpayers (other than those eligible assessee, who are being referred in section 44AD or section 44ADA) are required to pay up to 45% of advance tax by the date of a) 15 th June b) 30 th June c) 15 th September d) None of these 3. The order of the Assessing Officer under section 210(3) requiring the taxpayer to pay advance tax on his current year's income may be passed during the financial year, but not later than- a) 15 th March b) Last day of January c) Last day of February d) None of these 4. Any person who is actually not having any income from business or profession is actually not liable to pay advance tax is being described in section 207 of Income Tax Act 1961 NSOU • PGCO - V 155 a) An individual resident having the age of below 60 years b) A resident HUF c) A non-resident individual d) A resident senior citizen (i.e., an individual of the age of 60 years or above) 5. As per section 208, every assessee has to pay advance tax whose estimated tax liability for the year exceeds ... and this tax has to be paid as per section 208. a) Rs. 5, 000/- b) Rs. 10, 000/- c) Rs. 15, 000/- d) None of these 6. An assessee who is not having any income under the head of Profit and Gains of Business and Profession and a person who is a resident individual and who is at the age of 60 years and above ... can claim exemption under section 207. a) On the first day of the financial year b) On the last day of financial year c) At any time during the year d) None of these 7. On receipt of the notice from the Assessing Officer to pay advance tax, if the taxpayer's estimate is lower than the estimate of the Assessing Officer, then he has to send intimation in Form No. to the Assessing Officer. a) 28A b) 34C c) 34D d) None of these 8. Which of the followings is/are not included in the taxable income? a) Income from smuggling activity b) Casual income c) Gifts of personal nature subject to a maximum of Rs. 50,000/- received in cash d) None of these 9. Akash Sharma received rent by sub-letting a building, who is engaged in the trading of fertilizer This will be taxable under the head- a) Income from house property b) Income from capital gains c) Income from profits and gains of business and profession d) Income from other sources 10. What is the maximum amount of deduction for family pension? a) Rs. 20, 000/- b) Rs. 15, 000/- c) Rs. 25, 000/- d) None of these B. Short Answer Type Questions 1. What is Summary Assessment? 2. Describe the term "Best Judgement Assessment". 3. Discuss the provisions of section 210 for payment of advance tax under different situations. 4. Describe the different types of assessment which has been allowed under the Income-tax Act. 5. There are different types of return submitted by different types of assesses, define the different due dates for filing of return of income for various kinds of assesses C. Broad Answer Type Questions 1. There are different aspects of advance payment of tax, briefly discuss the provisions in details. 2. What do you mean by the section 139(4)? 3. What do you mean by the term "Belated Return"? 4. Mr. Akash has a taxable total income estimated to be Rs.5,50,000/-. Compute the advance tax instalments if his TDS is Rs.5,000/-. Ans. Rs.18, 175/-. 5. The estimated taxable business income of Z Ltd for the financial year 2020-21 is Rs.6,00,000/- and taxable LTCG on 03-06-2020 is Rs.3,00,000/-. Compute the advance tax instalment assuming assessed TDS to be Rs.15,000/-. Ans. Rs.2, 32, 200/-. Answer Key (A) 1(b) 2(c) 3(c) 4(d) 5(b) 6(c) 7(a) 8(c) 9(d) 10(b).

Module - II Indirect Taxation

158 158

Unit - 5 GST in India : Levy and Collection Structure 5.0 Objectives 5.1 Introduction 5.2 Genesis of GST in India 5.3 Constitutional Amendment for GST 5.4 Legislative Framework 5.5 Structure of GST 5.6 Benefits of GST 5.7 Extent of CGST Act/ SGST Act/ UTGST Act/ IGST Act 5.8 Applicability of GST in India 5.9 Levy and collection 5.9.1 Levy and collection as per CGST Act, 2017 5.9.2 Levy and collection as per IGST Act, 2017 5.10 GST on Alcohol for human consumption 5.11 GST on Petroleum 5.12 Liability to pay CGST 5.13 Summary 5.14 Questions

The study of this unit, will help us to understand—

- Concept of GST and its genesis
- Constitutional amendment and legislative framework of GST
- Structure and benefits of GST
- Applicability of GST in India
- Levy and Collection of GST
- Liability to pay CGST

5.1 Introduction  
Goods and Services Tax (

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GST) has been identified as one of the most important tax reforms in post independence.

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GST is a path breaking indirect tax reform which will create a common national market by removing inter-state trade barriers. GST has subsumed ( absorbed or include) multiple indirect taxes imposed by central and state governments. Power to levy any tax is derived from the Constitution of India. As per

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article 265 of The Constitution of India no tax shall be imposed or collected except by the authority of any Law. The charging section is the must in any Taxing Law for levy( impose) and collection (payment) of taxes. The very basic for the charge of tax in any taxing statute is taxable event, i.e. the point of time when tax will be imposed. Under pre GST regime, each indirect taxes has separate taxable event (such as manufacture in case of Excise Duty, provision of services in case of Service Tax, sale of goods in case of VAT/ CST, etc.) Under the GST regime,

**95% MATCHING BLOCK 486/875 W**

the taxable event is supply of goods or services or both.

The scope of supply has been discussed in detail in unit-6. GST subsumed the following : Central taxes State taxes Central excise duty Sate VAT Additional excise duty Entertainment tax Service tax Entry tax Surcharge and cess Luxury tax Central sales tax Purchase tax GST was first introduced in France

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in the year 1954. Within 62 years of its introduction about 160 countries across the world have adopted GST.

Generally GST is popular for single model but Canada and Brazil also have dual model

**45% MATCHING BLOCK 489/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

of GST. India has adopted a dual GST which will be imposed concurrently by centre and states. 5.2 Genesis of GST in India 2004

The idea of GST was emerged in India from the recommendation of

**90% MATCHING BLOCK 490/875 SA** 17218 JO.docx (D42922526)

Kelkar Task Force. 2007 Union Finance Minister, Shri P. Chidambaram, while presenting the central budget (2007-08) announced the

GST for introduction in India. 2014 NDA government tabled

**84% MATCHING BLOCK 491/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

the Constitution (122 nd Amendment) Bill 2016 It got assent of the president on 8th September, 2016 and became Constitution (101 st amendment) Act, 2016, which paved the way for

the introduction of GST in India. 2017 (March)

**100% MATCHING BLOCK 492/875 SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

Central Goods and Services Tax Bill, 2017, Integrated Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were

NSOU • PGCO - V 161 introduced and passed in Lok Sabha and on receipt of President assent on 12 th April, 2017 became enacted. Subsequently State GST laws had been enacted by respective State Government. 2017 (July) w.e.f 1 st July 2017, GST was implemented across India. 5.3 Constitutional Amendment for GST Constitution (101 st amendment) Act, 2016 was enacted on 8.09.2016 for the following significant amendments. (a) Concurrent (simultaneously) power on Parliament and State legislatures to make laws for imposing taxes on goods and services. (b) GST will be

**78% MATCHING BLOCK 493/875 W**

levied on all supply of goods and services except alcoholic liquor for human consumption. (

c)

**100% MATCHING BLOCK 494/875 W**

Parliament has exclusive power to make laws with respect to goods and services tax

of inter-state ( from one state to another state) supply. (d) Parliament shall decide

**75% MATCHING BLOCK 495/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

principles for determining the place of supply and when supply takes place in course of inter-State trade

and commerce. (e) The explanation to Article 269A of Constitution of India provides that the import of goods and services will be deemed as a supply takes place in course of inter- State trade and commerce. (f) For the following items Central Excise duty will be imposed on their production and respective States will impose Sales tax the on their sales. i)

<b>70%</b>	<b>MATCHING BLOCK 496/875</b>	<b>SA</b>	ruchita (sip).docx (D144016675)
Petroleum crude ii) High speed diesel iii) Motor spirit (commonly known as petrol) iv) Natural gas v) Aviation turbine fuel			

vi) Tobacco and tobacco products (g) Article 279A of the Constitution of India empowers the president of India to constitute Goods and Service tax Council (GST Council) under the chairmanship of the Union Finance Minister to recommend about (Article 279A): i) the GST rate ii) Valuation and other fundamental rules iii) Exemption iv) Future changes v) Return vi) Registration

162 NSOU • PGCO - V 5.4 Legislative Framework There are total 35 GST Acts in India: 1- The Central Goods and Service Tax Act, 2017 for imposing CGST on intra-State

<b>52%</b>	<b>MATCHING BLOCK 497/875</b>	<b>SA</b>	PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF CO ... (D161889559)
supply of goods and services. 31- State Goods and Service Tax Act, 2017 for imposing SGST by respective state on intra-State supply			

of goods and services. 1 – The

<b>45%</b>	<b>MATCHING BLOCK 500/875</b>	<b>SA</b>	CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)
Union Territory Goods and Services Tax Act, 2017 for levying UTGST in 5 union Territories without State Legislatures on intra-Territory supply of goods and services. (			

<b>100%</b>	<b>MATCHING BLOCK 498/875</b>	<b>W</b>	
Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh) 1 –			

The Integrated

<b>66%</b>	<b>MATCHING BLOCK 499/875</b>	<b>W</b>	
Goods and Service Tax Act, 2017 for levying IGST and 1 – The Goods and services Tax (Compensation to states) Act, 2017			

for levying GST Compensation Cess. 5.5

<b>83%</b>	<b>MATCHING BLOCK 501/875</b>	<b>SA</b>	Basics of taxation.docx (D126935931)
Structure of GST 1. GST is levied on supply of goods and services			

across India (including Jammu

**64% MATCHING BLOCK 502/875**

**SA** ruchita (sip).edited (1) (1) (1).pdf (D144345467)

and Kashmir). It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Under GST credit of taxes paid at

previous stages is available as set-off from the output tax. 2. GST is destination based consumption tax. Benefit of tax (STCG/ UTGST) will accrue to the consuming state. 3. Centre and states will impose tax on goods and services simultaneously. Centre now can impose tax on sale of goods within State and States can impose tax on services. (a) Intra-State supply of goods and services CGST-Payable to Central Government SGST/ UTGST-Payable to State Government/ Union Territory (as applicable) where they are consumed (b) Inter-States Supply of goods and services IGST - Payable to Central Government 4. Centre will levy and administer CGST and IGST while respective States/ UTs will levy and administer SGST/UTGST. 5. Import will be treated as inter-States supply and IGST will be chargeable along with basic Customs duty. 6. However, in GST Export will be treated as Zero rated supplies and no IGST is payable. NSOU • PGCO - V 163 7. The rates of GST are 0.5%, 3%, 5%, 12%, 18% and 28%. In addition , compensation cess will be payable on pan masala, coal, aerated water and motor cars (Sin cess). There is no education cess or Swach Bharat cess or Krishi Kalyan cess on GST. 8. GST will be calculated on value of supply of goods and services, which is transaction value. (subject to some exceptions) 9. Under GST, every suppliers who have made taxable supply shall required to get himself registered under GST Law. 10. A registered person is entitled to take credit (deduction) of input tax paid from the output tax (if any) subject to following restriction: (a) Utilisation of IGST : first utilized for the payment of IGST then the balance may be utilized towards payment of CGST and SGST/UTGST (b) Utilisation of CGST: first utilized for the payment of CGST then the balance may be utilized towards payment of IGST. (c) Utilisation of SGST/UTGST: first utilized for the payment of SGST/UTGST then the balance may be utilized towards payment of IGST. 11. Under GST regime there is a seamless (without any obstruction) credit flow in case of inter-state supplies, which was not possible in pre GST period. No credit was available for CST paid by the buyer. Under GST regime the seamless credit will flow as follows: (a)

**96% MATCHING BLOCK 503/875**

**SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

The inter-state supplier in exporting state is allowed to set off the available credit

in IGST, CGST and

**80% MATCHING BLOCK 504/875**

**SA** Abdul rehman Bandarkar Internship Project (1).docx (D142962788)

SGST/UTGST against the IGST payable on inter- state supply made by him. (b) The

buyer of importing state in inter-state supply can avail the credit of IGST paid on purchase from the output tax payable. (c)

**83% MATCHING BLOCK 505/875**

**SA** CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)

The exporting state transfers to the centre the credit of SGST/ UTGST utilised for the payment of IGST. (d) The Centre transfers to the importing state the credit of IGST used in payment of SGST/UTGST. 12.

A common portal or platform is



**89%**

**MATCHING BLOCK 506/875**

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CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

needed which could act as a clearing house and verify the claims and inform the respective government to transfer the funds. This is possible with the help of a strong IT infrastructure.

Accordingly Government has established

**100%**

**MATCHING BLOCK 507/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

common GST Electronic Portal (www.gst.gov.in), a website managed by Goods and Services Network (GSTN)

for the tax payer and common IT infrastructure for Central and States. Primarily, GSTN provides three services to taxpayers. (a) Facilitating Registration.

164 NSOU • PGCO - V (

b)

**76%**

**MATCHING BLOCK 508/875**

**SA**

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Forwarding the returns to Central and States authorities. (c) Computation and settlement of IGST. (d) Matching of tax payment details with banking network. (e) Providing

analysis of taxpayers' profile. 5.6

**93%**

**MATCHING BLOCK 509/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

Benefits of GST GST is a win-win situation for the entire country. It provides benefits to all the stakeholders of industry, Government and

customers. It is expected that it will reduce

**58%**

**MATCHING BLOCK 510/875**

**SA**

plag test final.docx (D164172032)

cost of goods and services and make them globally competitive. The significant benefits of GST are discussed hereunder: (

a) Creation of unified national market:

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**MATCHING BLOCK 511/875**

**SA**

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GST aims to make India a common market with common tax rates and

compliances (procedures) and remove the economic barriers to form an integrated economy in the national level. (b)

**71%**

**MATCHING BLOCK 512/875**

**SA**

CU-MBA-SEM-III-Tax Planning and Management- Se ...  
(D103495020)

Mitigation of ill effects of cascading: GST subsume most of the Central and States indirect taxes into a single tax and

allow the credit of tax paid from the output tax for the transaction across the entire value chain process. Eradication of "tax on tax" gives the benefit to the industry. (c)

<b>89%</b>	<b>MATCHING BLOCK 513/875</b>	<b>SA</b>	CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)
Boost to 'Make in India' initiative: GST will give major boost to the 'Make in India' initiative of government of India by making goods and services produced in India competitive in the national as well as international market. (			

d) Increase in government revenue:

<b>76%</b>	<b>MATCHING BLOCK 514/875</b>	<b>SA</b>	plag test final.docx (D164172032)
GST is expected to increase the Government revenue by widening the tax base and improving the taxpayer			

compliances. 5.7 Extent of CGST Act/ SGST Act/ UTGST Act/ IGST Act The

<b>58%</b>	<b>MATCHING BLOCK 515/875</b>	<b>SA</b>	Sarthak Thakur - B.Com. H. V.pdf (D153756860)
Central Goods and Service Tax Act, 2017 for imposing CGST on intra-state supply of goods and services,			

extends whole of India including Jammu and Kashmir. Respective State Goods and Service Tax Act, 2017 for imposing SGST by respective state on intra-state supply of goods and services, extends whole of that state/ Union territory having state legislature (Delhi and Puducherry). The

<b>45%</b>	<b>MATCHING BLOCK 517/875</b>	<b>SA</b>	CU-MBA-SEM-III-Tax Planning and Management- Se ... (D103495020)
Union Territory Goods and Services Tax Act, 2017 for levying UTGST in 5 Union Territories without State Legislatures on intra-Territory supply of goods and services. (			

<b>100%</b>	<b>MATCHING BLOCK 516/875</b>	<b>W</b>	
Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh)			

The Integrated Goods and Service Tax Act, 2017 for levying IGST and whole of India including Jammu and Kashmir. NSOU • PGCO - V 165 5.8 Applicability of GST in India India means Territory of India (i.e. entire landmass of India including states and union territory) Indian

<b>100%</b>	<b>MATCHING BLOCK 519/875</b>	<b>SA</b>	PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF CO ... (D161889559)
territorial waters, seabed and sub-soil underlying such waters, continental shelf,			

excluding Special Economic Zone (SEZ) and

<b>85%</b>	<b>MATCHING BLOCK 518/875</b>	<b>W</b>	
any other notified maritime zone. The air space above its territory and territorial waters. 5.9			

Levy and collection ↓ ↓ Intra-state supply (supply within Inter-state supply (supply from one State ) state to another

**63% MATCHING BLOCK 520/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

state) Basis of charge as per CGST Basis of charge as per IGST Act, Act, 2017 PLUS 2017 Basis of charge as per respective SGST Act, 2017/ UTGST Act, 2017 (

Most of the provisions are same as CGST Act, 2017) Levy and collection 5.9.1.

**100% MATCHING BLOCK 521/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

Levy and collection as per CGST Act, 2017 (a) U/s 9(1) of CGST Act, 2017 there shall be levied a tax – Called the Central Goods and Services Tax(CGST); On all the intra-state supplies of goods or services or both, except on supply of alcoholic liquor for human consumption; On the value determined u/s 15; and At such a rate (maximum 20%,) as notified by the Central Government on recommendation of GST Council; and Collected in such a manner as may be prescribed; and Shall be paid by the taxable person. 166

NSOU • PGCO - V (

**97% MATCHING BLOCK 524/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

b) U/s 9(2) of CGST Act 2017, the CGST of following supply shall be levied with the effect from such date as notified by the Central Government on recommendation of GST Council- Petroleum crude High speed diesel Motor spirit (commonly known as petrol) Natural gas Aviation turbine fuel (c) U/s 9(3),

CGST

**58% MATCHING BLOCK 522/875 W**

is to be paid on reverse charge basis by the recipient on notified goods/ services or both (

**61% MATCHING BLOCK 523/875 W**

liability to pay tax by the recipient of supply of goods / services rather than supplier of goods/ services

under forward charge) (d) U/s 9(4), CGST on taxable supply of goods/ services to registered supplier from unregistered supplier is to be paid on reverse charge basis by the recipient. (e) U/s 9(5),

**100% MATCHING BLOCK 525/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

E-Commerce operator is liable to pay CGST on notified intra-state supplies. 5.9.2. Levy and collection as per IGST Act, 2017 (a) U/s 5(1) of IGST Act, 2017 there shall be levied a tax – Called the Integrated Goods and Services Tax (IGST); On all the inter-state supplies of goods or services or both, except on supply of alcoholic liquor for human consumption; On the value determined u/s 15 of CGST Act, 2017; and At such a rate (maximum 40%,) as notified by the Central Government on recommendation of GST Council; and Collected in such a manner as may be prescribed; and Shall be paid by the taxable person. Provided further that IGST will be imposed on goods/ services imported into India. (b) U/s 5(2) of IGST Act, 2017, the CGST of following supply shall be levied with the effect from such date as notified by the Central Government on recommendation of GST Council- Petroleum crude High speed diesel Motor spirit (commonly known as petrol) Natural gas Aviation turbine fuel

NSOU • PGCO - V 167 (

**100%**

**MATCHING BLOCK 526/875**

**SA**

GST - M.Com-2nd Sem.docx (D129601189)

c) U/s 5(3), IGST is to be paid on reverse charge basis by the recipient on notified goods/ services or both (liability to pay tax by the recipient of supply of goods / services rather than supplier of goods/ services under forward charge). (d) U/s 5(4), IGST on taxable inter-state supply of goods/ services to registered supplier from unregistered supplier (agriculturist) is to be paid on reverse charge basis by the recipient. (e) U/s 5(5), E-Commerce operator is liable to pay CGST on notified inter-state supplies. 5.10

GST on Alcohol for human consumption Alcohol for human consumption GST VAT State Excise (Not Applicable) (Applicable as usual) (Applicable as usual) ↓ ↓ ↓ 5.11 GST on Petroleum ↓ ↓ ↓ Petroleum product GST VAT Central Excise (Not Applicable now) (Applicable as usual) (Applicable as usual) 5.12 Liability to pay CGST ↓ ↓ ↓ ↓ ↓ ↓ ↓ Liability to pay CGST Forward Charge Reverse Charge E-Commerce Services Taxable person making Receiver of supply Electronic Commerce intra-trade supply Operator

168 NSOU • PGCO - V 5.13 Summary From the above discussion we could understand the concept of GST and its genesis; Constitutional amendment and Legislative framework of GST; Structure and benefits of GST; Applicability of GST in India; Levy and Correction of GST; and Liability to pay CGST. 5.14 Questions 1. Briefly describe the structure of GST in India. 2. How does the seamless Credit flow under GST? 3. How the GST is levied and collected? 4. Briefly describe the provisions of levy and collection of taxes under CGST Act 2017. 5. Briefly describe the provisions of levy and collection of taxes under IGST Act. 2017. Multiple Choice Questions (MCQ) 1. Authority to levy and collect taxes in India is given to the Central and State Government by (a) Article 246 of Constitution of India (b) Article 265 of Constitution of India (c) Article 269 of Constitution of India (d) Article 279A of Constitution of India 2. The exclusive right to make laws for matters containing in List-I of Schedule VII of the Constitution of India has been given to (a) State Governments (b) Central Government (c) Both Centre and State Governments (d) None of the above 3. The exclusive right to make laws for matters containing in List-II of Schedule VII of the Constitution of India has been given to (a) State Governments (b) Central Government

NSOU • PGCO - V 169 (c) Both Centre and State Governments (d) None of the above 4. The exclusive right to make laws for matters containing in List-III of Schedule VII of the Constitution of India has been given to (a) State Governments (b) Central Government (c) Both Centre and State Governments (d) None of the above 5.

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Power to make laws with respect to goods and service tax

has been given by the Constitution vide, (a) Article 279A (b) Article 246A (c) Article 246 (d) Article 366 6.

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Which of the following taxes have been subsumed in GST? (a) Central Sales Tax (b) Central Excise Duty

and service tax (c) VAT (

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**W**

d) All of the above 7. GST is levied on supply of all goods and services except: (a) Alcoholic liquor for human consumption (b) Tobacco (c) Legal services (d) All of the above 8. GST on Petroleum Crude, High Speed Diesel, Motor Spirit (

commonly known as

**95% MATCHING BLOCK 529/875**

**W**

Petrol), Natural Gas and Aviation Turbine Fuel: (a) Is not levied

at all (b) Is levied, but exempt (c)

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(D103495020)

Will be levied from a date to be notified on the recommendations of the GST Council 170

NSOU • PGCO - V (d) Will be levied from 1.4.2018 9.  
The GST Council shall, besides other recommendations,  
make recommendations to the Union and the States on— (a)

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**W**

The goods and services that may be subjected to, or exempted from the goods and services tax (

b)

**95% MATCHING BLOCK 532/875**

**W**

The threshold limit of turnover below which goods and services may be exempted from goods and services tax (c) The rates including floor rates with bands of goods and services tax (

d) All the above 10. Which article of the Constitution empowered the President to Constitute Goods and Service Tax Council? (a) 270 (b) 246A (c) 279A (d) 269A 11. Who shall be empowered to levy and collect GST

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**W**

on supplies in the course of Inter- State trade or commerce? (a)

Government of India (b) State Governments (c) Union Territories (d) All the above Answer Key : 1 (b) 2 (b) 3 (b) 4 (c) 5 (b) 6 (d) 7 (a) 8 (c) 9 (d) 10 (c) 11 (a).

NSOU • PGCO - V 171 Unit - 6 Concept of Supply under GST Structure 6.0 Objectives 6.1 Introduction 6.2 Definitation of important terms 6.3 Scope of Supply 6.3.1 Supply for Consideration in course of furtherance of business 6.3.2 Supply without consideration 6.3.3 Activities treated as Supply of goods/services 6.3.4 Activities

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treated neither as Supply of goods nor as Supply of services 6.3.5

Activities notified by Government 6.3.6 Illustration 6.4 Composite Supply and Mixed Supply 6.4.1 Composite Supply 6.4.2 Mixed Supply 6.4.3 Guiding principles for determining a Supply as Composite Supply or mixed Supply 6.4.4 Illustration 6.5 Place of Supply 6.5.1 Scope of the provisions 6.5.2 Place of Supply og goods others than export and import 6.5.3 Place of Supply of services other thans export and import 6.5.4 Illustration 6.6 Time of Supply (Point of Taxation) 6.6.1 Time of Supply of goods 6.6.2 Time of Supply of services 6.6.3 Time

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of Supply of vouchers 6.6.4 Time of Supply of goods under RCM 6.6.5 Time of supply of services under RCM 6.6.6 Time of Supply in case of change in rate

of Tax 6.6.7 Date of

Tax 6.6.8 Illustration

172 NSOU • PGCO - V 6.7 Value of Supply 6.7.1 Determination of Supply 6.7.2. Illustration 6.8 Summary 6.9 Questions 6.0 Objectives After studying this unit, we will be able to understand and realise— • Scope of Supply, Composite supply and Mixed Supply • Place and Time of Supply • Date of Payment of GST • Value of Supply 6.1 Introduction The incidence of tax is the foundation stone of any taxation system. It determines the point at which tax would be levied (i.e. the taxable event). The earlier framework of taxable event across various areas of indirect taxes was subject to varying interpretations resulting in endless litigation since decades. Broadly, the controversies related to issues like whether a particular process amounted to manufacture or not, whether a particular transaction was sale of goods or rendering of services, etc. The GST laws resolve these issues by laying down one comprehensive taxable event, i.e. '

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supply of goods or services or both'. GST law, by levying tax on the 'supply of goods and/or services',

departs from the historically understood concepts of 'taxable event' under the erstwhile indirect tax laws (i.e. sale under state VAT laws, manufacture under excise laws and provisioning of service under service tax laws). For a better understanding of this topic, it is imperative to understand the meaning of a few important terms which have been explained in this unit. 6.2 Definition of important terms Meaning of '

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Goods' {Section 2 (52) of CGST Act} 'Goods' means every kind of movable property other than money and securities but includes: actionable claim; growing crops, grass and things attached to/forming part of the land which are agreed to be severed before supply or under a contract of supply.

NSOU • PGCO - V 173 Meaning of ' Services' {Section 2(102) of

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CGST Act): Services means anything other than goods, money and securities. Services include activities relating to the use of money or its conversion

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**W**

of money by cash or by any other mode, from one form

of

**100% MATCHING BLOCK 540/875**

**W**

currency or denomination to another form, currency or denomination for which a separate consideration is charged.

Meaning of '  
Consideration' {Section 2(31) of CGST Act}: The scope  
of the word '

**88% MATCHING BLOCK 542/875**

**W**

consideration' in relation to the supply of goods or services or both would include: • any payment made or to be made, whether in money or otherwise,

by the recipient or by any other person; and • the monetary value of any act or forbearance

**77% MATCHING BLOCK 543/875**

**W**

by the recipient or by any other person. However, any subsidy given by Central Government or State Government

shall not be treated as a part of consideration; and

**94% MATCHING BLOCK 544/875**

**W**

a deposit given in respect of supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies the deposit as consideration for the said supply.

Meaning  
of 'Money' {Section 2(75) of CGST Act}:

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Money means Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination.

However, money

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**W**

shall not include any currency that is held for its numismatic value.

Meaning of '

**95% MATCHING BLOCK 546/875**

**W**

Business' (Section 2(17) of CGST Act): Business includes: a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit; b) any activity or transaction in connection with or incidental or ancillary to (a) above; c) any activity or transaction in the nature of (a) above, whether or not there is volume, frequency, continuity or regularity of such transaction; d) supply or acquisition of goods including capital assets and services in connection with commencement or closure of business; e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members, as the case may be; 174 NSOU • PGCO - V f) admission, for a consideration, of persons to any premises; g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation; h) services provided by a race club by way of totalisator or a licence to book maker in such club;

and i)

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**W**

any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities. Meaning of ' "

Person' (Section 2(84) of CGST Act): Person includes: an individual (i.e. a natural human being); a Hindu Undivided Family ('HUF') (The meaning of HUF

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has not been given under the tax laws. As per the Hindu law, it means a family which consists of all persons lineally descended from a common ancestor including their wives and daughters.

Married daughters are no longer treated as a member of HUF after they get married in other families); a firm; a limited liability partnership firm; a company; a trust;

**100% MATCHING BLOCK 549/875**

**W**

a body -corporate incorporated by or under the laws of a country outside India;

an association of persons (AOP), whether incorporated or not (an AOP refers to a situation where two or more persons join hands to carry on any business); a body of individuals (BOI), whether incorporated or not (a BOI is similar to AOP; however, all the participants of BOI are only individuals whereas in case of AOP, one or more participant is a non-individual); government (Central Government as well as State Government); a local authority (ie, panchayat, municipality, cantonment board, etc); and

**91% MATCHING BLOCK 552/875**

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a co-operative society registered under any law relating to cooperative societies; a society as defined under the Societies

Registration Act, 1860;

a



**68% MATCHING BLOCK 551/875**

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corporation established by/under any Central, State or Provincial Act or Government company as defined u/s 2(45) of Companies Act, 2013;

every artificial juridical person not covered above (

**95% MATCHING BLOCK 554/875**

**SA**

Basics of taxation.docx (D126935931)

artificial juridical persons are entities which are not natural persons but are separate entities in the eyes of law. Though they may not be sued directly in a court of law, but they can be sued through persons managing them.

Examples are universities, ICAI, ICSI, etc);  
NSOU • PGCO - V 175 Meaning of 'Related Persons' {

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Explanation to Section 15 of CGST Act} Persons shall be deemed to be 'related persons' if: such persons are officers or directors of one another's businesses; such persons are legally recognised partners in business; such persons are employer & employee;

a third

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person directly or indirectly owns, controls or holds 25% or more of the outstanding voting stock or shares of both of them; one of them directly or indirectly controls the other; both of them are directly or indirectly controlled by a third person; together they directly or indirectly control a third person; they are members of the same

person; or one of them

**87% MATCHING BLOCK 556/875**

**W**

is the sole agent, sole distributor or sole concessionaire of the other. 6.3

Scope

**88% MATCHING BLOCK 558/875**

**SA** BEL\_Block-6- U17.docx (D142229445)

of Supply {Section 7 of CGST Act} Section 7(1): For the purposes of this Act, the expression "supply" includes: a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business; b) import of services for a consideration whether or not in the course or furtherance of business; c) the activities specified in Schedule I, made or agreed to be made without a consideration; and d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II. • Section 7(2): Notwithstanding anything contained in sub-section (1), a) activities or transactions specified in Schedule III; or b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services. Section 7(3): Subject to the provisions of sub-sections (1) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as: 176 NSOU • PGCO - V a) a supply of goods and not as a supply of services; or b) a supply of

services and not as a supply of goods.

Overview of Supply : 6.3.1 Supply for consideration in course or furtherance of business {Section 7(1) of CGST Act} Section 7(1)(a) of CGST Act provides that a

**61% MATCHING BLOCK 557/875**

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supply of goods/services should be carried out for consideration in the course or furtherance of business.

Modes of Supply:

**87% MATCHING BLOCK 559/875**

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Section 7(l)(a) of CGST Act includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for consideration in the course or furtherance of business.

Sale and Transfer: Earlier, VAT was levied by State Governments on sale of goods within their respective states wherein 'sale was defined to mean transfer of property in goods for consideration. Under CGST Act, sale has been treated as a form of supply leviable to GST. Barter and Exchange: Barter transactions involve only exchange of goods/services whereas exchange Inclusions Exclusions Supply for consideration in Activities to be treated course or furtherance of neither as Supply of goods business {Section 7(1 )(a)} nor Supply of services {Section 7(2) + Schedule III}

**92% MATCHING BLOCK 560/875**

**W**

Importation of services for consideration whether or not in course or furtherance of business {

Section 7(1 )(b)}

Supply without consideration {Section 7(1 )(c)+

**96% MATCHING BLOCK 561/875**

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Schedule I} Activities to be treated as Supply of goods or Supply of services {

Section 7 (1 )(d) +  
Schedule II)}

NSOU • PGC0 - V 177 may cover a situation where the goods are partly paid for in goods and partly in money. When there is a barter of goods or services, same activity constitutes supply as well as consideration. By making a specific inclusion in the definition of supply, all barter and exchanges have been made liable to GST. Licence, Lease, Rental etc: Licences, leases and rentals of goods were earlier treated as services where the goods were transferred without transfer of right to use (effective possession and control over the goods) and were treated as sales where the goods were transferred with transfer of right to use. Under the GST regime, such licences, leases and rentals of goods with or without transfer of right to use are covered under the scope of 'supply of services' because 'there is no transfer of title in such supplies. Such transactions are specifically treated as 'supply of services' under Schedule II of CGST Act.

CONSIDERATION: One of the essential conditions for the supply of goods and/or services to fall within the ambit of GST is that the supply should have been made for a consideration. However, consideration does not always mean money. It covers anything which might be possibly done, given or made in exchange for something else. Further, consideration need not always flow from the recipient of the supply. It can also be made by a third person. In Course or Furtherance of Business: GST is essentially a tax on only commercial transactions. Hence, only those supplies which are made in the course or furtherance of business qualify as 'supply' under GST. Resultantly, any supplies made by an individual in his personal capacity do not come under the ambit of GST unless they fall within the definition of business. Example: Rishabh buys a car for his personal use and after a year sells it to a car dealer. Sale of car by Rishabh to car dealer is not a supply under CGST Act because supply is not made by Rishabh in the course or furtherance of business. In order to understand the term 'in the course or furtherance of business', we need to understand the term 'business'. Business has been defined u/s 2(17) of CGST Act to include, inter-alia, any trade, commerce, manufacture, profession, vocation etc whether or not undertaken for a monetary benefit. Business also includes any

178 NSOU • PGC0 - V activity or transaction which is incidental or ancillary to the afore mentioned listed activities. Example: Sundaram Acharya, a famous actor, paints some paintings and sells them. The consideration from such sale is to be donated to a Charitable Trust - 'Kind Human'. The sale of paintings by the actor qualifies as supply even though it is a one-time occurrence. Import of Services for Consideration {Section 7(1)(b) of CGST Act} Section 7(1)(b) of CGST Act expands the scope of the term 'supply' by including importation of services for a consideration within its ambit irrespective of the fact whether such importation is in the course or furtherance of business or not. Section 7(i)(b) of CGST Act (ie importation of services for consideration) is the only exception to the condition of supply being in course or furtherance of business. Example: Mr. M, a proprietor, has received designing services for his house from an architect located in New York at an agreed consideration of US \$5,000. The import of services by Mr. M shall be treated as a supply u/s 7(i)(b) of CGST Act even though it is not in the course of or furtherance of business. 6.3.2 Supply without Consideration As a general rule, for an activity to qualify as supply, the same should have been provided for consideration. However, Section 7(1)(c) of CGST Act read along with Schedule I of CGST Act lists down the following four cases where existence of consideration is not a pre-requisite for an activity to qualify as supply: 1. Permanent Transfer/ Disposal of Business Assets: Transfer/disposal of business assets by an entity on permanent basis without consideration shall be regarded as supply if input tax credit has been availed on procurement of such assets. This clause is wide enough to cover transfer of business assets from holding to subsidiary company or vice versa without consideration. Example: Donation of old laptops to charitable schools by XYZ & Co. At the time of purchase of new laptops will

**88% MATCHING BLOCK 562/875**

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qualify as supply provided input tax credit has been availed by XYZ & Co.

on such laptops. Example: A cloth retailer gives clothes from his business stock to his friend free of cost. In this case, transfer of business stock would amount to supply if he had claimed input tax credit on his procurement of such business stock. 2. Supply to Related Persons/Distinct Persons: Transactions involving supply of goods/services/both without consideration

NSOU • PGCO - V 179 between related persons or distinct persons as specified u/s 25 of CGST Act will qualify as supply provided such supply has been made in the course or furtherance of business. Taxability of Stock Transfers//Branch Transfers: Under the earlier law, no tax was applicable on stock transfers/branch transfers since such transactions do not involve transfer of property in goods. However, under the GST regime, stock transfers/branch transfers between different locations (with separate GST registrations) of same legal entity will qualify as 'supply'. Example: Raghbir Fabrics transfers 1,000 shirts from his factory located in Lucknow to his retail showroom in Delhi so that the same can be sold from there. The factory and retail showroom of Raghbir Fabrics are registered in the states where they are located. Although no consideration is charged, supply of goods from factory to retail showroom constitutes supply. Employer-Employee Transactions: The definition of 'related persons' covers employer-employee relationship within its scope. Accordingly, all employer-employee transactions should be regarded as supply irrespective of the fact whether consideration is involved or not. However, Schedule I of CGST Act provides that gifts given

**100% MATCHING BLOCK 563/875**

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by an employer to an employee shall not be treated as supply

if the amounts of gifts given during a financial year does not exceed Rs 50,000. However, gifts exceeding Rs 50,000 shall be subject to GST. Moreover, Schedule III of CGST Act clearly states that services provided

**100% MATCHING BLOCK 564/875**

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by an employee to the employer in the course of or in relation to his employment

shall not be treated as supply of services. Therefore, any kinds of benefits given by an employer to his employee in terms of contractual agreement entered into between the employer and the employee will not be subject to GST. Example: Where an employer provides free housing to his employee, when the same is provided in terms of the contract between the employer and employee and is part and parcel of the employee's remuneration package, no GST implications should arise on such free housing. 3.

Supply of Goods Between

**85% MATCHING BLOCK 565/875**

**W**

Principal & Agent: Supply of goods by a principal to his agent, without consideration, where the agent undertakes to supply such goods on behalf of the principal is considered as supply.

Similarly,

**87% MATCHING BLOCK 566/875**

**W**

supply of goods by an agent to his principal, without consideration, where the agent undertakes to receive such goods on behalf of the principal

is also considered as supply.

180

NSOU • PGCO - V Example: ABC Manufacturers Ltd. engages Raghav & Sons as an agent to sell goods on its behalf. For this purpose, ABC Manufacturers Ltd. has supplied the goods to Raghav & Sons. Supply of goods by ABC Manufacturers Ltd. to Raghav & Sons will qualify as supply even though no consideration has been recovered from Raghav & Sons. 4.

Import of Services from Related Persons Located Outside India:

**80%**

**MATCHING BLOCK 567/875**

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Import of services by a taxable person from a related person or from any of his establishments located outside India in the course or furtherance of business shall be treated as supply irrespective of

the presence of consideration. Example: ABC Associates received legal consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Since ABC Associates and the branch office are related persons, services received by ABC Associates will qualify as supply even though the head office has not charged anything from it. Example: Sumit, a proprietor registered in Delhi, has sought architect services from his brother located in US with respect to his newly constructed house in Delhi. Although services have been received by Sumit without consideration from a related person, the transaction will not qualify as supply since the same has not been received

**78%**

**MATCHING BLOCK 568/875**

**SA**

GST - M.Com-2nd Sem.docx (D129601189)

in course or furtherance of business. 6.3.3 Activities to be treated as Supply of goods/

services

Section 7(l)(d) of CGST Act read along with Schedule II of CGST Act enlists various matters/transactions which are to be treated as supply of either goods or services. The matters listed under Schedule II are primarily those which had been entangled in litigation in the earlier regime owing to their complex nature and susceptibility to double taxation.

**63%**

**MATCHING BLOCK 570/875**

**SA**

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a) Transfer of title in goods b) Transfer of right in goods/undivided share in goods without transfer of title in goods. c) Transfer of title in goods under an agreement which stipulates that property

shall pass at a future date.

a)

**90%**

**MATCHING BLOCK 569/875**

**W**

Lease, tenancy, easement, license to occupy land b) Lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly. 1. 2. Supply of

Goods Supply of Goods Supply of Goods Supply of Goods SL.No. Nature of Transaction Nature of Supply  
NSOU • PGCO - V 181 SL.No. Nature of Transaction Nature

**82%**

**MATCHING BLOCK 571/875**

**W**

of Supply Any treatment or process which is applied to another person's goods. Example: Job work

performed by a job worker like dyeing of fabric in various colours.

**80%**

**MATCHING BLOCK 573/875**

**SA**

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a) Goods forming part of business assets are transferred or disposed-off by/under directions of person carrying on the business so as no longer to form part of those assets, whether or not for consideration.

b)

**98% MATCHING BLOCK 572/875**

**W**

Goods held/used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration,

**75% MATCHING BLOCK 574/875**

**W**

by or under the direction of a person carrying on a business, whether or not for consideration. Example: A director using company's car for personal travels c)

**95% MATCHING BLOCK 575/875**

**SA**

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Goods forming part of assets of any business carried on by a person who ceases to be a taxable person,

**93% MATCHING BLOCK 577/875**

**SA**

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shall be deemed to be supplied by him, in the course or furtherance of his business, immediately before he ceases to be a taxable person. Exceptions: Business is transferred as a going concern to another person; or Business is carried on by a personal representative who is deemed to be a taxable person

**100% MATCHING BLOCK 576/875**

**W**

a) Renting of immovable property b) Construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer

before its completion provided some part of the consideration is received before the issuance of completion certificate

**100% MATCHING BLOCK 578/875**

**W**

c) Temporary transfer or permitting the use or enjoyment of any intellectual property right Supply of

Goods Supply of Goods Supply of Goods Supply of Goods 3. 4. 5. Supply of Goods 182 NSOU • PGCO - V SL.No. Nature of Transaction Nature of Supply

**96% MATCHING BLOCK 579/875**

**W**

d) Development, design, programming, customization, adaptation, upgradation, enhancement, implementation of information technology software e) Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act f) Transfer of right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration Following Composite Supplies.

a) Works Contract {Works contract has been defined u/s 2(119) of CGST Act to mean a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract} b) Supply

**95% MATCHING BLOCK 581/875 SA** Vaishakhi Gandhi\_LLM 2nd yr Dissertation 1.pdf (D133606709)

of food or any other article for human consumption or any drink

**100% MATCHING BLOCK 580/875 W**

by way of or as part of any service or in any other manner whatsoever

**93% MATCHING BLOCK 582/875 W**

Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration

Example : A local club supplies snacks to its members during its monthly meeting for a nominal payment. 6. 7. Supply of Goods Supply of Goods Supply of Goods 6.3.4 Activities

**100% MATCHING BLOCK 583/875 W**

treated neither as Supply of goods nor as Supply of services

Activities covered within the scope of Section 7(2)

**100% MATCHING BLOCK 584/875 W**

shall be treated neither as supply of goods nor as supply of services.

Resultantly, such activities shall not be liable to GST. Section7(2)(a) – Activities Under Schedule III: following activities covered under Schedule III of CGST Act can be termed as 'Negative List' under the GST regime: 1.

**91% MATCHING BLOCK 585/875 W**

Services by an Employee to his Employer in the Course of or in relation to his Employment.

NSOU • PGC0 - V 183 Services provided by an

**57% MATCHING BLOCK 586/875 W**

employee to his employer during the course of employment are not taxable under GST law. Services provided outside the course of employment for a consideration would qualify as

a supply and thus liable to GST. Example: If an employee provides private coaching to his employer's children, such services would not get covered under the above exclusion and would be liable to GST. Amounts paid by the employer to the employee for premature termination of a contract of employment are treated as amounts paid in relation to services

**100% MATCHING BLOCK 587/875 W**

provided by the employee to the employer in the course of employment.

Thus, such amount would not be liable to GST. Nature of Transaction Services provided by a casual worker to employer who gives wages on daily basis to the worker In case the casual workers are employed by a contractor, like a building contractor or security agency services, who deploys them for execution of a contract or for provision of security services Services provided on contract basis by a person to another Whether regarded as 'services carried out during the course of employment'? Yes. These are services provided by the worker in the course of employment. Yes. Services provided by the casual workers to the contractors are in the course of employment. However, services provided by the contractor to his client by deploying such workers would not be a service provided by the workers to the client in the course of employment. The consideration received by the contractor would therefore be taxable if other conditions of taxability are present. No. Services provided on contract basis (ie principal-to-principal basis) are not services provided in the course of employment. 2.

**100% MATCHING BLOCK 588/875**

**W**

Services by any Court or Tribunal established under any Law for the time being in force 3.

Functions/Duties Performed By Following Persons:

**94% MATCHING BLOCK 589/875**

**W**

the functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities; 184 NSOU • PGCO - V the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or the duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause. 4.

Services of

**68% MATCHING BLOCK 590/875**

**W**

Funeral, Burial, Crematorium or Mortuary including transportation of the Deceased 5 . Sale of Land and Sale of Building Subject to Paragraph 5(b) of Schedule II 6. Actionable Claims, other than Lottery, Betting and Gambling 6.3.5

Activities notified by Government Section 7(2)(b) of CGST Act provides that activities

**67% MATCHING BLOCK 591/875**

**W**

undertaken by Central Government/ State Government/Local Authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the GST Council, shall be treated neither as supply of goods nor

as supply of services.

In terms of the above provision, services

**100% MATCHING BLOCK 592/875**

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by way of any activity in relation to a function entrusted to a Panchayat under Article 243G of the Constitution



has been notified. 6.3.6 Illustration Problem 1: R is a supplier of goods located in Mumbai. In October, 2017 he has imported Consultancy Services for Development of IT Software from U.S.A. for a stipulated consideration of \$ 80,000. Will the import of consultancy services be treated as supply? Solution : The importation of service in the above case shall fall within the ambit of term "supply" as it

**100%      MATCHING BLOCK 593/875****W**

is for a consideration and in the course or furtherance of business

and shall be liable to IGST. Problem 2 : R is a supplier of goods located in Chandigarh. In November, 2017, he has imported 'Architecture Services' from a relative consultant located in Germany, without any consideration (monetary or non-monetary) for construction of his personal house. (a) Will the import of architecture services for personal use be treated as supply and liable to IGST? (b) What will be your answer if the above services have been imported by R in the course or furtherance of business? Solution : (a) Since, there is no consideration and it is for personal use, importation NSOU • PGCO - V 185 of service in the given case shall not fall within the ambit of term 'supply' and not liable to IGST. However, in the above example if the import of Architecture Service is for a consideration, it shall fall within the scope of term 'supply', although services have been imported for personal purposes. (b) Since the services have been imported from a related person and these are

**80%      MATCHING BLOCK 594/875****W**

in the course or furtherance of business, it will be treated as supply

even if it is without consideration, Problem 3 : A dealer of washing machines, who has availed input tax credit on washing machines, permanently transfers a washing machine from his stock-in-trade, for personal use at his residence. Will this transfer for personal use be treated as supply and liable for GST? Solution : Such transaction though without, a consideration shall constitute supply and be liable to GST, as it is a permanent transfer of washing machine for his personal use. Problem 4 : R, a Chartered Accountant, purchased 3 laptops of value Rs. 2,40,000 on 1.10.2017 and paid IGST amounting Rs. 67,200 thereon. He availed ITC of Rs. 67,200 in his books on the same day. After 3 years of using the laptops, he has donated one laptop to a college when its fair market value is Rs. 30,000. Will such donation be treated as supply and liable to GST? Solution : In the above case, R shall be liable to pay an amount under GST equivalent to: (a) The input tax credit availed on the said laptop as reduced by the input tax credit attributable to 3 years for which asset has been used in business, Input credit availed at the time of purchase of laptop = Rs. 22,400 (1/3 of the total input credit of Rs.67,200) Useful life of the laptop 5 years Unused period 2 years Therefore, GST amount payable (Rs. 22,400 x 2/5): Rs.8,960 (b) Tax payable on the fair market value of such capital goods as determined under section 15, i.e. 30,000 x 28% = 8,400. Whichever is higher. Thus, R shall be liable to pay GST amounting to Rs. 8,960 on donation of such laptop. 186 NSOU • PGCO - V Problem 5 : R is engaged in supply of certain goods in Delhi and Haryana. He wishes to transfer goods worth Rs. 1,40,000 from Delhi to its branch in Haryana. Will such transfer be treated as supply and liable for GST? Solution : R shall be treated as distinct persons. Thus any supply of goods or services or both between Delhi to branch at Haryana shall be subject to integrated tax in terms of IGST Act, even though such transaction may not involve any payment of consideration. Problem 6 : Employees of a R Ltd., which is a subsidiary of G Limited, have been sent on deputation basis to its Holding Company namely G Limited. Will such transfer on deputation be treated as supply and liable to GST? Solution : Such transfer of employee shall fall within the ambit of the term 'supply' even in the absence of any consideration. As both the companies fall under the definition of related person. Problem 7: R, the Principal located in Nagpur (Maharashtra) supplies certain goods to his agent G, located in Delhi. G undertakes to supply the said goods in Delhi on behalf of R. Will the above activity be treated as supply and liable for GST? Solution : As per

**93% MATCHING BLOCK 595/875****W**

Schedule I of CGST Act, supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal is treated as supply even if

such supply is without any consideration. Thus, such supply of goods by R to G shall fall within the ambit of the term 'supply' even if made without consideration and shall be liable for integrated tax under IGST Act. Problem 8: R works as an agent and is located in Mumbai. G is a manufacturer located in Delhi. R agrees to purchase certain goods from Mumbai on behalf of G every month and supply the same to G. Will the above activity be treated as supply and liable for GST? Solution : As per

**75% MATCHING BLOCK 596/875****W**

Schedule I of CGST Act, supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal shall be treated as supply even if it is without consideration.

Thus such supply of goods by R to G shall fall within the term of supply, even if made without consideration. This supply of goods from R to G shall be subject to integrated tax under IGST Act. Problem 9: R lives in Germany. His brother G is carrying on business in India. G imports technical services from R without any consideration in November, 2017

**76% MATCHING BLOCK 597/875****W**

in the course or furtherance of business. Will this be treated as supply

or services although G did not pay any consideration to R?  
NSOU • PGCO - V 187 Solution : As per Schedule I

**79% MATCHING BLOCK 599/875****SA**

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of the CGST Act. import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business shall be treated as supply

even if it is without any consideration. The said importation of service shall fall within the ambit of term "supply" and G shall be liable to pay integrated tax under IGST Act, 2017 even if R has provided consultancy services without any consideration. However, if such services are for personal use then it will not be treated as supply unless there is a

**72% MATCHING BLOCK 598/875****W**

consideration. Problem 10: Under a scheme of finance, Maruti Ltd. gives the possession of car to the buyer in November, 2017. It agrees to transfer the ownership of the car to the buyer in January, 2019 upon payment of full consideration of Rs. 9,60,000, in installments as agreed.

What will be the nature of this transaction? Solution : As per Schedule II

**88% MATCHING BLOCK 604/875****SA**

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of the CGST Act, transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed

shall be treated as supply of goods.

Thus,

**100% MATCHING BLOCK 600/875 W**

the aforesaid transaction shall be treated as supply of goods

on hire purchase and liable to GST. Problem 11: R,

**93% MATCHING BLOCK 601/875 W**

the owner of a specific piece of land in Delhi, leases the same to G for one year for an agreed, Consideration in

November, 2017. What will be the nature of this transaction? Solution : As per Schedule II of the CGST Act, any lease, tenancy, easement, license to occupy land shall be treated as supply of services. Thus,

**100% MATCHING BLOCK 602/875 W**

the aforesaid lease of land shall be treated as a supply of services

and liable to GST. Problem 12: R

**90% MATCHING BLOCK 603/875 W**

is a manufacturer of goods. He sends his goods for the purpose of special packaging to G on job work. The

packaging material has also been provided by R. What is the nature of this activity? Solution : As per Schedule II of the CGST Act,

**82% MATCHING BLOCK 605/875 W**

treatment or process applied to another person's goods (job work) shall be treated as supply of

services. Further, it shall be immaterial, whether the job-work is to be carried out by a job-worker with or without any material.

**91% MATCHING BLOCK 606/875 W**

In the given case, the activity of special packing by G shall be treated as supply of services. Further, it shall be immaterial whether G uses his own packing material or the same is provided by

R.  
188 NSOU • PGCO - V Problem 13 : R

**88% MATCHING BLOCK 607/875 W**

is carrying on the business of consumer durable products. He disposed of a defective TV for Rs. 20,000 to G whereas its normal price is Rs.2,00,000. (

a) Will the aforesaid disposal be treated supply of goods or services. (b) Assume in the above example, R donated the above-refrigerator to an NGO and he has claimed the input tax credit on such refrigerator at the time of purchase.

Solution : (a) As per Schedule II of the CGST Act,

**100%**

**MATCHING BLOCK 609/875**

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where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration, such transfer or disposal is a supply of goods by the person.

Thus, the

**100%**

**MATCHING BLOCK 608/875**

**W**

aforesaid disposal shall be considered as supply of goods by

R and liable to GST. (b) The aforesaid donation shall be considered as supply of goods by R. Valuation of the defective refrigerator for payment of GST shall be done on fair market value basis in accordance with CGST Rules, 2017 concerned with determination of value. Problem 14 : R

**94%**

**MATCHING BLOCK 610/875**

**W**

deals in home appliances like washing machines, refrigerator, etc. He uses computers in his shops for keeping track of inventory and for other business purposes. Out of 2 computers, R takes home one computer to be used by his son for his studies during the month of October, 2017 and thereafter computer is brought back to the show room of

R. What will be the nature of this transaction? Solution : As per Schedule II of the CGST Act, where

**96%**

**MATCHING BLOCK 611/875**

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goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is supply of services. The

aforesaid private use of a computer by R/his son shall be treated as a 'supply of services', although it is without consideration and thus liable to GST. Problem 15 : R gives generator-sets on rental basis to various customers. He gives a generator-set to his brother-in-law for a period of one month in September, 2017 on the occasion of some function in the home of his brother-in-law and thereafter generator is brought back to the show room of R. What will be the nature of this transaction? Solution : As per Schedule II of the CGST Act, where

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goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for

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use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is supply of services. The

activity of making available the said generator for the private use of brother-in-law of R shall be treated as a 'supply of services' although it is without consideration and thus liable to GST. Problem 16 : R has closed down his business but was left with certain capital goods and inputs

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forming part of the assets of the business carried on by him.

The closure of the business is due to his ill health. What will be the nature of this transaction? Solution : As per Schedule II of the CGST Act, where

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goods forming part of the assets of any business carried on by

a person

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shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless— (i) the business is transferred as a going concern to another person; or (ii) the business is carried on by a personal representative who is deemed to be a taxable person.

In this case, such goods shall deemed to be supplied by him in the course of

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furtherance of his business immediately before he ceases to be a taxable person. Thus, the

capital goods which have some useful life and such inputs lying with him on which credit has been availed should be treated as deemed supply and shall be subject to GST. 6.4 Composite Supply and Mixed Supply GST is payable on supply of goods/ services at a rate notified by the government. In case of supply of single goods/ services poses no problem for determination of applicable GST rate, if they are clearly identifiable. However, some of the supplies are a combination of goods/combination of services/ combination of services and goods wherein each individual component of such supply attracts a different rate of tax. In such cases, determination of applicable rate of tax to be levied on such supplies may be a challenge. To address this issue, the GST law categorises such supplies into composite supplies and mixed supplies.

6.4.1 Composite Supply U/s 2(30) of CGST Act, 2017

Composite supply means

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a supply – Made by a taxable person to a recipient 190 NSOU • PGCO - V consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled, and supplied in conjunction with each other in ordinary course of business,

and out of all supplies, one of which is principal supply. (Principal supply means predominant element of composite supply for which other supplies forming part of composite supply play an ancillary role) Condition for Composite Supply Any supply of goods or services will be treated as composite supply if it satisfies the following conditions simultaneously: i) supply of two or more taxable supply ii) it is naturally bundled i.e., goods or services are usually provided together in normal course of business. They cannot be separated. iii) One of the supplies must be principal supply. Tax liability for Composite Supply As per Sec. 8 of CGST Act, 2017

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a Composite Supply, comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply.

Accordingly the tax rate applicable for the goods or services which is treated as principal supply is the rate of tax for

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Composite Supply. 6.4.2 Mixed Supply As per Sec. 2(74) mixed supply means – Two or more individual supplies of goods or services or any combination thereof, Made in conjunction with each other By a taxable person For a single price Where such supply does not constitute a composite supply.

Condition for Mixed Supply Any supply of goods or services will be treated as mixed supply if it satisfies the following conditions simultaneously: 1. Supply of two or more individual supply 2. It is not naturally bundled i.e., goods or services are usually not provided together in normal course of business. They can be separated. 3. None of the supplies is principal supply.

NSOU • PGCO - V 191 Tax liability for Composite Supply As per Sec. 8 of CGST Act, 2017

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a Mixed Supply comprising two or more shall be treated as a supply of that particular supply which attracts the highest rate of tax. 6.4.3

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Guiding principles for determining a supply as Composite Supply or Mixed Supply Following guiding principles could be adopted to determine whether it would be a Composite Supply or Mixed Supply. Description Composite Mixed Supply Supply Naturally bundled Yes No Supplied together Yes Yes Can be supplied separately No Yes One is predominant supply for recipient Yes No Each supply

priced separately No No Criteria for determining natural bundle Perception of customer about the supply. Market trend i.e. how other supplier supplies. Nature of ingredient of supply. 6.4.4 Illustration Problem 1 : R is selling hampers consisting of canned foods, sweets, chocolates, cakes and dry fruits on diwali and other festivals. What is the kind of supply and at which rate will GST be payable by R? Solution : The supply of hamper consisting of canned foods, sweets, chocolates, cakes and dry fruits if sold for a single price shall be a mixed supply and the GST rate shall be rate of any of these items which attracts the highest rate of tax. However, if

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each of the items is supplied separately and is not dependant on any other item, it shall not be mixed supply

and GST rate applicable shall be the rate applicable for each supply. Problem 2: . R dispatched chocolates to G from Delhi to Punjab after getting it packed and paying insurance charges of such goods. What is the kind of such supply of chocolates and what rate will GST be applicable?

192 NSOU • PGCO - V Solution : Where

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goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance

is a composite supply and supply of goods is

the principal supply. GST rate applicable in this case shall be the GST rate of chocolates. Problem 3 : R purchases air travel ticket of Air India from Delhi to Bangalore for Rs. 9,000 which includes free food on board and free insurance.

What is the kind of such supply and what rate will GST be applicable? Solution: Air travel ticket from Delhi to Bangalore costing Rs. 9,000 includes free food on board and free insurance. Therefore, it is a case of composite supply. In this case, the transport of passenger, institutes the pre-dominant element of the composite supply, and is treated as the principal supply and all other supplies are ancillary. Hence, GST rate applicable in this case shall be the GST rate of transportation of passenger by air. Problem 4 : Mr. Ram being a dealer in laptops, sold laptop to a customer in Laptop Bag, for Rs. 55,000. CGST and SGST for laptop @ 18% and for laptop bag @ 28%. What would be the rate of tax leviable? Also find the GST liability. Solution : If the laptop bag is supplied along with the laptop in the ordinary course of business, the principal supply is that of the laptop and the bag is an ancillary. Therefore, it is a composite supply and the rate of tax would that as applicable to the laptop. Hence, applicable rate of GST 18% on Rs.55,000. CGST is Rs.4,950 and SGST is Rs. 4,950

Problem 5 : Mr. A booked a Rajdhani train ticket, which includes meal. Is it composite supply or mixed supply? Solution : It is a bundle of supplies. It is a composite supply where the products cannot be sold separately. The transportation of passenger is, therefore, the principal supply. Rate of tax applicable to the principal supply will be charged to the whole composite bundle. Therefore, rate of GST applicable to transportation of passengers by rail will be charged by IRCTC on the booking of Rajdhani ticket. Problem 6 : Big Bazar offers a free bucket with detergent purchased. Is it composite supply or mixed supply? Assume rate of GST for detergent @ 28% and bucket @ 18%. Solution : This is a mixed supply. These items can be sold separately. Product which has the higher rate will apply on the whole mixed bundle.

NSOU • PGCO - V 193 Problem 7: XYZ

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Ltd. is a manufacturer of cosmetic products, supplied a package consisting of hair oil (GST Rate -18%),

Sun screen cream (GST Rate - 28%), Shampoo (GST rate - 28%) and hair

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comb (GST Rate -12%). The Price per package is Rs. 500 (exclusive of taxes). 10,000 packages were supplied by the company

to its dealers. Determine the nature of supply and its tax liability. Solution : This supply would be regarded as mixed supply, since in this case each of the goods in the package have individual identity and can be supplied separately, but are deliberately supplied conjointly for a single consolidated price. The tax rates applicable in case of mixed supply would be the rate of tax attributable to that one supply (goods, or services) which suffers the highest rate of tax from amongst the supplies forming part of the mixed supply. Therefore, the package will be chargeable to 28% GST. The tax liability will be arrived as under : Particulars Rs. Value of taxable supply per package Rs. 500 No. of packages 10,000 Total Taxable Value of supply Rs. 50,00,000 Applicable GST Rate 28% Total Tax liability Rs.14,00,000 Problem 8 :

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A Ltd. a manufacturing concern in Rajasthan has opted for composition scheme furnishes you with the following information for Financial Year 2018-19. It requires you to determine its composition tax liability and total tax liability. In Financial Year 2017-18 total value of supplies including inward supplies taxed under reverse charge basis are Rs. 68,00,000. The break up of supplies are as follows – Particulars Rs. (1) Intra State Supplies of Goods X chargeable @ 5% GST 30,00,000 (2) Intra State Supplies made which are chargeable to GST 18,00,000 at Nil rate (3) Intra state supplies which are wholly exempt under section 11 of CGST Act, 2017 2,40,000 (4) Value of inward supplies on which tax payable under RCM (GST Rate 5%) 5,00,000 (5) Intra State Supplies of Goods Y chargeable @ 18 % GST 30,00,000 194

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The composite tax liability of A Ltd. shall be as under : (1) Computation of Aggregate Turnover and composite tax : Particulars Rs. (1) Supplies made under forward charge 30,00,000 (2) Supplies made which are chargeable to GST at Nil rate 18,00,000 (3) Supplies which are wholly exempt under section 11 of CGST 2,40,000 Act, 2017 (4) Value of inward supplies on which tax payable under RCM NIL (GST Rate 5%) (not to be included) (5) Intra State Supplies of Goods Y chargeable @ 18 % GST 30,00,000 Aggregate turnover 30,00,000 Rate of composite tax 2% Total Composite tax [Rs. 30,00,000 x 2%] 60,000 (2) Tax payable under reverse charge basis: Particulars Rs. Value of inward supplies on which tax payable under RCM 5,00,000 Rate of GST 5% Tax payable under RMC 25,000 Total Tax liability (

Rs. 60, 000 + 2, 5000) 85,000 6.5 Place of Supply Under the GST environment, Place of Supply (PoS) of Goods and Services is the most important concept because the chargeability of GST is based on three pillars. Taxable event i.e supply

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Time of supply of Goods / Services (point of taxation) Place of Supply of Goods and Services.

Therefore it can be said that Place of Supply is very significant for computation of tax under GST regime. In case the Place of Supply is wrongly determined, it has vast implication under provision of Section 77. According to that section if a person wrongly collect and paid the CGST and SGST assuming the transaction is a Intra-State supply, while the actual transaction is a Inter-State supply, shall refund the CGST/SGST and paid IGST along with interest and vice versa. Under GST it is very important to determine

NSOU • PGCO - V 195 the nature of supply because it's only after determining the same we can make sure the tax that is to be collected and paid. Hence, in case the nature of supply is Inter-State we shall apply Integrated Goods and Service Tax (IGST) on the transaction and in case of Intra-State supply we need to apply both i.e.

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Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST).

As per Section 7 of IGST Act, a transaction is said to be a

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Intra-State supply if the location of supplier and the Place of Supply of goods and services are in same state or same Union Territory.



As per Section 8 of IGST Act, a transaction is said to be a Inter-State supply if

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the location of supplier and the Place of Supply of goods and services are two different States or two different Union Territory or			

one in Union Territory

and another is State Territory. Inter- State supplies also includes the supply of goods or services imported into India, where LoS (location of supplier) is outside India and PoS (Place of Supply) is in India, and supply of goods and services exported from India, where LoS in India but PoS is outside India. Apart from this, there are some specified transactions which actually looks like Intra- State supplies but deemed to be a Inter- State supplies, for example supplies made to or by SEZ units even within the State would be considered as Inter- State Supplies. All Intra- State supplies are governed by Central GST Act and State/ Union Territory GST Act, 2017 and applicable taxes are CGST plus SGST/UGST. So imposition of two different kinds of taxes on the same transaction indicates the equal share of taxes by Central and State/ UT Government. All Inter-State supplies are governed by the IGST Law applicable levy on the transaction is IGST. This IGST include the share of both Central Government and respective state/ UT Government which is consider as the Place of Supply. Thus the concept of Place of Supply is the utmost important from the point of Government to determine which State or Union Territory will get the share of IGST and it is also important for the business to identify which taxes to be imposed depending upon whether the transaction is Inter Sate supply or Intra- State supply. 6.5.1 Scope of the Provisions Sections 10 to 13 of the IGST Act, 2017 indicate the principles to determine the Place of Supply. 1. Section 10 governs the

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Place of Supply of goods other than goods imported into and exported from India. 2. Section 11			

governs the

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Place of Supply of Goods imported into or exported from India. 3. Section 12			

governs

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the Place of Supply of services, where location of supplier and location of recipient is in India. 4. Section 13 governs the Place of Supply of services, where the			

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location of supplier or location of recipient is outside India. 196			

NSOU • PGCO - V It is important to state that where Sections 10 and 12 deal with domestic transaction but Sections 11 and 13 deal with cross border transactions of goods and services. Also Sections 10 and 11 cover the

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Place of Supply of goods, but Sections 12 and 13 cover the supply of services, both are independent provisions. 6.5.2 Place of Supply of goods other than

export and import According to the related provisions, Rules governing the

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Place of Supply of Goods other than Imports and export (for Domestic supply) are as under- 1) where the supply involves movement of goods:

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Supply involves movement of goods whether by the supplier or the recipient, the Place of Supply of such goods shall be the location of the goods when the movement of goods terminates for delivery to the recipient.

This implies that place of supplier or receiver is of no consequence to determine the Place of Supply when it comes to those transactions which involve the movement of goods. The place where delivery terminates i.e. where the ownership is passed on shall be critical to determine the Place of Supply. Case study 1: A Ltd. of West Bengal sold 300 units of computer to Info Traders of Bihar, to be delivered at his office at Jharkhand. Place of Supply of goods is Jharkhand and IGST will be levied as it is a Inter- State supply. 2) where the goods are delivered on the direction of a third person:

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where the goods are delivered by the supplier to a recipient on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the Place of Supply of such goods shall be the principal place of business of such person.

When goods are delivered to a party on the direction of a third person the Place of Supply will be the location of such third person and not where the delivery terminates. Case study 2: Samanta Traders, a dealer in Furniture, located in west Bengal place an order to Rahim traders located at Assam, for 100 units of Chairs, with the direction that to deliver the Chairs to City College of Kolkata, West Bengal, who is the customer of Samanta Traders. There are two legs of the Transaction Leg 1: Samanta Traders and Rahim Traders, Place of Supply is West Bengal and IGST will be levied as Inter-State sale.

NSOU • PGCO - V 197 Leg 2: Samanta Traders and City College (having registered under GST), PoS of goods is West Bengal and Intra- State supply, CGST plus SGST will be charged. 3) Where supply involves no movement of goods:

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Where the supply does not involve movement of goods, whether, by the supplier or the recipient, the Place of Supply shall be the location of such goods at the time of the delivery to the recipient. However, when goods are

of such nature which does not require any movement,

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Place of Supply shall be the location of such goods.

Case study 3: Silk Traders of Gujarat Sold 20 pieces of silk salwar to Amit traders of west Bengal at Gujarat show room. Here the transaction is Intra -State Supply of goods, as Place of Supply is Gujarat. 4) When Goods are Installed :

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Where the goods are assembled or installed at site, the Place of Supply shall be the place of such installation or assembly.

Case study 4: Ramco Limited registered in Bihar opens a new office in Delhi. It purchases 10 ACs to be installed at its Delhi office from Patil electronics in Bihar. In this case, the location of the supplier is Bihar, but a Place of Supply of goods will be Delhi. Hence, IGST will be levied. 5) Goods on Board a conveyance : In case

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the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the Place of Supply shall be the location at which such goods are taken on board.

This provision includes

those purchases which are done while travelling on a conveyance. Case Study 5: Mr. Mehta is travelling on a cruise liner from Mumbai to Goa. He purchases a book from the in-house store in the cruise liner. These books were on-boarded from Mumbai. Registered place of business of the book shop is in Mumbai. Place of location of supplier is Maharashtra and Place of Supply of goods , in this case, will be Maharashtra. This is an Intra-State supply, and CGST and SGST will be charged. 6.5.3 Place of Supply of services other than export and import Broad principles governing the

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Place of Supply of services where the location of service supplier (provider) and recipient (Receiver) is in India,

are 13 in numbers, out of which 1 is general principle and 12 are specific situation based principles. For the most supplies of services, the places of supply of services are determined by "General 198 NSOU • PGCO - V Rule". However, some supplies are subject to special rules for fixing the Place of Supply of services, depending upon the nature of services referred in those respective rules. 1) General Rules: Where both supplier and recipient are located in India, the Place of Supply of service would be: a) When the service supplied or provided to persons registered under the GST the Place of Supply of service is the location of registered person. Case Study 7: Mr. Rahaman is the chartered accountant of West Bengal, provided professional services to ABC Ltd, of Assam. The PoS of the Service is the location of Registered person. Here it is Assam. So Mr. Rahaman will charge IGST for his service as Inter- State Supply. b) When the services are provided to an un-registered person but the address exists on records of the

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supplier of service, the Place of Supply of service is the location of service recipient of

to un-registered persons. Case study 8: Samanta Furniture of Kolkata is providing services of renting of furniture to Amit of Midnapur. Then the location of supply of services is at West Bengal, hence Intra- States supply. So both CGST and SGST will be levied. c) When the services are provided to an un-registered person but the address doesn't exists

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on records of the supplier of service, the Place of Supply of

service is the location of service supplier or provider. Case study 9: Infotech Kolkata is providing computer repair services to Rahul of Jharkhand, unregistered person and address is not available in its records. In this situation Place of Supply is location of service provider i.e West Bengal (Intra-State supply) The general rule has been framed keeping in the view the difference between B to B and B to C supplies. The rule is very well aligned with the overall philosophy of GST Act which is destination based consumption tax. 2) Specific Rules : a)

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Place of Supply of the Services in relation to immovable property is the location of

the immovable property without differentiating the B to B and B to C supplies (Availing input tax credit from a state where the service receiver has no place of business may difficult). The rule covers NSOU • PGCO - V 199 Services like architecture, interior decoration, construction or any others similar in nature. Services of accommodation for staying in hotel, guest house, lodge, inn etc. or for organising any function or events. b) Place of Supply for the restaurant and catering services personal grooming, health and beauty services etc., is the location of actual performance. c) Place of Supply for services like training and performance appraisal is the For Registered service recipient –location of the service recipient (can claim input tax credit) For un-registered recipient – place of actual performance (no question of claiming input tax credit) d) Place of Supply for the

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services provided by way of admission to an event or amusement park or any other place

is the location of the event or park without differentiating the B to B and B to C supplies. e) Place of Supply for the services provided by way of organising such events and other ancillary services in this connection is the For Registered service recipient –location of the service recipient (can claim input tax credit) For un-registered recipient – location of actual performance.(no question of claiming ITC). If the event is outside India then location of service recipient will be Place of Supply for un-registered person.. f) Place of Supply for the services transportation of goods, including mail or courier is the For Registered service recipient –location of the service recipient (can claim input tax credit) For un-registered recipient – location where goods are handed over for transportation g) Place of Supply for the services of Passenger transportation is For Registered service recipient –location of the service recipient (can claim input tax credit) For un-registered recipient – location where passenger embarks on a conveyance for the continuous journey. h) Place of Supply for the services on the board of conveyance like aircraft, vessel, train, motor vehicles is the first departure point of the conveyance of that journey.

200 NSOU • PGCO - V i) Place of Supply for the telecommunication services like data transfer, broadcasting, cable and DTH services to any person has been prescribed differently For fixed line, leased circuits, cable or dish antenna – place of installation For post paid mobile/ internet connection – location of billing address. For pre paid mobile/ internet connection – address of the selling agent or the location of sale in different situation. This is largely in the line with the provision followed by other developed nations. j) Place of Supply for banking and financial services including services of stock broking firm shall be Location of receiver is available in records - the location of service receiver. Location of receiver is not available in records – the location of service provider Such provision is similar to the previous provision in service tax. k)

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Place of Supply for insurance services shall be the location of the service recipient

in case of business or otherwise. l) A special rule is framed for the advertising services provided to the government whether central or state / union territory. Place of Supply is the respective state for which the advertisement is meant for. After discussing the principles governing PoS for the entire domestic supplies of services, it may be seen that overall objective of the principle is to capture the location of consumption of services and to ascertain the PoS accordingly. 6.5.4 Illustration Problem 1 : (a) What shall be the place of supply and kind of GST chargeable, if R of Delhi makes a supply of goods to G of Gujarat? (b) What shall be your answer if G is also located in Delhi? Solution : (a) The place of supply in this case shall be Gujarat where the movement goods terminate and it will be a case of inter-State supply liable to IGST. (b) On the other hand, if G is also located in Delhi, the place of supply shall be Delhi and it will be a case of intra-state supply liable to CGST and Delhi SGST. Problem 2 : R of Ghaziabad (UP) comes to Delhi and wishes to buy a washing machine for his residence at Ghaziabad. He visited a showroom of washing machine of G in Delhi. G agreed to transport and deliver the washing machine to R at his residence in Ghaziabad for a sum of Rs. 20,000 including transportation charges. NSOU • PGCO - V 201 (a) What shall be the place of supply and kind of GST chargeable in this case? (b) Will the situation be different if R agrees to take the washing machine himself to Ghaziabad? Solution : (a) In this case, supply involves movement of goods from Delhi to Ghaziabad (UP) and responsibility of movement of goods is of the supplier G. The place of supply in this case shall be Ghaziabad where the movement terminates for delivery. Hence, it shall be a case of inter-state supply and liable to IGST. (b) The situation will not be different if R agrees, that he will himself move the goods to Ghaziabad. Problem 3 : R of Delhi has supplied goods to G of Ambala (Haryana). During the movement of goods G directed R to transfer the documents of title to S of Chandigargh (Union Territory). What shall be the 'place of supply' and kind of GST chargeable in this case? Solution : The place of supply of such goods shall be Chandigargh (Union Territory) and it will be a case of Inter-State supply liable to IGST. Problem 4 : R of Haryana, books an order to supply toys to J of Jaipur (Rajasthan). R places the order on G Itoys Ltd. Mumbai, the manufacturer of such toys and instructs G Toys Ltd. to deliver the toys directly to J of Jaipur to save the transportation cost. What shall be the place of supply and kind of GST Chargeable in this case? Solution : In this case goods are delivered to J in Jaipur by G Toys Ltd. the supplier of goods located at Mumbai on the direction of R. Delivery of goods by G Toys Ltd. to J of Jaipur (Rajasthan) shall be considered as supply to R of Haryana and the place of supply of this transaction shall be Haryana Sing the principal place of business of R. This supply

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shall be considered as inter-state supply and shall be subject to

IGST which will be charged by G Toys Ltd. of Mumbai in his invoice raised to R of Haryana. Problem 5 : R of Mumbai (Maharastra) enters into an agreement with G to Ammedabad (Gujrat) for installation of a machine in his factory at Goa. (a) What shall be the place of supply and kind of GST chargeable to this case (b) What shall be your answer if the machine has to be mstalled on G's factory at Pune (Maharastra) Solution : (a) The place of supply in this case shall be the place of installation of machine i.e. Ahmedabad (Gujrat). Thus it will be a case of inter-state supply and R will have to pay IGST at Delhi.

202 NSOU • PGCO - V (b) If this machine has to be installed by R on behalf of G in Pune (Maharashtra). It will be a case of intra-state supply and R will have to pay CGST and Maharashtra SGST at Mumbai. Problem 6 : R, a flight caterer, of Gurgaon (Haryana) has loaded food and drinks on Air India aircraft at Delhi on its flight from Mumbai to Amritsar via Delhi for passengers on board. What shall be the place of supply and kind of GST chargeable in this case? Solution : The place of supply in this case shall be Delhi from where foods and drinks were loaded on the aircraft and it will be a case of inter-State supply as R is in Gurgaon (Haryana) and the place of supply is in Delhi. Thus R will have to pay IGST at Delhi. Problem 7 : A ticket for anywhere travel in India is issued by Jet Airways to R. How would you determine the 'place of supply' in this case? Solution : In this case the place of embarkation will not be available at the time of issue of invoice as the right to passage is for future use. Accordingly, place of supply cannot be the place of embarkation. In such case,

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the place of supply of such service shall be determined in accordance with the provisions of section 12(2)

i.e. if the services are

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made to— (a) a registered person, it shall be the location of such person; (b) any person, other than a registered person

it

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shall be— (i) the location of the recipient where the address on record exists; and (ii) the location of the supplier of services in other cases.

Problem 8 : A person travels from Delhi to Chennai and back to Delhi. How would you determine the place of supply in this case? Solution : The place of supply shall be determined as under:  
If the person is registered,

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the place of supply shall be the location of recipient. If the person is not registered, the place of supply

for the for on ward journey from Delhi to Chennai shall be Delhi, the place where he embarks. However, for the return journey, the place of supply shall be Chennai as the return journey has to be treated as separate journey. Problem 9 : From the following information determine the place of supply of goods as per IGST Act, 2017, where the

**65% MATCHING BLOCK 657/875**

**SA**

GST - M.Com-2nd Sem.docx (D129601189)

goods are delivered by the supplier to a recipient on the direction NSOU • PGCO - V 203 of a third person

during the course of movement of goods. Also

**90%**

**MATCHING BLOCK 656/875**

**W**

determine the nature of supply -whether inter state or intra-state

supply? Supplier and his Location of the buyer Recipient and his Place of delivery of location (third person) location the goods A Ltd. Jaipur A Ltd. Jaipur M Ltd. Mumbai Mumbai A Ltd. Jaipur M Ltd. Mumbai B Ltd. Jaipur Jaipur A Ltd. Jaipur S Ltd. Surat M Ltd. Mumbai Mumbai A Ltd. Jaipur M Ltd. Mumbai P Ltd. Mumbai Mumbai Solution: The place of supply of goods shall be determined as under— Supplier and Location of Recipient and Place of Place of Supply (As CGST/IGST his location the buyer his location delivery per Section 10(l)(b) (third person) of the shall be the principal goods place of business of third person i.e. buyer) A Ltd. Jaipur B Ltd. Jaipur M Ltd. Mumbai Jaipur Intra-State - Mumbai CGST A Ltd. Jaipur M Ltd. B Ltd. Jaipur Jaipur Mumbai Inter-State - Mumbai IGST A Ltd. Jaipur S Ltd. Surat M Ltd. Mumbai Surat Inter-State - Mumbai IGST A Ltd. Jaipur M Ltd. P Ltd. Mumbai Mumbai Inter-State - Mumbai Mumbai IGST Problem10 : Determine place of supply of goods in the following cases and also state the nature of supply and the type of tax leviable: Supplier and his location Recipient and his location Place of assembly/ installation of goods A Ltd. Jaipur B Ltd. Jaipur Kolkata A Ltd. Jaipur M Ltd. Mumbai Surat A Ltd. Jaipur S Ltd. Surat Allahabad A Ltd. Jaipur M Ltd. Mumbai Jaipur Solution : The place of supply shall be determined as under—

204 NSOU • PGCO - V 6.6 Time of Supply/ Point of Taxation GST is payable on supply of goods or services. A supply consists of elements that can be segregated or seperated in respect to time, like purchase order or agreement for sale, provision of services, despatch of goods, delivery of goods. Payment, entry of payment or amount deposited to Bank. So at which of these points of time, will GST become payable? Will it become payable when an agreements to supply goods or services are provided or when invoices is issued or when payment is made? What happens if the goods are delivered over a period of time? What happens if the services are provided over a period of time? Provision relating to 'time of supply' provides answer to all such questions that arise on the timing of the liability to pay CGST and SGST/UTGST (Intra-State supply) and IGST (Inter-State Supply) as time of supply fixes the point of time when the liabilites to pay tax arises.

6.6.1

Time

of

**53%**

**MATCHING BLOCK 658/875**

**W**

Supply of Goods, u/s 12 of CGST Act Time of Supply of Goods under forward charge The time of supply of goods shall be (a) Date of issue of tax invoice [

When invoice is issued within time limit of issue of invoice] (b) Last date on which invoice ought to have been issued [When invoice is not issued within time limit] (c) Date of receipt of payment –Earlier of the above three Note : 1. Time limit for issue of invoice for supply of goods (a)

**45%**

**MATCHING BLOCK 659/875**

**W**

Where supply involves movement of goods → at the time or before the removal of goods. (b) Where supply doesn't involve movement of goods → at the time or before the delivery of goods. (

c) In case of continious supply of goods: → at the time

or before the time of issuance of periodical statement. Supplier and his Recipient and his Place of assembly/ Place of Nature of supply and location location installation of goods Supply tax leviable A Ltd. Jaipur B Ltd. Jaipur Kolkata Kolkata Inter-State -IGST A Ltd. Jaipur M Ltd. Mumbai Surat Surat Inter-State -IGST A Ltd. Jaipur S Ltd. Surat Allahabad Allahabad Inter-State -IGST A Ltd. Jaipur M Ltd. Mumbai Jaipur Jaipur Intra-State - CGST

NSOU • PGCO - V 205 Note: 2.

**79% MATCHING BLOCK 660/875**

**W**

Date of receipt of payment shall be (a) Date on which the payment is recorded in the books of accounts of the supplier  
(b) Date on which the payment is credited to

the supplier's Bank

A/c Note : 3. If the payment received is upto Rs. 1000 in excess of the invoice amount,

**98% MATCHING BLOCK 661/875**

**W**

the supplier can choose to take the date of invoice issued with respect to such excess amount as the time of supply of goods for such excess value.

Note: 4. When the payment is received in instalments, the time of supply shall be determined seperately for each instalment. 6.6.2 Time of Supply of Services Time of supply of services under forward charge Section 13(2) CGST Act prescribed

**78% MATCHING BLOCK 662/875**

**W**

the manner for determination of time of supply in case of supply of services

under forward charge: Case 1 : Invoice has been issued within time limit u/s 31

The

time of supply

**100% MATCHING BLOCK 663/875**

**W**

shall be (a) Date of issue of invoice (b) Date of receipt of payment

Earlier of

the

above two. Case 2 : Invoice has not been issued within

time limit u/s 31

**80% MATCHING BLOCK 664/875**

**W**

The time of supply shall be (a) Date of provision of service (b) Date of

receipt of payment

Earlier of above

two Note: 1. Time limit for issue of invoice (a) For Banking and Financial institution-within 45 days from the provision of service (b) For other case–whihin 30 days from

the date of

provision of service. Note: 2.



**79% MATCHING BLOCK 665/875**

**W**

Date of receipt of payment shall be (a) Date on which the payment is recorded in the books of accounts of the supplier  
(b) Date on which the payment is credited to

the supplier's Bank A/c Note : 3. If the payment received is upto Rs. 1000 in excess of the invoice amount,

**98% MATCHING BLOCK 666/875**

**W**

the supplier can choose to take the date of invoice issued with respect to such excess amount as the time of supply of goods for such excess value. 206

NSOU • PGCO - V Note: 4. When the payment is received in instalments, the time of supply shall be determined separately for each instalment. 6.6.3

**79% MATCHING BLOCK 667/875**

**W**

Time of Supply of vouchers In case of supply of vouchers by a supplier, the time of supply (TOS) shall be (a) The date of issue of voucher → If supply is identifiable at the point (b) The date of redemption of Voucher →

if supply is not identifiable at that point

**93% MATCHING BLOCK 668/875**

**W**

of issue of voucher. Where it is not possible to determine the time of supply

u/s 12, then time of supply shall

**70% MATCHING BLOCK 669/875**

**W**

be (a) Date on which periodic return has to be filed (b) In other case → the date on which tax is paid. 6.6.4

Supply of Goods under Reverse Charge Mechanism (RCM) Section 12(3) of CGST Act provides that

**70% MATCHING BLOCK 670/875**

**W**

in case of supply of goods under RCM, the time of supply shall be (a) Date

on which the goods received (b) Date of payment earlier of (i) Date of payment by Debiting Bank A/c (ii) Date of Book entry (

**100% MATCHING BLOCK 671/875**

**W**

c) Date immediately following 30 days from the date of issue of invoice. 6.6.5

Time of Supply

of Service under RCM (a) Transaction between non-associate enterprises Section 13(3) of CGST Act provides that in case of supply of services taxable under RCM

**66% MATCHING BLOCK 672/875**

**W**

the time of supply shall be (i) Date of payment (ii) Date immediately following 60 days from the date of issue of invoice.

Note: If Time to supply (TOS) can't be determined as above parameters, then the TOS is the date of book entry of services in the Books of recipient. (b) Transaction between associated enterprises. TOS shall be earlier of (i) Date of payment (ii)

**75% MATCHING BLOCK 674/875**

**SA**

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Date of debit entry in the books of accounts of the recipient of services.

NSOU • PGCO - V 207 6.6.6

**68% MATCHING BLOCK 673/875**

**W**

Time of Supply in case of change in the rate of tax [u/s 13 of CGST Act] When there is a change in the rate of tax in respect of goods or services,

the time of supply

shall be determined as follows. 1. Before After After Earlier of Date of New rate change change change invoice and date of payment 2. Before Before After Date of issue Old rate change change change of invoice 3. Before Before Before Date of receipt Old rate change change change of payment 4. After Before Before Earlier of Date of Old rate change change change Invoice and date of payment 5. After After After Date of Receipt of New rate change change change payment 6. After Before Before Date of issue New rate change change change of Invoice Situations Supply Invoice Payment TOS Applicable completed issued Made ( Time of supply) Rate Note: Normally

**89% MATCHING BLOCK 675/875**

**SA**

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the date of receipt of payment is the date of credit in the bank

A/c of the recipient of payment [suppliers] or the date of Book entry by the supplier in their books of account. However, in case of change in the rate of

**80% MATCHING BLOCK 676/875**

**SA**

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tax, the date of receipt of payment is the date of credit in the bank A/c if such credit is after 4 working days from the date of change in rate

of tax.

208

NSOU • PGCO - V 6.6.7 Date of Payment of Tax Date of payment No change in rate of tax Change in rate of tax Earlier of Date of Book (or) Date of Bank Amount credited Amount entry entry to Bank A/c credited within 4 working to Bank days A/c after 4 working days earlier of Date of Bank entry Date of Book (or) Date of entry Bank entry ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ 6.6.8 Illustration

**89% MATCHING BLOCK 677/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

Problem 1 : Determine the Time of supply in each of the following independent cases in accordance with provisions of Section 12

of the CGST Act, 2017 in case supply involves movement of goods. Sl. Date of Removal Date of invoice Date when goods Date of receipt No. made available to

**58% MATCHING BLOCK 678/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

of payment recipient 1. 01-10-2017 02-10-2017 03-10-2017 15-11-2017 2. 03-10-2017 01-10-2017 04-10-2017 25-11-2017 3. 04-11-2017 04-11-2017 06-11-2017 01-10-2017 Solution: Time of supply of goods in each of the above cases has been given in following table— NSOU • PGCO - V 209 SL. Removal Date of Date of Date when Date of Time of

Reasons No. Invoice goods receipt of Supply made payment (TOS) available to recipient 1. 01-10-2017 02-10-2017 03-10-2017 15-11-2017 01-10-2017 Since, invoice is not issued on or before the date of removal of goods and payment is received after the date of removal, hence time of supply is date of removal of goods. 2. 03-10-2017 01-10-2017 04-10-2017 25-11-2017 01-10-2017 TOS is date of issuance of invoice since invoice is issued prior to

**32% MATCHING BLOCK 679/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

date of removal of goods and payment is received after the date of invoice. 3. 04-11-2017 04-11-2017 06-11-2017 01-10-2017 01-10-2017 TOS is date of receipt of payment since invoice is issued after date of receipt of payment.

**100% MATCHING BLOCK 680/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

Problem 2 : From the following information determine the time of supply

if supply involves movement

**51% MATCHING BLOCK 681/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

of goods : SL. No. Invoice date Removal of goods Receipt of payment 1. 15-11-2017 26-10-2017 20-11-2017 2. 26-10-2017 30-10-2017 05-11-2017 Solution: Time of supply of goods in each of the above cases has been given in the following table— SL. No. Invoice Removal of Receipt of Time of Reasons date goods payment

supply 1. 15-11-2017 26-10-2017 20-11-2017 26-10-2017 TOS is the date of removal of goods, since Invoice is not issued before removal of goods and payment is received after removal of goods. 2. 26-10-2017 30-10-2017 05-11-2017 26-10-2017 TOS is the date of invoice since the same is issued before removal of goods and payment is received after

**68% MATCHING BLOCK 682/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

the date of invoice. 210 NSOU • PGCO - V Problem 3 : Determine the Time of Supply in each of following independent cases in accordance with provisions of Section 12

of the CGST Act, 2017 in case supply involves movement of goods. S.No. Invoice date Invoice due date Payment entry in Credit

**75%**

**MATCHING BLOCK 683/875**

**SA**

GST - M.Com-2nd Sem.docx (D129601189)

in bank supplier's books account 1. 10-11-2017 20-11-2017 28-11-2017 30-10-2017 2. 30-11-2017 18-11-2017 10-11-2017 28-11-2017 Solution: Time of supply of goods in each of the above cases has been given in following table— SL. Invoice Invoice Date of

payment i.e. Time of Reason No. date due date (DOP) Earlier of Payment Supply (DOI) entry in supplier's (TOS) books or credit in his bank account 1. 10-11-2017 20-11-2017 28-11-2017 10-11-2017 TOS shall be earlier of the DOI or DOP . 2. 30-11-2017 18-11-2017 10-11-2017 10-11-2017 TOS shall be earlier of due date of DOI (since actual date of invoice is after due date) or DOP

**86%**

**MATCHING BLOCK 684/875**

**SA**

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Problem 4 : Determine the Time of Supply in each of following independent cases in accordance with provisions of Section 12

of the CGST Act, 2017 in case recipient of goods is liable to pay tax under reverse charge mechanism. SL.

**82%**

**MATCHING BLOCK 685/875**

**SA**

GST - M.Com-2nd Sem.docx (D129601189)

No. Date of invoice Date of receipt of Date of payment in Date when payment goods books debited in bank account 1. 01-10-2017 05-10-2017 10-10-2017 12-10-2017 2. 01-10-2017 15-10-2017 10-10-2017 12-10-2017 3. 01-10-2017 15-10-2017 12-10-2017 10-10-2017 4. 01-10-2017 15-11-2017 18-11-2017 20-11-2017 Solution Time of Supply of goods in each of the above cases has been given in

the following table—  
NSOU • PGCO - V 211

**100%**

**MATCHING BLOCK 687/875**

**SA**

GST - M.Com-2nd Sem.docx (D129601189)

Problem 5: From the following information determine the time of supply

if supply is taxed under reverse charge basis: SL. Date of Date of Date of Date when Time of Reasons No. invoice receipt of payment in payment Supply goods books debited in (TOS) bank account 1. 01-10-2017 05-10-2017 10-10-2017 12-10-2017 05-10-2017 TOS is

**54%**

**MATCHING BLOCK 686/875**

**W**

date of receipt of goods 2. 01-10-2017 15-10-2017 10-10-2017 12-10-2017 10-10-2017 TOS is date of payment in books. 3. 01-10-2017 15-10-2017 12-10-2017 10-10-2017 10-10-2017 TOS is date when payment is debited in bank account. 4. 01-10-2017 15-11-2017 18-11-2017 20-11-2017 01-11-2017 TOS is the date immediately following 30 days from the date of issue of invoice

by the supplier.

**59%**

**MATCHING BLOCK 688/875**

**SA**

GST - M.Com-2nd Sem.docx (D129601189)

Solution : Time of supply of goods in each of the above cases has been given in following table— SL. Date of invoice Removal of Receipt of Date of entry Date of debit in No. issued by supplier goods goods in books bank account of

of

accounts of recipient recipient 1. 31-12-2017 31-12-2017 20-01-2018 30-01-2018 01-02-2018 2. 31-12-2017 31-12-2017 20-01-2018 05-01-2018 06-01-2018 3. 31-12-2017 28-02-2018 05-03-2018 SL. Date of Removal of Receipt of DOP is Time of Reasons No. invoice goods goods earlier of the Supply issued by date of entry (TOS) supplier in books or date of debit in bank account 1. 31-12-2017 31-12-2017 20-01-2018 30-01-2018 20-01-2018 Earlier of (i) receipt of goods or (ii) date of payment by the recipient. 2. 31-12-2017 31-12-2017 20-01-2018 05-01-2018 05-01-2018 Earlier of (i) receipt of goods or (ii) date of payment by the recipient. 3. 31-12-2017 28-02-2018 05-03-2018 - 31-01-2018 Earlier of (i) the date of receipt of goods or (ii)

**63% MATCHING BLOCK 689/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

date immediately following 30 days after the date of issue of invoice. 212 NSOU • PGCO - V Problem 6 : Determine the time of supply in each of following independent cases in accordance with provisions of CGST Act, 2017: SL. Date of

actual Time / Date / of Invoice, Date on which payment received No. provision of Bill or Challan as the case service may be 1. 10-11-2017 30-11-2017 15-12-2017 2. 10-11-2017 30-11-2017 15-11-2017 3. 10-11-2017 30-11-2017 15-11-2017 (Part) and 10-12-2017 (remaining) 4. 10-11-2017 30-11-2017 06-11-2017 (Part) and 09-11-2017 (remaining) 5. 10-11-2017 30-11-2017 06-11-2017 (Part) and 16-11-2017 (remaining) 6. 10-11-2017 12-12-2017 30-04-2018 7. 10-11-2017 12-12-2017 05-11-2017 (Part) and 25-12-2017 (remaining) 8. 10-11-2017 22-12-2017 12-12-2017

**90% MATCHING BLOCK 691/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

Solution: Time of supply of services in each of the above cases has been given in

the following table— SL Date of Date of Date of Time of Remarks No. provision Invoice receipt of Supply of service payment 1. 10-11-2017 30-11-2017 15-12-2017 30-11-2017 Invoice issued within 30 days and before receipt of payment. 2. 10-11-2017 30-11-2017 15-11-2017 15-11-2017 Invoice issued within 30 days but payment received before invoice. 3. 10-11-2017 30-11-2017 15-11-2017 15-11-2017 Invoice issued within 30 days. Part payment (Part) and and received before invoice and remaining 10-12-2017 30-11-2017 payment after invoice. As per Explanation (i) The (remaining) for

**100% MATCHING BLOCK 690/875 W**

supply shall be deemed to have been made to the

respective

**90% MATCHING BLOCK 692/875 W**

extent it is covered by the invoice or, as the case amounts may be, the payment. 4. 10-11-2017 30-11-2017 06-11-2017 06-11-2017

Invoice issued within 30 days. However, the and advance has been received in two before (Part) and 09-11-2017 the date of completion of service. Thus, date of for receipt of such advance shall be treated as TOS. 09-11-2017 the respective As per Explanation (i) The

**94% MATCHING BLOCK 693/875 W**

supply shall be amount deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.

NSOU • PGCO - V 213 SL Date of Date of Date of Time of Remarks No. provision Invoice receipt of Supply of service payment 5. 10-11-2017 30-11-2017 06-11-2017 06-11-2017 Invoice issued within 30 days. Pary payment (in and the form of advance) received before issue of (Part) and 16-11-2017 for invoice and remaining payment received after for completion of service. As per Explanation (i) The 16-11-2017 the respective

**100% MATCHING BLOCK 694/875**

**W**

supply shall be deemed to have been made to the (

remaining) amounts

**100% MATCHING BLOCK 695/875**

**W**

extent it is covered by the invoice or, as the case may be, the payment. 6. 10-11-2017 12-12-2017 30-04-2018 10-11-2017

Invoice not issued within 30 days and payment received after completion of service. 7. 10-11-2017 12-12-2017 05-11-2017 05-11-2017

Invoice not issued within 30 days. Part payment and received as advance before completion of service (Part) and 10-11-2017 and remaining payment received sub- for sequently. As per Explanation (i) The supply shall 25-12-2017 respective

**88% MATCHING BLOCK 696/875**

**W**

be deemed to have been made to the extent it is (remaining) amounts covered by the invoice or, as the case may be, the payment.

Problem 7: From the following information determine the time of supply of services : SL. Date of Invoice date Payment entry Credit in

No. completion in supplier's bank of service books account 1. 20-10-2017 21-10-2017 26-10-2017 30-10-2017 Rs. 5,00,000 is received as 2. 20-10-2017 30-10-2017 24-10-2017 22-10-2017 advance on 30-10-2017 and 3. 16-11-2017 26-12-2017 28-01-2018 29-01-2018 balance amount Rs. 6,80,000 4. 01-12-2017 30-10-2017 30-10-2017 30-10-2017 is received on 06-12-2017. 30-10-2017 06-12-2017 08-12-2017  
214 NSOU • PGCO - V

**70% MATCHING BLOCK 698/875**

**SA**

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Solution: Time of supply of services in each of the above cases has been given in following table— 1. 20-10-2017 21-10-2017 26-10-2017 21-10-2017 Earlier of date of invoice or date of payment

since invoice is issued within 30 days of completion of service. 2. 20-10-2017 30-10-2017 22-10-2017 22-10-2017 Earlier of date of invoice or date of payment since invoice is issued within 30 days of completion of service. 3. 16-11-2017 26-12-2017 28-01-2018 16-11-2017 Since invoice is not issued within 30 days of completion of service and advance payment is not received, the date of completion of provision of service shall be considered. 4. 01-12-2017 30-10-2017 30-10-2017 30-10-2017 Since Rs. 5,00,000 is received as 30-10-2017 06-12-2017 30-10-2017 advance prior to completion of service, TOS - date of receipt of such advance. For balance amount of Rs. 6,80,000, TOS is date of invoice. SL. Date of Invoice DOP- Earlier Time of Reasons No. completion date of the date supply of service when payment is entered in books or credited in bank account 6.7 Value of Supply GST is payable on supply of goods or services for a consideration in the course or furtherance of business.  $GST = \text{value of supply} \times \text{Rate of GST}$  Sections of CGST Act prescribe the mechanism for the determining the value of a supply Provided. (a) Supply is made between unrelated persons; (b) Price is the sole consideration for supply. Where value of a supply can't be determined u/s 15 of CGST Act, the same has to be determined as per relevant to the provision of 'Chapter IV-Determination of value of NSOU • PGCO - V 215 supply' of CGST Rules. However, the provision of these rules have been excluded from the syllabus of M.Com therefore they have not been discussed. Section 15(1) of CGST Act provides that the taxable

**95% MATCHING BLOCK 697/875**

**W**

value of any Supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said Supply of goods or services or both.

However, Section 15(1) of CGST can't be adopted where, (a) transaction of Supply takes place between two related persons (b) price charged is not the sole consideration (c) supply is made for non-monetary consideration Section 15(2) of CGST Act lists down various itmes which are to be charged or added with transaction value of a Supply as follows: (a) Any types of taxes, cess, duties, fees and charged levied by other laws (irrespective of the fact whether they have charged seperately or not) other than GST [SGST, CGST, UTGST, IGST, GST compensation cess]. (b) Any amount which is payable by supplier

**72% MATCHING BLOCK 699/875**

**W**

in relation to such supply but paid by recipient of supply and not included in the price of the goods or services or both. (c) Incidental expenses including commission, packing etc. charged by the supplier

or anything else done by the supplier in relation to the supply at the time of or before the delivery of goods or supply of services. (

**78% MATCHING BLOCK 700/875**

**W**

d) The value of taxable supply shall include not only the base price but also the charges for delay in payment,

like, interest, late fine, penalty etc. (e) Subsidies directly related to the price of supply is the part of taxable value, provided it is not paid by Central Government or State Government. Section 15(3) of CGST Act lists down item which are to be excluded while calculating transaction

**58% MATCHING BLOCK 701/875**

**W**

value of supply as follows: (a) Discount which are allowed before or at the time of supply

are allowed to be deducted from the value of supply if such discount has been shown properly in the invoice. (b) Discount allowed after supply are allowed to

**89% MATCHING BLOCK 702/875**

**W**

be deducted from the value of supply if all the following conditions are satisfied: (

i)

**54% MATCHING BLOCK 703/875**

**W**

Such discount is allowed in terms of an agreement that existed at the time of supply. (ii) Such discount has been worked out invoice-wise. (iii) Input tax credit as is attributed to the discount on the basis of document issue by the supplier has been reversed by the recipient of the supply. 216

NSOU • PGCO - V 6.7.1 Value of Supply 6.7.2.

Illustration Mr. Ramakant, a manufacturer provided the following particulars. Compute the value of machine when Mr. Ramakant has to deliver machine to factory of recipient. ↓ ↓ ↓ ↓ ↓ GST = Value of Supply × Rate Transactioni value [(u/s 15(1) Valuation Rates [(u/s 15(4) Means [u/s15(1) -Price Actually paid or payable Excludes[(u/s 15(3)]-Discount shown in the invoice-Discout by supplier after supplies Includes [(u/s 15(2)]-Taxes, Duty, Cess [except GST]-Amount paid by recipient-Incidentat Exp. like packing, commission-Internal for delay in payment Particulars Rs.

**100% MATCHING BLOCK 704/875**

**W**

Price of the machine 2,00,000 Packing charges 20,000 Designing charges 40,000 Transit insurance 2,000 Freight outward 6,000

Installation 10,000 Cash discount 4% on price of machine Solution : Rs. Price of the machine 2,00,000 Add : Items to be added u/s 15(2) Packing charges 20,000 Designing charges 40,000 [as incident to supply] Transit insurance 2,000 Freight outward 6,000 Installation 10,000 [as connected to supply] 78,000 Less : Items to be deducted u/s 15(3) 2,78,000 Cash discount [2,00,000×4%] (8,000) Value of supply 2,70,000

NSOU • PGCO - V 217 Note : Here value of suply is based on transaction value as (i) Supplier and receiptent are not related (ii) Price is the sole consideration. Problem 2 : Mr. Rahul privodes the following information about taxable supplies– Value of machine (including GST @ 12%) = Rs. 5,00,000 Already added 1. Testing charges Rs. 10,000 2. Installation Planning (Pre-delivery) Rs. 20,000 2. Weighing charges Rs. 30,000 Note: 1. Subsidy from Government Rs. 40,000 2. Subsidy from NGO Rs. 10,000 3. Trade discount Rs. 20,000 Calculate the value of supply. Solution: Rs. Value of machine 5,00,000 Add: Testing charges - (as already included) Instalation charges - (as already included) Weighting charges - (as already included) Subsidy from NGO 10,000 Subsidy from Government - 5,10,000 Less: Trade Discount 20,000 [assuning not deducted] value including GST 4,90,000 Less: GST [4,90,000 ×12/112] 52,500



**89%**

**MATCHING BLOCK 705/875**

**W**

Value of supply 4,37,500 218 NSOU • PGC0 - V Problem 3: From the following information determine the value of taxable supply as per provisions of Section 15 of the CGST Act, 2017. Contracted value of supply of goods (including GST @ 18%) Rs. 11,00,000. The contracted value of supply includes the following : Rs. (1) Cost of primary packing 10,000 (2) Cost of protective packing at recipient's request for safe transportation 15,000 (3) Design and engineering charges 85,000 Other information: (i) Commission paid to agent by recipient on instruction of supplier 5,000 (ii) Freight and insurance charges paid by recipient on behalf of supplier 75,000 Give reasons with suitable assumptions where necessary. Solution: Computation of value of taxable supply of goods : Particulars Rs. Rs. Contracted value of supply of goods 11,00,000 (1) Cost of primary packing Nil (2) Cost of protective packing at recipient's request for safe Nil transportation (3) Design and engineering charges Nil Add: Commission paid to agent by recipient on 5,000 instruction of supplier Freight and insurance charges paid by recipient 75,000 on behalf of supplier 80,000 Cum tax value 11,80,000 Less: GST @ 18% [Rs. 11,80,000 x 18 / 118] 1,80,000 Value of taxable supply 10,00,000 Working Notes : For the purpose of determining the value of taxable supply, the following adjustments shall be made- (1) cost of primary packing and protective packing at recipient's request for safe transportation charged by supplier from the recipient shall be included for

NSOU • PGC0 - V 219

**93%**

**MATCHING BLOCK 706/875**

**W**

determining the value of taxable supply. Since it is already included in the value, no treatment is required. (2) any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of taxable supply. Hence design and engineering charges shall also be included in the value of taxable supply. Since it is already included in the value, no treatment is required. (3) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply. Thus, commission paid to agent by recipient on instruction of supplier and freight and insurance charges incurred by recipient on behalf of supplier shall form part of value of taxable supply. (4) value of supply shall not include any taxes or cesses levied under CGST Act, SGST Act, UTGST Act and the GST(compensation to States) Act, if charged separately by the supplier.

Problem 4: From

the following information determine the value of taxable supply as per provisions of section 15 of the CGST Act, 2017. Value of machine (including GST @ 12%) : Rs. 15,00,000 The invoice value includes the following. (1) Taxes (other than CGST/SGST/IGST) charged separately 15,000 by the supplier (2) Weighment and loading charges 25,000 (3) Consultancy charges in relation to pre-installation 10,000 planning (4) Testing Charges 2,000 (5) Inspection Charges 4,500 Other information: (i) Subsidy received from Central government for setting 51,000 up factory in backward region (ii) Subsidy received from third party for timely supply 50,000 of machine to recipient (iii) Trade discount actually allowed shown separately 24,000 in invoice

220 NSOU • PGC0 - V Solution: Computation of Value of taxable supply of Goods Particulars Rs. Rs. Value of Machine - 15,00,000 Less : Deductions (1) Taxes other than CGST/SGST/IGST charged separately by the supplier (2) Weighment and loading charges - (3) Consultancy charges in relation to pre-installation planning - (4) Testing Charges - (5) Inspection charges charged before supply (6) Trade discount actually allowed shown separately in invoice 24,000 (24,000) Add: Subsidy received from third party for timely supply of 50,000 machine to recipient Cum tax value 15,26,000 Less: GST @ 12%[Rs.15,26,000 x 12/112] 1,63,500

**91% MATCHING BLOCK 707/875**

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Value of taxable supply 13,62,500 Problem 5: Computation of value of taxable supply and tax payable. Determine the value of taxable supply as per Section 15 of the CGST Act, 2017 and the Rules thereof : Contracted sale price of goods (including CGST and SGST @ 5%) 10,56,000 The contracted sale price includes the following elements of cost : (i) Cost of drawings and design 5,000 (ii) Cost of primary packing 2,000 (iii) Cost of packing at buyer's request 4,000 (iv) Freight and insurance from 'place of removal' to buyer's premises 43,000 A discount of Rs. 6,000 was given by the supplier at the time of supply of goods. CGST and SGST is levied @ 5 % . Solution: Computation of Assessable value : Particulars Rs. Contracted sale price of goods 10,56,000 Less : Discount 6,000 (6,000) Cum tax value 10,50,000 Less: GST @ 5% [Rs.10,50,000 x 5 / 105] 50,000 Value of taxable supply 10,00,000 NSOU • PGCO - V 221 Working Notes : (1) any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of taxable supply. Hence drawing and design charges, cost of packing (even at buyer's request) shall form a part of the transaction value of the supply. Since these are already included in the value of the goods, hence separate treatment is not required. (2) The value of supply shall include any taxes, duties, cess, fees and charges levied under any law for the time being in force other than the CGST Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier. (3) The value of supply shall not include any discount which is given before or at the time of supply. 6.8

Summary From the above discussion we could understand the concept of supply; scope of supply, composite supply and mixed supply; place and time of supply; Date of payment of GST; and value of supply. 6.9 Questions 1. Define the following terms as per CGST Act. 2017. a) Goods b) Services c) Consideraton d) Business e) Person f) Related Person g) Supply 2. What do you mean by considerations under CGST Act? 3. In which cases, supply without consideration may be treated as supply for GST purposes? 4. Which activities are

**100% MATCHING BLOCK 708/875**

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treated neither as supply of goods nor as supply of services

under GST? 5. What do you mean by Composite Supply? 6. When a supply would be treated as Composite Supply? 7. When a supply would be treated as a Mixed Supply? 222 NSOU • PGCO - V 8. Briefly describe the provisions for Place of Supply of goods (other than export and import). 9. What would be the time of supply of goods under Reverse Charge Mechanism? 10. How do you determine the time of supply if there is a change in tax rate? 11. How do you value the supplies for tax purposes? Multiple Choice Questions (MCQ) 1. Where a supply of service

**100% MATCHING BLOCK 709/875**

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is made from a place of business for which the registration has been obtained, the location of

supplier of service shall be (a) the location of such

**28% MATCHING BLOCK 710/875**

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place of business (b) the location of the usual place of residence of the supplier (c) either the location of such place of business of the location of the usual place of residence of the supplier (d) any of the above 2. Where a supply of service is made from a

fixed establishment elsewhere i.e.

**88% MATCHING BLOCK 711/875**

**W**

a place other than the place of business for which registration has been obtained, the location of

supplier of service shall be (a) the location of such place of business (b) the location of such fixed establishment (c)

**80% MATCHING BLOCK 713/875**

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the location of the usual place of residence of the supplier (d) any of the

above? 3.

**93% MATCHING BLOCK 712/875**

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Where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of goods shall be (a) the location of the goods at the time at which the movement of goods terminates delivery to the recipient (b) the

**84% MATCHING BLOCK 714/875**

**W**

location of the goods at the time from which the movement of goods originates for delivery to the recipient (

c)

**74% MATCHING BLOCK 715/875**

**W**

the location of such goods at the time of the delivery to the recipient (d) any of the above 4. Where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents NSOU • PGC0 - V 223 of title to the goods or otherwise

**80% MATCHING BLOCK 716/875**

**W**

the place of supply of goods shall be (a) the principal place of business of such third person (

b) the principal place of business of the recipient

**66% MATCHING BLOCK 717/875**

**W**

of goods (c) the principal place of business of supplier of goods (d) none of the above 5. Where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply of goods shall be (a) the location of such goods at the time of the delivery to the recipient (

b)

**47% MATCHING BLOCK 718/875**

**W**

the location of the supplier (c) the location of the recipient (d) any of the above 6. Where the goods are assembled or installed at site, the place of supply of goods shall be (a) the location of

the  
supplier (b) the location of  
the recipient (c)

**73% MATCHING BLOCK 719/875**

**W**

the place of such installation or assembly (d) any of the above 7. Where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply

of goods shall be (a) the location of the  
supplier (b) the location of the recipient (c)

**100% MATCHING BLOCK 720/875**

**W**

the location at which such goods are taken on board (

d) any of the above 8.

**93% MATCHING BLOCK 721/875**

**W**

Where the service are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply

of goods shall be (a) the location of the  
supplier (b)

**75% MATCHING BLOCK 722/875**

**W**

the location of the recipient (c) the first scheduled point of departure of that conveyance for the journey (

d) any of the above 9.  
Where

**100% MATCHING BLOCK 723/875**

**W**

restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery

is provided to  
224 NSOU • PGO - V the registered

**78% MATCHING BLOCK 724/875**

**W**

person, the place of supply of such service shall be (a) the location of

such registered person (b)

**45% MATCHING BLOCK 726/875**

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the location of the supplier of services (c) either the location of such registered person or the location of the supplier of services (

d) any of the above 10 Where

**100% MATCHING BLOCK 725/875**

**W**

restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery

is provided to any person other than a registered person,

**64% MATCHING BLOCK 727/875**

**W**

the place of supply of such service shall be (a) the location of the supplier of services (b) the location of the recipient of services (

c)

**71% MATCHING BLOCK 728/875**

**W**

the location of the recipient where the address on record exists and the location of the supplier of services in other cases (d) any of the above 11. Where the services in relation to

training and performance appraisal are provided to a registered person,

**37% MATCHING BLOCK 729/875**

**W**

the place of supply of such service shall be (a) the location of the supplier of services (b) the location of such registered person (c) either the location of such registered person or the location of the supplier of services (d) any of the

above 12. Where the

**84% MATCHING BLOCK 731/875**

**SA** GST - M.Com-2nd Sem.docx (D129601189)

services in relation to training and performance appraisal are provided to a person

other than a registered person,

**31% MATCHING BLOCK 730/875**

**W**

the place of supply of such service shall be (a) the location of the supplier of services (b) the location where the services are actually performed (c) the location of the recipient of services (d) any of the above 13 Where services are provided by way of admission to a cultural, artistic, sporting, scientific or educational, entertainment event,

**48% MATCHING BLOCK 732/875**

**W**

the place of supply of such service shall be (a) the location of the supplier of services NSOU • PGC0 - V 225 (b) the location of the recipient of services (c) the place

where the event is actually held (d) any of the above 14. Where the services are provided to a registered person

**100% MATCHING BLOCK 733/875**

**W**

by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events,

**62% MATCHING BLOCK 734/875**

**W**

the place of supply of such service shall be (a) the location of the supplier of services (b) the place

where the event is actually held (c) the location of such registered person (d) any of the above 15.

**88% MATCHING BLOCK 735/875**

**W**

Where the services are provided to a person other than a registered person

**98% MATCHING BLOCK 736/875**

**W**

by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment including supply of services in relation to a conference, fair, exhibition, celebration

of events,

**62% MATCHING BLOCK 737/875**

**W**

the place of supply of such service shall be (a) the location of the supplier of services (b) the place

where the event is actually held (c) the

**75% MATCHING BLOCK 738/875**

**W**

place where the event is actually held and if the event is held outside India, then of supply shall be the location of the recipient (d) any of the above 16. Where the services by way of transportation of goods, including by mail or courier

provided to  
a registered person,

the place of supply of such service shall be (a)

**51% MATCHING BLOCK 739/875 W**

the location of the supplier of services (b) the location of such registered person (c) the location at which such goods are handed over for their transportation (

d) any of the above 17. Where the

**76% MATCHING BLOCK 740/875 W**

services by way of transportation of goods, including by mail or courier provided to a person other than a registered person,

the place of supply of such service be (a)

**62% MATCHING BLOCK 741/875 W**

the location of the supplier of services (b) the location of recipient of such services (c) the location at which such goods are handed over for their transportation (

d) any of the above

226 NSOU • PGCO - V 18. Where passenger transportation services are provided to a registered person,

**56% MATCHING BLOCK 742/875 W**

the point of supply of such service shall be (a) the location of such registered person (b) the place where the passenger embarks on the conveyance for a continuous journey (

c) the place where the passenger disembarks from the conveyance (d) any of the above 19. Where passenger transportation services are provided to a person other than a registered person,

**71% MATCHING BLOCK 743/875 W**

the place of supply of such service shall be (a) the place where the passenger embarks on the conveyance for a continuous journey (b) the place

where the passenger disembarks from the conveyance (c) the place of supplier of service (d) any of the above Answer Key : 1(a) 2(b) 3(a) 4(a) 5(a) 6(c) 7(c) 8(c) 9(a) 10(b) 11(a) 12(b) 13(c) 14(c) 15(c) 16(b) 17(c) 18(a) 19(a) NSOU • PGCO - V 227 Unit - 7 GST Management Structure 7.0 Objectives 7.1 Introduction to Composition Levy 7.2 Applicability 7.3 Tax rate under Composition Scheme as percentage of turnover 7.4 Aggregate turnover 7.5 Persons not eligible for Composition Scheme 7.6 Restrictions imposed on Composition Supplier 7.7 Intimation of opting for composition levy 7.7.1 Validity of composition levy 7.8 Illustration 7.9 Introduction to Exemption under GST and Reverse Charge Mechanism (RCM) 7.10 Goods Exempted from Tax 7.11 Services Exempted From Tax 7.12 Reverse Charge Mechanism 7.12.1 Person liable to pay GST 7.12.2 Notified Goods under RCM 7.12.3 Notified Services under RCM 7.12.4 Time of Supply of Goods and Services under RCM 7.13 Input Tax Credit (ITC) under GST 7.13.1 Eligibility for claiming ITC 7.13.2 Important definitions 7.13.3 Conditions for availing ITC 7.13.4 Blocked Credit 7.13.5 Illustration 7.14 Returns under GST 7.14.1

**68% MATCHING BLOCK 744/875**

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Furnishing details of Outward Supplies 7.14.2 Furnishing details of Inward Supplies 228 NSOU • PGCO - V 7.14.3  
Furnishing of Returns 7.14.4

Furnishing of Returns by Composition Supplier 7.14.5 Filing of Annual Return 7.14.6 Steps in Furnishing Returns 7.15  
Payment of Tax 7.15.1 Electronic Cash Ledger 7.15.2 Electronic Credit Ledger 7.15.3 Electronic Liability Register 7.15.4  
Illustration 7.16 Summary 7.17 Questions 7.0 Objectives The study of this unit will help us to understand— • Concept and applicability of composition levy; • Tax rate under GST Composition Scheme; • Persons eligible for Composition Scheme; • Restrictions and Validity of Composition levy; • Goods exempted from GST; • Services exempted from GST; • Concept of Reverse Charge Mechanism; • Time and Supply of goods and services and RCM; • Concept of Input Tax Credit (ITC) under GST; • Eligibility for claiming ITC; • Conditions for availing ITC; • Returns under GST; and • Payment of Tax.

NSOU • PGCO - V 229 7.1 Introduction to Composition Levy The GST law casts a lot of compliances and procedural burden on taxable person. These include : Proper classification of supply of goods/ services Correctly determining the applicable rate of tax Correct value of supply Raising proper invoice Maintaining proper records for availing credit of taxes paid on inward supplies Discharging monthly tax liability Filing monthly return, etc. Such cumbersome procedures are not in the best interests of small taxpayers. Resultantly, an alternative manner for discharging tax liability has to be prescribed keeping in the mind the interest of small tax payers since the small businessmen and small taxpayers are the backbone of Indian economy. The SMEs (Small Medium Size) Enterprises in India suffer from various constraints like non-availability of infrastructural facilities, inadequacy of requisite capital etc. for which they are not in a position to comply with the GST Rules and Regulations. To provide them some relief and necessary boost up to go ahead, the GST Council has given them the opportunity to pay certain specified percent of turnover as GST liability without rigorously complying with the GST Rules. The GST law seeks to simplify the compliance procedures for small taxpayers through composition scheme. Section 10 of CGST Act read along with "Composition Rules" of CGST Rules prescribes the regulations governing taxation of persons opting for composition scheme. 7.2 Applicability A registered person will be eligible to opt for payment of tax under composition scheme if his aggregate turnover did not exceed in the preceding financial year of the following amount: (a) North Eastern states including Himachal Pradesh – 75 Lakh (b) Other states including Uttarakhand – 150 lakh

230 NSOU • PGCO - V 7.3 Tax rate under Composition Scheme as percentage of turnover CGST SGST/UTGST TOTAL  
GST Manufacturers (excluding 0.5% 0.5% 1% manufactures of notified items) Restaurant and catering supply 2.5% 2.5% 5%  
Other supplies 0.5% 0.5% 1% 7.4  
Aggregate turnover

**70% MATCHING BLOCK 745/875**

**W**

Aggregate turnover means the aggregate value of – All taxable supply (excluding the inward supplies on which tax is payable on reverse charge basis) Exempted supplies Export of goods or services or both Inter-state supplies of person having the same Permanent Account Number (PAN) but excluding central tax, state tax, union territory tax and cess (

on sin goods). 7.5 Persons

**79% MATCHING BLOCK 746/875**

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not eligible for Composition Scheme The following persons cannot opt for composition scheme and therefore, such persons are required to discharge their tax liability if any in normal manner: Supplier of

any taxable services other than supplier of restaurant/ catering services; Supplier of inter-state outward supplies of goods ( however under composition scheme the composition suppliers is free to procure goods from inter-state suppliers).



**38%****MATCHING BLOCK 748/875****SA**

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Person supplying goods through an electronic commerce operator; Manufacturer of goods notified u/s 10(2)(e), i.e. ice cream, pan masala, tobacco and other manufactured tobacco substitutes; Casual person as well as non resident taxable person.

Service provider (except Restaurant and catering).

NSOU • PGCO - V 231 7.6 Restrictions imposed on Composition Supplier Multiple restrictions have been imposed on a person who opts for composition levy which has been described below: The goods held in stock of composition dealer should have been purchased from registered supplier. Where goods have been purchased from an unregistered supplier, the composition supplier should have paid the applicable tax under reverse charge basis u/s 9(4). The composition dealer is required to pay tax under reverse charge basis u/s 9(3) and 9(4) in CGST Act, 2017 if applicable to him. A dealer opting for composition scheme should not have been engaged in notified goods u/s 10(2)(e). A composition dealer

**93%****MATCHING BLOCK 747/875****W**

shall mention the words "composition taxable person, not eligible to collect tax" on supplies at the top of every bill of supply (

cannot issue Tax Invoice). Composition scheme has to be adopted uniformly by all the

**59%****MATCHING BLOCK 749/875****W**

registered persons having the same PAN. If one such registered person opts for normal scheme, other became ineligible for composition scheme. A

taxable person opting for composition scheme

**100%****MATCHING BLOCK 750/875****W**

shall not collect any tax from the recipient on supplies made by him.

A taxable person opting for composition scheme is not entitled to any credit on input tax paid. 7.7 Intimation of opting for composition levy In case an unregistered dealer opts to pay tax under composition scheme, he shall apply for registration in prescribed form (GST REG-01). As and when registration is granted, it shall be deemed that he has given an intimation to pay tax under composition scheme. In case of existing registered person who opts to pay tax under composition scheme based on condition given u/s 10 of CGST Act, shall apply in prescribed form prior to commencement of financial year (as eligibility of composition scheme depends on aggregate turnover of last year).

**82%****MATCHING BLOCK 751/875****W**

The option to pay tax under composition levy shall be effective from the beginning of the financial year

for which intimation has been filed.

232 NSOU • PGCO - V 7.7.1

**81% MATCHING BLOCK 752/875**

**W**

Validity of composition levy The option exercised by a registered person to pay tax under composition scheme shall remain valid

till the time he satisfies all the condition mentioned u/s 10. The option to pay tax under this scheme

**90% MATCHING BLOCK 753/875**

**W**

shall lapse from the day on which the aggregate turnover during the financial year exceeds

the specified limit (Rs. 75 lakh/ 150 lakh). Such person has to pay normal tax

**100% MATCHING BLOCK 754/875**

**W**

from the day he ceases to satisfy any of the

condition prescribed for composition levy. Further, he is required to file intimation about the withdrawal from the scheme in a prescribed form within 7 days. 7.8 Illustration Problem 1:

**100% MATCHING BLOCK 755/875**

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XYZ Ltd., a manufacturing concern had effected intra-state taxable supply of Rs. 20,00,000 and

inter-state

**97% MATCHING BLOCK 756/875**

**W**

taxable supply of Rs. 25,00,000 in Financial year 2017-18. The company wants to opt for composition scheme under Section 10 of CGST Act, 2017. As a GST consultant advise XYZ Ltd. whether it can opt for composition scheme.  
Solution : As per provisions of Section 10 of CGST Act, 2017, a manufacturer can opt for composition scheme if he is not engaged in making any inter-State outward supplies of goods. In this case since XYZ Ltd. has effected

inter-state

**93% MATCHING BLOCK 757/875**

**W**

taxable supply of goods, it cannot opt for composition scheme. Problem 2: Mr. A, a retailer who keeps no inventories, presents the following information for the year - (1) Purchases of goods : Rs. 50 lakhs (GST @ 5%). (2) Sales (at fixed selling price inclusive of all taxes): Rs. 60 lakhs (GST on sales @ 5%). Discuss whether he should opt for composition scheme if composite tax is 1% of turnover. Expenses of keeping detailed statutory records required under the GST Laws will be Rs. 1,20,000 p.a., which shall get reduced to Rs. 50,000 if composition scheme is opted for. Other expenses are Rs.3,00,000 p.a.

NSOU • PGCO - V 233 Solution:

**100% MATCHING BLOCK 758/875**

**W**

The cost to the ultimate consumer under two schemes is as

under -

**94% MATCHING BLOCK 759/875**

**W**

Conclusion: It is apparent that while cost to ultimate consumer, in both the cases remains same, the profit of the dealer is higher if the dealer opts for composition scheme. Hence, composition scheme should be opted. Problem 3: Applicability of composition scheme: XYZ Ltd. is having two factories. One factory is located in Rajasthan, manufacturing readymade garments and another factory located in Gujarat engaged in manufacturing auto components. The turnover details of Financial Year 2017-18 are as under: Articulars Rs. (1) Intra-State supply of readymade garments in Rajasthan 28,00,000 (2) Intra-State supply of auto- components in Gujarat 18,00,000 Total Value of taxable supplies 46,00,000 The company wants to opt for composition scheme for factory in Rajasthan and tax at normal rates in Gujarat. Advise. Solution: According to Section 10(2) of CGST Act, 2017, All Registered person having same PAN have to opt for Composition Scheme. If one opts for regular levy for one

Particulars

**89% MATCHING BLOCK 760/875**

**W**

Normal GST Composition Scheme\* Scheme Cost of goods sold (\*No credit under composition scheme, hence, cost of goods sold will be higher) 50,00,000 52,50,000 Add: Costs of maintaining records 1,20,000 50,000 Add: Normal Expenses 3,00,000 3,00,000 Total Costs 54,20,000 56,00,000 Sales (inclusive of all taxes) 60,00,000 60,00,000 Less: Tax (GST = 60 lakh x 5 /105); (Composite Tax = 60 lakh

x 1%) 2,85,714 60,000

**100% MATCHING BLOCK 761/875**

**W**

Sales (net of taxes) 57,14,286 59,40,000 Profit of the dealer 2,94,286 3,40,000 (Sales, net of taxes - Total Costs) 234

NSOU • PGCO - V

**100% MATCHING BLOCK 762/875**

**W**

registered place, others become ineligible for composition levy. Thus, XYZ Ltd. cannot opt for composition scheme in Rajasthan and pay normal tax in Gujarat.

Problem 4: The aggregate turnover of R & Sons, a registered firm during the financial year 2017- 18 is Rs. 5,00,000. During the financial year 2018-19, the aggregate turnover for the firm till 12.10.2018 is Rs. 800,000. On 13.10.2018 it issues three invoices of Rs. 1,50,000, Rs. 80,000 and Rs. 90,000. Will the firm Die to pay GST and if so on what amount?  
 Solution : R & Sons shall be liable to pay GST under normal scheme on all the three invoices as its turnover on 13.10.2018 exceeds Rs. 1 crore.  
 Problem 5: R Ltd. is manufacturing ice cream and its turnover in the financial year 2016-17 was Rs. 70,00,000. (a) Can R Ltd. opt for composition scheme during the financial year 2017-18? (b) What will be your answer if R Ltd. is a trader of ice cream?  
 Solution : (a) As per section 10(2)(e), the Government on the recommendation of the council can issue notification in case of manufacturer of certain goods who will not be allowed to opt for composition scheme. The Government has since issued a notification where the manufacturer of ice cream shall not be entitled to opt for composition scheme even if his aggregate turnover is within the limit of Rs. 1 crore prescribed. Hence, R Ltd. cannot opt for composition scheme. (b) R Ltd. in this case is a trader and not a manufacturer. Therefore, he can opt for composition scheme.  
 Problem 6: R of Delhi, a trader, wishes to make Inter-State sale of goods during the financial year 2017-18. Can he opt for composition scheme?  
 Solution : As per section 10(2)(c), a person who is engaged in making any Inter-State outward supply of goods is not eligible to opt for composition scheme. Hence, R will not be entitled to opt for composition scheme if he makes an Inter-State sale.  
 Problem 7: R, a trader, is selling tobacco and pan masala from his shop at Delhi. Can he opt for composition scheme? If so what are the conditions to be satisfied.  
 NSOU • PGC0 - V 235 Solution : As per notification issued under section 10(2)(e), a registered person who is a manufacturer of tobacco and pan masala cannot opt for composition scheme. But R in this case is not a manufacturer but a trader, hence he can opt for composition scheme.  
 Problem 8: R is having its head office located in New Delhi. It has two branches located in Noida, (UP) and Gurugram (Haryana). (a) Can he opt for composition scheme? (b) Can he opt for composition scheme in case of Delhi and Noida and the normal scheme for Gurugram?  
 Solution : (a) R can opt for composition scheme for all the branches provided the aggregate turnover of all the branches does not exceed Rs. 1 crore as he will be having one PAN number for all the branches. (b) R cannot opt for composition scheme in this case as he has to opt for composition scheme for all the branches because the registration of all the branches are on the basis of same PAN number.  
 7.9 Introduction to Exemption under GST and Reverse Charge Mechanism (RCM) Section 11 of CGST Act and Section 6 of IGST Act empower the government

**52% MATCHING BLOCK 763/875**

**W**

to grant exemption from tax if it is necessary in Public Interest to do so, on recommendation of GST Council by notification

or a special order. 7.10 Goods Exempted from Tax A list of items has been notified as exempted from GST. Every day items used by the common man have been included in the list of exempted items. Items like unbranded atta/ mayda/ besan, unpacked food grains, milk, egg, curd, lassi and fresh vegetable are among the items exempted from GST. 7.11 Services Exempted from Tax A very detailed notification have been issued under GST law providing exemptions on supply of various services. Here we discuss few of them.

236 NSOU • PGC0 - V Health care Sector (

**85% MATCHING BLOCK 764/875**

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a) Health care services by a clinical establishment / an authorised medical practitioner. (b) Services provided by way of transportation of patient in an ambulance. (

c) Services by a veterinary clinic for the health of animals or birds. (d) Services provided by blood banks Amusement/ Entertainment Sector (a) Services provided by an artists by way of a performance [not brand ambassador] in the folk or classical art form of music, dance or theatre and consideration charged doesn't exceeds Rs. 1,50,000 per event. (b) Services by way of admission to a museum, national park, zoo etc. (c) Service

**59% MATCHING BLOCK 765/875**

**W**

by way of right to admission to the following event (i) circus, dance, drama or ballet. (ii) award function, concert, musical performance (

iii) sporting event —where consideration doesn't exceeds Rs. 250 per person. Transportation of Passanger (a) Services of transportation of passanger by railways [other than first class or AC Coach] (b) Services of transportation of passanger through (i) Metro (ii) Monorail (iii) tram (iv) Inland waterways. (v) Public transport (vi) Metered Cab or auto rickshaws [other than Radio Taxi] (vii) Stage carriage other than AC stage carriage. (viii) Non-AC contract carriage Transportation of Goods (a) Services of transportation of goods by way of road [except the services of Goods Transportation Agency (GTA) or courier Agency] or by way of Inland water ways.

NSOU • PGCO - V 237 (b) Services by way of transportation

**88% MATCHING BLOCK 766/875**

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of Goods by rail or a vessel from one place in India to another of following goods (

i) Deferce of Military equipment (ii) Newspaper or magazine (iii) agricultural produce (iv)

**59% MATCHING BLOCK 767/875**

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milk, salt and food grain including flours, pulses and rice. (c) Services provided by a GTA by way of transport in a goods carriage of (i) agricultural produce (ii) Goods where consideration charged in a single carriage not exceeding Rs. 1500 (iii) Goods, where consideration charged for transportation of all such goods

not exceeding Rs. 750. Financial/Banking sector (a) Interest charged as a consideration of deposit, loans, or advances [other than interest in credit card] except loan processing charge. Sports Sector (a) Services provided to a recognised sports body [BCCI, CAB etc.] by (i) Player, referee, coach, umpire team manager (ii) Other recognised sports body Note : Indian Premier League, Indian Super League are established on the line of Franchisee-system. These franchisees are not recognised sports body. Food/ Agricultural Sector (a)

**89% MATCHING BLOCK 768/875**

**W**

Services relating to cultivations of plants and rearing of all life form of animals (

other than horses) by way of (i) Agricultural Operation (

**62% MATCHING BLOCK 769/875**

**W**

ii) Supply of farms labour (iii) Processess carried out at agricultural farm (tending, pruning, cutting, drying,

clearing, trimming etc.) (iv) Relating of Agro-machinery (v) Loading, unloading, paking, storing of agricultural produce. (vi) Agricultural extension services. (eg-farmes educations or training) (vii) Services by way of slaughtering of animals.

238 NSOU • PGCO - V Public Convenience Service (a)

**100% MATCHING BLOCK 770/875**

**W**

Services by way of public conveniences such as provision of facilities of bathroom, washrooms,

toilets etc. (b) Services of public libraries (c) Services

**85% MATCHING BLOCK 771/875**

**W**

by way of access to a road or bridge on payment of toll charges (

d) Transmission or distribution of electricity Education Sector (a)

**83% MATCHING BLOCK 772/875**

**W**

Services provided by an educational institution to its student, faculty and staff (

b) Services provided by any one

**89% MATCHING BLOCK 773/875**

**W**

to an educational institution by way of (i) Transportation of students, faculty and staff (ii)

Security, clearing, house keeping. (iii) Admission, examination (c)

**92% MATCHING BLOCK 774/875**

**W**

Services by way of training or coaching in recreational activities relating to arts, or culture or sports by charitable entities.

Services provided by specified person (a) Legal services provided by advocates (b) Tour operator services to foreign tourist (c) Services of journalist by way of collecting or providing news (d) Services

**92% MATCHING BLOCK 775/875**

**W**

by a person by way of conduct of any religious ceremony. Renting of

immovable property/ motor vehicles (a)

**90% MATCHING BLOCK 776/875**

**W**

Services by way of renting of residential dwelling for use as residence (b) Services by a

hotel, inn, guest house having declared tariff of a unit of accommodation below Rs. 1000 per day. (c) Renting of religious place meant for general public. (d)

**90% MATCHING BLOCK 777/875**

**W**

Services by way of giving on hire (i) to state transport undertaking. (

ii) to goods transport agency. Services related to Government (a) Services by RBI (b) Services by foreign diplomatic mission (c) Services by Central Government/ State Government excluding NSOU • PGC0 - V 239 (i) Services by postal department-Speed post, Parcel post, Life insurance. (ii) Transportation of goods /passanger (iii) Services in relation to an aircraft or a vessel. (iv) any services provided to business entity. Input Tax credit not available ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ } Supply Taxable supply Exempted supply Normal tax rate composition tax rate Nil Rate of Wholly non-taxable 0% 2% tax exempted supply 5% 5% from tax 12% 1% 18% 28% 7.12 Reverse

Charge Mechanism (RCM)

<b>65%</b>	<b>MATCHING BLOCK 778/875</b>	<b>W</b>
<p>Generally, the supplier of goods or services is liable to pay GST. However, in specified cases like import and other notified supplies the GST liability may be cast on the recipient under the RCM (Reverse Charge Mechanism). RCM means the liability to pay tax lies on the recipient of supply of goods or services instead of the supplier of such goods or services in</p>		

normal Cases. 7.12.1 Person liable to pay GST under RCM ↓ ↓ ↓ ↓ Person liable to pay GST Supplier [Forward charge] Recipient [RCM] Govt. will notify the goods or Taxable supply by unregistered services which are liable to pay person to a registered person GST on RCM basis [u/s 9(3) of CGST [u/s 9(4) CGST Act/ 5(4) of IGST Act/ u/s 5(3) of IGST Act] Act] –Suspended till 31.03.2018  
240 NSOU • PGCO - V Section 9(3) of CGST Act and Section 5(3) of IGST Act empower

<b>67%</b>	<b>MATCHING BLOCK 779/875</b>	<b>W</b>
<p>the Government to notify on the recommendation of the GST Council, specific categories of supply of goods or services, the tax on which shall be paid on reverse charge basis by the recipient of such supply and all provision of GST law shall apply to such recipients as if he is the person liable for paying tax in relation to the supply of such goods or services or both. 7.12.2</p>		

Notified Goods under RCM [includes] Description Supplier Recipient 1. Unshelled/ unpeeled Agriculturist Any registered person cashew nuts. 2. Bidi wrapper leaves (Tendu) Do Do 3. Tobacco Leaves Do Do 4.

<b>87%</b>	<b>MATCHING BLOCK 780/875</b>	<b>SA</b>	GST - M.Com-2nd Sem.docx (D129601189)
<p>Silk Yarn Any person who manufactures Do silk yarn from raw silk 5.</p>			

Used vehicles/old or used Government Do goods/waste and scrap/ [CG/SG/Local authority] seized and confiscated goods 6. Lottery ticket supply Govt. [SG/ Local authority/ Lottery Distributor union territory] or selling agent 7.12.3 Notified services under RCM [includes] Description Supplier Recipient 1. GTA services Goods Transport Any of the following Agency taxable person Factory Co-operative Society Person registered Under GST Law Body Corporate Partnership firm 2. Sponsorship services Any person Any body corporate Partnership firm 3. Legal service Avocates or legal firm Any business entity 4. Service of directors Director of a company Company or of a company [not employee] Body corporates  
NSOU • PGCO - V 241 5. Services by Insurance agent An Insurance agent Insurance Company 6. Service by recovery agent A recovery agent Banking Company 7. Services by author, music Author Music Publisher composer, photographer, Music company artists by way of permitting Composer artist producer the use of copy right relating to original literary, dramatic musical work 8. Any services supplied by Person located outside Person located in India a person located outside India to any person located in India. Description Supplier Recipient 7.12.4 Time of Supply of Goods and Services under RCM The time of supply is the point when the supply is liable to GST. In RCM the recipient is liable to pay GST. Thus the time of supply for supplies under RCM is different from the supplies which are under forward charge. Note : Invoice is to be issued by supplier, but recipient is also required to make an invoice to book credit of GST paid. ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ Time of Supply of Goods & Services under RCM Supply of Goods u/s 12 (3) of CGST Act Supply of Services u/s 13(3) of CGST Act The date The date The date Date of The date of receipt of Payment immediately payment immediately of Goods by Recipient following by Recipient following -Earlier of 30 days from -Earlier of 60 days from the (a) Debit in the date of (a) Debit in date of issue Bank A/c or issue of invoice Bank A/c or of invoice (b) Book entry by the supplier (b) Book entry by suppliers } \* }

242 NSOU • PGCO - V 7.13 Input Tax Credit (ITC) under GST In earlier Indirect tax regime, the credit mechanism for indirect taxes levied by the Union Government was governed by the CENVAT Credit Rules 2004, and the credit mechanism for State-level VAT on sale of goods was governed by the State under their respective VAT legislations. VAT legislation allowed input tax credit of VAT on input and capital goods for transaction within the state, but not on input and capital goods purchased from outside the state on which CST was paid. However, CENVAT credit Rules 2004 allowed availing and utilisation of credit of duty. Tax paid on both goods (capital and inputs) and services by the manufacturer and the service providers across the country. This resulted in cascading of taxes leading to increase in cost of goods/ services. Simultaneous introduction of GST at both central and state levels has integrated taxes on goods/services for the purpose of set off relief and ensured that the cascading effect prevalent under the earlier regime get removed, there by establishing

**88%**

**MATCHING BLOCK 781/875**

**SA**

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a continuous chain of set off from the original producer's point/service provider's point upto the retailer's level/

consumer's level.

Input tax credit (ITC) of CGST and SGST/UTGST will be available through the supply chain, but cross utilisation of credit will not be possible, i.e. CGST credit can't be utilised for payment of SGST/UTGST and UTGST/SGST credit can't be utilised for payment of CGST. However cross utilisation will be allowed between CGST/SGST/ UTGST and IGST. i.e. credit of IGST can be utilised for payment of CGST/SGST/ UTGST and vice versa. Input Input Input CGST SGST IGST Output Output Output CGST SGST IGST Output Output Output IGST IGST CGST Output SGST 7.13.1 Eligibility for claiming ITC under GST (i) A registered person is

**50%**

**MATCHING BLOCK 782/875**

**SA**

GST - M.Com-2nd Sem.docx (D129601189)

entitled to claim input tax credit charged on inward supply of goods and/or services if such goods/services are used or intended to be used in course or furtherance of

businesss u/s 16(1).

NSOU • PGCO - V 243 (ii) Where goods and/or services are used partly for non-business purpose and partly for business purpose, ITC attributable only to business purpose can be taken by the registered person. [u/s 17(1)]. e.g.-A registered person purchased 5 computer but 1 computer is being used for personal purpose and others for business. ITC will not be available for the computer used for personal purpose. (iii) Where goods and/or services are partly used for making exempt supplies for taxable supplies, ITC attributable to taxable supplies and zero-rated supplies can be taken by the registered person. e.g.- A registered person purchased 20 containe for the purpose of business, out of which 6 containers tire used for goods which are exempted and 2 containers are used for zero rated supply. Hence credit is available for 14 containers. 7.13.2 Important definitions (a)

**92%**

**MATCHING BLOCK 783/875**

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GST - M.Com-2nd Sem.docx (D129601189)

Input: Input means any goods other than capital goods used or itended to be used by a supplier in the course or furtherance of business [

u/s 2(59) of CGST Act] (b)

**84%**

**MATCHING BLOCK 784/875**

**SA**

GST - M.Com-2nd Sem.docx (D129601189)

Capital goods: Capital goods mean goods, the value of which is cpitalised in the books of accounts of the person claiming input tax credit and which are used or intended to be used in course or furtherance of business [



u/s 2(19) of CGST Act]. (c)

**84% MATCHING BLOCK 785/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

Input Services : Input services means any service used or intended to be used by a supplier in the course or furtherance of business [

u/s 2(60) of GST Act] (d)

**98% MATCHING BLOCK 787/875 SA** 17218 JO.docx (D42922526)

Exempt Supply : Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax

and includes non-taxable supply [u/s 2 (47) of GST Act] (e)

**86% MATCHING BLOCK 786/875 W**

Zero-Rated Supply : Zero-Rated Supply means any of the following supplies of goods or services or both namely (i) Export of goods/services or both (ii) Supply of goods or services or both 7.13.3

Condition for availing ITC u/s 16(2) (1) Input tax credit can be availed on the basis of possession of tax paying document. (invoice, Debit note, Bill of entry etc.)

244 NSOU • PGCO - V (2) The person taking credit of taxes paid on procurement of goods and/or services must have received the goods and /or services. It is not necessary that goods have been received actually in the premises of recipient. It includes delivery to others person on the direction of the registered person. (3) In order to claim credit, the supplier should have paid the said amount of tax to appropriate government in cash or by way of utilisation of input tax credit as admissible. (4) The registered person taking input tax credit must have submitted the details of his inward supplies in GSTR-2 by 15th of following month in which the supplies were received. (5) A registered person is required to pay the value of goods and/or services to the supplier along with the applicable taxes within 180 days from the date of issue of invoice. (6) The time limit for availment of credit shall be earlier of following two dates ( a)

**90% MATCHING BLOCK 788/875 W**

Due date of filing return for the month of September of the succeeding financial year (or) (b) Date of filing of the relevant annual return. 7.13.4

Blocked Credit Generally, input tax credit is available on almost every input and input service used for supply of taxable goods or services. However, there is a small list of items provided U/S 17(5) of CGST Act on which input tax credit is not admissible. (a) Inward supplies on which tax has been paid under the composition scheme. (b) Inward supplies received by non-resident taxable person. (c) Goods/Services used for personal consumption (d) Goods which are lost, stolen, destroyed, gifted or distributed as free sample. (e) Motor vehicles and conveyance [with some exceptions]. (f) Travel benefits to employees on vacation such as LTC or home travel concession. 7.13.5 Illustration Problem 1 : From

**87% MATCHING BLOCK 789/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

the following information determine the amount of Input Tax Credit admissible to ABC Ltd. in respect of various inputs purchased during the month

of September, 2017.

NSOU • PGCO - V 245 Purchase CGST & SGST (

**75% MATCHING BLOCK 790/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

Rs.) (1) Goods purchased without invoice 25,000 (2) Goods purchased from PQR Ltd. (Full Payment is made by ABC 1,20,000 Ltd. to PQR Ltd. against such supply but that has not been deposited by PQR Ltd.) (3)

**66% MATCHING BLOCK 791/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

Purchase of goods not to be used for business purposes 18,000 (4) Purchases of goods from TT Ltd, (Invoice of TT Ltd. is received 24,000 in month of September, 2017, but goods were received in month of

October 2017) (5) Goods purchased against valid invoice from FF Ltd., Tax has been 36,000 deposited by FF Ltd. ABC Ltd. has made payment to FF Ltd. for such purchases in the month of October 2017 Answer : (1) Goods purchased without invoice [WN-1] - (2) Goods purchased from PQR Ltd. [WN-2] - (3)

**54% MATCHING BLOCK 793/875 SA** GST - M.Com-2nd Sem.docx (D129601189)

Purchase of goods not to be used for business purposes [WN-3] - (4) Purchase of goods from TT Ltd. (Invoice of TT Ltd. is [WN-4] - received in month of September 2017, but goods were received in month of

October 2017) (5) Goods purchased against valid invoice from FF Ltd., [WN-5] 36,000 Tax has been deposited by FF Ltd. ABC Ltd., has made payment to FF Ltd. for such purchases in the month of October 2017. Total admissible Input tax credit for the month of September 2017. 36,000 Working Note: (1) No Input tax credit will be available since ABC Ltd. is not in possession of valid tax paying document. (2) As per

**92% MATCHING BLOCK 792/875 W**

Section 16(2), no registered person shall be entitled to the credit of any input tax in respect of any supply of goods

unless

**100% MATCHING BLOCK 794/875 W**

the tax charged in respect of such supply has been actually paid to the Government.

Since PQR Ltd. has not deposited the tax to the credit of Government, No ITC can be claimed by ABC Ltd. 246 NSOU • PGCO - V (3)

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**75% MATCHING BLOCK 795/875 W**

registered person shall be entitled to take input tax credit on goods which are used or intended to be used in the course or furtherance of his business.

Since ABC Ltd. has purchased the goods for non business purpose, hence no credit will be admissible on such purchases. (4) Input tax credit is admissible only when registered person has received such goods. Since the goods are received in the month of October, 2017, input tax credit cannot be taken in the month of September, 2017. (5) Input tax credit shall be admissible in month of September, 2017 even if payment is made by ABC Ltd., in month of October, 2017. Problem 2 : S Ltd. a registered manufacturer of Jaipur entered in a contract with a supplier for supply of Input 'X' in October, 2017. As per contract it was agreed that 10,000 kgs of Input 'X' will be supplied for Rs. 7,28,000 (inclusive of CGST and SGST @ 6% each) in 4 lots, Invoice of Rs. 7,28,000 has been issued with supply of first lot of Input 'X'. Following further information has been provided regarding supply of Input received in subsequent lots. Briefly explain whether S Ltd. is eligible to take credit on proportionate basis. Input 'X' (in lots) Quantity in Kgs Date of Receipt of Supply First Lot 2,500 19-10-2017 Second lot 3,000 21-10-2017 Third Lot 1,500 12-11-2017 Fourth Lot 3,000 01-12-2017 Answer : No. S Ltd. is not eligible to take credit on proportionate basis. As per the provision of

**100% MATCHING BLOCK 796/875**

**W**

Section 16(2), where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment.

Therefore, in the given case, Input 'X' has been received in lots hence, the credit of tax of Rs. 78,000 i.e.  $(Rs. 7,28,000 \times 12 \div 112)$  paid on such input shall be taken by S Ltd. only after the fourth lot. Problem 3 : Determine the amount of input tax credit available with Diamond Manufacturing Ltd. in respect of the following items procured by them in the month of January 2018.

NSOU • PGCO - V 247 Problem 4 : ABC India Ltd. is engaged in the manufacture of some taxable goods. It purchased the following goods in the month of October, 2017 Item GST paid in Rs. i) Raw material used for production of the final product 1,20,000 ii) Goods used for generation of electricity for captive consumption 25,000 iii) Goods used for providing free warranty—Value of such free warranty provided by ABC India Ltd. is included in price of the final product 10,000 and is not charged separately from the customers iv) Light diesel oil 5,000 Note : ABC India Ltd. also purchased High Speed Diesel oil by paying central excise duty of Rs. 12,000, which is also used in the manufacturer of taxable output. Compute the amount of input tax credit available to ABC India Ltd. Answer: Statement showing Input Tax Credit of ABC India Ltd. Item GST paid in Rs. i) Raw materials 75,000 ii) Food and beverages & catering services are used in the 60,000 guest house primarily for stay of the newly recruited employees. iii) Inputs used for making structures for support on plant and 1,25,000 machinery iv) Capital goods used as part components for use in the 85,000 manufacture of final product Answer : Statement showing eligible input tax credit to Diamond Manufacturing Ltd. Items GST paid in Rs. i) Raw materials 75,000 ii) Food and beverages & catering services are used in the Not allowed guesthouse primarily for stay of the newly recruited employees. iii) Inputs used for making structures for support on plant and 1,25,000 machinery iv) Capital goods used as parts components for use in the 85,000 manufacturer of final product Total credit allowed 2,85,000

248 NSOU • PGCO - V 7.14 Returns under GST Under any taxation system filing of return is the most important compliance procedure which enables the tax administrators to estimate tax collection for a particular period and determine the correctness and completeness of tax compliances at taxpayer's level.

**66% MATCHING BLOCK 797/875**

**SA**

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The basic feature of return filing system in GST includes electronic filing of return. Uploading of invoice level information and auto-populated information relating to input tax credit from return of supplier to that recipient, invoice-level information matching and auto reversal of ITC in case of mismatch.

Section 37 to 48 of CGST Act read along with CGST rules prescribe the provisions relating to filing of return under GST. Same provision is applicable under IGST Act by virtue of section 20. 7.14.1 Furnishing details of outward supplies (i) U/s 37 of CGST Act, every registered person including casual registered person is required to furnish return (statement) capturing details of outward supplies. (ii) Form : GSTR-1 (iii) Period : Monthly through Electronic submission (iv) Time limit: 10th day of immediately succeeding month 7.14.2 Furnishing details of inward supplies (i) Every registered person including casual registered person is required to furnish a statement capturing details of inward supplies (ii) Form- GSTR-2. (iii) Periodicity : Monthly basis through Electronic submission. (iv) Time limit: After 10th day but on or before 15th day immediately succeeding month. Item GST paid in Rs. i) Raw material used for production of the final product 1,20,000 ii) Goods used for generation of electricity for captive consumption 25,000 iii) Goods used for providing free warranty–Value of such free 10,000 warranty provided by ABC India Ltd. is included in price of the final product and is not charged separately from the customers iv) Light diesel oil 15,000 v) High Speed Diesel oil Not allowed Total input tax credit 1,70,000

NSOU • PGCO - V 249 Note: Details of outward supplies for a month furnished by a supplier are communicated and made available electronically to the respective recipient of supply in form GSTR-2A through GST common portal after 10th day of the succeeding month. The recipient is provided an opportunity to add, correct or detail in a two-way communication process. After completion of such modification the recipient files the details of inward supplies during tax period (monthly or quarterly for composition levy) in Form GSTRN-2 by 15th day of that month. 7.14.3 Furnishing of return (i) U/s 39 of CGST Act, every registered person including casual registered person is required to furnish return capturing consolidated retails [outward and inward supplies and tax liability.] (ii) Form: GSTR-3 (iii) Periodicity: Monthly basis through Electronic submission 7.14.4 Furnishing of return by Composition Supplier (i) A dealer, who has opted for composition scheme, as prescribed u/s 10 of CGST Act, is required to furnish his return as per the required particulars (ii) Form : GSTR-4 (iii) Periodicity: Quarterly basis through Electronic submission (iv) Time Limit: Within 18 days from the expiry of quarter. 7.14.5 Filing of Annual Return (i) U/s 44 of CGST Act, all taxpayers filing regular returns [u/s 39] are required to file an annual return. (ii) Form: GSTR-9 (Regular tax payer) GSTR-9A (composition Tax payer) (iii) Time limit: 31st December of next financial year. 7.14.6 Steps in furnishing of Returns Step 1 : Filing of GSTR-1 The tax payer will upload the final GSTR-1 by 10th day of the month succeeding the month during which the supplies have been made. Modification in GSTR-1 would be allowed from 15th day to 17th day of the month on the basis of details uploaded by the respective purchaser in GSTR-2.

250 NSOU • PGCO - V Step 2 : Auto-Population of GSTR-2A GST common portal will auto populate GSTR-2A of tax payer based on invoice details reported by the supplier. While every taxpayer will be able to see the invoices uploaded by the respective supplier, they can finalise their GSTR-2 only after the last date of filing GSTR-1. Step 3 : Filing of GSTR-2 The invoice auto-populated in GSTR-2A will be accepted/ rejected/ modified by the purchaser in the GSTR-2. He will also be able to add additional invoice details in his GSTR-2 which have not been uploaded by their suppliers, provided he is in possession of valid invoice and he has actually received such supplies. The taxpayer can then file their GSTR-2

**88%**

**MATCHING BLOCK 799/875**

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between 10th and 15th day of the month succeeding the month during which

the supplies have been received. Step 4 : Reconciliation of outward and inward supplies Tax payer will have the option to reconcile their inward supplier with the details of outward suppliers furnished by the respective suppliers to find out whether the respective suppliers have missed out uploading any invoices in their respective GSTR-1. The recipient can prompt the suppliers to accept the inward supplies as uploaded by them the suppliers can accept / reject the modification made by the recipient between 15th day and 17th day and amend GSTR-1 accordingly. Step 5 : Finalisation of GSTR-3 Finalisation of GSTR-1 and GSTR-2 would enable tax payer in finalizing their GSTR-3. GST common portal would auto generate part A of GSTR-3 for the tax payer. GSTR would show the amount that will be credited debited to the ITC (input tax credit) ledger of the taxpayer. The tax payer will fill in the details of ITC that he intends to utilise for payment of taxes. Any balance amount will have to be paid by the taxpayer as cash. The return would also show the late fee and interest payable if any. Step 6 : Payment of Taxes and submission of GSTR-3 Any payment made through Challans gets credited to Electronic cash ledger. Payment of taxes has to be done by debiting Electronic cash ledger. The tax payer shall pay the self-assessed tax and submit his return.

NSOU • PGCO - V 251 7.15 Payment of Tax Introduction of E-ledger is a unique feature under the GST regime. Electronic ledgers or E-ledgers are the statements of cash and input tax credit in respect of every registered tax payer. In addition, each tax payer shall also have an electronic tax liability register. 7.15.1 Electronic Cash Ledger Electronic cash ledger, maintained on GST common portal is a statement which reflects deposits made in cash by a tax payer along with details of TDS/ TCS deposited on his account. The amounts recorded

**82% MATCHING BLOCK 798/875**

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in Electronic cash ledger can be used for making any payment towards tax, interest, penalty, fees or any other amount

on account of GST. Two modes have been prescribed for payment of Tax: Mode A: (i) Internet Banking (ii) Use of credit card/ Debit card without any restriction on the amount Mode B: Over the counter (Maximum amount of Rs. 10,000 per challan per tax period) 7.15.2 Electronic Credit Ledger Electronic credit ledger, maintained on GST common portal, is a statement which reflects the details of ITC (input tax credit) as self assessed by a dealer in his returns. The amount recorded in Electronic Credit Ledger can be used only to make payment of output taxes. Other amount such as interest, penalty, fees can't be paid through utilising ITC. Further, where

**90% MATCHING BLOCK 800/875**

**W**

a registered person is liable to pay tax under Reverse Charge Mechanism,

such tax need to be discharged in cash only and ITC can't be utilised. 7.15.3 Electronic Liability Register Electronic Liability Register, maintained on GST common portal is a statement which reflects the total tax liability of a taxpayer for a particular period.

**100% MATCHING BLOCK 801/875**

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Interest on delayed payment of Tax: Section 50 of CGST Act

requires a person to pay interest in the following situations. (a) Tax paid after the expiry of prescribed period (i.e. delay in payment of tax) Due date of payment of tax Normal Scheme Composition Scheme 20th of next month 18th of the month succeeding month succeeding quarter ↓ ↓

252 NSOU • PGCO - V (b) Excess claim of input tax credit. (c) Excess reduction in output tax liability Rate of interest For Situation (a) : 18% p.a [as notified] For situation (b) & (c) : 24% p.a [as notified] Time period Starting

**64% MATCHING BLOCK 802/875**

**W**

from the date following the due date of payment to the actual date of payment of tax. 7.15.4

Illustration Illustration 1 : M/S Romit Pvt. Ltd. supplied goods worth Rs. 10,00,000 to M/S Gita Ltd. in the month of September, 2017 plus GST @ 12%. M/S Romit Pvt. Ltd. Paid GST on 5th December 2018. The amount of tax credit is 70,000, available in the books Find the interest payment u/s 50. Solution : Tax [GST] Rs. 1,20,000 Less: Input tax Credit Rs. 70,000 Tax payable Rs. 50,000 (i) Due date of payment of tax for the month of Sept. 2017 is 20th October, 2017. (ii) Date of actual payment is 5th December 2018. (iii) Delay in payment 411 days [21st Oct. 2017 to 5th December, 2018] (iv) Rate of interest = 18% p.a (v) Interest u/s 50 = [Rs. 50,000 × 18% × 411/365] = 10,134/- Illustration 2 : ABC Ltd. had reduced its output tax liability of Rs. 2,25,000 in contravention of provision in the month of Jan 2018 by a ITC which is ineligible. As a result, department issues show cause notice u/s 74 of CGST Act along with interest. ABC Ltd. paid the tax on 5.03.2018. Find the interest U/S 50 Solution : (i) Excess claim of credit of Rs. 2,25,000. (ii) Rate of Interest = 24% for 13 days (iii) Interest = [Rs. 2,25,000 × 24% × 13/365] = Rs. 1923.

NSOU • PGCO - V 253 Problem 1: M/s X Ltd. being a registered person supplying taxable goods in the following manner: (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively. (ii) Inward and outward supplies are exclusive of taxes. All the conditions necessary for availing the input tax credit have been fulfilled. Compute the net GST payable by M/s X Ltd. during the tax period. Make suitable assumptions. Solution: Statement showing input tax credit (i.e. Electronic Credit Ledger) Particulars Rs. Intra-State supply of goods 18,00,000 Inter-State supply of goods 13,00,000 Intra-State purchases 13,00,000 Inter-State purchases 1,50,000 ITC at the beginning of the relevant tax period: CGST 1,30,000 SGST 1,30,000 IGST 1,70,000 Particulars CGST(Rs.) SGST(Rs.) IGST(Rs.) Opening balance 1,30,000 1,30,000 1,70,000 Add: ITC for the tax period 1,17,000 1,17,000 27,000 Total credit 2,47,000 2,47,000 1,97,000 Statement showing Net GST payable by M/s X Ltd. for the tax period Particulars CGST(Rs.) SGST(Rs.) IGST(Rs.) Output tax 1,62,000\* 1,62,000\* 2,34,000\*\* Less : ITC allowed 2,47,000 2,47,000 1,97,000 Sub-total 85,000 85,000 37,000 Less: CGST credit adjusted against IGST 37,000 Nil -37,000 Net GST liability Nil Nil Nil Excess ITC c/f 48,000 85,000 Nil \* Rs. 18,00,00 × 9/100 = Rs. 1,62,000; \*\* Rs. 13,00,000 × 18/100 = Rs. 2,34,00.

254 NSOU • PGCO - V Problem 2: Mr. A has output Tax Liability of Rs. 1,00,000 towards CGST & SGST/IGST and Rs.20,000 towards IGST and also interest payable of Rs. 1800. Explain the manner of discharge tax liability by Mr. A in the following two independent cases: i) Input tax credit available of CGST & SGST is Rs.25,000 each & IGST is Rs.25,000 ii) Input tax credit not available. Solution: Case (i): In case Input Tax credit available- Ledger Particulars CGST SGST IGST Interest Total payable Electronic liability ledger Output tax payable 50,000 50,000 20,000 1,800 1,21,800 Electronic credit ledger Input Tax Credit 25,000 25,000 25,000 75,000 Net output tax liability 25,000 25,000 - 50,000 IGST Credit set off 5,000 - - 5,000 (Note-1) Electronic cash Cash to be 20,000 25,000 - 1800 46,800 ledger deposited (Note-2) Note: 1) IGST Credit can be adjusted against CGST & SGST. 2) Interest cannot be adjusted with Input Tax credit Case (ii): In case Input Tax Credit is not available Ledger Particulars CGST SGST IGST Interest Total payable Electronic Liability Output tax 50,000 50,000 20,000 1,800 1,21,800 Ledger payable Electronic Cash Amount to be 50,000 50,000 20,000 1,800 1,21,800 Ledger deposited Problem 3: Y Ltd. is operating in two states West Bengal and Bihar. The tax liability for the month of August 2017 is as follows—

NSOU • PGCO - V 255 Notes: 1. IGST Input tax credit can be adjusted against output tax of liability of IGST, CGST, SGST, UTGST (set off can be done in same order) 2 SGST Input tax credit cannot be adjusted against output CGST & Vice-Versa. 3. CGST & SGST Input tax credit of one state cannot be adjusted against output CGST & SGST of other state (same principle is applicable to IGST credit also). 7.16 Summary From the above discussion we could understand the concept of composition scheme; Goods exempted from GST; Services exempted from GST; Reverse charge mechanism; Input Tax credit; Return under GST; and Payment of Tax. Tax Liability West Bengal Bihar 1. Output CGST Payable 25,000 10,000 2. Output SGST Payable 10,000 5,000 3. Output IGST Payable 3,000 2,500 4. Input CGST 8,000 13,000 5. Input SGST 15,000 1,500 6. Input IGST 12,000 16,000 Calculate the tax payable for the month of August 2017. Solution : Net Tax payable for the month of August is as follows- Particulars West Bengal Bihar CGST SGST IGST CGST SGST IGST Output tax (a) 25,000 10,000 3,000 10,000 5,000 2,500 Input credit available for setoff (b) 8,000 15,000 12,000 13,000 1,500 16,000 Input credit adjusted (c) [lower of a & b] 8,000 10,000 3,000 10,000 1,500 2,500 Tax payable after setting off ITC (d=a-c) 17,000 - - - 3,500 - Input Tax available for further set-off (e = b-c) - 5,000 9,000 3,000 - 13,500 Inter Adjustment of ITC 9,000 - (9,000) - 3,500 (3,500) (Note-1) Net Tax payable in cash 8,000 - - - - Input credit carry forwarded to next 5,000 - 3,900 - 10,000 month -

256 NSOU • PGCO - V 7.17 Questions 1. What is Composition Scheme? 2. What would you consider to determine aggregate turnover? 3. List out the persons who are not eligible for Composition Scheme. 4. List the services which are exempted from GST. 5. Who are liable to pay GST under Reverse Charge Mechanism (RCM)? 6. How do you determine the time of supply of goods and services under RCM? 7. Describe the mechanism of input tax credit under GST. 8. What are the conditions to be fulfilled to get Input Tax Credit (ITC)? 9. When the ITC is not admissible? 10. Describe the steps involved in furnishing return under GST. 11. Write a short notes on- a) Electronic cash ledger b) Electronic credit ledger. NSOU • PGCO - V 257 Unit - 8 Customs Duties Structure 8.0 Objectives 8.1 Introduction 8.2 Definition 8.3 Types of Customs Duties 8.3.1 Basic Customs Duty 8.3.2

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Additional Duty of Customs 8.3.3 Special Customs Duty 8.3.4 Protective Duties 8.3.5 Safeguard Duty 8.3.6 Countervailing Duty 8.3.7

Anti-Dumping Duty 8.3.8 Export Duty 8.3.9 National Calamities Contingent Duty of Customs 8.4 Levy of and Exemption from Customs Duties 8.5 Valuation of Goods for the Purpose of Assessment 8.6 Clearance of Imported Goods 8.6.1

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Restrictions on Custody and Removal of Imported Goods 8.6.2 Entry of Goods

on Importation 8.7 Clearance of Goods for Home Consumption 8.8 Clearance of Export Goods 8.8.1 Entry of Goods for Exportation 8.9 Drawback 8.9.1 Drawback

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on Imported Materials used in the Manufacture of Goods which are Exported 8.9.2

Prohibition and Regulation of Drawback in certain Cases  
258 NSOU • PGCO - V 8.10 Summary 8.11 Questions 8.0

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Objectives After studying this unit we will be able to understand the concept of

Customs Duties; Levy and Exemptions from Customs Duties; Valuation and Clearances of goods under Customs Duties. 8.1 Introduction After independence, manufacturing industries grew and trade expanded. Customs Act, 1962 was passed to consolidate Sea Customs Act, Land Customs Act & provisions for air customs. Basic Acts : There are two Acts, which form part of customs Law in India, namely, the Customs Act, 1962 and the Customs Tariff Act, 1975 : 1. The Customs Act, 1962 The Customs Act, 1962 is the basic Act for levy of customs duty in India. It contains various provisions relating to imports and exports of goods and merchandize as well as baggage of persons arriving in India. Objects of the Act The customs act is a consolidation of the provisions relating to sea, land and air customs. The main purpose of Customs Act, 1962 is the prevention of illegal imports and exports of goods. The objects of the Act, as defined in its Preamble are "to consolidate and amend the law relating to customs". Application of the Act The Act extends to the whole of India. It was extended to Sikkim vide Notification No. 185/79-Customs, dated 1st September, 1979, w.e.f. 1st October, 1979. Customs Tariff Act—Indian Tariff Act, 1934 was found to be inadequate to meet the needs of expansion of trade and industry. Tariff Revision Committee was formed, which recommended adoption of Brussels Trade Nomenclature of Customs Co-operation Council

NSOU • PGC0 - V 259 (CCCN), with modifications to suit Indian conditions. Accordingly Customs Tariff Act, 1975 was passed, which came into effect in 1976. The Act provided explanatory, clarificatory and interpretative rules and notes, which enabled proper classification of goods. Later, Customs Cooperation Council developed a new system of nomenclature known as 'Harmonised Commodity Description and Coding System' (HSN) to take into account latest changes in technology and pattern of international trade. On 28th February, 1986, Import schedule to the Customs Tariff Act, 1975 was replaced with a new schedule, based on HSN. This new schedule is expected to (a) reduce classification disputes (b) common code for goods in international trade (c) facilitate computerisation of customs classification and assessment work. [Central Excise Tariff was also replaced by a new tariff based on HSN on 28th February, 1986].

8.2 Definition "Manufacture" [Sec. 2(1)] includes any process (i) Incidental or ancillary to the completion of a manufactured products; and (ii) Which is specified in relation to any goods in the Section or Chapter notes of the [first] schedule to the Central Excise Tariff Act 1958 as amounting to manufacture [or;] (iii) [Which is specified in relation to any goods in the central government by notification in the Official Gazette as amounting to manufacture] and the word manufacture shall be considered accordingly and shall include not only a person who employs hired labour in the production or manufacture of excisable goods but also any person who engages in their production or manufacture on his own account.

8.3 Types of Duties The various types of Customs Duties are : (a) Basic Customs Duty; (b) Additional Customs Duty; (c) Special Customs Duty;

260 NSOU • PGC0 - V (d) Protective Duties; (e) Safeguard Duty; (f) Countervailing Duty; (g) Anti-Dumping Duty; and (h) Export Duty.

8.3.1 Basic Customs

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Duty Basic Customs Duty is levied under section 12 of the Customs Act. The rates at which duties of customs shall be levied

under the Customs Act, 1962 are specified in the First and Second Schedules to the Customs Tariff Act, 1975. The first Schedule enlists the goods liable to import duty and the Second Schedule enlists the goods liable to export duties. There are two types of rates of Basic Customs Duty, namely : (a) Standard Rates; and (b) Preferential Rates. Standard Rates of Duty : Standard rates of duty are applicable at the rate specified in Column 4 of the Tariff Schedule against each item/article specified in Column 3. In absence of any Notification for application of preferential rates of duty based on the country of origin, the standard rates of customs duty are invariably applied. Preferential Rates of Duty : The Government is empowered under section 25 of the Customs Act to prescribe by issuing Notification, preferential rate duty in respect of imports from certain preferential areas. As per section 4(3) of the Customs Tariff Act, "Preferential area" means any country or territory,

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which the Central Government may, by notification in the Official Gazette,

declare to be such area.

8.3.2 Additional Duty of Customs Section 3 of the Customs Tariff Act empowers the Central Government to levy additional duty equal to excise duty. Accordingly, any article, which is imported into NSOU • PGC0 - V 261 India shall, in addition to standard rate of duty, be liable to an additional duty equal to the excise duty for the time being leviable on a like article, if produced or manufactured in India and if such excise duty on a like article is leviable at any percentage of its value, the additional duty to which the imported article shall be so liable shall be calculated at that percentage of the value of the imported article. However, in case of any alcoholic liquor for human consumption imported

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into India, the Central Government may, by notification in the official gazette,

specify



the

rate of additional duty having regard to the excise duty for the time being leviable on a like alcoholic liquor produced or manufactured in different states or if a like alcoholic liquor is not produced or manufactured in any state, then, having regard to excise duty which would be leviable for the time being in different states on the class or description of alcoholic liquor to which such imported alcoholic liquor belongs. 8.3.3 Special Customs Duty Special Additional Duty is levied under section 3A

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of the Customs Tariff Act. Accordingly, any article which is imported into India shall, in addition, be liable to

a special additional duty, which shall be levied at a rate to be

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specified by the Central Government, by notification in the Official Gazette, having regard to the

maximum sales tax, local tax or any other charges for the time being leviable on a like article on its sale or purchase in India. However, until such rate is specified by the Central government, the special additional duty shall be levied and collected at the rate of eight per cent of the value of the article imported into India. The duty chargeable under section 3A shall be in addition to

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any other duty imposed under this Act or under any other law for the time being in force. 8.3.4

Protective Duties Section 6 of the Customs Tariff Act empowers the Central Government to levy a protective duty based on a recommendation made by the Tariff Commission established under the Tariff Commission Act 1951. The Central Government may upon receiving such recommendation, if it is satisfied that circumstances exist warranting to take immediate action to provide for the protection of the interests of any industry established in India, it

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PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF CO  
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may impose on any goods imported into India in respect of which

the said recommendation is made, a duty of customs of

262 NSOU • PGCO - V such amount, not exceeding the amount proposed in the said recommendation, as it thinks fit.

The duty so imposed on any goods is deemed to have been specified, in the First Schedule as the duty leviable in respect of such goods. 8.3.5 Safeguard Duty The Agreement on Safeguards has come into existence on 1st January, 1995, which authorises importing countries to provide protection to their domestic producers against serious injury caused or threatened to be caused to them by increased imports. The safeguard measures are intended to be applied only for a short duration with a view to allowing an opportunity to the domestic producers to adjust to the new situation of competition offered by the increased imports. In India, the Agreement on Safeguards has been implemented recently by introducing a new section 8B in the Customs Tariff Act, 1975 on 1st March, 1997. The Safeguard Duty Rules have been notified on 29th July, 1997. 8.3.6 Countervailing Duty Countervailing Duty can be imposed under section 9 of the Customs Tariff Act, 1975 to offset any adverse effect of subsidies granted on any goods exported to India. Section 9 of Customs Tariff Act provides that

**95% MATCHING BLOCK 813/875**

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where any country or territory pays, bestows, directly or indirectly, any subsidy upon the manufacture or production therein or the exportation therefrom of any article including any subsidy on transportation of such article, then,

upon the importation of any such article into India, whether the same is imported directly from the country of manufacture, production or otherwise, and whether it is imported

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in the same condition as when exported from the country of manufacture

or production or has been charged in condition by manufacture, production or otherwise,

**77% MATCHING BLOCK 816/875**

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the Central Government may, by notification in the Official Gazette, impose countervailing duty not exceeding the amount of

such subsidy. The countervailing duty chargeable under section 9 shall be in addition to

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any other duty imposed under this Act or any other law for the time being in force.

Conditions for levy of CVD : The

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countervailing duty shall not be levied unless it is determined that— (

a) The

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subsidy relates to export performance; (b) The subsidy relates to the use of domestic goods over imported goods in the export article;

or

NSOU • PGCO - V 263 (c)

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The subsidy has been conferred on a limited number of persons engaged in manufacturing, producing or

exporting the article, unless such a subsidy is for— (i) Research activities conducted by or on behalf of persons engaged in the manufacture, production or export; (ii) Assistance to disadvantaged regions within the territory of the exporting country; or (iii) Assistance to promote adaptation of existing facilities to new environmental requirements. 8.3.7 Anti-Dumping Duty Dumping means export of an article from any country or territory of India at less than its normal value i.e., when the prices at which the goods are exported to India are less than the comparable price for the like product when destined for consumption in the domestic market of the exporting country. Antidumping duty is imposed for offsetting the adverse effects of increased imports, subsidized imports or dumped imports. The Central Government can impose anti-dumping duty only if the imports of dumped article into India cause and threaten

**91% MATCHING BLOCK 821/875 W**

material injury to any established industry in India and materially retards the establishment of any industry in India.

If the domestic industry has evidence to show dumping and material injury caused to it by dumped imports, it may make an application to the Director-General (Anti-dumping and Allied duties) in the Ministry of Commerce for an investigation in the matter. 8.3.8 Export Duty Section 8 of Customs Tariff Act provides for emergency powers to the Central Government to increase or levy export duties. Accordingly, where, in respect of any article, whether included in the Second Schedule or not, the Central Government is satisfied that the export duty leviable thereon should be increased or that an export duty should be levied and that circumstances exist which render it necessary to take immediate action,

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the Central Government may, by notification in the Official Gazette, direct

and amendment of the Second Schedule to be made, so as to provide for an increase in the export duty leviable or as the case may be, for the levy of an export duty on the article. 8.3.9 National Calamities Contingent Duty of Customs The Finance Act, 2003 provides for levy of national Calamity Contingent Duty of Customs on goods specified in Schedule VII to the finance Act, 2001 and imported into India by surcharge at the rate specified in the said Schedule VII as amended by Schedule XIII.

264 NSOU • PGCO - V 8.4 Levy of an Exemption from Customs Duties Dutiable goods : (1) Except as otherwise provided

**100% MATCHING BLOCK 823/875 W**

in this act, or any other law for the time being in force,

**100% MATCHING BLOCK 824/875 W**

duties of customs shall be levied at such rates as may be specified under the Customs Tariff Act, 1975 [5] or 1975

**89% MATCHING BLOCK 825/875 W**

or any other law for the time being in force, on goods imported into or exported from India. (2) The provisions of subsection (1)

shall apply in respect of all the goods belonging to Government as they apply in respect of goods not belonging to Government.

**98% MATCHING BLOCK 826/875**

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Duty on pilfered goods If any imported goods are pilfered after unloading thereof and before the proper officer has made an order for clearance for home consumption or deposit in a warehouse, the importer shall not be liable to pay the duty leviable on such goods except where such goods are restored to the importer after pilferage. 8.5

Valuation of Goods for the Purpose of Assessment  
For the purpose of

**89% MATCHING BLOCK 827/875**

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the Customs Act 1975 [51 of 1975] or any other law for the time being in force

where under a duty of customs

**64% MATCHING BLOCK 828/875**

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is chargeable on any goods by reference to their value, the value of such goods shall be

deemed to be the

**93% MATCHING BLOCK 829/875**

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price at which such or like goods are ordinarily sold, or offered for sale for delivery at the time of importation or exportation

as the case may be in the course of {international trade where— (a) The seller and the buyer have no interest in the business of each other; or (b) One of them has no interest in the business of the other, and the price is the sole consideration for the sale or offer for sale}

**98% MATCHING BLOCK 830/875**

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Power not to recover duties not levied or short levied as a result of general practice : (1) Notwithstanding anything contained in this Act, if the Central Government is satisfied— (a) That a practice was or is generally prevalent regarding levy of duty (including non-levy thereof) on any goods imported into or exported from India; and (b) That such goods were or are liable— (i) To duty in cases where according to the said practice the duty was not or is being levied; or

NSOU • PGCO - V 265 (ii)

To a higher amount of duty than what was or is being levied according to the said practice.

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Then, the Central Government may, by notification in the Official Gazette

direct that the whole of the duty

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payable on such goods by for the said practice shall not be required to be paid in respect of the goods on which the duty was not or is not being levied or was or is being short-levied in accordance with the said practice. 8.6

Clearance of Imported Goods 8.6.1 Restrictions on custody and removal of imported goods (1) Save as otherwise provided in any law for the time being in force

**89% MATCHING BLOCK 833/875**

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all imported goods unloaded within a customs area shall remain in the custody of

such persons as may be approved by the Commissioner of Customs until they are cleared for home consumption or the warehoused or are transhipped in accordance with provisions of chapter VIII. (2) The person having custody of any imported goods in a customs area, whether under

**75% MATCHING BLOCK 834/875**

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the provisions of sub-section (1) or under any law for the time being in force :- (

a) Shall keep a record of such goods and send a copy thereof to the proper officer : (b) Shall not permit such goods to be removed from the customs area; or otherwise dealt with except under and in accordance with the permission in writing of the proper officer. (3)

**87% MATCHING BLOCK 835/875**

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Notwithstanding anything contained in any law for the time being in force,

**83% MATCHING BLOCK 836/875**

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if any imported goods are pilfered after unloading thereof in a customs area while in the custody of

a person referred to in sub-section (1) that person shall be liable to pay duty on such goods at the rate prevailing on the date of delivery of an import manifest or as the case may be, an import report to the proper officer under section 30 for the arrival of the conveyance in which the said goods where carried. 8.6.2

**86% MATCHING BLOCK 837/875**

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Entry of goods on importation The importer of any goods other than goods intended for transit or transhipment, shall make entry thereof by presenting to the proper officer a bill of entry for home consumption or warehouse in

the presented form :  
266 NSOU • PGCO - V

**91% MATCHING BLOCK 838/875**

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Save as otherwise permitted by the proper officer a bill of entry shall include all the goods mentioned in the bill of lading or other receipt given by the carrier to the consignor. A bill of entry under sub-section

may be presented at any time after the delivery of the import manifest or import report as the case may be : The importer while presenting a bill of entry shall, at the foot thereof,

**92% MATCHING BLOCK 839/875**

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make and subscribe to a declaration as to the truth of the contents of such bill of entry and shall in support of such declaration produce to the proper officer the invoice, if any relating to the imported goods.

If

**91% MATCHING BLOCK 840/875**

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the proper officer is satisfied that the interest of revenue is not prejudicially affected and there was no fraudulent intention, he may permit substitution of a bill of entry for home consumption for a bill of entry for warehousing or vice-versa. 8.7

**99% MATCHING BLOCK 841/875**

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Clearance of Goods for Home Consumption Where the proper officer is satisfied that any goods entered for home consumption are not prohibited goods and the importer has paid the import duty if any assessed thereon and any charges payable under this Act in respect of the same the proper officer may make an order permitting clearance of the goods for home consumption.

Where the importer fails to pay the import duty under this sub-section within five days

**89% MATCHING BLOCK 842/875**

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excluding holidays from the date on which the bill of entry is returned to him for payment of duty

he shall pay interest at such rate not below the rate being

**100% MATCHING BLOCK 843/875**

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fixed by the Central Government by notification in the official gazette

on such duty till the date of payment of the said duty. 8.8 Clearance of Export Goods 8.8.1

**91% MATCHING BLOCK 844/875**

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Entry of goods for exportation (1) The export of any goods shall make entry thereof by presenting to the proper officer in the case of goods to be exported

**84% MATCHING BLOCK 845/875**

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by land a bill of export in the prescribed form. (2) The export of

any goods while presenting a shipping bill or bill of

**97% MATCHING BLOCK 846/875**

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export shall at the foot thereof make and subscribe to a declaration as to the truth of its contents.

NSOU • PGCO - V 267

**99% MATCHING BLOCK 847/875**

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Clearance of goods for exportation : Where the proper officer is satisfied that any goods entered for export are not prohibited goods and the exporter has paid the duty, if any, assessed thereon and any charges payable under this Act in respect of the same the proper officer may make an order permitting clearance and loading of the goods for

exportation. Transit of certain goods without payment of duty : Subject to the provisions of section 11

**100% MATCHING BLOCK 848/875**

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any goods imported in a conveyance and mentioned in the import manifest or the import report, as the case may be, as for transit in the conveyance to any place outside India or any customs station may be allowed to be so

**100% MATCHING BLOCK 849/875**

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transshipment shall be presented to the proper officer in the prescribed form :

**85% MATCHING BLOCK 850/875**

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Subject to the provisions of section 11 where any goods imported into a customs station are mentioned in the import manifest or

the

**100% MATCHING BLOCK 851/875**

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import report, as the case may be, as for transshipment

without payment of duty.

**55% MATCHING BLOCK 852/875**

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Where any goods imported into a customs station are mentioned in the import manifest or the import report, as the case may be, as for transshipment— (a) To any major port as defined in the India Ports Act 1908 (15

of 1908)

**79% MATCHING BLOCK 853/875**

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or customs airport at Mumbai, Kolkata, Delhi or Chennai or any other customs port or customs airport

specified in this behalf by the Government. 8.9 Drawback When any goods capable of being easily identified which have been imported into India and upon which any duty has been paid on importation— (i) Are entered for export and the

**100% MATCHING BLOCK 854/875**

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proper officer makes an order permitting clearance and loading of the goods for exportation under section 51;

or (ii) Are to be exported as baggage and

**90% MATCHING BLOCK 855/875**

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the owner of such baggage, for the purpose of clearing it makes a declaration of its contents to the proper

entry for export for the purposes of this section and such

**90% MATCHING BLOCK 856/875**

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officer makes an order permitting clearance of the goods for exportation;

or (iii) Are entered for export by post under section 82 and the

**91% MATCHING BLOCK 857/875**

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proper officer makes an order permitting clearance of the goods for exportation,

ninety-eight percent of such duty shall, except as otherwise hereinafter provided, be repaid as drawback, if—  
268 NSOU • PGC0 - V (a)

**100% MATCHING BLOCK 858/875**

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The goods are identified to the satisfaction of the Assistant Commissioner of Customs [or Deputy Commissioner of Customs] as the goods which were imported;

and (b)

**84% MATCHING BLOCK 859/875**

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The goods are entered for export within two years from the date of payment of duty

on the importation thereof : Provided that in any particular case the aforesaid

**93% MATCHING BLOCK 860/875**

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period of two years may, on sufficient cause being shown, be extended by the Board by such further period as it may deem fit.



Notwithstanding anything contained in sub-section (1) the rate of drawback in the case of goods which have been used after the importation thereof shall be such as the Central Government having regard to the duration of use, depreciation in value and other relevant circumstances may, by notification in the Official Gazette fix. The Central Government may make rules for the purpose of carrying out of the provisions of this

**99% MATCHING BLOCK 861/875**

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section and in particular such rules may— (a) Provide for the manner in which the identity of goods imported in different consignments which are ordinarily stored together in bulk may be established; (b) Specify the goods which shall be deemed to be not capable of being easily identified and (c) Provide for the manner and time within which a claim for payment of drawback is to be filed.

For the purpose of this section : (a) Goods shall be deemed to have been entered for export on the date with reference to which the rate of duty is calculated under section 16, (b) In the case of goods assessed to duty provisionally under section 18, the date of payment of the provisional duty shall be deemed to be the date of payment to duty. 8.9.1 Drawback

**100% MATCHING BLOCK 862/875**

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on imported materials used in the manufacture of goods which are exported

Whereas

**100% MATCHING BLOCK 863/875**

**W**

it appears to the Central Government that in respect of goods of any class or description [manufactured, processed or on which any operation has been carried out in India], being goods which have been entered for export and in respect of which an order

NSOU • PGCO - V 269

**100% MATCHING BLOCK 864/875**

**W**

permitting the clearance and loading thereof for exportation has been made under section 51 by the proper officer

or being goods entered for export by post under section 82 and

**100% MATCHING BLOCK 865/875**

**W**

in respect of which an order permitting clearance for exportation has been made by the proper officer a drawback should be allowed of duties of customs chargeable under this act on any imported

material or a class or description used in the manufactured

**96% MATCHING BLOCK 866/875**

**W**

or processing of such goods or carrying out any operation on such goods the Central Government may by notification in the Official Gazette direct that drawback shall be allowed in respect of such goods in accordance with and subject to the rules made under sub-section.

**92% MATCHING BLOCK 867/875**

**W**

The Central Government may make rules for the purpose of carrying out of the provision of sub-section (1) and in particular such rules may provide— (a) For the payment of drawback equal to the amount of duty actually paid on the imported material used in the manufacture or processing of the goods or carrying out any operation on the goods or as is specified in the rules as the average amount of duty paid on the material of that class or description used in the manufacture or processing of export goods or carrying out any operation on export goods of the class or description either by manufacturers generally or by processing or carrying on any operation generally or by any particular manufacturer or particular person carrying on any process or other operation and interest, if any, payable thereon; (i) For specifying the goods in respect of which no drawback shall be allowed; (ii) For specifying the

goods

**97% MATCHING BLOCK 868/875**

**W**

procedure for recovery or adjustment of the amount of any drawback which had been allowed under sub-section (1) [or interest chargeable thereon]; (b) For the production of such certificate, documents and other evidence in support of each claim of drawback as may be necessary; (c) For requiring the manufacturer or the person carrying on any process or other operation to give access

or

**92% MATCHING BLOCK 869/875**

**W**

every part of his manufacturing to any officer of customs specially authorized in this behalf by the Assistant Commissioner of Customs

or Deputy

**86% MATCHING BLOCK 870/875**

**W**

Commissioner of Customs to enable such authorized officer to inspect the process of manufacture, process or any other operation carried out and to verify by actual check or otherwise the statement made in support of the claim for drawback; (d) For the manner and the time within which the claim for payment of drawback may be filed. 270

NSOU • PGCO - V 8.9.2 Prohibition and regulation of drawback in certain cases 1. Notwithstanding any thing herein before contained no drawback shall

**91% MATCHING BLOCK 871/875**

**W**

be allowed— (a) In respect of any goods the market price of which is less than the amount of drawback due thereon; (b) Where

the drawback due in respect of any goods is less than fifty rupees. 2. Without prejudice to the provisions of

**96% MATCHING BLOCK 872/875**

**W**

sub-section (1) if the Central Government is of opinion that goods of any specified description

in respect of which drawback may be claimed under this Chapter

**90% MATCHING BLOCK 873/875**

**W**

are likely to be smuggled back into India. It may by notification in the Official Gazette direct that drawback shall not be allowed in respect of such goods

**88% MATCHING BLOCK 874/875**

**W**

or may be allowed subject to such restrictions and conditions as may be specified in the notification. 8.10

Summary From the above discussion we could understand the concept of Customs Duties; Levy and Exemptions of customs Duties; Valuation and Clearances of Goods under Custpoms Duties. 8.11 Questions 1. Write brief notes on : (a) Customs Act, 1962 (b) Customs Tariff Act, 1975 2. What are the different types of Custom Duties? 3. Write short notes on : (a) Countervailing Duty (b) Anti-Dumping Duty 4. What are the various modes of levy of duties under the Customs Act, 1962? 5. Explain the procedure for clearance of the imported goods. 6. How is the assessable value determined under the Customs Act? 7. How can claim for refund of customs duty already paid & under what circumstances? 8.

**57% MATCHING BLOCK 875/875**

**W**

Discuss the provisions of Customs Act, 1962 relating to drawback of duties. 9. Discuss the provisions of the Customs Act relating to

goods in transit.

NSOU • PGCO - V 271 Suggested Readings Acharjee, M. Goods and Service Tax. Acherjee, M. Goods and Services Tax. Ahuja and Gupta, Tax Planning, Bharat Publishers Banger and Banger: Goods and Services, Aadhya Prakashani. Chatterjee T.B. and Sony V.: Goods and Services Tax, Book Corporation. Customs Act, 1962. Datey, V.S.: Goods and Servnices Tax, Taxmann. Datey, V.S.: Indirect Taxes-Law and Practice . Income Tax Act, 1961 (Amended as per the recent Finance Act) Singhania and Singhania: Student Guide to Income Tax including GST, Taxmann. Singhania, V. K. Direct Taxes, Taxmann Singhania, V.K. and Kapil, Direct Taxes, Taxmann Publications, New Delhi  
272 NSOU • PGCO - V Notes

### Hit and source - focused comparison, Side by Side

**Submitted text** As student entered the text in the submitted document.

**Matching text** As the text appears in the source.

**1/875**

**SUBMITTED TEXT**

20 WORDS

**70% MATCHING TEXT**

20 WORDS

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**SA** M. Com. II Adc. Accountancy P. V & VII all.PDF (D142210236)

<b>2/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>Objectives After studying this unit, we will be able to understand— • The basic concept of</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				
<b>3/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>89% MATCHING TEXT</b>	14 WORDS
<p>on the income or wealth of a person, then it is called direct tax</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>4/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>60% MATCHING TEXT</b>	18 WORDS
<p>on the price of goods and/or services then it is called indirect tax; viz.-Goods and Services Tax (GST),</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>5/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>92% MATCHING TEXT</b>	19 WORDS
<p>Income Tax Rules The management of direct taxes is looked after by the Central Board of Direct Taxes (CBDT).</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>6/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>91% MATCHING TEXT</b>	28 WORDS
<p>Circulars and Circulars are issued by the CBDT from time to time to deal Notifications with certain specific problems and to clarify doubts regarding the scope and meaning of</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>7/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>91% MATCHING TEXT</b>	17 WORDS
<p>The study of case law is an important and unavoidable part of the study of income-tax law.</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>8/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>of Unit in SEZ × Export Turnover of Unit SEZ Total Turnover of Unit SEZ</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>		<p>of Unit in SEZ Export turnover of Unit SEZ Total turnover of Unit SEZ</p>		
<b>9/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>96% MATCHING TEXT</b>	15 WORDS
<p>of Unit in SEZ × Export Turnover of Unit SEZ Total Turnover of Unit SEZ 14</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>		<p>of Unit in SEZ Export turnover of Unit SEZ Total turnover of Unit SEZ</p>		
<b>10/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>45% MATCHING TEXT</b>	24 WORDS
<p>during the earlier year related to any assessment year beginning on or after 1st April 2006. iii) Special Economic Zone unit is not designed by</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>during the previous year relevant to the assessment year commencing on or after the 1st day of April, 2006 in any Special Economic Zone; (ii) it is not formed by</p>		
<b>11/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>of Unit in SEZ × Export Turnover of Unit SEZ Total Turnover of Unit SEZ</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>		<p>of Unit in SEZ Export turnover of Unit SEZ Total turnover of Unit SEZ</p>		
<b>12/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Section 10(1), agricultural income earned by the taxpayer in India is exempt from tax.</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>13/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>45% MATCHING TEXT</b>	22 WORDS
<p>by a Co-parcener from Hindu Undivided Family (H.U.F.) [Section 10(2)] Under section 10(2), any amount received by an individual as a member of</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				

<b>14/875</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>61% MATCHING TEXT</b>	43 WORDS
<p>is exempt from tax in the hands of the partner. Further, in the circumstances where the share of the profit which has been obtained by a partner of LLP from the LLP will be exempt from tax in the hands of such partner. 18</p>		<p>is exempt from tax in the hands of the partner. Further, share of profit received by a partner of LLP from the LLP will be exempt from tax in the hands of such partner.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>15/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>79% MATCHING TEXT</b>	21 WORDS
<p>of impartible estate or amount received out of income of domestic estate by any affiliate of such HUF is exempt from tax. 1.4.2</p>		<p>of impartible estate, amount received out of income of family estate by any member of such HUF is exempt from tax.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>16/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>Discuss the provisions of the Income-tax Act relating to</p>		<p>Discuss the provisions of the Income-tax Act relating to</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>17/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>89% MATCHING TEXT</b>	28 WORDS
<p>Specified Business- Section 35AD 2.6.5 Payment to Associations and Institutions carrying out Rural Development Programmes- Section 35CCA 2.6.6 Expenditure on Agricultural Extension Project- Section 35CCC 2.6.7 Expenditure on Skill Development Project- 35CCD 2.6.8</p>		<p>specified business [Section 35AD] 11. Expenditure by way of Payment to Associations and Institutions for carrying out Rural Development Programmes [Section 35CCA] 12. Expenditure on Agricultural extension project [Section 35CCC] 13. Expenditure on skill development project [Section 35CCD] 14.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>18/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>54% MATCHING TEXT</b>	22 WORDS
<p>and Gains of Business or Profession' [Section 28]. 2.5 Business Income not chargeable to tax under the "Profits and Gains from Business or Profession" 2.6</p>				
<p><b>SA</b> Incmoe tax Planning.DOC (D116135474)</p>				

<b>19/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>62% MATCHING TEXT</b>	39 WORDS
<p>Deduction in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development- Section 80-IA 2.12.2 Deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings- Section 80-IB 2.12.3 Special provisions in respect of</p>		<p>Deduction in respect of profit and gains by an undertaking or an enterprise engaged in development 362 of Special Economic Section 80-IAB] Deduction in respect of profits and gains from certain industrial undertakings other than 362 Infrastructure Development Undertakings [Section 80-IB] Deduction in respect of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>20/875</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>100% MATCHING TEXT</b>	9 WORDS
<p>in respect of contributions to Non-Statutory Funds [Section 40A(9)] 2.10.5</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>21/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>79% MATCHING TEXT</b>	39 WORDS
<p>Deduction in respect of profits and gains from the business of collecting and processing of biodegradable waste- Section 80JJA 2.12.7 Deduction in respect of employment of new workmen- Section 80JJAA 2.12.8 Deduction in respect of certain income of Offshore Banking Units</p>				
<p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				
<b>22/875</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>52% MATCHING TEXT</b>	38 WORDS
<p>Carry forward and set off of loss in case of change in the constitution of firm or succession- Section 78 2.15.10 Carry forward and set off of loss in case of closely held companies [Section 79] 2.15.11 Carry forward and set</p>		<p>Carry-forward and set-off of losses in case of change in constitution of firm Section 79 Carry-forward and set-off of losses of in which the public are not substantially Section 79(Carry forward and set</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>23/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>60% MATCHING TEXT</b>	20 WORDS
<p>Carry forward and set off of Business Losses other than speculation loss [Sec. 72] 2.15.5 Carry forward and set off of</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>24/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>88% MATCHING TEXT</b>	14 WORDS
<p>business income and chargeable under the head "Profits and Gains of Business or Profession".</p> <p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>25/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>the income chargeable under the head "Profits and gains of business or profession" where</p> <p>the income chargeable under the head "Profits and gains of business or profession" Where</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>26/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>Business Incomes Taxable under the head of 'Profit and Gains of Business or Profession' (Section 28).</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>27/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
<p>Profits on sale of a licence granted under the Imports (Control) Order, 1955, made under the Imports and Exports (Control) Act, 1947.</p> <p>profits on sale of a licence granted under the Imports (Control) Order, 1955, made under the Imports and Exports (Control) Act, 1947 [</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>28/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>90% MATCHING TEXT</b>	30 WORDS
<p>Any compensation or other payment due to or received by any person specified in section 28(ii) iii) Income derived by a trade, professional or similar association from specific services performed for its members.</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>29/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>93% MATCHING TEXT</b>	23 WORDS
<p>Cash assistance (by whatever name called) received or receivable by any person against exports under any scheme of the Government of India. c) Any</p> <p>cash assistance (by whatever name called), received or receivable by any person against exports under any scheme of the Government of India. – any</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				



<b>30/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
<p>re-paid or re-payable as drawback to any person against exports under the Customs and Central Excise Duties Drawback Rules, 1971.</p>		<p>re-paid or re-payable as drawback to any person against exports under the Customs and Central Excise Duties Drawback Rules, 1971. –</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>31/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>Any profit on the transfer of the Duty Entitlement Pass Book Scheme</p>				
<p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>32/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>78% MATCHING TEXT</b>	16 WORDS
<p>vii) Any sum received or receivable under an agreement for not carrying out any activity</p>		<p>vii) Any sum, whether received or receivable, in or kind, under an agreement for – (a) not carrying out any activity</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>33/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>89% MATCHING TEXT</b>	31 WORDS
<p>value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of any profession. vi) Any interest, salary, bonus, commission or remuneration received by a partner</p>		<p>value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession; interest, salary, bonus, commission or remuneration due to or received by a partner</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>34/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>in relation to any business or profession or not to share any know-how, patent, copyright, trademark, etc.</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>35/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>84% MATCHING TEXT</b>	14 WORDS
<p>not chargeable under the head “Profits and Gains from Business or Profession” i) Rental Income</p>		<p>not chargeable under the head ‘profits and gains of business or profession”. v. Rental income</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				

<b>36/875</b>	<b>SUBMITTED TEXT</b>	58 WORDS	<b>62% MATCHING TEXT</b>	58 WORDS
	<p>a Keyman insurance policy including bonus. ix) Fair market value of inventory on the date of its conversion or treatment as capital asset. x) Any sum received or receivable in cash or kind, on account of any capital asset being demolished, destroyed, discarded or transferred, if the whole of the expenditure on such capital asset has been allowed as a deduction under section 35AD. 2.5</p>		<p>a Keyman insurance policy including the sum allocated by way of bonus on such policy. (via) the fair market value of inventory as on the date on which it converted into, or treated as, a capital asset determined in the prescribed manner;". (any sum, whether received or receivable, in cash or kind, on account of any capital asset (other than land or goodwill or financial instrument) being demolished, destroyed, discarded or transferred, if the whole of the expenditure on such capital asset has been allowed as a deduction under section 35AD (</p>	
	<p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf">https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf</a></p>			
<b>37/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>73% MATCHING TEXT</b>	18 WORDS
	<p>Allowed as Deductions against Prof its and Gains of Business or Profession [Section 30-37] 1 Rent, Rates, Taxes, Repairs</p>		<p>allowed as deductions against profits and gains of business or profession: 4.1 Rent, Rates, Taxes, Repairs &amp;</p>	
	<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>			
<b>38/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>57% MATCHING TEXT</b>	27 WORDS
	<p>Specified Business 35AD 11 Payment to Associations and Institutions for carrying 35CCA out Rural Development Programs 12 Expenditure on Agricultural Extension Project 35CCC 13 Expenditure on Skill Development Project 35CCD 14</p>		<p>specified business [Section 35AD] 11. Expenditure by way of Payment to Associations and Institutions for carrying out Rural Development Programmes [Section 35CCA] 12. Expenditure on Agricultural extension project [Section 35CCC] 13. Expenditure on skill development project [Section 35CCD] 14.</p>	
	<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>			
<b>39/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>73% MATCHING TEXT</b>	24 WORDS
	<p>carried on by the assessee during the previous year Recovery against any loss, expenditure or trading liability earlier allowed as deduction.</p>			
	<p><b>SA</b> Basics of taxation.docx (D126935931)</p>			

<b>40/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>47% MATCHING TEXT</b>	23 WORDS
<p>Any such expenditure incurred within 3 years immediately preceding the commencement of the business on payment of salary to research personnel engaged in scientific research</p>		<p>Any revenue expenditure incurred by the assessee within 3 years immediately preceding the commencement of business, for which research is conducted, by way of salary to research personnel engaged in such research,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>41/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>research will be allowed as deduction in the year in which</p>		<p>research, will be allowed as a deduction in the year in which</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>42/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>be limited to the amount certified by the prescribed authority. 2.6.1-2 Capital Expenditure</p>		<p>be limited to the amount certified by the prescribed authority. Capital Expenditure:</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>43/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>47% MATCHING TEXT</b>	33 WORDS
<p>incurred within the three years immediately preceding the commencement of the business shall be deemed to have been incurred in the previous year in which the business is commenced and will also qualify for deduction</p>		<p>incurred by the assessee, within 3 years immediately preceding the commencement of the business would be deemed to have been incurred in the year in which the business was commenced and will therefore rank for deduction</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>44/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>64% MATCHING TEXT</b>	17 WORDS
<p>the moneys payable in respect of such asset together with the amount of scrap value, if any,</p>		<p>the moneys payable in respect of such building, machinery, plant or furniture, as the case may be, together with the amount of scrap value, if any,</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				

<b>45/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>without having been used for other purposes, if the proceeds of sale together with</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>without having been used for other purposes, then the excess of sale proceeds together with</p>		
<b>46/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>87% MATCHING TEXT</b>	16 WORDS
<p>be charged to tax as income of the business of the previous year in which the</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>be chargeable to income-tax as income of the business of the previous year in which the</p>		
<b>47/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>90% MATCHING TEXT</b>	25 WORDS
<p>to a research association having its object, the undertaking of scientific research or to a university, college or other institution to be used for scientific research</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>to a research association which has, as its object the undertaking of scientific research, or to a university, college or other institution to be used for scientific research</p>		
<b>48/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>88% MATCHING TEXT</b>	34 WORDS
<p>research association having its object the undertaking of research in social science or statistical research or to a university, college or other institution to be used for research in any social science or statistical research</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>research association which has its object the undertaking of research in social science or statistical research or to a university, college or other institution to be used for research in social science or statistical research.</p>		
<b>49/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>91% MATCHING TEXT</b>	17 WORDS
<p>any sum to a National Laboratory or University or Indian Institute of Technology or a specified person</p> <p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf">https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf</a></p>		<p>any sum to a National Laboratory or a University or an Indian Institute of Technology or a specified person</p>		

<b>50/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>86% MATCHING TEXT</b>	24 WORDS
<p>where a company engaged in the business of bio-technology or in any business of manufacture or production of any article or thing, not being</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Where a company is engaged in the business of bio-technology or in business of manufacture or production of any article / thing, not being</p>		
<b>51/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>the Eleventh Schedule incurs any expenditure on scientific research on in- house research</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the eleventh schedule, incurs any expenditure on scientific research, OR in-house research &amp;</p>		
<b>52/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>in the nature of cost of any land or building.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>in the nature of cost of any land or building)</p>		
<b>53/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>68% MATCHING TEXT</b>	22 WORDS
<p>Amount paid to TS Ltd., a company registered in India as scientific research and development compahy, as approved by the prescribed authority :</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>Amount paid to M/s ABC Ltd., a company registered in India, which has as it's main object, scientific research and development, as approved by the prescribed authority</p>		
<b>54/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>computing its income under the head "Profits and gains of business or profession".</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>computing income under the head profits and gains of business or profession: 4.14.1.</p>		
<b>55/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>assessing officer can re-compute the total income of the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>assessing officer can re-compute the total income of the</p>		

<b>56/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>53% MATCHING TEXT</b>	28 WORDS
<p>as deduction in equal instalments over the period starting from the previous year in which payment is made for spectrum fee or the year in which business commences where</p> <p><b>SA</b> Incmoe tax Planning.DOC (D116135474)</p>				
<b>57/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>within a period of four years from the end of the previous year in which</p> <p>within a period of four years from the end of the financial year in which</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>58/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>92% MATCHING TEXT</b>	26 WORDS
<p>of capital nature for acquiring any right to operate telecommunication services and for which payment has actually been made to obtain a licence, there shall be allowed</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>59/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>a deduction equal to the appropriate fraction of the amount of such expenditure.</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>60/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>97% MATCHING TEXT</b>	17 WORDS
<p>will be allowed as deduction in equal instalments over the period starting from the year in which</p> <p><b>SA</b> Incmoe tax Planning.DOC (D116135474)</p>				

<b>61/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>65% MATCHING TEXT</b>	22 WORDS
<p>The deduction will be allowed for the previous year relevant to the previous year in which the licence fee is actually paid.</p>		<p>the deduction shall be allowed for the previous years beginning with the previous year in which the license fee is actually paid (</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>62/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>the year in which the licence comes to an end.</p>				
<p><b>SA</b> Incmoe tax Planning.DOC (D116135474)</p>				
<b>63/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>Where a deduction for any previous year is claimed and allowed under section 35ABB, then no deduction</p>		<p>where a deduction for any previous year is claimed and allowed under Section 35ABB, then no deduction</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>64/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>transfer are less than the expenditure incurred remaining unallowed, a deduction equal to</p>		<p>transfer are less than the expenditure remaining unallowed, a deduction equal to</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>65/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>expenditure remaining unallowed, as reduced by the proceeds of the transfer, shall be allowed in</p>		<p>expenditure remaining unallowed as reduced by the proceeds of transfer, shall be allowed in</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>66/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>so much of the excess as does not exceed the difference between the</p>		<p>so much of the excess as does not exceed the difference between the</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				

<b>67/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
chargeable to income-tax as profits and gains of the business in the previous year in which		chargeable to income tax as profits and gains of the business in the previous year in which		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>68/875</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>96% MATCHING TEXT</b>	47 WORDS
specified business: 1. Setting up and operating a cold chain facility; 2. setting up and operating a warehousing facility for storage of agricultural produce; 3. Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network; 4.		Specified business includes: i) setting up and operating a cold chain facility; (setting up and operating a warehousing facility for storage of agricultural produce; (iii) laying and operating a cross-country natural gas or crude or petroleum oil pipeline network distribution, including storage facilities being an integral part of such network; 109 (		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>69/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
building and operating anywhere in India, a hotel of two-star or above category,		building and operating, anywhere in India, a hotel of two-star or above category; (		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>70/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>95% MATCHING TEXT</b>	32 WORDS
Building and operating, anywhere in India, a hospital with at least 100 beds for patients; 6. Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the		building and operating, anywhere in India, a hospital with at least one hundred beds for patients; (vi) developing and building a notified housing project under a scheme for slum redevelopment or rehabilitation framed by the		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>71/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>90% MATCHING TEXT</b>	12 WORDS
Developing and building a housing project under a scheme for affordable housing		developing and building a housing project under a notified Government scheme for affordable housing; (		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				



<b>72/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>47% MATCHING TEXT</b>	22 WORDS
<p>by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in</p>		<p>by the Central Government or any State Government for Such purpose as may be approved by the Central Government in this behalf in</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>73/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>85% MATCHING TEXT</b>	18 WORDS
<p>Production of fertiliser in India; 9. Setting up and operating an Inland Container Depot or Container Freight Station</p>		<p>Production of fertilizers in India H) Setting up and operating an Inland Container Depot OR a Container Freight Station,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>74/875</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>88% MATCHING TEXT</b>	42 WORDS
<p>Bee-keeping and production of honey and beeswax; and 11. Setting up and operating a warehousing facility for storage of sugar. 12. Laying and operating a slurry pipeline for the transportation of iron ore; 13. Setting up and operating a semiconductor wafer fabrication manufacturing unit,</p>		<p>bee-keeping and production of honey and beeswax; ( setting up and operating a warehousing facility for storage of xii) laying and operating a slurry pipeline for the transportation of iron ore; (xiii) setting up and operating a notified semi-conductor wafer fabrication manufacturing unit ; (</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>75/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>Developing or maintaining and operating or developing maintaining and operating a new infrastructure facility. 38</p>		<p>developing or maintaining and operating or developing, maintaining and operating a new infrastructure facility</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>76/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>72% MATCHING TEXT</b>	20 WORDS
<p>is not set up by splitting up, or the reconstruction, of a business already in existence. Where the business is</p>		<p>is not formed by splitting up, or the reconstruction, of a business already in existence. This condition is not where the business is</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>77/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>laying and operating a cross country natural gas or crude or petroleum oil pipelines network</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network</p>		
<b>78/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>89% MATCHING TEXT</b>	20 WORDS
<p>companies or by an authority or a board or a corporation established or constituted under any Central or State Act</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>companies or by an authority or a board or a corporation or any other body established or constituted under any Central or State Act</p>		
<b>79/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>81% MATCHING TEXT</b>	16 WORDS
<p>by splitting up, or the reconstruction, of a business already in existence. Moreover, it should not</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>by splitting up, or the reconstruction, of a business already in existence and should not</p>		
<b>80/875</b>	<b>SUBMITTED TEXT</b>	79 WORDS	<b>79% MATCHING TEXT</b>	79 WORDS
<p>such machinery or plant was not, at any time previous to the date of the installation by the assessee, used in India and if such machinery or plant is imported into India from any country outside India. d) No deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the Act in computing the total income of any person for any period prior to the date of the installation of the machinery or plant by the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>such machinery or plant was not, at any time previous to the date of the installation used in India; ( such machinery or plant is imported into India from any country outside India; and (C) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of this Act in computing the total income of any person for any period prior to the date of the installation of machinery or plant by the</p>		
<b>81/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>77% MATCHING TEXT</b>	24 WORDS
<p>The value of the transferred assets does not exceed 20 per cent of the total value of the machinery or plant used in the business.</p> <p><b>SA</b> <a href="#">CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</a></p>				

<b>82/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>76% MATCHING TEXT</b>	18 WORDS
<p>specified business carried on by such assessee during the previous year in which such expenditure is incurred by him.</p>		<p>specified business carried on by him during the previous year in which such expenditure is incurred by him.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>83/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>83% MATCHING TEXT</b>	12 WORDS
<p>expenditure of capital nature incurred wholly and exclusively for the purpose of</p>				
<p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>84/875</b>	<b>SUBMITTED TEXT</b>	49 WORDS	<b>85% MATCHING TEXT</b>	49 WORDS
<p>Any asset in respect of which a deduction is claimed and allowed under section 35AD, NSOU • PGCO - V 39 shall be used only for the specified business for a period of 8 years beginning with the previous year in which such asset is acquired or constructed. Further, if</p>		<p>Any asset in respect of which a deduction is claimed and allowed under Section 35AD, shall be used only for the specified business for a period of eight years beginning with the previous year in which such asset is acquired or constructed. If</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>85/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>is used for any purpose other than the specified business during the</p>		<p>is used for any purpose other than the specified business, the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>86/875</b>	<b>SUBMITTED TEXT</b>	70 WORDS	<b>94% MATCHING TEXT</b>	70 WORDS
<p>the total amount of deduction so claimed and allowed in any previous year in respect of such asset, as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction had been allowed under section 35AD, shall be deemed to be income of the assessee chargeable under the head "Profits and gains of business or profession" of the previous year in which the asset is so used.</p>		<p>the total amount of deduction so claimed and allowed in one or previous years in respect of such asset, as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction had been allowed under section 35AD, shall be deemed to be income of the assessee chargeable under the head "Profits and gains of business or profession" of the previous year in which the asset is so used.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				

<b>87/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>93% MATCHING TEXT</b>	23 WORDS
<p>wholly and exclusively, for the purpose of any specified business, shall be allowed as deduction during the previous year in which the assessee commences</p>		<p>wholly and exclusively, for the purpose of such specified business, shall be allowed as deduction @ 100% during the previous year in which the assessee commences</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>88/875</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>100% MATCHING TEXT</b>	9 WORDS
<p>for the same or any other assessment year. Any sum</p>		<p>for the same or any other assessment year. i) Any sum</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>89/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>chargeable to income-tax under the head "Profits and gains of business or profession".</p>		<p>chargeable to income- tax under the head "Profits and gains of business or profession",— (</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>90/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>the assessee shall not be allowed any deduction in respect of the</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>91/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>84% MATCHING TEXT</b>	26 WORDS
<p>Any loss computed in respect of the specified business shall not be set off except against profits and gains, if any, of any other specified business.</p>				
<p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>92/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>the income under the head 'Profits and gains from business or profession'</p>		<p>the income under the head profits and gains from business or profession</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				

<b>93/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>93% MATCHING TEXT</b>	23 WORDS
<p>will be carried forward for set off against profits and gains from any specified business in the following assessment year and so on (</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>94/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>Payment to Associations and Institutions carrying out Rural Development Programmes- Section 35CCA</p> <p>Payment to Associations and Institutions for carrying out Rural Development Programmes [Section 35CCA] 12.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>95/875</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>93% MATCHING TEXT</b>	29 WORDS
<p>To an association or institution, which has as its object the undertaking of any programme of rural development, to be used for carrying out any programme of rural development approved</p> <p>to an approved association or institution which has as its object the undertaking of any programme of rural development, to be used for the purposes of carrying out any programme of rural development approved</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>96/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>70% MATCHING TEXT</b>	14 WORDS
<p>Solution: Computation of taxable income from business/profession of PQ Ltd. For the A.Y. 2020-21 (</p> <p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>97/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>60% MATCHING TEXT</b>	20 WORDS
<p>To an association or institution, which has as its object the training of persons for implementing programmes of rural development;</p> <p>to an approved association or institution which has as its object the undertaking of any programme of rural development</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>98/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>To a rural development fund set up and notified by the Central Government</p> <p>to a rural development fund set up and notified by the Central Government</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>99/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>To the National Urban Poverty Eradication Fund set up and notified by the Central Government</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>to the National Urban Poverty Eradication Fund set up and notified by the Central Government.</p>		
<b>100/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>of expenditure by way of payment of any sum to</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>of expenditure by way of payment of any sum to</p>		
<b>101/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>of expenditure by way of payment of any sum to</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>of expenditure by way of payment of any sum to</p>		
<b>102/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>any interest referred to in sub-section (1), deduction shall not be allowed in respect of such</p>		
<b>103/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>any other provision of this Act for the same or any other assessment year. 2.6.6</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>any other provision of this Act for the same or any other assessment year.</p>		
<b>104/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100% MATCHING TEXT</b>	20 WORDS
<p>Expenditure on Agricultural Extension Project- Section 35CCC Where an assessee incurs any expenditure on agricultural extension project notified by the Board</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Expenditure on Agricultural extension project [Section 35CCC] Where an assessee incurs any expenditure on agricultural extension project notified by the Board</p>		

<b>105/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>91% MATCHING TEXT</b>	17 WORDS
<p>shall be allowed a deduction of a sum equal to one and one-half times of such expenditure.</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>shall be allowed a deduction of a sum equal to one and one-half times of the expenditure</p>		
<b>106/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>80% MATCHING TEXT</b>	32 WORDS
<p>any expenditure referred to in this section, deduction shall not be allowed in respect of such expenditure under any other provisions of this Act for the same or any other assessment year. 42</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>any interest referred to in sub-section (1), deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other assessment year.</p>		
<b>107/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>98% MATCHING TEXT</b>	33 WORDS
<p>Expenditure on Skill Development Project- 35CCD Where a company incurs any expenditure (not being expenditure in the nature of cost of any land or building) on any skill development project notified by the Board</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Expenditure on skill development project [CCD] Where a company incurs any expenditure (not being expenditure in the nature of cost of any land or building) on any skill development project notified by the Board</p>		
<b>108/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>91% MATCHING TEXT</b>	16 WORDS
<p>shall be allowed a deduction of a sum equal to one and one-half times of such expenditure.</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>shall be allowed a deduction of a sum equal to one and one-half times of the expenditure</p>		
<b>109/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>85% MATCHING TEXT</b>	31 WORDS
<p>any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such expenditure under any other provisions of this Act for the same or any other assessment year. 2.6.8</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>any interest referred to in sub-section (1), deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other assessment year.</p>		

<b>110/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>73% MATCHING TEXT</b>	17 WORDS
<p>of the cost of the project- Cost of the project means the actual cost of fixed assets (</p>		<p>of the terms (i) Cost of project: Cost of project means the aggregate of actual cost of fixed assets</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>111/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>80% MATCHING TEXT</b>	13 WORDS
<p>extension of undertaking or setting up of the new unit; c) 5% of the</p>		<p>extension of the undertaking or the setting up of the new unit of the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>112/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>82% MATCHING TEXT</b>	25 WORDS
<p>capital employed- Capital employed means the total amount of issued share capital; debentures and long-term borrowings as on the last day of the previous year</p>		<p>Capital employed – Capital employed means the aggregate the - ? issued share capital, ? debentures, and ? long-term borrowings, as on the last day of the previous year</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>113/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>90% MATCHING TEXT</b>	11 WORDS
<p>extension of undertaking or setting up of the new unit. The</p>		<p>extension of the undertaking or setting up of the new unit of the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>114/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>64% MATCHING TEXT</b>	20 WORDS
<p>the previous year in which business is commenced or extension of the undertaking is completed or new unit commences production / operation.</p>		<p>the previous year in which the extension of the present undertaking is completed or the new unit commences production or operation,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				



<b>115/875</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>87% MATCHING TEXT</b>	42 WORDS
<p>the undertaking of an Indian company which is entitled to amortization is transferred to another Indian company in a scheme of amalgamation or demerger within the 5-year period of amortization. In that event, the deduction in respect of previous year in which the amalgamation</p>		<p>the undertaking of an Indian company which is entitled to the amortization is transferred to another Indian company in a scheme of amalgamation within the 10 years/ 5-year period of amortization. • In that event, the deduction in respect of previous year in which the amalgamation</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>116/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>62% MATCHING TEXT</b>	15 WORDS
<p>necessary for the business of the assessee. c) Expenditure for acquiring engineering services relating to the</p>		<p>necessary for the purpose of the business of the assessee; (iii) expenditure for getting engineering services related to the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>117/875</b>	<b>SUBMITTED TEXT</b>	78 WORDS	<b>59% MATCHING TEXT</b>	78 WORDS
<p>A company formed and registered under any law relating to companies formerly in force in any part of India (other than the State of Jammu and Kashmir and the Union territories specified in (d) below: a) A corporation established by or under a Central, State or Provincial Act; b) Any institution association or body which is declared by the Board to be a company under section 2(17); c) A company formed and registered under any law for the time being in force in</p>		<p>a company formed and registered under any law relating to companies which was or is in force in any part of India (other than the State of Jammu &amp; Kashmir, and the Union Territories specified in (v) below); (a) corporation established by or under a Central, State or Provincial Act (like Financial Corporation or State Road Corporation); (iii) institution or association or body which is declared by the Board to be a company under iv); (iv) In case of Kashmir, any formed and registered under any law for the time being in force in</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>118/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>Indian Company [Section 2 (26)] Indian Company means a company formed and registered under the companies Act, 1956 and includes-a)</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				

<b>119/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>84% MATCHING TEXT</b>	33 WORDS
<p>the State of Jammu and Kashmir; d) A company formed and registered under any law for the time being in force in the Union territories of Dadra and Nagar Haveli, Goa, Daman and Diu and Pondicherry.</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>120/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>92% MATCHING TEXT</b>	39 WORDS
<p>in India. 2.7.2 Domestic Company [Section 2 (22A)] Domestic company means an Indian company or any other company which, in respect of its income liable to tax under this Act, has made the prescribed arrangements for the declaration and payment, within India</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>121/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>83% MATCHING TEXT</b>	18 WORDS
<p>Company. 2.7.3 Foreign Company [Section 2 (23A)] A foreign company means a company which is not a domestic company.i.e.</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>122/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>76% MATCHING TEXT</b>	22 WORDS
<p>whose control and management is located outside India and which has not made prescribed arrangement for declaration and payment of dividend within India. 2.7.4</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>123/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>66% MATCHING TEXT</b>	16 WORDS
<p>in case of a domestic company (except those opting for taxation under section 115BAA, section 115BAB</p> <p>in case of a domestic company opting for taxability under Section 115BAA or Section 115BAB</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>124/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>The domestic company who has opted for special taxation regime under section 115BAA, 115BAB</p> <p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>125/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>71% MATCHING TEXT</b>	17 WORDS
<p>exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12%</p> <p>exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 12%</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>126/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>91% MATCHING TEXT</b>	22 WORDS
<p>surcharge @2% of tax where total income exceeds Rs. 1 crore/ @ 5% of tax if total income exceeds Rs. 10 crore</p> <p>Surcharge: ? 7% of tax where total income exceeds Rs. 1 crore ? 12% of tax where total income exceeds Rs. 10 crore</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>127/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>81% MATCHING TEXT</b>	15 WORDS
<p>In computing the total income of the firm/LLP, any salary bonus, commission or remuneration, to</p> <p>in computing the business income of the Firm/ LLP: (a) Any payment of salary, bonus, commission or remuneration to</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>128/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>89% MATCHING TEXT</b>	16 WORDS
<p>the computation of income under the head Profit and Gains of Business or Profession. The</p> <p>the computation of income under the head "Profits and gains of business or profession". The</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>129/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>83% MATCHING TEXT</b>	16 WORDS
<p>will be taxed as a separate entity, with no distinction between registered and unregistered firms.</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				

<b>130/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>75% MATCHING TEXT</b>	16 WORDS
<p>in the income of the firm will not be included in the hands of the partner</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>in the hands of the firm, the same will not be taxed in the hands of the partner.</p>		
<b>131/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>70% MATCHING TEXT</b>	23 WORDS
<p>salary, bonus, commission or remuneration, by whatever name called, to any partner, it will be allowed as deduction in the hands of the firm</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>salary, bonus, commission or remuneration by whatever name called, a partner than a working would not be allowed as deduction in the hands of the firm; (</p>		
<b>132/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>83% MATCHING TEXT</b>	12 WORDS
<p>who is actively engaged in conducting the business/profession of the firm.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>who is actively engaged in conducting the affairs of the business or profession of the firm</p>		
<b>133/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>is authorized by, and is in accordance with, the terms of the partnership deed.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>is by and is in accordance with the terms of the partnership deed</p>		
<b>134/875</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>29% MATCHING TEXT</b>	38 WORDS
<p>The amount of remuneration, bonus, commission etc. to all the partners during a previous year should not exceed the limit specified below: a) On first Rs. 3,00,000 of book profit or in the case of loss b) On balance of book profit</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the maximum amount of such payment made to all the partners during the previous year should not exceed the limits given Quantum of Book Profit a) Up to Rs. 3,00,000 or in case of a loss Rs. 1,50,000 or 90% of the Book profit, whichever is more (b) on the balance 60% of book profit "</p>		

<b>135/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>63% MATCHING TEXT</b>	28 WORDS
<p>any interest, royalty, fees for technical services or other taxable sums other than salary, which is payable outside India or in India to anon-resident or to a foreign company</p>		<p>any royalty, fees for technical services or other sum chargeable under the Income-tax Act, which is payable outside India or in India to a non-resident non-corporate or to a foreign company</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>136/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>84% MATCHING TEXT</b>	19 WORDS
<p>on or before due date for filing of return under section 139(1), 100 % of such sum shall be disallowed.</p>		<p>on or before the due date for filing return of income under section 139 (1), 30% of such sum shall be disallowed</p>		
<p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf">https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf</a></p>				
<b>137/875</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>42% MATCHING TEXT</b>	41 WORDS
<p>where in respect of any such sum tax is deducted in subsequent year or paid and deposited after the due date for filing the return of income under section 139(1), such sum shall be deductible in the previous year in which tax</p>		<p>where in respect of any such sum, tax has been deducted in any subsequent year or has been deducted during the previous year but paid after the due date specified in sub-section (1) of section 139, 30% of such sum shall be allowed as a deduction in computing the income of the previous year in which such tax</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>138/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>on or before the due date of filing return under section 139(1). However,</p>		<p>on or before the due date of filing return under section 139(1). However</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>139/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>on or before the due date of filing return under section 139(1), 100 %</p>		<p>on or before the due date of filing return under section 139(1).</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>140/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>50% MATCHING TEXT</b>	27 WORDS
<p>interest, royalty, fees for technical services or other taxable sums, which is payable in India to a resident by any assessee, on which tax has not been deducted</p>		<p>interest, royalty, fees for technical services or other sum chargeable under the Income-tax Act, which is payable outside India or in India to a non-resident non-corporate or to a foreign and on which tax has not been deducted</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>141/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>84% MATCHING TEXT</b>	20 WORDS
<p>on or before due date for filing of return under section 139(1), 30 % of such sum shall be disallowed.</p>		<p>on or before the due date for filing return of income under section 139 (1), 30% of such sum shall be disallowed</p>		
<p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf">https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf</a></p>				
<b>142/875</b>	<b>SUBMITTED TEXT</b>	40 WORDS	<b>42% MATCHING TEXT</b>	40 WORDS
<p>where in respect of any such sum tax is deducted in subsequent year or paid and deposited after the due date for filing the return of income under section 139(1), such sum shall be deductible in the previous year in which tax</p>		<p>where in respect of any such sum, tax has been deducted in any subsequent year or has been deducted during the previous year but paid after the due date specified in sub-section (1) of section 139, 30% of such sum shall be allowed as a deduction in computing the income of the previous year in which such tax</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>143/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>shall not be deemed to be an assessee-in-default in respect of such tax if</p>		<p>shall not be deemed to be an assessee in default in respect of such tax if</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>144/875</b>	<b>SUBMITTED TEXT</b>	51 WORDS	<b>89% MATCHING TEXT</b>	51 WORDS
<p>has furnished his return of income under section 139; b) has taken into account such sum for computing income in such return of income; c) has paid the tax due on the income declared by him in such return of income, and d) furnishes a certificate to this effect from an accountant in</p>		<p>has furnished his return of income under section 139; (ii) has taken into account such sum for computing income in such return of income; and (iii) has paid the tax due on the income declared by him in such return of income, and the person furnishes a certificate to this effect from an accountant in</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>145/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>71% MATCHING TEXT</b>	17 WORDS
<p>the same with the Government on or before the due date of filing return under section 139(1). However,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the same is paid on or before the due date of filing return under section 139(1). However</p>		
<b>146/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>on or before the due date of filing return under section 139(1), 30 %</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>on or before the due date of filing return under section 139(1).</p>		
<b>147/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>54% MATCHING TEXT</b>	21 WORDS
<p>Section 40(a)(iii) is applicable if salary is paid outside India or paid to a non-resident and tax has not been paid</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>Section 40a(iii)]: Any payment which is chargeable under the head "salaries" if it is payable - (A) outside India; or (B) to a non-resident and if the tax has not been paid</p>		
<b>148/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>67% MATCHING TEXT</b>	20 WORDS
<p>in the previous year 2019-20 on or before the due date of filing return under section 139(1), the sum of</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>149/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>92% MATCHING TEXT</b>	21 WORDS
<p>shall be allowed as a deduction in computing the income of the previous year in which such levy has been paid. 2.9.3</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>shall be allowed as a deduction in computing the income of the previous year in which such tax has been paid.</p>		
<b>150/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>deposited [on or before the due date of submission of return of income</p> <p><b>SA</b> Basics of taxation.docx (D126935931)</p>				

<b>151/875</b>	<b>SUBMITTED TEXT</b>	53 WORDS	<b>75% MATCHING TEXT</b>	53 WORDS
<p>Any amount paid by way of royalty, licence fee, service fee, privilege fee, service charge or any other fee or charge (by whatever name called), which is levied exclusively on a State Government undertaking by the State Government. b) Any amount which is appropriated (directly or indirectly) from a State Government Undertaking by the State Government. 2.9.4</p>		<p>Any amount (A) paid by way of royalty, licence fee, service fee, privilege fee, service charge or any other fee or charge, by whatever name called, which is levied exclusively on; or (B) which is appropriated, directly or indirectly, from, a State Government undertaking by the State Government. In words, any amount paid by way of fee, charge, which is levied exclusively on, or any appropriated, directly or indirectly, from a State Government undertaking, by the State Government,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>152/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>72% MATCHING TEXT</b>	21 WORDS
<p>LLP) the following amounts shall not be deducted in computing the income from business of any firm/LLP: a) Any salary, bonus, commission, remuneration</p>		<p>LLP the following amounts shall not be deducted in computing business income of the Firm/ LLP: (a) payment of salary, bonus, commission or remuneration</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>153/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>75% MATCHING TEXT</b>	19 WORDS
<p>interest to any partner which is not authorised by or which is inconsistent with the terms of the partnership deed;</p>		<p>interest to any partner which is not authorised by or not in accordance with, the terms of the partnership deed;</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>154/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>42% MATCHING TEXT</b>	35 WORDS
<p>On the first Rs 3 lakh of book profit or in case of loss, the limit would be the higher of Rs 1,50,000 or 90% of book profit and on the balance of book profit,</p>		<p>On the first Rs. 3,00,000 of the book-profit or in case of a loss the balance of the book profit Rs. 1,50,000 or 90% of the book-profit, whichever is more. 60% of the book profit.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				



<b>155/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>88% MATCHING TEXT</b>	34 WORDS
<p>Example: A firm has paid Rs. 8,00,000 as remuneration to its partners for the P.Y.2017-18, in accordance with its partnership deed, and it has a book profit of Rs. 10 lakh. Determine the remuneration allowable as</p>		<p>Example: A firm has paid Rs. 8 lakhs as remuneration to its partners for the P.Y. 2021-22, in accordance with its partnership deed, and it has a book profit of Rs. 10 lakh. Now the allowable remuneration calculated as</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>156/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>100% MATCHING TEXT</b>	26 WORDS
<p>On first Rs. 3 lakh of book profit [Rs.3,00,000 × 90%] Rs. 2,70,000 On balance Rs. 7 lakh of book profit [Rs. 7,00,000 × 60%] Rs. 4,20,000</p>		<p>On first Rs.3 lakh of book profit [ Rs. 3,00,000 × 90%] = Rs. 2,70,000 On balance Rs. 7 lakh of book profit [ Rs. 7,00,000 × 60%] = Rs. 4,20,000</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>157/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>of Rs. 1,10,000 (i.e., Rs. 8,00,000 – Rs. 6,90,000) would be disallowed as per section 40(b). 52</p>		<p>of Rs. 1,10,000 (i.e., Rs.8,00,000 – Rs. 6,90,000) would be disallowed as per section 40(b) •</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>158/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>57% MATCHING TEXT</b>	35 WORDS
<p>excessive or unreasonable having regard to: i) The fair market value of the goods, services or facilities; or ii) The legitimate business needs of the assessee’s business or profession; or iii) The benefit derived by or accruing to</p>		<p>excessive or unreasonable, having due regard to the • fair market value of the goods, services or facilities for which the payment is made or • the legitimate needs of the business or profession of the assessee or • the benefit derived by or accruing to</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>159/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>brother or sister or any lineal ascendant or descendant of that individual.</p>		<p>brother or sister or any lineal ascendant or descendant of that individual. 219</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>160/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>77% MATCHING TEXT</b>	17 WORDS
<p>individual who has a substantial interest in the business of the payer or a relative of such individual.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>individual who has a substantial interest in the business or profession of the assessee or any relative of such individual (</p>		
<b>161/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>61% MATCHING TEXT</b>	17 WORDS
<p>substantial interest in the business of the payer, any director of such company or relative of such director.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>substantial interest in the business or profession of the assessee or any director, partner or member of such company, firm, association family or any relative of such director,</p>		
<b>162/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>67% MATCHING TEXT</b>	17 WORDS
<p>who has a substantial interest in the business of the payer or partner/ member of such person</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>who has a substantial interest in the business or profession of the assessee or any relative of such Person</p>		
<b>163/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>74% MATCHING TEXT</b>	26 WORDS
<p>assessee incurs any expenditure in respect of which payment or agreement payments made in a day otherwise than by an account payee cheque or bank draft or</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>assessee incurs any expenditure in respect of which a payment or aggregate of payments made to a person a day, otherwise than by an account payee cheque drawn on a bank or account bank draft, or</p>		
<b>164/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>94% MATCHING TEXT</b>	27 WORDS
<p>book adjustment by an assessee in the account of the payee against money due to the assessee for any goods supplied or services rendered by him to the payee.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>book adjustment by the assessee in the account of the payee against money due to the assessee for any goods supplied or services rendered by him to the payee. (</p>		

<b>165/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>in a place other than his normal place of duty or on a ship</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>in a place other than his normal place of duty or on a ship</p>		
<b>166/875</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>75% MATCHING TEXT</b>	29 WORDS
<p>bank at such place or ship. j) Payment required to be made on a day on which the banks were closed either on account of holiday or strike. k) Payment made</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>		<p>bank account at such place of temporary posting or ship. (x) Where the payment was required to be made on a day on which the banks were closed either on account of holiday or strike. (xi) Where payment is made</p>		
<b>167/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>86% MATCHING TEXT</b>	18 WORDS
<p>to his agent who is required to make payment in cash for goods or services on behalf of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>to an agent who in turn is required to make payment in cash for goods or services on behalf of</p>		
<b>168/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>96% MATCHING TEXT</b>	14 WORDS
<p>for payment of a sum by way of any contribution towards an approved gratuity fund.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>for the payment of a sum by way of any contribution towards an approved gratuity fund</p>		
<b>169/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>84% MATCHING TEXT</b>	19 WORDS
<p>no deduction shall be allowed in respect of any provision made for the payment of gratuity to the employees,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>No deduction shall be allowed in respect of any provision made by the assessee for the payment of gratuity to his employees</p>		
<b>170/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>payment of a sum by way of any contribution towards an approved gratuity fund.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>payment of a sum by way of any contribution towards an approved gratuity fund</p>		

<b>171/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
Any sum paid by the assessee as an employer by way of contribution towards		Any sum paid by the assessee as an employer by way of contribution towards		
<b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a>				
<b>172/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
Recognised Provident Fund, or Approved Superannuation Fund or an Approved Gratuity Fund,		recognised provident fund or an approved superannuation fund or an approved gratuity fund;		
<b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a>				
<b>173/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>82% MATCHING TEXT</b>	17 WORDS
towards setting up (or formation of) any trust, company, association of persons, body of individuals, society or		towards the setting up or formation of, or as contribution to, any fund, trust, company, association of persons, body of individuals, society or		
<b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a>				
<b>174/875</b>	<b>SUBMITTED TEXT</b>	45 WORDS	<b>64% MATCHING TEXT</b>	45 WORDS
by way of tax, duty, cess or fee (by whatever name called under any law for the time being in force); b) any sum payable by an employer by way of contribution to provident fund or superannuation fund or any other fund for the welfare of employees; c)		by way of tax duty, cess or fee, by whatever name called, under any law for the time being in force, (b) as an employer by way of contribution to any provident fund or fund or gratuity fund or any other fund for the welfare of employees, (c)		
<b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf">https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf</a>				
<b>175/875</b>	<b>SUBMITTED TEXT</b>	8 WORDS	<b>100% MATCHING TEXT</b>	8 WORDS
in respect of contributions to Non-Statutory Funds [Section 40A(9)]				
<b>SA</b> 304 Corporate Taxation.docx (D117962176)				
<b>176/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
or a State financial corporation or a State industrial investment corporation;		or a state financial corporation or a state industrial investment corporation,		
<b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a>				

<b>177/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>92% MATCHING TEXT</b>	16 WORDS
<p>co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank;</p>		<p>co-operative banks other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>178/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>85% MATCHING TEXT</b>	14 WORDS
<p>an employer in lieu of leave at the credit of his employee; and g)</p>		<p>an employer in lieu of, any leave at the credit of his employee, or (g)</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>179/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>payment is actually made on or before the due date of submission of return of income,</p>		<p>payment is actually made on or before the due date of submission of return of income;</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>180/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>an undertaking engaged in Generation or Generation and Distribution of Power [</p>		<p>an undertaking engaged in generation or generation and distribution of power</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>181/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>83% MATCHING TEXT</b>	26 WORDS
<p>Where an allowance or deduction has been made in the assessment for any year in respect of loss,expenditure or trading liability incurred by an assessee and subsequently,</p>		<p>Where any allowance or deduction has been made in the assessment for any year in respect of losses, expenditure or trading liability incurred by the assessee and subsequently</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>182/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>100% MATCHING TEXT</b>	34 WORDS
<p>has obtained, whether in cash or in any other manner whatsoever, any amount in respect of such loss or expenditure or some benefit in respect of such trading liability by way of remission or cessation thereof,</p>		<p>has obtained, whether in cash or in any other manner whatsoever, any amount in respect of such loss or expenditure or some benefit in respect of such trading liability by way of remission or cessation thereof</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>183/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>90% MATCHING TEXT</b>	23 WORDS
<p>shall be deemed to be profits and gains of business or profession and accordingly chargeable to income-tax as the income of that previous year,</p>		<p>shall be deemed to be the profits and gains of business or profession and accordingly be to income tax as the income of the previous year</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>184/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>whether the business or profession in respect of which the allowance or deduction has been made is</p>		<p>whether the business or profession in respect of which the allowance or deduction has been made is</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>185/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>92% MATCHING TEXT</b>	19 WORDS
<p>has obtained, whether in cash or in any other manner whatsoever, any amount in respect of which loss or expenditure</p>		<p>has obtained, whether in cash or in any other manner whatsoever, any amount in respect of such loss or expenditure</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>186/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>71% MATCHING TEXT</b>	21 WORDS
<p>or some benefit in respect of the trading liability by way of remission or cessation thereof, the amount obtained by the</p>		<p>or some benefit in respect of such trading liability by way of remission or cessation thereof during any subsequent accounting year, the amount so obtained or the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>187/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>60% MATCHING TEXT</b>	19 WORDS
<p>the value of benefit accruing to the successor in business shall be deemed to be profits and gains of</p>		<p>the value of the benefit so accruing to the assessee or his/its successor in business as the case may be, must be deemed to be the profits and gains of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>188/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>83% MATCHING TEXT</b>	14 WORDS
<p>business or profession, and accordingly chargeable to tax as the income of that previous year.</p>		<p>business or profession and accordingly be chargeable to income tax as the income of the previous year</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>189/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>96% MATCHING TEXT</b>	15 WORDS
<p>where a firm carrying on a business or profession is succeeded by another firm, the</p>		<p>Where a firm carrying on a business or profession is succeeded by another firm, the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>190/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>a) where there has been an amalgamation of a company</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>191/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>an undertaking engaged in Generation or Generation and Distribution of Power [</p>		<p>an undertaking engaged in generation or generation and distribution of power</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>192/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>60% MATCHING TEXT</b>	20 WORDS
<p>Where any building, machinery, plant or furniture which is owned by the assessee in respect of which depreciation is claimed</p>		<p>Where any depreciable asset being building, machinery, plant or furniture is owned by the assessee , who uses the same for the purposes of business and in respect of which depreciation is claimed</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				

<b>193/875</b>	<b>SUBMITTED TEXT</b>	95 WORDS	<b>86% MATCHING TEXT</b>	95 WORDS
<p>for the purposes of business of generation or generation and distribution of power- is sold, discarded, demolished or destroyed and the 'Moneys Payable' in respect of such building, machinery, plant or furniture, as the case may be, together with the amount of scrap value, if any, exceeds the 'written down value', then, so much of the excess as does not exceed the difference between the 'actual cost' and the 'written down value' shall be chargeable to income-tax as income of the business of the previous year in which the moneys payable for the building, machinery, plant or furniture became due.</p>		<p>for the purposes of business and in respect of which depreciation is claimed is sold, discarded, demolished or destroyed 133 and the moneys payable in respect of such building, machinery, plant or furniture, as the case may be, together with the amount of scrap value, if any, exceeds the written down value thereof, so much of the excess as does not exceed the difference the actual cost and the written down value shall be chargeable to income-tax as income of the business of the previous year in the moneys payable for the building, machinery, plant or furniture became due.</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>194/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>93% MATCHING TEXT</b>	22 WORDS
<p>is no longer in existence, the provision of this sub-section shall apply as if the business is in existence in that previous year. 2.11.3</p>		<p>is no longer in existence, the provisions of this sub-section shall apply as if the business is in existence in that previous year. •</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>195/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>70% MATCHING TEXT</b>	23 WORDS
<p>the less, shall be chargeable to income-tax as income of the business or profession of the previous year in which the sale took place.</p>		<p>the shall be chargeable as the income of the business or profession of the previous year in which the sale took place. "</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>196/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>is no longer in existence, the provisions of this sub-section shall apply as if the business is in existence in that previous year.</p>		<p>is no longer in existence, the provisions of this sub-section shall apply as if the business is in existence in that previous year. •</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>197/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>62% MATCHING TEXT</b>	16 WORDS
<p>the excess shall be deemed income from business or profession of the previous year in which</p>		<p>the asset shall be chargeable as the income of the business or profession of the previous year in which</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				



<b>198/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>82% MATCHING TEXT</b>	14 WORDS
<p>the business or profession in respect of which the deduction has been allowed is</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the business or profession in respect of which the allowance or deduction has been made is</p>		
<b>199/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>93% MATCHING TEXT</b>	24 WORDS
<p>Where a deduction has been allowed in respect of any special reserve created and maintained under clause (viii) of sub-section (1) of section 36</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Where a deduction has been allowed in respect of any special reserve created and maintained under clauses (viii) of Sub-section (1) of Section 36</p>		
<b>200/875</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>98% MATCHING TEXT</b>	38 WORDS
<p>any amount subsequently withdrawn from such special reserve shall be deemed to be the profits and gains of business or profession and accordingly be chargeable to tax as the income of the previous year in which such amount is withdrawn</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>any amount subsequently withdrawn from such special reserve shall be deemed to be the profits and gains of or profession and accordingly be chargeable to income as the income of the previous year in which such amount is withdrawn.</p>		
<b>201/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>64% MATCHING TEXT</b>	22 WORDS
<p>business or profession pertaining to the year in which it is discontinued could not be set-off against any other income of that year.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>business or profession during previous year in which it ceased to exist and could not be set off against any other income of that previous year</p>		
<b>202/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>44% MATCHING TEXT</b>	24 WORDS
<p>business or profession which will also be treated as deemed income of the previous year in which it is received. Where any business or profession is</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>business or profession 134 and accordingly be chargeable income of the previous year in which such amount withdrawn notwithstanding that business or profession is</p>		

<b>203/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>63% MATCHING TEXT</b>	18 WORDS
<p>shall be deemed to be the income of the recipient and charged to tax accordingly in the year</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>shall be deemed to be the income of the liability partnership chargeable to tax in the year</p>		
<b>204/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>92% MATCHING TEXT</b>	18 WORDS
<p>Deduction in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development- Section 80-IA Deduction</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Deduction in respect of profits and gains from industrial undertakings or enterprise engaged in 359 Infrastructure Development [Section 80-IA] Deduction</p>		
<b>205/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>water treatment system, irrigation project, sanitation, and sewerage system or solid waste management system</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>water treatment system, irrigation project, sanitation and sewerage system or solid waste management system; (</p>		
<b>206/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>basic or cellular for radio paging, domestic satellite service or network of trunking,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>basic or cellular including radio-paging, domestic satellite service or network of trunking</p>		
<b>207/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>51% MATCHING TEXT</b>	31 WORDS
<p>following conditions: a) It is not developed by splitting up or reconstruction of a business that has already been in use. b) It is not developed by the transfer of machinery or plant</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>following conditions are satisfied: (It is not formed by the splitting up, or the reconstruction, of a business already in existence; (b) it is not formed by the transfer to a new business of machinery or plant (</p>		
<b>208/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>in accordance with any scheme framed and notified by the Central Government;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>in accordance with the scheme framed and notified by the Central Government; (</p>		

<b>209/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>60% MATCHING TEXT</b>	19 WORDS
<p>the return of income should be furnished on or before the due date of submission of voluntary return of income</p> <p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf">https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf</a></p>		<p>the return of income, shall be deposited on or before the due date of furnishing the return of income,</p>		
<b>210/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>78% MATCHING TEXT</b>	30 WORDS
<p>should not be formed by splitting up or the reconstruction of a business already in existence; b) It should not be formed by transfer of machinery or plant previously used for any purpose;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>should not be formed by splitting up, or the reconstruction, of a business already in existence and not by the transfer to a new business of machinery or plant previously used for any purpose.</p>		
<b>211/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>92% MATCHING TEXT</b>	19 WORDS
<p>set up in any part of India for the generation or generation and distribution of power and it begins</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>set-up in any part of India for the generation or generation and distribution of power if it begins</p>		
<b>212/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>55% MATCHING TEXT</b>	18 WORDS
<p>The return of income should be furnished on or before the due date of submission of return of income</p> <p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf">https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf</a></p>		<p>the return of income, shall be deposited on or before the due date of furnishing the return of income,</p>		
<b>213/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>88% MATCHING TEXT</b>	26 WORDS
<p>with majority equity participation by public sector companies for the purposes of enforcing the security interest of the lenders to the company owning the power generating plant</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>with majority equity participation by public sector companies for the purpose of enforcing the security interest of the lenders to the company owning the power generation plant. (</p>		

<b>214/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>47% MATCHING TEXT</b>	24 WORDS
such Indian company is notified before December 31, 2005 by the Central Government; c) Such undertaking begins to generate or transmit or distribute power before		Such Indian Company is notified before 31.12.2005 by the Central Government for the purposes of this clause and begins to generate or transmit or distribute power before 31.3.2011 (		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>215/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>55% MATCHING TEXT</b>	18 WORDS
The return of income should be submitted on or before the due date of submission of return of income		the return of income, shall be deposited on or before the due date of furnishing the return of income,		
<p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf">https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf</a></p>				
<b>216/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>72% MATCHING TEXT</b>	20 WORDS
companies or by an authority ora board or a corporation established or constituted under any Central or State Act; b) It		companies or by an authority or a board or a corporation or any other body established or constituted under any Central or State Act b) It		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>217/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>68% MATCHING TEXT</b>	19 WORDS
The return of income should be submitted on or before the due date of submission of return of income		the return of income, shall be on or before the due date of furnishing the return of income,		
<p><b>W</b> <a href="https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf">https://mu.ac.in/wp-content/uploads/2022/01/TaxationDirect-Indirect.pdf</a></p>				
<b>218/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
for 10 consecutive assessment years out of 15 years beginning from the year in which		for 10 consecutive assessment years, out of 15 years beginning from the year in which		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>219/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
Deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings- Section 80-IB Deduction		Deduction in respect of profits and gains from certain industrial undertakings other than 362 Infrastructure Development Undertakings [Section 80-IB] Deduction		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>220/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>86% MATCHING TEXT</b>	15 WORDS
<p>an assessee whose gross total income includes any profits and gains from any business of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>an assessee whose gross total income includes any profits and gains derived from the business of</p>		
<b>221/875</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>73% MATCHING TEXT</b>	37 WORDS
<p>or more workers in a manufacturing process carried on with the aid of power and should employ 66 NSOU • PGCO - V 20 or more workers in a manufacturing process carried on without the aid of power.</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>222/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>of the profits and gains derived from such industrial undertaking. (30%)</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>223/875</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>90% MATCHING TEXT</b>	38 WORDS
<p>the following conditions: It is not formed by splitting up, or the reconstruction of a business in existence. It is not formed by the transfer to a new business of machinery or plant previously used for any purpose.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the following conditions are satisfied: (It is not formed by the splitting up, or the reconstruction, of a business already in existence; (it is not formed by the transfer to a new business of machinery or plant (exceeding 20%) previously used for any purpose. (5)</p>		
<b>224/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>of the profits and gains derived from such industrial undertaking. (30%)</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				

<b>225/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>100% MATCHING TEXT</b>	34 WORDS
<p>The undertaking employs ten or more workers in a manufacturing process carried on with the aid of power or employs twenty or more workers in a manufacturing process carried on without the aid of power. 2.12.2-2</p>		<p>The undertaking employs or more workers in a manufacturing process carried on with the aid of power or employs twenty or more workers in a manufacturing process carried on without the aid of power.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>226/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>not formed by splitting up or the reconstruction, of a business</p>		<p>not formed by splitting up, or the reconstruction, of a business</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>227/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>89% MATCHING TEXT</b>	32 WORDS
<p>already in existence or by the transfer to a new business of a building used at a hotel or of any machinery or plant previously used for any purpose; b) The business of</p>		<p>already in existence or by the transfer to a new business of a building previously used as a hotel or of any machinery or plant previously used for any purpose. (ii) The business of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>228/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>85% MATCHING TEXT</b>	20 WORDS
<p>hotel is located in a hilly area or a rural area or a place of pilgrimage or such other place</p>		<p>Hotel located in a hilly area or a rural area or a place of pilgrimage or any other place</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>229/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>92% MATCHING TEXT</b>	15 WORDS
<p>hotel located in hilly area or rural area or a place of pilgrimage or</p>		<p>Hotel located in a hilly area or a rural area or a place of pilgrimage or</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>230/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>North-Eastern Region comprising the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, 68</p>		<p>North-Eastern States" means the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>231/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>85% MATCHING TEXT</b>	30 WORDS
<p>or more workers in a manufacturing process carried on with the aid of power and should employ 20 or more workers in a manufacturing process carried on without the aid of power.</p>		<p>or more workers in a manufacturing process carried on with the aid of power or employs twenty or more workers in a manufacturing process carried on without the aid of power.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>232/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>77% MATCHING TEXT</b>	30 WORDS
<p>d) The built-up area of the shops and commercial establishments included in the housing project should not exceed 5 per cent of the aggregate built-up area of the project or 2,000</p>		<p>d) the build-up area of the shops and other commercial establishments included in the housing project does not exceed three of the aggregate built-up area of the housing project or</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>233/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>75% MATCHING TEXT</b>	27 WORDS
<p>not formed by splitting up or the reconstruction, of a business already in existence or by the transfer of any machinery or plant previously used for any purpose;</p>		<p>not be formed by splitting up, or the reconstruction, of a business already in existence and should not formed by the transfer to a new business of machinery or plant previously used for any purpose.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>234/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>not located at a place within the municipal jurisdiction of Kolkata, Chennai, Delhi</p>		<p>not be located at a place within the municipal jurisdiction of Kolkata, Chennai, Delhi</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>235/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>the return of income, the report of audit in the prescribed</p>		<p>the return of income, the report of such audit in the prescribed</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				

<b>236/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>75% MATCHING TEXT</b>	17 WORDS
<p>per cent of the profits from such business for 5 years beginning with the initial assessment year</p>		<p>per cent of the profits and gains derived from such undertaking for five assessment years beginning with the initial assessment year</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>237/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>75% MATCHING TEXT</b>	28 WORDS
<p>not formed by splitting up or the reconstruction, of a business already in existence or by the transfer of any machinery or plant previously used for any purpose; 70</p>		<p>not be formed by splitting up, or the reconstruction, of a business already in existence and should not formed by the transfer to a new business of machinery or plant previously used for any purpose.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>238/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>along with the return of income, the report of audit in the prescribed</p>		<p>along with the return of income, the report of such audit in the prescribed</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>239/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>74% MATCHING TEXT</b>	27 WORDS
<p>per cent of profits earned by the assessee from the business of building, owning and operating a convention centre for 5 years commencing from the initial assessment year. 2.12.2-9</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>240/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>deriving profits from the business of operating and maintaining hospital in a rural area;</p>		<p>deriving profits from the business of operating and maintaining a hospital in a rural area</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				



<b>241/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>85% MATCHING TEXT</b>	15 WORDS
<p>deduction under this section will be available if the following conditions are satisfied: a) The</p> <p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>242/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>83% MATCHING TEXT</b>	12 WORDS
<p>not be formed by splitting up or reconstruction of existing business or</p> <p>not be formed by splitting up or the reconstruction, of a business or</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>243/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>66% MATCHING TEXT</b>	20 WORDS
<p>for 5 years commencing with the initial assessment year. 2.12.3 Special provisions in respect of certain undertakings or enterprises in</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>244/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>65% MATCHING TEXT</b>	16 WORDS
<p>of the taxpayer must not be formed by splitting up or reconstruction of existing business or</p> <p>of March, 2005. The business should not be formed by splitting up or the reconstruction, of a business or</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>245/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>65% MATCHING TEXT</b>	16 WORDS
<p>of the taxpayer must not be formed by splitting up or reconstruction of existing business or</p> <p>of March, 2005. The business should not be formed by splitting up or the reconstruction, of a business or</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>246/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>65% MATCHING TEXT</b>	17 WORDS
<p>per cent of the profits of such business for 5 years commencing with the initial assessment year. 2.12.5</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				

<b>247/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Deduction in respect of profits and gains from the business of collecting and processing</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Deduction in respect of profits and gains from the Business of collecting and processing 372</p>		
<b>248/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>53% MATCHING TEXT</b>	30 WORDS
<p>of the profits of such business for 10 years commencing with the previous year in which such undertaking begins to manufacture /produce the specific articles or things or complete substantial expansion. 2.12.6</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>249/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>88% MATCHING TEXT</b>	19 WORDS
<p>Deduction in respect of employment of new workmen- Section 80JJAA The deduction under this section is available if the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Deduction in respect of Employment of New Workmen [Section 80-JJAA] The deduction under this section is not available unless the</p>		
<b>250/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>industrial undertaking engaged in the manufacture or production of article or thing;</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>industrial undertaking engaged in the business of manufacture or production of any article or thing,</p>		
<b>251/875</b>	<b>SUBMITTED TEXT</b>	45 WORDS	<b>96% MATCHING TEXT</b>	45 WORDS
<p>the gross total income of an assessee includes any profits and gains derived from the business of collecting, processing and treating of bio-degradable waste for generating power or producing bio-fertilizers, bio-pesticides or other biological agents or for producing bio-gas or making pellets or briquettes for fuel or organic manure;</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				

<b>252/875</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>82% MATCHING TEXT</b>	36 WORDS
<p>of "additional wages" paid to the new "regular workmen" employed by the assessee in the previous year. The deduction is available for 3 assessment years including the assessment year relevant for the previous year in which such employment is provided. 2.12.8</p>		<p>of additional wages paid to the new regular workmen employed by the assessee in the previous year for three assessment years including the assessment year relevant to the previous year in which such employment is provided. 1.</p>		
<b>W</b>	<a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a>			
<b>253/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>Deduction in respect of certain income of Offshore Banking Units and International Financial Services Centre</p> <p>-</p>				
<b>SA</b>	<a href="#">M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</a>			
<b>254/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>and having an offshore banking unit in a special economic zone;</p>				
<b>SA</b>	<a href="#">304 Corporate Taxation.docx (D117962176)</a>			
<b>255/875</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>93% MATCHING TEXT</b>	36 WORDS
<p>from the business referred to in section 6(1) of the Banking Regulation Act, with an undertaking located in Special Economic Zone or any other undertaking which develops, develops and operates or operates and maintains a Special Economic Zone;</p>		<p>from the business, referred to in Sub-section (1) of Section 6 of the Banking Regulation Act, 1949 (10 of 1949), with an undertaking located in a special economic zone or any other undertaking which develops, develops and operates or operates and maintains a special economic zone; (</p>		
<b>W</b>	<a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a>			
<b>256/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>97% MATCHING TEXT</b>	19 WORDS
<p>for 5 consecutive assessment years beginning with the assessment year relevant to the previous year in which the permission</p>		<p>for consecutive assessment years beginning with the assessment year relevant to the previous year in which the permission,</p>		
<b>W</b>	<a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a>			

<b>257/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>80% MATCHING TEXT</b>	17 WORDS
<p>and having an offshore banking unit in a special economic zone; ora unit of International Financial Services Centre;</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>258/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>such book profit shall be deemed to be the total income of the assessee company and</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>259/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>96% MATCHING TEXT</b>	19 WORDS
<p>plus surcharge @7% if total income exceeds Rs. 1 crore (@ 12% if total income exceeds Rs. 10 crore)</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>260/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>96% MATCHING TEXT</b>	19 WORDS
<p>plus surcharge @2% if total income exceeds Rs. 1 crore (@ 5% if total income exceeds Rs. 10 crore)</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>261/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>65% MATCHING TEXT</b>	15 WORDS
<p>interest, surcharge and education cess); b) Amount carried forward to any reserves, by whatever name called,</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>262/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>Amounts set aside to provision for meeting liabilities other than ascertained liabilities; d) Amount</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				

263/875	SUBMITTED TEXT	15 WORDS	88% MATCHING TEXT	15 WORDS
f) Amount of expenditure relatable to any income to which section 10 [other than				
SA 304 Corporate Taxation.docx (D117962176)				

264/875	SUBMITTED TEXT	34 WORDS	74% MATCHING TEXT	34 WORDS
g) Amount of depreciation charged; h) Amount of deferred tax and provision made therefor; i) Amount set aside as provision for diminution in the value of any asset; j) Amount standing in Revaluation Reserve relating to				
SA 304 Corporate Taxation.docx (D117962176)				

265/875	SUBMITTED TEXT	11 WORDS	95% MATCHING TEXT	11 WORDS
to be deducted: a) Amount withdrawn from any reserve or provision				
to be deducted (a) The amount withdrawn from any reserve or provision				
W <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a>				

266/875	SUBMITTED TEXT	68 WORDS	69% MATCHING TEXT	68 WORDS
Amount of income to which section 10 [other than section 10(38)], or 11 or 12 apply, if such amount is credited to Profit & Loss Account; c) Amount of depreciation debited to Profit & Loss Account (excluding depreciation on account of revaluation of assets); d) Amount withdrawn from the revaluation reserve and credited to Profit & Loss Account, to the extent it does not exceed the amount of depreciation on revaluation of assets;				
amount of income to which any of the provisions of Section 10 or Section 11 or Section 12 apply, if any such amount is credited to the profit and loss account; or (iia) Depreciation (excluding revaluation): amount of depreciation debited to the profit and loss account (excluding the depreciation on account of revaluation of assets); or (iib) Amount withdrawn from Revaluation The amount withdrawn revaluation reserve and credited to the profit and loss account, to the extent it does not exceed the amount of depreciation on account of revaluation of assets				
W <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a>				

<b>267/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>67% MATCHING TEXT</b>	23 WORDS
<p>Amount of loss brought forward or unabsorbed depreciation, whichever is lower, as per books of accounts. The loss shall, however, not include depreciation.</p>		<p>amount of loss brought forward or unabsorbed depreciation, whichever is less, as per books of account. For the purposes of clause, the loss shall not include depreciation.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>268/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>80% MATCHING TEXT</b>	18 WORDS
<p>asset on retirement or disposal of such asset, if the same is not credited to Profit &amp; Loss Account</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>269/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>86% MATCHING TEXT</b>	28 WORDS
<p>of profit of sick industrial unit/company commencing from the previous year in which the company became sick and ending with the assessment year during which the entire net worth</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>270/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>72% MATCHING TEXT</b>	20 WORDS
<p>payable on the total income in accordance with the normal provisions of the Act. 4) Set off shall be allowed to</p>		<p>payable on the total income computed in accordance with the other provisions of the Act. (3) tax credit shall be allowed to</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>271/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>68% MATCHING TEXT</b>	17 WORDS
<p>be carried forward for set off during 10 assessment years immediately succeeding the assessment year in which</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>272/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>52% MATCHING TEXT</b>	21 WORDS
<p>Solution: Computation of book profit of PQ Ltd. under section 115JB for the assessment year 2021-22 Net profit as per P&amp;L A/c 31.75,000 Add:</p>		<p>Solution: Computation of Total Income of AB and Co. for the assessment year 2021-22 Calculation of Business Income Net Profit as per P&amp;L A/C 389000 Add:</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>273/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>76% MATCHING TEXT</b>	15 WORDS
<p>double taxation relief under section 91 of the Income Tax Act. However, in case of</p>		<p>double taxation relief under Section 91 of the Income-tax Act, 1961 in respect of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>274/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>provisions for set-off and carry forward of losses which are discussed</p>		<p>provisions for set-off and carry forward of losses are discussed.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>275/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>53% MATCHING TEXT</b>	28 WORDS
<p>Set off of losses means adjusting the losses against the profit or income from another source/head of income of that assessment year. Losses that are not set off</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>276/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>year can be carried forward to the following years for set off against</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>277/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>78% MATCHING TEXT</b>	15 WORDS
<p>A set-off could be an intra-head set-off or an inter-head set-off. 2.15.1 Inter Source Adjustment (Intra-head</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				

<b>278/875</b>	<b>SUBMITTED TEXT</b>	49 WORDS	<b>72% MATCHING TEXT</b>	49 WORDS
<p>source of income, such loss can be set-off against income from any other source under the same head. For example: Loss from Business X can be set off against profit from Business Y, where Business X is one source and Business Y is another source and the common head of income is "</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>279/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>87% MATCHING TEXT</b>	22 WORDS
<p>Exceptions to an Intra-head Set Off 1) Losses from a Speculative Business can only be set off against the profit of other speculative business.</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>280/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>68% MATCHING TEXT</b>	31 WORDS
<p>from lotteries, crossword puzzles, race, card game and any other game of any sort or from gambling or betting of any nature. 4) Loss from a business activity of owning and maintaining race-horses</p>				
<p>from lotteries, crossword puzzles, race including horse race, card game, and any other game of any sort or from gambling or betting of any form nature. e) No expenses can be claimed against casual income. f) Loss from business of owning and maintaining race horses</p>				
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>281/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>73% MATCHING TEXT</b>	35 WORDS
<p>be set off against the income from speculative business. 2) Long-term capital loss can only be adjusted against long-term capital gains. However, a short-term capital loss can be set off against both long-term capital gains and short-term capital</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>282/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>82% MATCHING TEXT</b>	16 WORDS
<p>be set off only against the profit from a business activity of owning and maintaining race-horses. 5)</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				



<b>283/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>66% MATCHING TEXT</b>	20 WORDS
<p>be set off against income from specified business. But, losses from any other business or profession can be set off against</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>284/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>60% MATCHING TEXT</b>	21 WORDS
<p>loss under the head "Income from house property" then such loss can be set off against income from any other head</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				
<b>285/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>66% MATCHING TEXT</b>	24 WORDS
<p>be set off against income under any other head. NSOU • PGCO - V 81 2.15.3 Carry forward and set off of Losses</p> <p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>286/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>42% MATCHING TEXT</b>	27 WORDS
<p>loss under the head "Income from house property" in any assessment year, then such loss, at first, will be set off against income from any other head</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				
<b>287/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>be carried forward to the following assessment years for set off against income</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				

<b>288/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>66% MATCHING TEXT</b>	33 WORDS
<p>next 8 assessment years immediately succeeding the assessment year in which the loss was first calculated. 3) It can be carried forward even if the return of income for the loss year is belatedly filed. 2.15.4</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>289/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>78% MATCHING TEXT</b>	33 WORDS
<p>be set off against income under the same head only. 2) Such loss can be carried forward for a maximum period of 8 assessment years immediately succeeding the assessment year in which the loss was</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				
<b>290/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>87% MATCHING TEXT</b>	15 WORDS
<p>in speculation business cannot be set off in the same year against any other non-speculation</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>291/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>be carried forward and set off against other income in the subsequent years. 2)</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>292/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>52% MATCHING TEXT</b>	26 WORDS
<p>speculation can be carried forward for a maximum period of 4 years only from the end of the related assessment year in which the loss was</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>293/875</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>51% MATCHING TEXT</b>	41 WORDS
<p>set off of losses of Specified business [Sec. 73A] 1) Any loss computed from specified business mentioned under section 35AD can only be set off against profit and gains, if any, of the other specified business. The unabsorbed loss will be carried forward</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>294/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>75% MATCHING TEXT</b>	18 WORDS
<p>and gains of any specified business in the subsequent assessment years and so on. 2) Such loss can be</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>295/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>89% MATCHING TEXT</b>	17 WORDS
<p>can be set off against long-term capital gains as well as short-term capital gains. 2) If carried forward</p> <p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>296/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>from the activities of owning and maintaining race horses cannot be set off against</p> <p>from the business of owning and maintaining race horses cannot be set off against</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>297/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>100% MATCHING TEXT</b>	24 WORDS
<p>loss can be carried forward for a maximum period of 8 assessment years immediately succeeding the assessment year in which the loss was incurred. 2.15.8</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>298/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>81% MATCHING TEXT</b>	21 WORDS
<p>Carry forward and set off of loss in case of change in the constitution of firm or succession- Section 78 1)</p> <p>Carry forward and set off of losses in case of change in constitution of firm or on Section 78(1)]</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>299/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>61% MATCHING TEXT</b>	21 WORDS
<p>a change in the constitution of a firm, so much of the loss attributable to the share of a retired/deceased partner</p>		<p>a change has occurred in the constitution of a firm, firm is not entitled to carry forward and set off so much of the loss proportionate to the share of a retired or deceased partner</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>300/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>96% MATCHING TEXT</b>	15 WORDS
<p>a loss can be carried forward for a maximum period of 4 assessment years</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>301/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>Carry forward and set off of loss in case of closely held companies [</p>		<p>Carry forward and set-off of losses in case of closely held companies 5 179</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>302/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>61% MATCHING TEXT</b>	31 WORDS
<p>be carried forward for set off against the income of the previous year only if the beneficial shareholders of at least 51% of the voting power on the last day of the</p>		<p>be carried forward and set off against the income of the previous year, if, the shareholders of such company who shares carrying voting power on the last day of the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>303/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>71% MATCHING TEXT</b>	16 WORDS
<p>on the last day of the previous year/ previous years in which the loss was incurred. 2)</p>		<p>on the last day of the year or years in which the loss was incurred.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>304/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>84% MATCHING TEXT</b>	22 WORDS
<p>change in voting power occurs upon the death of a shareholder or on account of transfer of shares by way of gift</p>		<p>change in voting power is due to the death of a shareholder or on account of transfer of shares by way of gift</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>305/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>72% MATCHING TEXT</b>	31 WORDS
<p>Indian company, being a subsidiary of a foreign company, as a result of amalgamation/demerger, subject to the condition that 51% shareholders of the amalgamating/demerged company continue to remain shareholders of the amalgamated/ resulting company. 2.15.11</p>		<p>Indian company which is a subsidiary of a foreign company as a result of amalgamation or demerger, is subject to the condition that specified percentage of shareholders of the amalgamating or demerged foreign company continue be the shareholders of the amalgamated or the resulting foreign company</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>306/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
<p>amalgamation of a company, owning an industrial undertaking or a ship or a hotel with another company or</p>		<p>amalgamation of a company owning an industrial undertaking or a ship or a hotel with another company, or</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>307/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Carry forward and set off of accumulated business losses and unabsorbed depreciation</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>308/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>80% MATCHING TEXT</b>	31 WORDS
<p>the accumulated business loss and unabsorbed depreciation of the amalgamating company shall be deemed to be the loss and depreciation of the amalgamated company for the previous year in which amalgamation took place.</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>309/875</b>	<b>SUBMITTED TEXT</b>	91 WORDS	<b>78% MATCHING TEXT</b>	91 WORDS
<p>a) Conditions to be fulfilled by the amalgamating company The amalgamating company should have been engaged in the business, in which the accumulated loss occurred or depreciation remains unabsorbed, for three or more years; The amalgamating company has held continuously as on the date of amalgamation at least three-fourths of the book value assets held by it, two years prior to the date of amalgamation. b) Conditions to be fulfilled by the amalgamated company The amalgamated company holds continuously for a minimum period of five years from the date of amalgamation at least</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>310/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>the year in which the failure to comply with the conditions</p>				
<p>the previous year in which the failure to comply with the conditions</p>				
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>311/875</b>	<b>SUBMITTED TEXT</b>	51 WORDS	<b>84% MATCHING TEXT</b>	51 WORDS
<p>of amalgamation; The amalgamated company continues the business of the amalgamating company for a minimum period of five years from the date of amalgamation; The amalgamated company fulfils such other conditions as may be prescribed to ensure the revival of the business of the amalgamating company or to ensure that the</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>312/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>77% MATCHING TEXT</b>	24 WORDS
<p>assessee engaged in the business of manufacture or production of any article of things engaged in the business of generation and distribution of power</p>				
<p>assessee engaged in the business of manufacture or production of any article thing or engaged in the business of generation, or distribution of power</p>				
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>313/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>78% MATCHING TEXT</b>	13 WORDS
<p>before its installation by the assessee were used within India by any other person</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>before its installation by the assessee, was used either within or outside India by any other person;</p>		
<b>314/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>78% MATCHING TEXT</b>	15 WORDS
<p>before the commencement of business: - The deduction shall be allowed beginning with the year</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>before the commencement of such business, the deduction shall be allowed for the previous years beginning with the previous year</p>		
<b>315/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>an agreement for not carrying out any activity in relation to any business (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>an agreement i) not carrying out any activity in relation to any business</p>		
<b>316/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>51% MATCHING TEXT</b>	32 WORDS
<p>of the adjusted total income or (b) amount actually incurred as is attributable to the business of the Assessee in India, whichever is actually less, for the purpose of computing adjusted total income. The</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>of the adjusted total income; or the amount of head office expenditure as is attributable to the business or profession of the assessee in India, whichever is less. In case of loss, the deduction shall be computed @ 5% of the average adjusted total income of the</p>		
<b>317/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>Credit balance in the "Provision for Bad and Doubtful Debts"</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>credit balance in the provision for bad and doubtful debts</p>		

<b>318/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>62% MATCHING TEXT</b>	17 WORDS
<p>Profits and Gains of Business or Profession' (Section 28);Business Income which is not Chargeable under the head "</p>		<p>Profits and gains of business or profession". • Salaries [Section 40a(iii)]: Any payment which is chargeable under the head "</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>319/875</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>23% MATCHING TEXT</b>	36 WORDS
<p>which of the following taxes are allowed as deduction? a) Sales tax b) Income Tax c) Direct tax d) All of the above 7. Business included which of the following as per section 2(13) a) Commerce b) Manufacture c) Trade d) All of the above 8.</p>		<p>Which of the following taxes have not been subsumed in GST? (a) State Excise Duty (b) Stamp Duty (c) Professional Tax (d) All of the above Answer: (d) All of the above Question 82. Which of the following has been subsumed in GST? (a) Basic Customs Duty (b) Anti-Dumping Duty (c) Entertainment Tax (d) All of the above</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>320/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>75% MATCHING TEXT</b>	17 WORDS
<p>of leisure or sport 10. In computing income under the head "Profits and Gains of Business or Profession",</p>		<p>of depreciation or in computing the income chargeable the head "Profits and gains of business or profession"</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>321/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>75% MATCHING TEXT</b>	28 WORDS
<p>will be responsible to pay tax in respect of his income (if any) as NSOU • PGCO - V 95 well as income of other person too.</p>		<p>will be liable to pay tax in respect of his income (if any) as well as income of other person too.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>322/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>Objectives After studying this unit, we will be able to understand the concepts of— •</p>				
<p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				



<b>323/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>73% MATCHING TEXT</b>	23 WORDS
<p>annual interest being Rs. 2, 00,000). On 25th December, 2020, he transfers interest income to Mr. Bikash, his friend, without transferring the ownership of these debentures.</p>		<p>annual) interest being Rs. 100,000. On he transfers interest income to B, his friend without transferring the ownership of these debentures.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>324/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>46% MATCHING TEXT</b>	25 WORDS
<p>individual transfers (directly or indirectly) any asset (other than house property) without adequate consideration to his spouse, income arising from such asset will be included in the</p>		<p>individual transfers directly or indirectly any asset (other than a house property) to the spouse, the from such asset shall be included in the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>325/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>88% MATCHING TEXT</b>	12 WORDS
<p>from such asset will be included in the total income of the transferor.</p>		<p>from an asset will be included in the total income of the transferor</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>326/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>such income will be included in the total income of the transferor</p>		<p>such income shall be included in the total income of the transferor,</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>327/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>71% MATCHING TEXT</b>	15 WORDS
<p>it is taxable in the hands of transferor u/s 61 and not in the hands of</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				

<b>328/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>53% MATCHING TEXT</b>	27 WORDS
<p>where the marriage of his parents does not subsist, it will be clubbed with the income of that parent who maintains the minor child in the previous year.</p>		<p>where the marriage of minor's parents subsists, otherwise the income of the minor will be includible in the income of that parent who maintains the minor child in the relevant previous year.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>329/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>Mr. Akash gifted a let-out building which fetches rental income of</p>		<p>Mr. Shiva gifted a let-out building which fetches rental income of ₹ 10,500</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>330/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>per month to his son's wife on 1.11.2020. The municipal tax on</p>		<p>per month to his son's wife on 1.11.2019. The municipal tax on 6,000</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>331/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>on the property was paid on 10.1.2021. The total income from all other sources (computed) amounts to</p>		<p>on the property was paid on 10.1.2021. The total income from all other sources (computed) amounts to ₹ 2,60,000</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>332/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>88% MATCHING TEXT</b>	12 WORDS
<p>except income from above said property. Calculate his total income chargeable to tax.</p>		<p>except income from above said property. His total income chargeable to tax</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>333/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>82% MATCHING TEXT</b>	11 WORDS
<p>Income from Assets transferred to a person for the benefit of Son's Wife</p>				
<p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				

<b>334/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>The Income from House Property will be clubbed in the hands of Mr. Akash u/s 64(1)(</p>		<p>The Income from House Property will be clubbed in the hands of Mr. Shiva u/s 64(1)(</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>335/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>71% MATCHING TEXT</b>	14 WORDS
<p>Rs. 22,500/- . Solution: Computation of total Income of Mr. B for the Assessment Year 2021-22. Particulars Amount Rs.</p>		<p>Rs. 10,00,000. Solution : Computation of taxable income of Partnership firm for the Assessment Year 2021-22 Particulars Amount ( Rs. )</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>336/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>47% MATCHING TEXT</b>	23 WORDS
<p>a) Taxable in the hands of the father of minor b) Taxable in the hands of the minor c) Taxable in the hands of</p>		<p>a) Taxable in the hands of Shyam both before and after marriage (b) Taxable in the hands of Shyam before marriage but not after marriage (c) Taxable in the hands of</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>337/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>76% MATCHING TEXT</b>	24 WORDS
<p>Rs. Gross Annual Value Rs.10, 500 x12 = Rs. 1, 26, 000 Less Municipal Taxes Paid Rs. 6, 000 Net Annual Value Rs. 1, 20, 000</p>				
<p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>338/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>55% MATCHING TEXT</b>	23 WORDS
<p>Assessment 4.4.1 Self-Assessment [Section 140(A)] 4.4.2 Summary Assessment [Section 143(1)] 4.4.3 Regular or Scrutiny Assessment [Section 143(3)] 4.4.4 Best Judgement Assessment [Section 144] 4.4.5 Income Escaping Assessment [</p>		<p>Assessment 588 (a) Self Assessment [Section 140A] 588 (b) Summary Assessment: Centralised Processing of Return [Section 143(1)] 589 (c) Scrutiny (Regular) Assessment [Section 143(2) &amp; (3)] 589 (d) Best Judgment Assessment [Section 144] 590 (e) Income Escaping Assessment</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				

<b>339/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>51% MATCHING TEXT</b>	32 WORDS
<p>of tax at source from salary [Section 192] 4.8.2 TDS from Interest on securities [Section 193] 4.8.3 TDS from dividend [194] 4.8.4 TDS from Interest other than interest on securities [Section 194A] 4.8.5 TDS from</p>		<p>of Tax Deduction at Source 501 Salary [Section 192] 502 Premature Withdrawal from Employees' Provident Fund Scheme (EPFS) [Section 192A] 504 Interest on Securities [Section 193] 504 TDS on Dividend [ Section 194] 505 Interest other than Interest on Securities [Section 194A] 505 Winnings from</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>340/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>66% MATCHING TEXT</b>	19 WORDS
<p>sports association [Section 194E] 4.8.9 TDS from Payments in respect of deposits under National Savings Scheme etc. [Section 194EE] 4.8.10 TDS</p>		<p>sports association Section 194EE TDS on in respect of Deposits under National Savings Scheme etc. Section 194 TDS</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>341/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>64% MATCHING TEXT</b>	18 WORDS
<p>sale of lottery tickets [Section 194G] 4.8.12 TDS from Commission or brokerage [Section 194H] 4.8.13 TDS from Rent [Section 194</p>		<p>sale of lottery tickets [Section 194G] 510 Commission or Brokerage [Section 194H] 510 Rent [Section 194-</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>342/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>95% MATCHING TEXT</b>	32 WORDS
<p>Interest Payable 4.10.1 Interest for default in furnishing return of income [Section 234A] 4.10.2 Interest for default in payment of advance tax [Section 234B] 4.10.3 Interest for deferment of advance tax [Section 234C] 116</p>		<p>interest – Interest for default in furnishing Return of Income [Section 234A] – Interest for default in payment of Advance Tax [Section 234B] – Interest for deferment of Advance Tax [Section 234C] –</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>343/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>88% MATCHING TEXT</b>	19 WORDS
<p>High Court 4.11.5 Appeal to the Supreme Court 4.11.6 Revision of Orders prejudicial to the revenue [Section 263] 4.11.7 Revision of</p>		<p>High Court Section 261 Appeal to the Supreme Court Section 263 Revision of orders prejudicial to the interest of Revenue Section 264 Revision of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>344/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>73% MATCHING TEXT</b>	19 WORDS
<p>income from salary, income from house property, income from business and profession, capital gains and income from other sources</p>		<p>Income from Salary • Income from House Property • Profits and Gains from Business and Profession • Income Capital Gains • Income from Other Sources</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>345/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>a) Transferor b) Transferee c) Both (a) and (b) d) None of these 112</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>346/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>64% MATCHING TEXT</b>	17 WORDS
<p>return of income for every previous year on or before the due date in the prescribed form</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>347/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>87% MATCHING TEXT</b>	13 WORDS
<p>the head "Profits and Gains of Business and Profession" or under the head '</p>				
<p><b>SA</b> Incmoe tax Planning.DOC (D116135474)</p>				
<b>348/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>51% MATCHING TEXT</b>	27 WORDS
<p>property held under any trust or other legal compulsion, either exclusively for religious or charitable purposes or partly for such purposes only, or of income being voluntary contributions</p>		<p>property held under Trust or other legal obligation wholly for charitable or religious purposes or in part only for such purposes or of income being voluntary contributions</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>349/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>63% MATCHING TEXT</b>	26 WORDS
<p>at any time until the end of one year from the end of the relevant year of assessment or before conclusion of the assessment, whichever happens earlier.</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				

<b>350/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>the total income (without giving effect to the provisions of sections 11 and 12) exceeds the</p>		<p>the total income (without giving effect to the provisions of Sections 11 and 12) exceeds the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>351/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>63% MATCHING TEXT</b>	24 WORDS
<p>may intimate the defects to the assessee with an opportunity to rectify the defects with 15 days from the date of giving such intimation.</p>		<p>may intimate the defect to the assessee and give him an opportunity to rectify the defect within 15 days from the date of such intimation</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>352/875</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>57% MATCHING TEXT</b>	43 WORDS
<p>or in reply to a notice u/s 142(1) finds any omission or any incorrect statement, he may furnish a revised return at any time within one year from the end of the relevant assessment year or before the completion of assessment, whichever is earlier. 4.2.7</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>353/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>86% MATCHING TEXT</b>	15 WORDS
<p>may be extended by the AO on an application made by the assessee. If the</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>354/875</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>71% MATCHING TEXT</b>	37 WORDS
<p>the defects within the time-limit of 15 days or such further extended period, then the AO shall treat the return as invalid return and other provisions of the Act shall apply as if the assessee has failed to</p>				
<p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				

<b>355/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>68% MATCHING TEXT</b>	33 WORDS
<p>the assessee rectifies the defects after the expiry of 15 days time limit or further extended time but before assessment is made, the AO may condone the delay and treat the return a valid</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>356/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>having income from salary/one house property (not being brought forward loss</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>357/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>90% MATCHING TEXT</b>	14 WORDS
<p>and such income is computed in accordance with special provisions referred to in sections 44AD</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>358/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>AE. ITR-5 For firms, AOPs and BOIs or any other person (not being individual</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>359/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>87% MATCHING TEXT</b>	10 WORDS
<p>Where the assessee is required to furnish a report u/s 92E (</p> <p>Where the assessee is required to furnish a report of a CA u/s 92E</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>360/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>85% MATCHING TEXT</b>	17 WORDS
<p>Where the amount paid by assessee falls short of the aggregate of tax and interest, the amount</p> <p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>		<p>Where the amount paid by the assessee falls short of the aggregate of tax, interest and fee, the amount</p>		
<b>361/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>90% MATCHING TEXT</b>	20 WORDS
<p>any arithmetical error in the return; ii) any incorrect claim, if such incorrect claim is apparent from any information in the return.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>any arithmetical error in the return; or ii. an incorrect claim, if such incorrect claim is apparent from any information in the return;</p>		
<b>362/875</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>64% MATCHING TEXT</b>	38 WORDS
<p>ITR-6 For companies other than companies claiming exemption under section 11. ITR-7 For individuals as well as companies essential to furnish return under section 139(4A)/(4B)/(4C)/(4D)/(4E)/(4F). ITR-V Acknowledgement [Where the date of the return of income in forms ITR-1, ITR-2, ITR-3, ITR-4, ITR-5</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>363/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>93% MATCHING TEXT</b>	16 WORDS
<p>within a period of one year from end of the financial year in which the return</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>within a period of year from the end of the financial year in which the return</p>		
<b>364/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>89% MATCHING TEXT</b>	16 WORDS
<p>On the basis of return of income submitted by the assessee under section 139(1) or in</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>on the basis of Return of Income filed by the assessee under section 139 or in</p>		



<b>365/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>61% MATCHING TEXT</b>	21 WORDS
<p>that the assessee NSOU • PGCO - V 125 has understated the income or has computed excessive loss or has</p>		<p>that the assessee not understated the income or has not computed excessive loss or has</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>366/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>to attend his office or produce or caused to be produced any evidence which the</p>		<p>to attend his office or to produce, or cause to be produced there, any evidence on which the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>367/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>the expiry of six months from the end of the financial year in which the return is furnished.</p>		<p>the expiry of six months from the end of the Financial year in which the return is furnished.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>368/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>84% MATCHING TEXT</b>	18 WORDS
<p>such other evidence as the A.O. may require on specified points and after taking into account all relevant</p>		<p>such other evidence as the Assessing may require on specified points, and after taking into account all relevant</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>369/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>82% MATCHING TEXT</b>	26 WORDS
<p>gathered, then the A.O. shall, by order in writing, make an assessment of the total income or loss of the assessee and determine the sum payable by</p>		<p>gathered, the Assessing Officer shall, by an in writing, make an assessment of the total income or loss of the assessee, and determine the sum payable by</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>370/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>90% MATCHING TEXT</b>	18 WORDS
<p>having submitted a return, fails to comply with all the terms of a notice issued under section 143(2)</p>		<p>having made a return, fails to comply with all the terms of a notice issued under Section143(2), (</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>371/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>78% MATCHING TEXT</b>	28 WORDS
<p>the Assessing Officer is not satisfied with the correctness or completeness of the accounts of the assessee or if no method of accounting has been regularly employed by the assessee.</p>		<p>the Assessing Officer is not satisfied the correctness or completeness of the accounts of the assessee, or where the method of accounting has not been regularly followed by the assessee,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>372/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>80% MATCHING TEXT</b>	26 WORDS
<p>opportunity shall be given by the A.O. by serving a notice calling upon the assessee to show cause on a date and time mentioned in the notice,</p>		<p>opportunity shall be given by the Assessing Officer by serving a notice calling upon the assessee to show cause, on a date and time to be specified in the notice,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>373/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>69% MATCHING TEXT</b>	33 WORDS
<p>fails to submit return as required under section 139(1) or section 139(4) or section 139(5); or b) if the assessee fails to comply with all the terms of a notice issued under section 142(1) or</p>				
<p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>374/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>why the assessment should not be completed to the best of</p>				
<p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>375/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>payable by the assessee on the basis of such assessment</p>		<p>payable by the assessee on the basis of such assessment</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>376/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>80% MATCHING TEXT</b>	39 WORDS
<p>Income Escaping Assessment [Section 147] Where the A.O. has reason to believe that any income chargeable to tax has escaped assessment for any assessment year, he may, subject to the provisions of sections 148 to 153 assess or reassess such income</p>		<p>INCOME ESCAPING ASSESSMENT OR RE-ASSESSMENT [If the Assessing has reason to believe that any income chargeable to tax has escaped assessment for any assessment year, he may, subject to the provisions of sections 148 to 153, – assess or reassess income</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>377/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>89% MATCHING TEXT</b>	18 WORDS
<p>the loss or depreciation allowance or any other allowance, as the case may be, for the relevant previous year.</p>		<p>the loss or the depreciation allowance or any other allowance, as the case may be for the relevant assessment year.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>378/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>shall make an assessment of the total income or loss of the assessee</p>				
<p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>379/875</b>	<b>SUBMITTED TEXT</b>	74 WORDS	<b>85% MATCHING TEXT</b>	74 WORDS
<p>or section 147 has been made for the relevant assessment year, no action shall be taken under this section after the expiry of four years from the end of the relevant assessment year unless any income chargeable to tax has escaped assessment by reason of the failure on the part of the assessee to furnish return under section 139(1) or section 142(1) or section 148 or to disclose fully and truly all material facts necessary for assessment</p>		<p>or reassessment has been made for the relevant assessment year, no action shall be taken under this section after the expiry of four years from the end of the relevant assessment year, unless any income chargeable to tax has escaped assessment for such by reason of the failure on the part of the assessee to make a return under section 139 or in response to a notice issued under sub-section (1) of section 142 or or to disclose fully and truly all material facts necessary for his assessment,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				

<b>380/875</b>	<b>SUBMITTED TEXT</b>	91 WORDS	<b>76% MATCHING TEXT</b>	91 WORDS
<p>cases where income chargeable to tax has escaped assessment: i) where no return has been furnished by the assessee although his total income or the total income of any other person in respect of whom he is assessable under the Act during the previous year has exceeded the maximum amount not chargeable to tax; ii) where a return has been furnished by the assessee but no assessment has been made and it is noticed by the A.O. that the assessee has understated the income or has claimed excessive loss, deduction, allowance or relief in the return; iii) where</p>		<p>cases where income chargeable to tax has escaped assessment, namely : (i) where no return of income has been furnished by the assessee although his total income or the total income of any other person in respect of which he is assessable under Act during the previous year exceeded the maximum amount which is not chargeable to income-tax ; (ii) where a return of income has been furnished by the assessee but no assessment has been made and it is noticed by the Assessing Officer that the assessee has understated the income or has claimed excessive loss, deduction, allowance or relief in the return ; (iii) where</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>381/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>income chargeable to tax has been under- assessed or such income has been assessed at too low a rate.</p>		<p>income chargeable to tax has been under assessed ; vi) such income has been assessed at too low a rate ;</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>382/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>section 147, the A.O. shall serve on the assessee, a notice requiring him to furnish</p>		<p>Section 147, the Assessing Officer shall serve on the assessee a notice requiring him to furnish,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>383/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>94% MATCHING TEXT</b>	28 WORDS
<p>within such period as may be specified in the notice, a return of his income or the income of any other person in respect of whom he is assessable</p>		<p>within such period, as may be specified in the notice, a return of his income or the income of any other person in respect of which he is assessable</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>384/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>42% MATCHING TEXT</b>	27 WORDS
<p>the end of the relevant assessment year; b) in any other case, the notice shall be issued within four years from the end of the relevant assessment year. 4.5</p>		<p>the end of the relevant assessment year (b) Before 2 years from the end of the relevant assessment year (Before 3 years from the end of the relevant assessment year (</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				

<b>385/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>75% MATCHING TEXT</b>	16 WORDS
<p>section 148 of the Income Tax Act As per Section 147 of the Income Tax Act, 1961,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Section 194J of the Income tax Act, 1961 b) Section 195 of the Income tax Act, 1961</p>		
<b>386/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>84% MATCHING TEXT</b>	14 WORDS
<p>After the end of four years from the end of relevant assessment year</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>after the expiry of four years from the end of the relevant assessment year</p>		
<b>387/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>47% MATCHING TEXT</b>	25 WORDS
<p>of the Income Tax Act, states that the notice under section 148 can be issued within a period of 4 years from the end of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>of the Income tax rules, 1962 states that the prescribed information and documents are required to be maintained for a period of eight years from the end of</p>		
<b>388/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>50% MATCHING TEXT</b>	28 WORDS
<p>no further action could be taken under section 147 after finishing of 4 years from the end of related A.Y. unless income chargeable to tax has run-away assessment for such</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>		<p>no action shall be taken under this section after the expiry of four years from the end of the relevant assessment year, unless any income chargeable to tax has escaped assessment for such</p>		
<b>389/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>100% MATCHING TEXT</b>	26 WORDS
<p>Chapters XVII and XXI of Income-tax Act, 1961, contain various provisions empowering an Income Tax Authority to levy penalty in case of certain defaults under the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Chapters XVII and XXI of Income-tax Act, 1961, contain various provisions empowering an Income-tax Authority to levy penalty in case of certain defaults. The</p>		
<b>390/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>default in complying with provisions of or with conditions prescribed under the Income- tax.</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				

<b>391/875</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>95% MATCHING TEXT</b>	29 WORDS
<p>the assessee: a) Is in default or is deemed to be in default in making payment of tax, including the tax deducted at source, advance tax and the self-assessment tax</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>392/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>62% MATCHING TEXT</b>	28 WORDS
<p>concealment of particulars of income or furnishing of inaccurate particulars of income with penalty of 100 % to 300 % of the amount of tax sought to be evaded [</p> <p>Concealment of the particulars of income or furnishing of inaccurate particulars of income. Note : 'Amount of tax sought to be evaded'</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>393/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>71% MATCHING TEXT</b>	35 WORDS
<p>as directed by the tax authority [Section 273(1)]; c) Fails to comply with a notice issued under section 142(1) or 143(2) or fails to comply with the direction issued under section 142(2A) to get the accounts audited</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>394/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>79% MATCHING TEXT</b>	22 WORDS
<p>Section 271(1)(c); e) Does not maintain books of accounts and documents by persons carrying on profession or business as prescribed under section 44AA</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>395/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>books of accounts, documents, money, bullion, jewellery or other valuable article or</p> <p>books of accounts, other documents, money, bullion, jewellery or other valuable article or</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>396/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>88% MATCHING TEXT</b>	39 WORDS
<p>f) Fails to get the accounts audited in prescribed circumstances or fails to obtain the prescribed audit report within prescribed time period of failure to furnish the audit report along with the return, as required under section 44AB with penalty</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>397/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>of depositing tax deducted at source to the credit of the Central Government</p> <p>of tax deducted at source to the credit of the Central Government. 2.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>398/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>wilful attempt to evade the payment of any tax, penalty or interest</p> <p>Wilful attempt to evade the payment of any tax ,penalty or interest 3</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>399/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>96% MATCHING TEXT</b>	13 WORDS
<p>knows or believes to be false or does not believe to be true</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>400/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>which is false and which he either knows or believes to be false</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				

<b>401/875</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>65% MATCHING TEXT</b>	44 WORDS
<p>The amount of advance tax payable by an assessee in the financial year will be calculated as follows: 1) Estimating the present income of the financial year for which the advance tax is payable. 2) Computation tax as such on estimated income at the rate of tax</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>402/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>41% MATCHING TEXT</b>	24 WORDS
<p>Amount Rs. 8, 00, 000 10,000 8, 10, 000 77, 000 7, 33, 000 59,100 2,364 61,464 30,000 31,464 31,500 Income from Profession: Gross receipts Less: Expenses Income from Other Sources: Interest from fixed deposit Gross Total Income Less: Deduction under section 80C/80</p> <p>Amount (Rs.) Net income from salary 40,000 Income from house property 75,000 Income from other sources 28,000 Gross Total Income 1,43,000 Less: Deduction under Section 80C 2,000</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>403/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>38% MATCHING TEXT</b>	33 WORDS
<p>Due Date of Payment Amount to be paid as Advance Tax Not less than 15% of the Advance Tax liability. Not less than 45% of the Advance Tax liability. Not less than 75% of the Advance Tax liability. 100%</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>404/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>96% MATCHING TEXT</b>	11 WORDS
<p>Income from other sources Gross total income Less: Deduction u/s 80C Total Income Tax (</p> <p>Income from other sources 3,60,000 Gross Total income 6,00,000 Less: Deduction u/s 80C: Total Income 5,10,000 Tax</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>405/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>55% MATCHING TEXT</b>	15 WORDS
<p>Solution: Computation of Total Income and Tax Payable by Shri Jagdish Chowdhury A. Income from Salary Gross Salary</p> <p><b>SA</b> Basics of taxation.docx (D126935931)</p>				



<b>406/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>78% MATCHING TEXT</b>	21 WORDS
<p>On or Before 15th June, 2020 15% of Advance Tax 4,725 On or Before 15th September, 2020 30% of Advance Tax 9,450</p>		<p>On or before 15 th June Not less than 15% of advance tax liability On or before 15 th September Not less than 45% of advance tax</p>		
<p><b>W</b> <a href="https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf">https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf</a></p>				
<b>407/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>76% MATCHING TEXT</b>	18 WORDS
<p>On or Before 15th March, 2021 25% of Advance Tax 7,825 Total of Advance Tax Payable - 31,500</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>408/875</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>90% MATCHING TEXT</b>	9 WORDS
<p>Income from House Property Income from Business Income from other Sources</p>				
<p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>409/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>60% MATCHING TEXT</b>	30 WORDS
<p>Income from House Property B. Income from Business C. Income from Other Sources Gross total Income Less: Deduction under section 80C Deduction under section 80G</p>		<p>income from Income from house property 75,000 Income from other sources 28,000 Gross Total Income 1,43,000 Less: Deduction under Section 80C 2,000 Less: Deduction permissible: Donation under G 13,500 (</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>410/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>50% MATCHING TEXT</b>	25 WORDS
<p>Income from HP (Taxable) 75,000 Income from profession (Taxable) 7,07,500 Income from other sources: Dividend from Indian company 10,000 Gross Total Income 7,92,500 Less: Deduction u/s 80 NIL Total Income 7,92,500</p>		<p>Income from House property 1,08,400 Income from Business/Profession Agricultural income (Exempt) Income from other sources Dividend received from Indian Company X Ltd. 12,000 Interest on listed Gross Total Income 10,20,400 Less: Deduction under section 80C to 80U NIL Total Income 10,20,400</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>411/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>78% MATCHING TEXT</b>	21 WORDS
<p>On or Before 15th June, 2020 15% of Advance Tax 2,535 On or Before 15th September, 2020 30% of Advance Tax 5,070</p>		<p>On or before 15 th June Not less than 15% of advance tax liability On or before 15 th September Not less than 45% of advance tax</p>		
<p><b>W</b> <a href="https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf">https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf</a></p>				
<b>412/875</b>	<b>SUBMITTED TEXT</b>	119 WORDS	<b>61% MATCHING TEXT</b>	119 WORDS
<p>Tax on STCG 1,20,000 x 15% 18,000 Balance 4,80,000 x 30% 1,44,000 1,62,000 Add: Surcharge NIL 1,62,000 Add: 4% cess 6,480 1,68,480 Less: TDS 11,000 Advance tax payable 1,57,480 Advance Tax Payable Advance Tax</p>		<p>Tax on : LTCG @ 20% (3,60,000 x 20%) 72,000 Balance Income @ 30% [(21,05,000 - 3,60,000) x 30%] 5,23,500 5,95,500 Add : Surcharge, if any Nil Add : Cess @ 4% 23,820 Tax Liability 6,19,320 Less : TDS (60,000) Advance Tax Liability 5,59,320 Advance Tax (rounded off) 5,59,320 Step 3 : Advance Tax</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>413/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>78% MATCHING TEXT</b>	21 WORDS
<p>On or Before 15th June, 2020 15% of Advance Tax 10,176 On or Before 15th September, 2020 30% of Advance Tax 22,152</p>		<p>On or before 15 th June Not less than 15% of advance tax liability On or before 15 th September Not less than 45% of advance tax</p>		
<p><b>W</b> <a href="https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf">https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf</a></p>				
<b>414/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>The concept of TDS was introduced with an aim to collect tax from the very source of income.</p>		<p>The concept of TDS was introduced with an aim to collect tax from the very source of income</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>415/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>76% MATCHING TEXT</b>	18 WORDS
<p>On or Before 15th March, 2021 25% of Advance Tax 4,225 Total of Advance Tax Payable - 16,900</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>416/875</b>	<b>SUBMITTED TEXT</b>	57 WORDS	<b>68% MATCHING TEXT</b>	57 WORDS
<p>payment of specified income to any other person, shall deduct tax at source and deposit the same into the accounts of the Central Government within the specified time. The person from whose income TDS is made would be entitled to get credit of the amount so deducted on the basis of Form 26 AS or TDS certificate issued by the</p>		<p>payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government. The deductee from whose income, tax has been deducted at source would be entitled to get credit of the amount so deducted on the basis of Form 26AS or TDS certificate issued by the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>417/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>78% MATCHING TEXT</b>	21 WORDS
<p>On or Before 15th June, 2020 15% of Advance Tax 10,176 On or Before 15th September, 2020 30% of Advance Tax 22,152</p>		<p>On or before 15 th June Not less than 15% of advance tax liability On or before 15 th September Not less than 45% of advance tax</p>		
<p><b>W</b> <a href="https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf">https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf</a></p>				
<b>418/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>76% MATCHING TEXT</b>	18 WORDS
<p>On or Before 15th March, 2021 25% of Advance Tax 18,460 Total of Advance Tax Payable - 73,840 5)</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>419/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>76% MATCHING TEXT</b>	18 WORDS
<p>On or Before 15th March, 2021 25% of Advance Tax 18,460 Total of Advance Tax Payable - 73,840</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>420/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>85% MATCHING TEXT</b>	20 WORDS
<p>to be calculated at the average rate of income-tax computed on the basis of the rates in force for the</p>				
<p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				

<b>421/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>financial year in which the payment is made, on the estimated total income of the</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>422/875</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>98% MATCHING TEXT</b>	37 WORDS
<p>at the time of credit of such income to the account of the payee at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier. 4.8.3</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>423/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>63% MATCHING TEXT</b>	17 WORDS
<p>the liability to deduct tax at source in the case of salary arises only at the time of payment.</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>424/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>58% MATCHING TEXT</b>	28 WORDS
<p>at the time of crediting such interest to the payee or at the time of its payment in cash or by any other mode, whichever is earlier. The</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>425/875</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>71% MATCHING TEXT</b>	48 WORDS
<p>be made in all cases where the amount of income by way of interest, or as the case may be, the aggregate of the amount of interest credited or paid or likely to be credited or paid during the financial year to the account of or to the payee</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>426/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>of winnings from lotteries, cross-word puzzles, card game and other game of any sort</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>of winnings from lotteries or crossword puzzles or card game and other game of any sort,</p>		
<b>427/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>such payment credited or paid or is likely to be credited or paid</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>such interest, credited or paid, or is likely to be credited or paid,</p>		
<b>428/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>74% MATCHING TEXT</b>	26 WORDS
<p>the amount of such income or the aggregate of the amounts of such income credited or paid during the financial year to the account of the payee</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year to the account or to, the payee,</p>		
<b>429/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>70% MATCHING TEXT</b>	20 WORDS
<p>at the time of the credit of the income to the account of the payee or at the time of</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>430/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>86% MATCHING TEXT</b>	17 WORDS
<p>non-resident sportsman (including an athlete) who is not a citizen of India or a non-resident sports association</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>non-resident sportsman (including an athlete); or b. An entertainer who is not a citizen of India; or c. A non-resident sports association /</p>		
<b>431/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>in respect of deposits under National Savings Scheme etc. [Section 194EE]</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>in respect of Deposits under National Savings Scheme etc. [Section 194EE] 510</p>		

<b>432/875</b>	<b>SUBMITTED TEXT</b>	40 WORDS	<b>96% MATCHING TEXT</b>	40 WORDS
<p>shall be at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>433/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>69% MATCHING TEXT</b>	21 WORDS
<p>section 194G, a person making payment by way of commission, remuneration or prize or by whatever name called on lottery tickets</p> <p>Section 194G] Any person paying any income by way of commission, remuneration or prize ( by whatever name called) on lottery tickets</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>434/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>84% MATCHING TEXT</b>	13 WORDS
<p>other than an individual or Hindu undivided family) who is not subject to</p> <p>other than an individual or a Hindu undivided family who is not required to</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>435/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>65% MATCHING TEXT</b>	39 WORDS
<p>at the time of credit of such income to the account of the payee or at the making such payment either in cash or cheque or draft or by any other mode. 4.9 Refund of Tax Section 237 of the Income Tax</p> <p>at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, is earlier, deduct the income-tax</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>436/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>63% MATCHING TEXT</b>	17 WORDS
<p>at the rate of one-half percent per month or part of month from 1st April of the</p> <p>at the rate of one half per cent for every month or part of a month comprised in the period from 1st day of April of the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>437/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>80% MATCHING TEXT</b>	17 WORDS
<p>from the date of furnishing of return of income to the date on which the refund is granted.</p>		<p>from the date of furnishing of return of income or payment of tax, whichever is later, to the date on which the refund is granted.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>438/875</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>78% MATCHING TEXT</b>	36 WORDS
<p>at the rate of one-half percent per month or part of month of furnishing of return of income or payment of tax, whichever is later, to the date on which the refund is granted. c) However, no interest</p>		<p>at the rate of one-half per cent for every month or part of a month comprised in the period, from the date of furnishing of return of income or payment of tax, whichever is later, to the date on which the refund is granted. However, no interest</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>439/875</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>100% MATCHING TEXT</b>	9 WORDS
<p>Interest for default in furnishing return of income[Section 234A]</p>		<p>Interest for default in furnishing Return of Income [Section 234A] 549</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>440/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>57% MATCHING TEXT</b>	20 WORDS
<p>at 1 per cent per month or part of month for the period commencing on the date immediately following the</p>		<p>at one per cent for every month or part of a month comprised in the period commencing from the day immediately following the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>441/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>91% MATCHING TEXT</b>	13 WORDS
<p>return and ending on the date of : i) furnishing the return (where return</p>		<p>return and ending on the date of furnishing of the return. Where the return</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>442/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>72% MATCHING TEXT</b>	21 WORDS
<p>of advance tax [Section 234B] If an assessee who is liable to pay advance tax, fails to pay such tax,</p>		<p>of Advance Tax [Section 234C] If the assessee who is liable to pay advance tax under Section 208 has failed to pay such tax</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>443/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>75% MATCHING TEXT</b>	15 WORDS
<p>to pay interest at the rate of 1% (simple interest) for every month or part</p>		<p>to pay simple interest at the rate of 1% per cent for every month or part</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>444/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>82% MATCHING TEXT</b>	24 WORDS
<p>year to the date of determination of income under section 143(1) and where a regular assessment has been made to the date of such assessment.</p>		<p>year to the date of determination of total income under section 143(1) and where a regular assessment is made, to the date of such regular assessment.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>445/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>88% MATCHING TEXT</b>	15 WORDS
<p>less than 90 % of the assessed tax, he shall be chargeable to pay interest</p>		<p>less than 90% of the assessed tax, he shall be liable to pay interest @ 1%</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>446/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>82% MATCHING TEXT</b>	23 WORDS
<p>year to the date of determination of income under section 143(1) and where a regular assessment has been made to the date of such assessment.</p>		<p>year to the date of determination of total income under section 143(1) and where a regular assessment is made, to the date of such regular assessment.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>447/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>87% MATCHING TEXT</b>	17 WORDS
<p>advance tax paid on or before 15 th September is less than 30 % of</p>		<p>advance tax paid on or before 15 September is less than 45% of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				



<b>448/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>87% MATCHING TEXT</b>	17 WORDS
<p>advance tax paid on or before 15 th December is less than 60 % of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>advance tax paid on or before 15 December is less than 75% of</p>		
<b>449/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>52% MATCHING TEXT</b>	25 WORDS
<p>of net tax payable less amount of advance tax paid on or before 15 th September of the relevant previous year shall be payable as</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>450/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>88% MATCHING TEXT</b>	18 WORDS
<p>advance tax paid on or before 15 th March is less than 100 % of the</p> <p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>		<p>advance tax paid on or before March, 2021 is less than 100% of the</p>		
<b>451/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>52% MATCHING TEXT</b>	25 WORDS
<p>of net tax payable less amount of advance tax paid on or before 15 th December of the relevant previous year shall be payable as</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>452/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>88% MATCHING TEXT</b>	17 WORDS
<p>If advance tax paid on or before 15 th June is less than 12 % of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>If advance tax paid on or before 15 June is less than 15% of</p>		
<b>453/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>58% MATCHING TEXT</b>	25 WORDS
<p>of net tax payable less amount of advance tax paid on or before 15 th March of the relevant previous year shall be payable as</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>454/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>48% MATCHING TEXT</b>	27 WORDS
<p>of net tax payable less amount of advance tax paid on or before 15 th June of the relevant previous year shall be payable; b) If advance tax paid</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>455/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>48% MATCHING TEXT</b>	28 WORDS
<p>of net tax payable less amount of advance tax paid on or before 15 th September of the relevant previous year shall be payable; c) If advance tax paid</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>456/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>48% MATCHING TEXT</b>	28 WORDS
<p>of net tax payable less amount of advance tax paid on or before 15 th December of the relevant previous year shall be payable; d) If advance tax paid</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>457/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>61% MATCHING TEXT</b>	24 WORDS
<p>of net tax payable less amount of advance tax paid on or before 15 th March of the relevant previous year shall be</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>458/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>90% MATCHING TEXT</b>	13 WORDS
<p>within 30 days of the service of notice of demand, the assessee</p> <p>within 30 days of the of service of notice of demand. (3) The assessee</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>459/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>67% MATCHING TEXT</b>	19 WORDS
<p>a) at the rate of 1 percent from the date on which tax was deductible to the date</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>460/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>52% MATCHING TEXT</b>	24 WORDS
<p>to pay interest at the rate of 1% for every month or part thereof from the expiry of 30 days of the service of</p>		<p>to pay simple interest at the rate of 1% cent for every month or part of the month of default on the amount of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>461/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>63% MATCHING TEXT</b>	35 WORDS
<p>section 248, where under an agreement or other arrangement, the tax deductible on any income, other than trust, in terms of section 195 is to be borne by the person by whom the income is payable,</p>		<p>section 192, where under an agreement or other arrangement, the tax chargeable on any income referred to in the foregoing of this Chapter is to be borne by the person by whom the income is payable,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>462/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>97% MATCHING TEXT</b>	17 WORDS
<p>and such person having paid tax to the credit of the Central Government, claims that no tax</p>		<p>and such person having paid such tax to the credit of the Central Government, claims that no tax</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>463/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>to be deducted on such income, he may appeal to the Commissioner (Appeals) for a declaration that no tax was deductible on such income.</p>		<p>to be deducted on such income, he may appeal to the Commissioner (Appeals) for a declaration that no tax was deductible on such income.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>464/875</b>	<b>SUBMITTED TEXT</b>	59 WORDS	<b>77% MATCHING TEXT</b>	59 WORDS
<p>Commissioner (Appeals) shall fix a day and place for the hearing of the appeal and shall give notice of the same to the assessee and the Assessing Officer against whose order the appeal is made. Both the assessee and the Assessing Officer have the right to be heard at the hearing of the appeal either in person or by an authorised representative. The</p>		<p>Commissioner (Appeals) shall fix a day and place for the hearing of the appeal and shall give notice of the same to the appellant and to the Assessing Officer against whose order the appeal is preferred. The following shall have the right to be heard at the hearing of the appeal : (a) The appellant, either in person or by an authorised representative. (b) The</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>465/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>if he is satisfied that the omission of that ground</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>if he is satisfied that the omission of that ground</p>		
<b>466/875</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>48% MATCHING TEXT</b>	37 WORDS
<p>appeal, may make such further enquiries as he thinks fit or direct the Assessing Officer to make further enquiries and to send the same to him. He may also allow the appellant to go into any grounds of appeal</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>467/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>85% MATCHING TEXT</b>	34 WORDS
<p>The order of the Commissioner (Appeals) disposing of the appeal shall be in writing and shall state the points for determination, the decision thereon and the reasons for the decision. On disposal of the appeal</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>The order of the Commissioner ( disposing of the appeal shall be in writing and shall state the points for determination, the decision thereon and the reasons for the decision. (4) Time for disposal of appeal: The Commissioner (Appeal)</p>		
<b>468/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>80% MATCHING TEXT</b>	28 WORDS
<p>the Appellate Tribunal The Central Government shall constitute an Appellate Tribunal of judicial and accountant members to exercise the powers and discharge the conferred on the Tribunal by the Act.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the Appellate Tribunal. • The Central Government shall constitute an Appellate Tribunal consisting of many judicial and accountant members as it thinks fit to exercise the powers and discharge the functions conferred on the Appellate Tribunal by this Act. •</p>		
<b>469/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>97% MATCHING TEXT</b>	23 WORDS
<p>the date on which the order sought to be appealed against is communicated to the assessee or the Commissioner, as the case may be.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the date on which the, order sought to be appealed against is communicated to the assessee or to the Commissioner, as the case may be.</p>		

<b>470/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>83% MATCHING TEXT</b>	12 WORDS
<p>shall be in the form of a memorandum of appeal, precisely stating</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>shall be in the form of memorandum of appeal precisely stating</p>		
<b>471/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>85% MATCHING TEXT</b>	30 WORDS
<p>appeal to the High court shall be made within 120 days from the date on which the order appealed against is received by the assessee, or the Chief Commissioner or Commissioner. 4.11.5</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>appeal to the High Court and such appeal shall be filed within 120 days of the date on which the order appealed against is received by the assessee or the Chief Commissioner or Commissioner</p>		
<b>472/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>73% MATCHING TEXT</b>	34 WORDS
<p>the High Court certifies to be a fit one for appeal to the Supreme Court. The provisions of the Code of Civil Procedure, 1908 in regard to appeal shall apply in the case of appeals</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the High Court certifies to be a fit one for appeal to the Supreme Court. (2) The provisions of the Code of Civil Procedure, 1908 (5 of 1908), relating to appeals to the Supreme Court shall, so far as may be, apply in the case of appeals</p>		
<b>473/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>78% MATCHING TEXT</b>	18 WORDS
<p>Appeal to the Supreme Court Under section 261, an appeal shall lie to the Supreme Court from any</p> <p><b>SA</b> BEL_Block-6- U17.docx (D142229445)</p>				
<b>474/875</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>98% MATCHING TEXT</b>	47 WORDS
<p>Act. If he considers that any order passed by the Assessing Officer is erroneous in so far as it is prejudicial to the interests of the revenue, he may, after giving the assessee an opportunity of being heard and after making or causing to be made such inquiry as</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Act, if he considers that any order passed therein the Assessing Officer is erroneous in so far as it is prejudicial to the interests of the revenue, he may, after giving the assessee an opportunity of being heard and after making or causing to be made such inquiry as</p>		

<b>475/875</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>80% MATCHING TEXT</b>	61 WORDS
<p>been the subject-matter of any appeal, the powers of the Commissioner under section 263(1) shall extend and shall be deemed always to have extended to such matters as had not considered and decided in such appeal. No order shall be made after the expiry of 2 years from the end of the financial year in the order sought to be revised was passed. 4.11.7</p>		<p>been the subject matter of any appeal, the powers of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner; shall extend and shall always be deemed to have extended to such matters as had not been considered and decided in such appeal. No order be made under sub-section (1) after the expiry of years from the end of the financial year in the order sought to be revised was passed.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>476/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>43% MATCHING TEXT</b>	23 WORDS
<p>prejudicial to the Revenue) passed by any subordinate authority including the Deputy Commissioner (Appeals), the Commissioner may either on his own motion or on</p>		<p>prejudicial to the interest or revenue. (xv) Revision of any order passed by a subordinate authority on application by the assessee or suo motu [Section 264]: The Commissioner may revise either on his own motion or on</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>477/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>90% MATCHING TEXT</b>	13 WORDS
<p>from the date of the order sought to revised. Under section 264, the</p>		<p>from the date of the order sought to be revised [Section 264(2)]. If the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>478/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>78% MATCHING TEXT</b>	23 WORDS
<p>It is obligatory on the part of the Commissioner to pass an order within a period of one year from the end of</p>		<p>It is obligatory on the Principal Commissioner or Commissioner to pass an order under within a period of one year from the end of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>479/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>84% MATCHING TEXT</b>	16 WORDS
<p>may make an application to the Settlement Commission to have the case settled, in such form</p>		<p>may make an application before adjudication to the Settlement Commission to have the case settled, in Form</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>480/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>85% MATCHING TEXT</b>	18 WORDS
<p>prejudicial to the revenue [Section 263] The Commissioner may call for and examine the record of any proceeding</p> <p><b>SA</b> 304 Corporate Taxation.docx (D117962176)</p>				
<b>481/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>75% MATCHING TEXT</b>	16 WORDS
<p>a full and true disclosure of his incomewhich has not been disclosed before the Assessing Officer</p> <p>A full and true disclosure of his duty liability which has not been disclosed before the proper officer; (2)</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>482/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>77% MATCHING TEXT</b>	21 WORDS
<p>a full and true disclosure of his income which has not been disclosed before the Assessing Officer. The form in which such</p> <p>A full and true disclosure of his duty liability which has not been disclosed before the proper officer; (2) The manner in which such</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>483/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>Advance Payment of Tax, Instalment and due dates for payment of advance tax,</p> <p>Advance Payment of Tax 552 xxxvi Due Dates for Payment of Advance Tax 552</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>484/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>GST) has been identified as one of the most important tax reforms in</p> <p><b>SA</b> plag test final.docx (D164172032)</p>				
<b>485/875</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>61% MATCHING TEXT</b>	29 WORDS
<p>GST is a path breaking indirect tax reform which will create a common 160 NSOU • PGCO - V national market by removing inter-state trade barriers.GST has subsumed (</p> <p><b>SA</b> 17218 JO.docx (D42922526)</p>				

<b>486/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>the taxable event is supply of goods or services or both.</p>		<p>The Taxable under GST is Supply of Goods or Services or both</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>487/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>70% MATCHING TEXT</b>	20 WORDS
<p>article 265 of The Constitution of India no tax shall be imposed or collected except by the authority of any Law.</p>				
<p><b>SA</b> Tax Planning and Management BAA 751.doc (D91797431)</p>				
<b>488/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>90% MATCHING TEXT</b>	19 WORDS
<p>in the year 1954. Within 62 years of its introduction about 160 countries across the world have adopted GST.</p>				
<p><b>SA</b> plag test final.docx (D164172032)</p>				
<b>489/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>45% MATCHING TEXT</b>	22 WORDS
<p>of GST. India has adopted a dual GST which will be imposed concurrently by centre and states. 5.2 Genesis of GST in India 2004</p>				
<p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>490/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>90% MATCHING TEXT</b>	17 WORDS
<p>Kelkar Task Force. 2007 Union Finance Minister, Shri P. Chidambaram, while presenting the central budget (2007-08) announced the</p>				
<p><b>SA</b> 17218 JO.docx (D42922526)</p>				
<b>491/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>84% MATCHING TEXT</b>	31 WORDS
<p>the Constitution (122 nd Amendment) Bill 2016 It got assent of the president on 8th September, 2016 and became Constitution (101 st amendment) Act, 2016, which paved the way for</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				



<b>492/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>100% MATCHING TEXT</b>	32 WORDS
<p>Central Goods and Services Tax Bill, 2017, Integrated Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>493/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>78% MATCHING TEXT</b>	13 WORDS
<p>levied on all supply of goods and services except alcoholic liquor for human consumption. (</p> <p>levied on all supplies of goods and /or services except supply of alcoholic liquor for human consumption.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>494/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Parliament has exclusive power to make laws with respect to goods and services tax</p> <p>Parliament has exclusive power to make laws with respect to goods and services tax</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>495/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>75% MATCHING TEXT</b>	17 WORDS
<p>principles for determining the place of supply and when supply takes place in course of inter-State trade</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>496/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>70% MATCHING TEXT</b>	16 WORDS
<p>Petroleum crude ii) High speed diesel iii) Motor spirit (commonly known as petrol) iv) Natural gas v) Aviation turbine fuel</p> <p><b>SA</b> ruchita (sip).docx (D144016675)</p>				
<b>497/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>52% MATCHING TEXT</b>	23 WORDS
<p>supply of goods and services. 31- State Goods and Service Tax Act, 2017 for imposing SGST by respective state on intra-State supply</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				

<b>498/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh) 1 –</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh</p>		
<b>499/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>66% MATCHING TEXT</b>	24 WORDS
<p>Goods and Service Tax Act, 2017 for levying IGST and 1 – The Goods and services Tax (Compensation to states) Act, 2017</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act,</p>		
<b>500/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>45% MATCHING TEXT</b>	24 WORDS
<p>Union Territory Goods and Services Tax Act, 2017 for levying UTGST in 5 union Territories without State Legislatures on intra-Territory supply of goods and services. (</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>501/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>83% MATCHING TEXT</b>	13 WORDS
<p>Structure of GST 1. GST is levied on supply of goods and services</p> <p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>502/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>64% MATCHING TEXT</b>	27 WORDS
<p>and Kashmir). It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Under GST credit of taxes paid at</p> <p><b>SA</b> ruchita (sip).edited (1) (1) (1).pdf (D144345467)</p>				
<b>503/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>96% MATCHING TEXT</b>	14 WORDS
<p>The inter-state supplier in exporting state is allowed to set off the available credit</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>504/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>80% MATCHING TEXT</b>	13 WORDS
<p>SGST/UTGST against the IGST payable on inter- state supply made by him. (b) The</p>		<p>SGST / UTGST and against the IGST payable on an inter- state supply made by him. The</p>		
<p><b>SA</b> Abdul rehman Bandarkar Internship Project (1).docx (D142962788)</p>				
<b>505/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>83% MATCHING TEXT</b>	33 WORDS
<p>The exporting state transfers to the centre the credit of SGST/ UTGST utilised for the payment of IGST. (d) The Centre transfers to the importing state the credit of IGST used in payment of SGST/UTGST. 12.</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>506/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>89% MATCHING TEXT</b>	31 WORDS
<p>needed which could act as a clearing house and verify the claims and inform the respective government to transfer the funds. This is possible with the help of a strong IT infrastructure.</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>507/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>common GST Electronic Portal (www.gst.gov.in), a website managed by Goods and Services Network (GSTN)</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>508/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>76% MATCHING TEXT</b>	23 WORDS
<p>Forwarding the returns to Central and States authorities. (c) Computation and settlement of IGST. (d) Matching of tax payment details with banking network. (e) Providing</p>				
<p><b>SA</b> BEL_Block-6- U17.docx (D142229445)</p>				

<b>509/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>93% MATCHING TEXT</b>	22 WORDS
<p>Benefits of GST GST is a win-win situation for the entire country. It provides benefits to all the stakeholders of industry, Government and</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>510/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>58% MATCHING TEXT</b>	16 WORDS
<p>cost of goods and services and make them globally competitive. The significant benefits of GST are discussed hereunder: (</p>				
<p><b>SA</b> plag test final.docx (D164172032)</p>				
<b>511/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>GST aims to make India a common market with common tax rates and</p>				
<p><b>SA</b> plag test final.docx (D164172032)</p>				
<b>512/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>71% MATCHING TEXT</b>	21 WORDS
<p>Mitigation of ill effects of cascading: GST subsume most of the Central and States indirect taxes into a single tax and</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>513/875</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>89% MATCHING TEXT</b>	38 WORDS
<p>Boost to 'Make in India' initiative: GST will give major boost to the 'Make in India' initiative of government of India by making goods and services produced in India competitive in the national as well as international market. (</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				

<b>514/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>76% MATCHING TEXT</b>	17 WORDS
<p>GST is expected to increase the Government revenue by widening the tax base and improving the taxpayer</p> <p><b>SA</b> plag test final.docx (D164172032)</p>				
<b>515/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>58% MATCHING TEXT</b>	17 WORDS
<p>Central Goods and Service Tax Act, 2017 for imposing CGST on intra-state supply of goods and services,</p> <p><b>SA</b> Sarthak Thakur - B.Com. H. V.pdf (D153756860)</p>				
<b>516/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh)      Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>517/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>45% MATCHING TEXT</b>	24 WORDS
<p>Union Territory Goods and Services Tax Act, 2017 for levying UTGST in 5 Union Territories without State Legislatures on intra-Territory supply of goods and services. (</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>518/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>85% MATCHING TEXT</b>	16 WORDS
<p>any other notified maritime zone. The air space above its territory and territorial waters. 5.9      any other specified maritime zone and the air space above its territory and territorial waters.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>519/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>territorial waters, seabed and sub-soil underlying such waters, continental shelf,</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				

<b>520/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>63% MATCHING TEXT</b>	31 WORDS
	state) Basis of charge as per CGST Basis of charge as per IGST Act, Act, 2017 PLUS 2017 Basis of charge as per respective SGST Act, 2017/ UTGST Act, 2017 (			
	<b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)			
<b>521/875</b>	<b>SUBMITTED TEXT</b>	96 WORDS	<b>100% MATCHING TEXT</b>	96 WORDS
	Levy and collection as per CGST Act, 2017 (a) U/s 9(1) of CGST Act, 2017 there shall be levied a tax – Called the Central Goods and Services Tax(CGST); On all the intra-state supplies of goods or services or both, except on supply of alcoholic liquor for human consumption; On the value determined u/s 15; and At such a rate (maximum 20%,) as notified by the Central Government on recommendation of GST Council; and Collected in such a manner as may be prescribed; and Shall be paid by the taxable person. 166			
	<b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)			
<b>522/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>58% MATCHING TEXT</b>	19 WORDS
	is to be paid on reverse charge basis by the recipient on notified goods/ services or both (		is to be paid on reverse charges basis by the recipient of such goods or services or both	
	<b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a>			
<b>523/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>61% MATCHING TEXT</b>	19 WORDS
	liability to pay tax by the recipient of supply of goods / services rather than supplier of goods/ services		liability to pay is on the recipient of supply of goods or services instead of the supplier of such goods or services	
	<b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a>			

524/875	SUBMITTED TEXT	54 WORDS	97% MATCHING TEXT	54 WORDS
<p>b) U/s 9(2) of CGST Act 2017, the CGST of following supply shall be levied with the effect from such date as notified by the Central Government on recommendation of GST Council- Petroleum crude High speed diesel Motor spirit (commonly known as petrol) Natural gas Aviation turbine fuel (c) U/s 9(3),</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
525/875	SUBMITTED TEXT	172 WORDS	100% MATCHING TEXT	172 WORDS
<p>E-Commerce operator is liable to pay CGST on notified intra-state supplies. 5.9.2. Levy and collection as per IGST Act, 2017 (a) U/s 5(1) of IGST Act, 2017 there shall be levied a tax – Called the Integrated Goods and Services Tax (IGST); On all the inter-state supplies of goods or services or both, except on supply of alcoholic liquor for human consumption; On the value determined u/s 15 of CGST Act, 2017; and At such a rate (maximum 40%,) as notified by the Central Government on recommendation of GST Council; and Collected in such a manner as may be prescribed; and Shall be paid by the taxable person. Provided further that IGST will be imposed on goods/ services imported into India. (b) U/s 5(2) of IGST Act, 2017, the CGST of following supply shall be levied with the effect from such date as notified by the Central Government on recommendation of GST Council- Petroleum crude High speed diesel Motor spirit (commonly known as petrol) Natural gas Aviation turbine fuel</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
526/875	SUBMITTED TEXT	84 WORDS	100% MATCHING TEXT	84 WORDS
<p>c) U/s 5(3), IGST is to be paid on reverse charge basis by the recipient on notified goods/ services or both (liability to pay tax by the recipient of supply of goods / services rather than supplier of goods/ services under forward charge). (d) U/s 5(4), IGST on taxable inter-state supply of goods/ services to registered supplier from unregistered supplier (agriculturist) is to be paid on reverse charge basis by the recipient. (e) U/s 5(5), E-Commerce operator is liable to pay CGST on notified inter-state supplies. 5.10</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				

<b>527/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
Which of the following taxes have been subsumed in GST? (a) Central Sales Tax (b) Central Excise Duty		Which of the following taxes have been subsumed in GST? (a) Central Sales Tax (b) Central Excise Duty (		
<b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a>				
<b>528/875</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>90% MATCHING TEXT</b>	38 WORDS
d) All of the above 7. GST is levied on supply of all goods and services except: (a) Alcoholic liquor for human consumption (b) Tobacco (c) Legal services (d) All of the above 8. GST on Petroleum Crude, High Speed Diesel, Motor Spirit (		d) All of the above K. 3. GST is levied supply of all goods and services except: (a) Alcoholic liquor for human consumption (b) Tobacco (c) Health care services (d) All of the above On Petroleum Crude, High Speed Diesel, Motor Spirit (		
<b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a>				
<b>529/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
Petrol), Natural Gas and Aviation Turbine Fuel: (a) Is not levied		Petrol), Natural Gas and Aviation Turbine Fuel: (GST is not levied (		
<b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a>				
<b>530/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
Power to make laws with respect to goods and service tax				
<b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)				
<b>531/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
The goods and services that may be subjected to, or exempted from the goods and services tax (		the goods and services that may be subjected to, or exempted from the goods and services tax;		
<b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a>				



<b>532/875</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>95% MATCHING TEXT</b>	29 WORDS
<p>The threshold limit of turnover below which goods and services may be exempted from goods and services tax (c) The rates including floor rates with bands of goods and services tax (</p>		<p>the threshold limit of turnover below which goods and services may be exempted from goods and services tax; o the rates including floor rates with bands of goods and services tax;</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>533/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>90% MATCHING TEXT</b>	17 WORDS
<p>Will be levied from a date to be notified on the recommendations of the GST Council 170</p>				
<p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>534/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>on supplies in the course of Inter- State trade or commerce? (a)</p>		<p>on supplies in the course of inter-State trade or commerce under A</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>535/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>treated neither as Supply of goods nor as Supply of services 6.3.5</p>		<p>treated neither as supply of goods nor as supply of services. (</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>536/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>70% MATCHING TEXT</b>	28 WORDS
<p>of Supply of vouchers 6.6.4 Time of Supply of goods under RCM 6.6.5 Time of suply of services under RCM 6.6.6 Time of Supply in case of change in rate</p>		<p>of Supply Section 12 Time of Supply of Goods Section 13 Time of Supply of Services Section 14 Time of Supply case of change in rate</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>537/875</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>95% MATCHING TEXT</b>	48 WORDS
<p>Goods' {Section 2 (52) of CGST Act} 'Goods' means every kind of movable property other than money and securities but includes: actionable claim; growing crops, grass and things attached to/forming part of the land which are agreed to be severed before supply or under a contract of supply.</p>		<p>Goods [Section 2(52) of CGST Act, 2017] "Goods" means : ? every kind of movable property other than money and securities ? but includes ? actionable growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract supply. ?</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>538/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>55% MATCHING TEXT</b>	19 WORDS
<p>supply of goods or services or both'. GST law, by levying tax on the 'supply of goods and/or services',</p>				
<p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>539/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>of money by cash or by any other mode, from one form</p>		<p>of money or • its conversion by cash or by any other mode, • from one form,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>540/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>currency or denomination to another form, currency or denomination for which a separate consideration is charged.</p>		<p>currency or denomination, to another form, currency or denomination for which a separate consideration is charged;</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>541/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>84% MATCHING TEXT</b>	22 WORDS
<p>CGST Act}: Services means anything other than goods, money and securities. Services include activities relating to the use of money or its conversion</p>				
<p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				

<b>542/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>88% MATCHING TEXT</b>	26 WORDS
<p>consideration' in relation to the supply of goods or services or both would include: • any payment made or to be made, whether in money or otherwise,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>consideration' in relation to the supply of goods or services or both includes-- (a) any payment made or to be made, whether in money or otherwise,</p>		
<b>543/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>77% MATCHING TEXT</b>	17 WORDS
<p>by the recipient or by any other person. However, any subsidy given by Central Government or State Government</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government; (</p>		
<b>544/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>94% MATCHING TEXT</b>	33 WORDS
<p>a deposit given in respect of supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies the deposit as consideration for the said supply.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;</p>		
<b>545/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>shall not include any currency that is held for its numismatic value.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>shall not include any currency that is held for its numismatic value". ?</p>		

<b>546/875</b> <b>SUBMITTED TEXT</b> 172 WORDS	<b>95% MATCHING TEXT</b> 172 WORDS
<p>Business' (Section 2(17) of CGST Act): Business includes: a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit; b) any activity or transaction in connection with or incidental or ancillary to (a) above; c) any activity or transaction in the nature of (a) above, whether or not there is volume, frequency, continuity or regularity of such transaction; d) supply or acquisition of goods including capital assets and services in connection with commencement or closure of business; e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members, as the case may be; 174 NSOU • PGCO - V f) admission, for a consideration, of persons to any premises; g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation; h) services provided by a race club by way of totalisator or a licence to book maker in such club;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>	<p>Business [Section 2(17) of CGST Act 2017] "Business" includes – (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit; (b) any activity or transaction in connection with or incidental or ancillary to (a) above; (c) any activity or transaction in the nature of (a) above, whether or not there is volume, frequency, continuity or regularity of such transaction; (d) supply or acquisition of goods including capital assets and services in connection with commencement or closure of business; (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members, as the case may be; 638 Lesson 12 • EP-f) admission, for a consideration, of persons to any premises; and (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation; (h) services provided by a race club by way of or a license to book maker in such club; (</p>
<b>547/875</b> <b>SUBMITTED TEXT</b> 54 WORDS	<b>96% MATCHING TEXT</b> 54 WORDS
<p>Money means Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination.</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>	
<b>548/875</b> <b>SUBMITTED TEXT</b> 25 WORDS	<b>94% MATCHING TEXT</b> 25 WORDS
<p>any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities. Meaning of '</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>	<p>Any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities. CONCEPT OF</p>

<b>549/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>a body -corporate incorporated by or under the laws of a country outside India;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>a body corporate incorporated by or under the laws of a country outside India.</p>		
<b>550/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>84% MATCHING TEXT</b>	31 WORDS
<p>has not been given under the tax laws. As per the Hindu law, it means a family which consists of all persons lineally descended from a common ancestor including their wives and daughters.</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				
<b>551/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>68% MATCHING TEXT</b>	21 WORDS
<p>corporation established by/under any Central, State or Provincial Act or Government company as defined u/s 2(45) of Companies Act, 2013;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>corporation established by or under a Central, State or Provincial Act or a Government company as defined in Section 617 of the Companies Act, 1956;</p>		
<b>552/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>91% MATCHING TEXT</b>	20 WORDS
<p>a co-operative society registered under any law relating to cooperative societies; a society as defined under the Societies</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>553/875</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>91% MATCHING TEXT</b>	44 WORDS
<p>Explanation to Section 15 of CGST Act} Persons shall be deemed to be 'related persons' if: such persons are officers or directors of one another's businesses; such persons are legally recognised partners in business; such persons are employer &amp; employee;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Explanation to Section15the CGST Act which provides persons shall be deemed to be "related persons" if – (i) such persons are officers or directors of one another's businesses; (ii) such persons are legally recognised partners in business; (iii) such persons are and employee; (</p>		

<b>554/875</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>95% MATCHING TEXT</b>	38 WORDS
<p>artificial juridical persons are entities which are not natural persons but are separate entities in the eyes of law. Though they may not be sued directly in a court of law, but they can be sued through persons managing them.</p>				
<p><b>SA</b> Basics of taxation.docx (D126935931)</p>				
<b>555/875</b>	<b>SUBMITTED TEXT</b>	62 WORDS	<b>93% MATCHING TEXT</b>	62 WORDS
<p>person directly or indirectly owns, controls or holds 25% or more of the outstanding voting stock or shares of both of them; one of them directly or indirectly controls the other; both of them are directly or indirectly controlled by a third person; together they directly or indirectly control a third person; they are members of the same</p>				
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>556/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>87% MATCHING TEXT</b>	13 WORDS
<p>is the sole agent, sole distributor or sole concessionaire of the other. 6.3</p>				
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>557/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>61% MATCHING TEXT</b>	15 WORDS
<p>supply of goods/services should be carried out for consideration in the course or furtherance of business.</p>				
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>558/875</b>	<b>SUBMITTED TEXT</b>	226 WORDS	<b>88% MATCHING TEXT</b>	226 WORDS
<p>of Supply (Section 7 of CGST Act) Section 7(1): For the purposes of this Act, the expression "supply" includes: a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business; b) import of services for a consideration whether or not in the course or furtherance of business; c) the activities specified in Schedule I, made or agreed to be made without a consideration; and d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II. • Section 7(2): Notwithstanding anything contained in sub-section (1), a) activities or transactions specified in Schedule III; or b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services. Section 7(3): Subject to the provisions of sub-sections (1) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as: 176 NSOU • PGCO - V a) a supply of goods and not as a supply of services; or b) a supply of</p> <p><b>SA</b> BEL_Block-6- U17.docx (D142229445)</p>				
<b>559/875</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>87% MATCHING TEXT</b>	42 WORDS
<p>Section 7(l)(a) of CGST Act includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for consideration in the course or furtherance of business.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>560/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>92% MATCHING TEXT</b>	12 WORDS
<p>Importation of services for consideration whether or not in course or furtherance of business {</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>561/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>96% MATCHING TEXT</b>	14 WORDS
Schedule I} Activities to be treated as Supply of goods or Supply of services {		Schedule Activities to be treated as Supply of Goods or Supply of Services		
<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>				
<b>562/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>88% MATCHING TEXT</b>	14 WORDS
qualify as supply provided input tax credit has been availed by XYZ & Co.		qualify as supply since input tax credit has been availed by XYZ &Co.		
<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>				
<b>563/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
by an employer to an employee shall not be treated as supply		by an employer to an employee shall not be treated as supply		
<b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a>				
<b>564/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
by an employee to the employer in the course of or in relation to his employment		by an employee to the employer in the course of or in relation to his employment		
<b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a>				
<b>565/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>85% MATCHING TEXT</b>	30 WORDS
Principal & Agent: Supply of goods by a principal to his agent, without consideration, where the agent undertakes to supply such goods on behalf of the principal is considered as supply.		Principal – Agent [Para 3 of Schedule I]: Supply of goods by a principal to his agent and vice-versa, without where the agent undertakes to supply such goods on behalf of the principal and vice-is considered as supply.		
<b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a>				
<b>566/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>87% MATCHING TEXT</b>	23 WORDS
supply of goods by an agent to his principal, without consideration, where the agent undertakes to receive such goods on behalf of the principal		Supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal		
<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>				



<b>567/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>80% MATCHING TEXT</b>	33 WORDS
<p>Import of services by a taxable person from a related person or from any of his establishments located outside India in the course or furtherance of business shall be treated as supply irrespective of</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>568/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>in course or furtherance of business. 6.3.3 Activities to be treated as Supply of goods/</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>569/875</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>90% MATCHING TEXT</b>	29 WORDS
<p>Lease, tenancy, easement, license to occupy land b) Lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly. 1. 2. Supply of</p> <p>lease, tenancy, easement, licence to occupy land lease or letting out of the building including a commercial industrial or residential complex for business or commerce, either wholly or partly Supply of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>570/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>63% MATCHING TEXT</b>	31 WORDS
<p>a) Transfer of title in goods b) Transfer of right in goods/undivided share in goods without transfer of title in goods. c) Transfer of title in goods under an agreement which stipulates that property</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				
<b>571/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>82% MATCHING TEXT</b>	14 WORDS
<p>of Supply Any treatment or process which is applied to another person's goods. Example: Job work</p> <p>of service. 3 Any treatment or process which is applied to another person's goods of Service Job work</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>572/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>98% MATCHING TEXT</b>	39 WORDS
<p>Goods held/used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration,</p>		<p>goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>573/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>80% MATCHING TEXT</b>	31 WORDS
<p>a) Goods forming part of business assets are transferred or disposed-off by/under directions of person carrying on the business so as no longer to form part of those assets, whether or not for consideration.</p>				
<p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				
<b>574/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>75% MATCHING TEXT</b>	17 WORDS
<p>by or under the direction of a person carrying on a business, whether or not for consideration. Example: A</p>		<p>by or under the directions of the person carrying on the business whether or not for consideration. Example : A</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>575/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>Goods forming part of assets of any business carried on by</p>				
<p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				
<b>576/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>100% MATCHING TEXT</b>	27 WORDS
<p>a) Renting of immovable property b) Construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer</p>		<p>a) renting of immovable property; (b) construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>577/875</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>93% MATCHING TEXT</b>	50 WORDS
<p>shall be deemed to be supplied by him, in the course or furtherance of his business, immediately before he ceases to be a taxable person. Exceptions: Business is transferred as a going concern to another person; or Business is carried on by a personal representative who is deemed to be a taxable person</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				
<b>578/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>c) Temporary transfer or permitting the use or enjoyment of any intellectual property right Supply of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>579/875</b>	<b>SUBMITTED TEXT</b>	58 WORDS	<b>96% MATCHING TEXT</b>	58 WORDS
<p>d) Development, design, programming, customization, adaptation, upgradation, enhancement, implementation of information technology software e) Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act f) Transfer of right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration Following Composite Supplies.</p> <p>d) development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software; (e) agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act; f) transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration. 6. Composite supply following composite supplies</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>580/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>by way of or as part of any service or in any other manner whatsoever</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>581/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>of food or any other article for human consumption or any drink</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation 1.pdf (D133606709)</p>				

<b>582/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>93% MATCHING TEXT</b>	21 WORDS
<p>Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.</p>		
<b>583/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>treated neither as Supply of goods nor as Supply of services</p> <p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>		<p>treated neither as supply of goods nor as supply of services. (</p>		
<b>584/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>shall be treated neither as supply of goods nor as supply of services.</p> <p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>		<p>shall be treated neither as supply of goods nor as supply of services. (</p>		
<b>585/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>91% MATCHING TEXT</b>	17 WORDS
<p>Services by an Employee to his Employer in the Course of or in relation to his Employment.</p> <p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>		<p>services by an employee to the employer in the course of or in relation to his employment</p>		
<b>586/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>57% MATCHING TEXT</b>	28 WORDS
<p>employee to his employer during the course of employment are not taxable under GST law. Services provided outside the course of employment for a consideration would qualify as</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>employee to the employer in the course of employment are outside the realm of supply. services provided outside the ambit of employment for a consideration would qualify as</p>		
<b>587/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>provided by the employee to the employer in the course of employment.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>provided by the employee to the employer in the course of employment</p>		

<b>588/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>Services by any Court or Tribunal established under any Law for the time being in force 3.</p>		<p>Services by any court or Tribunal established under any law for the time being in force.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>589/875</b>	<b>SUBMITTED TEXT</b>	94 WORDS	<b>94% MATCHING TEXT</b>	94 WORDS
<p>the functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities; 184 NSOU • PGCO - V the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or the duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause. 4.</p>		<p>the functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities; ( b) the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or ( c) duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>590/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>68% MATCHING TEXT</b>	34 WORDS
<p>Funeral, Burial, Crematorium or Mortuary including transportation of the Deceased 5 . Sale of Land and Sale of Building Subject to Paragraph 5(b) of Schedule II 6. Actionable Claims, other than Lottery, Betting and Gambling 6.3.5</p>		<p>Funeral, burial, crematorium or mortuary including transportation of the deceased Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of Actionable claims, other than lottery, betting and gambling.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>				
<b>591/875</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>67% MATCHING TEXT</b>	36 WORDS
<p>undertaken by Central Government/ State Government/Local Authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the GST Council, shall be treated neither as supply of goods nor</p>		<p>undertaken the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>592/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100% MATCHING TEXT</b>	20 WORDS
<p>by way of any activity in relation to a function entrusted to a Panchayat under Article 243G of the Constitution</p>		<p>by way of any activity in relation to a function entrusted to a Panchayat under article 243G of the Constitution</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>593/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>is for a consideration and in the course or furtherance of business</p>		<p>is for a consideration and in the course or furtherance of business (</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>594/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>80% MATCHING TEXT</b>	13 WORDS
<p>in the course or furtherance of business, it will be treated as supply</p>		<p>in the course or furtherance of business. Hence, in the above case it will be treated as supply</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>595/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>93% MATCHING TEXT</b>	32 WORDS
<p>Schedule I of CGST Act, supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal is treated as supply even if</p>		<p>Schedule I of CGST Act, 2017, Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal be treated as supply even if</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>596/875</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>75% MATCHING TEXT</b>	37 WORDS
<p>Schedule I of CGST Act, supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal shall be treated as supply even if it is without consideration.</p>		<p>Schedule I of CGST Act, 2017, Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal shall be treated as supply even if made without consideration.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>597/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>in the course or furtherance of business. Will this be treated as supply</p>		<p>in the course or furtherance of business shall be treated as "supply".</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>598/875</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>72% MATCHING TEXT</b>	44 WORDS
<p>consideration. Problem 10: Under a scheme of finance, Maruti Ltd. gives the possession of car to the buyer in November, 2017. It agrees to transfer the ownership of the car to the buyer in January, 2019 upon payment of full consideration of Rs. 9,60,000, in installments as agreed.</p>		<p>consideration. Example: Under a scheme of finance, a supplier of a car gives the possession of car to the buyer in March 2020. He, agrees to transfer the ownership of the car to the buyer in August 2020 upon payment of full consideration of Rs. 26,60,000 in instalments as agreed.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>599/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>79% MATCHING TEXT</b>	35 WORDS
<p>of the CGST Act. import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business shall be treated as supply</p>				
<p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>600/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>the aforesaid transaction shall be treated as supply of goods</p>		<p>The aforesaid transaction shall be treated as supply of goods. 643</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>601/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>93% MATCHING TEXT</b>	23 WORDS
<p>the owner of a specific piece of land in Delhi, leases the same to G for one year for an agreed, Consideration in</p>		<p>the owner of a specific piece of land in Delhi, leases the same to B for one year for an agreed consideration in</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>602/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>the aforesaid lease of land shall be treated as a supply of services</p>		<p>The aforesaid lease of land shall be treated as a supply of services.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>603/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>90% MATCHING TEXT</b>	21 WORDS
<p>is a manufacturer of goods. He sends his goods for the purpose of special packaging to G on job work. The</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>is a manufacturer of goods. He sends his goods for the purpose of special packaging to B on job work. In the</p>		
<b>604/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>88% MATCHING TEXT</b>	30 WORDS
<p>of the CGST Act, transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>605/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>82% MATCHING TEXT</b>	16 WORDS
<p>treatment or process applied to another person's goods (job work) shall be treated as supply of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>treatment or process which is applied to another person's goods Supply of Service Example: Job work shall be treated as supply of</p>		
<b>606/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>91% MATCHING TEXT</b>	35 WORDS
<p>In the given case, the activity of special packing by G shall be treated as supply of services. Further, it shall be immaterial whether G uses his own packing material or the same is provided by</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>In the given case, the activity of special packing by B shall be treated as supply of services. Further, it shall be immaterial whether B uses his own packing material or the same is provided by</p>		
<b>607/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>88% MATCHING TEXT</b>	25 WORDS
<p>is carrying on the business of consumer durable products. He disposed of a defective TV for Rs. 20,000 to G whereas its normal price is Rs.2,00,000. (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>is carrying on the business of consumer durable products. He disposed of a defective refrigerator for Rs. 50,000 to B whereas its normal price is Rs. 3,50,000.</p>		



<b>608/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>aforesaid disposal shall be considered as supply of goods by</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Aforesaid disposal shall be considered as supply of goods by</p>		
<b>609/875</b>	<b>SUBMITTED TEXT</b>	52 WORDS	<b>100% MATCHING TEXT</b>	52 WORDS
<p>where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration, such transfer or disposal is a supply of goods by the person.</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				
<b>610/875</b>	<b>SUBMITTED TEXT</b>	58 WORDS	<b>94% MATCHING TEXT</b>	58 WORDS
<p>deals in home appliances like washing machines, refrigerator, etc. He uses computers in his shops for keeping track of inventory and for other business purposes. Out of 2 computers, R takes home one computer to be used by his son for his studies during the month of October, 2017 and thereafter computer is brought back to the show room of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>deals in home appliances like washing machines, refrigerator, etc. He uses computers in his shops for keeping track of inventory and for other business purposes. Out of 2 computers, A takes home one computer to be used by his son for his studies during the month of January 2020 and thereafter computer is brought back to the show room of</p>		
<b>611/875</b>	<b>SUBMITTED TEXT</b>	53 WORDS	<b>96% MATCHING TEXT</b>	53 WORDS
<p>goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is supply of services. The</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is a of services; 5. The</p>		

<b>612/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>100% MATCHING TEXT</b>	26 WORDS
<p>goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for</p>		
<b>613/875</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>98% MATCHING TEXT</b>	29 WORDS
<p>use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is supply of services. The</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is a supply of services; 5. The</p>		
<b>614/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>forming part of the assets of the business carried on by him.</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				
<b>615/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>goods forming part of the assets of any business carried on by</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				
<b>616/875</b>	<b>SUBMITTED TEXT</b>	53 WORDS	<b>99% MATCHING TEXT</b>	53 WORDS
<p>shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless— (i) the business is transferred as a going concern to another person; or (ii) the business is carried on by a personal representative who is deemed to be a taxable person.</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				

<b>617/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>furtherance of his business immediately before he ceases to be a taxable person. Thus, the</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				
<b>618/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>100% MATCHING TEXT</b>	24 WORDS
<p>a Composite Supply, comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply.</p> <p>A composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>619/875</b>	<b>SUBMITTED TEXT</b>	58 WORDS	<b>89% MATCHING TEXT</b>	58 WORDS
<p>a supply – Made by a taxable person to a recipient 190 NSOU • PGCO - V consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled, and supplied in conjunction with each other in ordinary course of business,</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>620/875</b>	<b>SUBMITTED TEXT</b>	52 WORDS	<b>91% MATCHING TEXT</b>	52 WORDS
<p>Composite Supply. 6.4.2 Mixed Supply As per Sec. 2(74) mixed supply means – Two or more individual supplies of goods or services or any combination thereof, Made in conjunction with each other By a taxable person For a single price Where such supply does not constitute a composite supply.</p> <p>composite supply. Meaning mixed supply [ Sec. 2(74)] Mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>621/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>97% MATCHING TEXT</b>	24 WORDS
<p>a Mixed Supply comprising two or more shall be treated as a supply of that particular supply which attracts the highest rate of tax. 6.4.3</p> <p>A mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>622/875</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>67% MATCHING TEXT</b>	50 WORDS
<p>Guiding principles for determining a supply as Composite Supply or Mixed Supply Following guiding principles could be adopted to determine whether it would be a Composite Supply or Mixed Supply. Description Composite Mixed Supply Supply Naturally bundled Yes No Supplied together Yes Yes Can be supplied separately No Yes One is predominant supply for recipient Yes No Each supply</p>		<p>Guiding principles for determining whether a supply is a composite supply or mixed supply: While there are no infallible tests for such determination, the following guiding principles could be adopted to determine as to whether it would be a composite supply or a mixed supply. However, every supply should be independently analyzed. Lesson 2 n Supply 33 Description Composite Supply Mixed Supply Naturally bundled Yes No Supplied together Yes Yes Can be supplied separately No Yes One is predominant supply for recipient Yes No Other supply</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>623/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>64% MATCHING TEXT</b>	20 WORDS
<p>each of the items is supplied separately and is not dependant on any other item, it shall not be mixed supply</p>		<p>Each of these items can be supplied separately and it is not dependent on any other. It shall not be a mixed supply</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>624/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance</p>		<p>goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>625/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>96% MATCHING TEXT</b>	17 WORDS
<p>Ltd. is a manufacturer of cosmetic products, supplied a package consisting of hair oil (GST Rate -18%),</p>		<p>Ltd. is a manufacturer of cosmetic products supplied in a package consisting of hair Oil (GST Rate 18%),</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>626/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>58% MATCHING TEXT</b>	21 WORDS
<p>comb (GST Rate -12%). The Price per package is Rs. 500 (exclusive of taxes). 10,000 packages were supplied by the company</p>		<p>Comb (GST Rate 12%). The price per package is ₹ 800 ( exclusive of taxes). In a month, 500 such packages were supplied by the company.</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				

627/875	SUBMITTED TEXT	125 WORDS	92% MATCHING TEXT	125 WORDS
	<p>A Ltd. a manufacturing concern in Rajasthan has opted for composition scheme furnishes you with the following information for Financial Year 2018-19. It requires you to determine its composition tax liability and total tax liability. In Financial Year 2017-18 total value of supplies including inward supplies taxed under reverse charge basis are Rs. 68,00,000. The break up of supplies are as follows – Particulars Rs. (1) Intra State Supplies of Goods X chargeable @ 5% GST 30,00,000 (2) Intra State Supplies made which are chargeable to GST 18,00,000 at Nil rate (3) Intra state supplies which are wholly exempt under section 11 of CGST Act, 2017 2,40,000 (4) Value of inward supplies on which tax payable under RCM (GST Rate 5%) 5,00,000 (5) Intra State Supplies of Goods Y chargeable @ 18 % GST 30,00,000 194</p>		<p>A Ltd. a manufacturing concern in Rajasthan has opted for composition scheme furnishes you with the following information for Financial Year 2019-20. It requires you to determine its composition tax liability and total tax liability. In Financial Year 2018-19 total value of supplies including inward supplies taxed under reverse charge basis are Rs. 68,00,000. The breakup of supplies for financial year 2019-20 is as follows – Particulars Rs. Lesson 2 n Supply 55 (1) Intra State Supplies of Goods X chargeable @5% GST 30,00,000 (2) Intra State Supplies made which are which are chargeable GST at Nil rate 18,00,000 (3) Intra state supplies which are wholly exempt under Section 11 of CGST Act, 2017 2,40,000 (4) Value of inward supplies on which tax payable under RCM (GST Rate 5%) 5,00,000 (5) Intra State Supplies of Goods Y chargeable @18% GST 30,00,000</p>	
	<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>			

628/875	SUBMITTED TEXT	124 WORDS	91% MATCHING TEXT	124 WORDS
	<p>The composite tax liability of A Ltd. shall be as under : (1) Computation of Aggregate Turnover and composite tax : Particulars Rs. (1) Supplies made under forward charge 30,00,000 (2) Supplies made which are chargeable to GST at Nil rate 18,00,000 (3) Supplies which are wholly exempt under section 11 of CGST 2,40,000 Act, 2017 (4) Value of inward supplies on which tax payable under RCM NIL (GST Rate 5%) (not to be included) (5) Intra State Supplies of Goods Y chargeable @ 18 % GST 30,00,000 Aggregate turnover 30,00,000 Rate of composite tax 2% Total Composite tax [Rs. 30,00,000 x2%] 60,000 (2) Tax payable under reverse charge basis: Particulars Rs. Value of inward supplies on which tax payable under RCM 5,00,000 Rate of GST 5% Tax payable under RMC 25,000 Total Tax liability (</p>		<p>The composite tax liability of A Ltd. shall be as under : (1) Computation of Aggregate Turnover and composite tax: Particulars Rs. (1) Supplies made under forward charge 30,00,000 (2) Supplies made which are which are chargeable GST at Nil rate -(Now not included) (3) Supplies which are wholly exempt under Section 11 of CGST Act, 2017 -(Now not included) (4) Value of inward supplies on which tax payable under RCM ( GST Rate 5%) (not to be included) NIL (5) Intra State Supplies of Goods Y chargeable @ 18% GST 30,00,000 Aggregate turnover 60,00,000 Rate of composite tax 0.5% Total Composite tax 30,000 (2) Tax payable under reverse charge basis : Particulars Rs. Value of inward supplies on which tax payable under RCM 5,00,000 Rate of GST 5% Tax payable under RCM 25,000 Total Tax liability 85,000</p>	
	<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>			

629/875	SUBMITTED TEXT	13 WORDS	80% MATCHING TEXT	13 WORDS
	<p>Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST).</p>		<p>Central Goods and Service Tax (CGST) and States would levy and collect State Goods and Service Tax (SGST)</p>	
	<p><b>W</b> <a href="https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf">https://cbseacademic.nic.in/web_material/Curriculum19/SQP_BP_XII/782-TAXATION/782-MS-TAXATION-XII.pdf</a></p>			

<b>630/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>68% MATCHING TEXT</b>	18 WORDS
<p>Time of supply of Goods / Services (point of taxation) Place of Supply of Goods and Services.</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>631/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>74% MATCHING TEXT</b>	24 WORDS
<p>Intra-State supply if the location of supplier and the Place of Supply of goods and services are in same state or same Union Territory.</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				
<b>632/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>80% MATCHING TEXT</b>	22 WORDS
<p>the location of supplier and the Place of Supply of goods and services are two different States or two different Union Territory or</p> <p><b>SA</b> CU-MBA-SEM-III-Tax Planning and Management- Second Draft-converted.pdf (D103495020)</p>				
<b>633/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>Place of Supply of Goods imported into or exported from India. 3. Section 12</p> <p>Place of supply of goods imported into, or exported from India Section 12</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>634/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>70% MATCHING TEXT</b>	28 WORDS
<p>the Place of Supply of services, where location of supplier and location of recipient is in India. 4. Section 13 governs the Place of Supply of services, where the</p> <p>the place of supply of services where the location of supplier of services and the location of the recipient of services is in India. (2) The place of supply of services, the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>635/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>83% MATCHING TEXT</b>	16 WORDS
<p>Place of Supply of goods other than goods imported into and exported from India. 2. Section 11</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				

<b>636/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>location of supplier or location of recipient is outside India. 196</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>location of supplier or location of recipient is outside India 660</p>		
<b>637/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>45% MATCHING TEXT</b>	22 WORDS
<p>Place of Supply of Goods other than Imports and export (for Domestic supply) are as under- 1) where the supply involves movement of goods:</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>Place of supply of goods other than import and export [Section-10] Nature of Supply Place of Supply . Nature of supply Place of supply 1 Where the supply involves the of goods,</p>		
<b>638/875</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>83% MATCHING TEXT</b>	36 WORDS
<p>Supply involves movement of goods whether by the supplier or the recipient, the Place of Supply of such goods shall be the location of the goods when the movement of goods terminates for delivery to the recipient.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>supply involves movement of goods, whether by the supplier or the recipient or any other the place of supply of such goods shall be location of goods at the time at which the movement of goods terminates for delivery to the recipient; (</p>		
<b>639/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>41% MATCHING TEXT</b>	26 WORDS
<p>Place of Supply of goods, but Sections 12 and 13 cover the supply of services, both are independent provisions. 6.5.2 Place of Supply of goods other than</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>640/875</b>	<b>SUBMITTED TEXT</b>	73 WORDS	<b>97% MATCHING TEXT</b>	73 WORDS
<p>where the goods are delivered by the supplier to a recipient on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the Place of Supply of such goods shall be the principal place of business of such person.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person; (</p>		

<b>641/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>91% MATCHING TEXT</b>	39 WORDS
<p>Where the supply does not involve movement of goods, whether, by the supplier or the recipient, the Place of Supply shall be the location of such goods at the time of the delivery to the recipient. However, when goods are</p>		<p>where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient; (where the goods are</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>642/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>Place of Supply shall be the location of such goods.</p>		<p>place of supply shall be the location of such goods</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>643/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
<p>Where the goods are assembled or installed at site, the Place of Supply shall be the place of such installation or assembly.</p>		<p>where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly;</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>644/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>100% MATCHING TEXT</b>	34 WORDS
<p>the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the Place of Supply shall be the location at which such goods are taken on board.</p>		<p>the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply shall be the location at which such goods are taken on board. (2)</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>645/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>66% MATCHING TEXT</b>	18 WORDS
<p>Place of Supply of services where the location of service supplier (provider) and recipient (Receiver) is in India,</p>		<p>place of Supply of services, where location of supplier and recipient is in India? (</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>646/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>68% MATCHING TEXT</b>	17 WORDS
<p>supplier of service, the Place of Supply of service is the location of service recipient of</p>		<p>supplier of service' the place of supply of services is based on the 'location of recipient of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				



<b>647/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>83% MATCHING TEXT</b>	13 WORDS
<p>on records of the supplier of service, the Place of Supply of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>on the records of supplier of services. (14) The place of supply of</p>		
<b>648/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>71% MATCHING TEXT</b>	16 WORDS
<p>services provided by way of admission to an event or amusement park or any other place</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>services provided by way of admission to a cultural, artistic, sporting, scientific, educational, entertainment event or amusement park or any other place</p>		
<b>649/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>66% MATCHING TEXT</b>	15 WORDS
<p>Place of Supply of the Services in relation to immovable property is the location of</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation.pdf (D132370683)</p>				
<b>650/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>Place of Supply for insurance services shall be the location of the service recipient</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>place of supply for export of service shall be the location of the service recipient,</p>		
<b>651/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>97% MATCHING TEXT</b>	19 WORDS
<p>the place of supply of such service shall be determined in accordance with the provisions of section 12(2)</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the place of supply of such service shall be determined in accordance with the provisions of sub- section (2).</p>		
<b>652/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>81% MATCHING TEXT</b>	21 WORDS
<p>made to— (a) a registered person, it shall be the location of such person; (b) any person, other than a registered person</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>made to a registered person shall be the location of such person; (b) made to any person other than a registered person</p>		

<b>653/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>shall be considered as inter-state supply and shall be subject to</p> <p><b>SA</b> Project_GST_VIBHUTI PATEL.pdf (D141952678)</p>				
<b>654/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>100% MATCHING TEXT</b>	24 WORDS
<p>shall be-- (i) the location of the recipient where the address on record exists: and (ii) the location of the supplier of services in other cases.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>655/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>60% MATCHING TEXT</b>	20 WORDS
<p>the place of supply shall be the location of recipient. If the person is not registered, the place of supply</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation 1.pdf (D133606709)</p>				
<b>656/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>90% MATCHING TEXT</b>	10 WORDS
<p>determine the nature of supply -whether inter state or intra-state</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>657/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>65% MATCHING TEXT</b>	23 WORDS
<p>goods are delivered by the supplier to a recipient on the direction NSOU • PGCO - V 203 of a third person</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>658/875</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>53% MATCHING TEXT</b>	29 WORDS
<p>Supply of Goods, u/s 12 of CGST Act Time of Supply of Goods under forward charge The time of supply of goods shall be (a) Date of issue of tax invoice [</p> <p>Supply of goods: Section12 of the CGST/SGST Act provides time of supply of goods. The time of supply of goods shall be the earlier of the following namely, ? the date of of invoice</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>659/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>45% MATCHING TEXT</b>	31 WORDS
<p>Where supply involves movement of goods → at the time or before the removal of goods. (b) Where supply doesn't involve movement of goods → at the time or before the delivery of goods. (</p>		<p>Where the supply involves movement of the goods On/before at the time of removal of the goods 2. Where the supply doesn't involve the movement of the goods On/before the delivery of the goods</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>660/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>79% MATCHING TEXT</b>	31 WORDS
<p>Date of receipt of payment shall be (a) Date on which the payment is recorded in the books of accounts of the supplier (b) Date on which the payment is credited to</p>		<p>date of receipt of payment" shall be date on which the payment is entered in the books of account of the supplier or date on which the payment is credited to</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>661/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>98% MATCHING TEXT</b>	27 WORDS
<p>the supplier can choose to take the date of invoice issued with respect to such excess amount as the time of supply of goods for such excess value.</p>		<p>the supplier can choose to take the date of the invoice issued with respect to such excess amount, as the time of supply of goods for such excess value. 673</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>662/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>the manner for determination of time of supply in case of supply of services</p>		<p>the principles for determination of place of supply in case of supply of services,</p>		
<p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>				
<b>663/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>shall be (a) Date of issue of invoice (b) Date of receipt of payment</p>		<p>shall be: (a) Date of issue of invoice (b) Date of receipt of payment</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>664/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>80% MATCHING TEXT</b>	14 WORDS
<p>The time of supply shall be (a) Date of provision of service (b) Date of</p>		<p>the time of supply shall be (a) Date of issue of Voucher (b) Date of</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				

<b>665/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>79% MATCHING TEXT</b>	31 WORDS
<p>Date of receipt of payment shall be (a) Date on which the payment is recorded in the books of accounts of the supplier (b) Date on which the payment is credited to</p>		<p>date of receipt of payment" shall be date on which the payment is entered in the books of account of the supplier the date on which the payment is credited to</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>666/875</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>98% MATCHING TEXT</b>	29 WORDS
<p>the supplier can choose to take the date of invoice issued with respect to such excess amount as the time of supply of goods for such excess value. 206</p>		<p>the supplier can choose to take the date of the invoice issued with respect to such excess amount, as the time of supply of goods for such excess value. 673</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>667/875</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>79% MATCHING TEXT</b>	42 WORDS
<p>Time of Supply of vouchers In case of supply of vouchers by a supplier, the time of supply (TOS) shall be (a) The date of issue of voucher → If supply is identifiable at the point (b) The date of redemption of Voucher →</p>		<p>time of supply of service is 25.2.2018 In case of voucher [Sec. 13(4)] In case of supply of vouchers by a supplier, the time of supply shall be– (a) the date of issue of voucher, the supply is identifiable at that point; or (b) the date of redemption of voucher,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>668/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>93% MATCHING TEXT</b>	15 WORDS
<p>of issue of voucher. Where it is not possible to determine the time of supply</p>		<p>of issue of voucher. Residual [Sec.12(5)] it is not possible to determine the time of supply</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>669/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>70% MATCHING TEXT</b>	23 WORDS
<p>be (a) Date on which periodic return has to be filed (b) In other case → the date on which tax is paid. 6.6.4</p>		<p>be the date on which such return is to be filed; or (b) in any other case, be the date on which tax is paid.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>670/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>in case of supply of goods under RCM, the time of supply shall be (a) Date</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>In case of supply of vouchers by a supplier, the time of supply shall be– (a) the date</p>		
<b>671/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>c) Date immediately following 30 days from the date of issue of invoice. 6.6.5</p> <p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>		<p>c) Date immediately following 30 days from the date of issue of invoice</p>		
<b>672/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>66% MATCHING TEXT</b>	20 WORDS
<p>the time of supply shall be (i) Date of payment (ii) Date immediately following 60 days from the date of issue of invoice.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the time of supply shall be date of payment i.earlier of 10.07.2020 and 15.07.2020) date immediately following sixty days from the date of issue of invoice</p>		
<b>673/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>68% MATCHING TEXT</b>	33 WORDS
<p>Time of Supply in case of change in the rate of tax [u/s 13 of CGST Act] When there is a change in the rate of tax in respect of goods or services,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Time of Supply in case of change in rate of tax [Section 14 of CGST Act, 2017] Section 14 of the CGST Act, 2017 defines the time of supply, there is a change in the rate of tax in respect of goods or services</p>		
<b>674/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>75% MATCHING TEXT</b>	15 WORDS
<p>Date of debit entry in the books of accounts of the recipient of services.</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>675/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>89% MATCHING TEXT</b>	14 WORDS
<p>the date of receipt of payment is the date of credit in the bank</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation 1.pdf (D133606709)</p>				

<b>676/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>80% MATCHING TEXT</b>	30 WORDS
<p>tax, the date of receipt of payment is the date of credit in the bank A/c if such credit is after 4 working days from the date of change in rate</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation 1.pdf (D133606709)</p>				
<b>677/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>89% MATCHING TEXT</b>	21 WORDS
<p>Problem 1 : Determine the Time of supply in each of the following independent cases in accordance with provisions of Section 12</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>678/875</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>58% MATCHING TEXT</b>	50 WORDS
<p>of payment recipient 1. 01-10-2017 02-10-2017 03-10-2017 15-11-2017 2. 03-10-2017 01-10-2017 04-10-2017 25-11-2017 3. 04-11-2017 04-11-2017 06-11-2017 01-10-2017 Solution: Time of supply of goods in each of the above cases has been given in following table— NSOU • PGCO - V 209 SL. Removal Date of Date of Date when Date of Time of</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>679/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>32% MATCHING TEXT</b>	35 WORDS
<p>date of removal of goods and payment is received after the date of invoice. 3. 04-11-2017 04-11-2017 06-11-2017 01-10-2017 01-10-2017 TOS is date of receipt of payment since invoice is issued after date of receipt of payment.</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>680/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Problem 2 : From the following information determine the time of supply</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				

<b>681/875</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>51% MATCHING TEXT</b>	48 WORDS
<p>of goods : SL. No. Invoice date Removal of goods Receipt of payment 1. 15-11-2017 26-10-2017 20-11-2017 2. 26-10-2017 30-10-2017 05-11-2017 Solution: Time of supply of goods in each of the above cases has been given in the following table— SL. No. Invoice Removal of Receipt of Time of Reasons date goods payment</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>682/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>68% MATCHING TEXT</b>	30 WORDS
<p>the date of invoice. 210 NSOU • PGCO - V Problem 3 : Determine the Time of Supply in each of following independent cases in accordance with provisions of Section 12</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>683/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>75% MATCHING TEXT</b>	34 WORDS
<p>in bank supplier's books account 1. 10-11-2017 20-11-2017 28-11-2017 30-10-2017 2. 30-11-2017 18-11-2017 10-11-2017 28-11-2017 Solution: Time of supply of goods in each of the above cases has been given in following table— SL. Invoice Invoice Date of</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>684/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>86% MATCHING TEXT</b>	20 WORDS
<p>Problem 4 : Determine the Time of Supply in each of following independent cases in accordance with provisions of Section 12</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				

<b>685/875</b>	<b>SUBMITTED TEXT</b>	51 WORDS	<b>82% MATCHING TEXT</b>	51 WORDS
<p>No. Date of invoice Date of receipt of Date of payment in Date when payment goods books debited in bank account 1. 01-10-2017 05-10-2017 10-10-2017 12-10-2017 2. 01-10-2017 15-10-2017 10-10-2017 12-10-2017 3. 01-10-2017 15-10-2017 12-10-2017 10-10-2017 4. 01-10-2017 15-11-2017 18-11-2017 20-11-2017 Solution Time of Supply of goods in each of the above cases has been given in</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				

<b>686/875</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>54% MATCHING TEXT</b>	50 WORDS
<p>date of receipt of goods 2. 01-10-2017 15-10-2017 10-10-2017 12-10-2017 10-10-2017 TOS is date of payment in books. 3. 01-10-2017 15-10-2017 12-10-2017 10-10-2017 10-10-2017 TOS is date when payment is debited in bank account. 4. 01-10-2017 15-11-2017 18-11-2017 20-11-2017 01-11-2017 TOS is the date immediately following 30 days from the date of issue of invoice</p> <p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				

<b>687/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>Problem 5: From the following information determine the time of supply</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				

<b>688/875</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>59% MATCHING TEXT</b>	42 WORDS
<p>Solution : Time of supply of goods in each of the above cases has been given in following table— SL. Date of invoice Removal of Receipt of Date of entry Date of debit in No. issued by supplier goods goods in books bank account of</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				



<b>689/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>63% MATCHING TEXT</b>	39 WORDS
<p>date immediately following 30 days after the date of issue of invoice. 212 NSOU • PGCO - V Problem 6 : Determine the time of supply in each of following independent cases in accordance with provisions of CGST Act, 2017: SL.</p> <p>Date of</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>690/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>supply shall be deemed to have been made to the supply" shall be deemed to have been made to the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>691/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>Solution: Time of supply of services in each of the above cases has been given in</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>692/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>90% MATCHING TEXT</b>	20 WORDS
<p>extent it is covered by the invoice or, as the case amounts may be, the payment. 4. 10-11-2017 30-11-2017 06-11-2017 06-11-2017</p> <p>extent it is covered by the invoice or, as the case may be, the payment.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>693/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>94% MATCHING TEXT</b>	24 WORDS
<p>supply shall be amount deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.</p> <p>supply" shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>694/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>supply shall be deemed to have been made to the ( supply" shall be deemed to have been made to the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>695/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>extent it is covered by the invoice or, as the case may be, the payment. 6. 10-11-2017 12-12-2017 30-04-2018 10-11-2017</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>extent it is covered by the invoice or, as the case may be, the payment.</p>		
<b>696/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>88% MATCHING TEXT</b>	23 WORDS
<p>be deemed to have been made to the extent it is (remaining) amounts covered by the invoice or, as the case may be, the payment.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.</p>		
<b>697/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>95% MATCHING TEXT</b>	32 WORDS
<p>value of any Supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said Supply of goods or services or both.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>value of a supply of goods or services or both 1) shall be the transaction value, 2) which is the price actually paid or payable for the said supply of goods or services or both 3)</p>		
<b>698/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>70% MATCHING TEXT</b>	30 WORDS
<p>Solution: Time of supply of services in each of the above cases has been given in following table— 1. 20-10-2017 21-10-2017 26-10-2017 21-10-2017 Earlier of date of invoice or date of payment</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>699/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>72% MATCHING TEXT</b>	33 WORDS
<p>in relation to such supply but paid by recipient of supply and not included in the price of the goods or services or both. (c) Incidental expenses including commission, packing etc. charged by the supplier</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually or payable the goods or services or both; (c) incidental expenses, including commission and packing, charged by the supplier</p>		

<b>700/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>78% MATCHING TEXT</b>	21 WORDS
<p>d) The value of taxable supply shall include not only the base price but also the charges for delay in payment,</p> <p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>		<p>d), the value for a supply will include not only the base price but also the charges for delay in payment.</p>		
<b>701/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>58% MATCHING TEXT</b>	17 WORDS
<p>value of supply as follows: (a) Discount which are allowed before or at the time of supply</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Value of Supply [Section 15(3)] (a) Any discount which is given before or at the time of the supply</p>		
<b>702/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>89% MATCHING TEXT</b>	13 WORDS
<p>be deducted from the value of supply if all the following conditions are satisfied: (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>be excluded from the value of supply, if all the following conditions are satisfied,</p>		
<b>703/875</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>54% MATCHING TEXT</b>	50 WORDS
<p>Such discount is allowed in terms of an agreement that existed at the time of supply. (ii) Such discount has been worked out invoice-wise. (iii) Input tax credit as is attributed to the discount on the basis of document issue by the supplier has been reversed by the recipient of the supply. 216</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.</p>		
<b>704/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>Price of the machine 2,00,000 Packing charges 20,000 Designing charges 40,000 Transit insurance 2,000 Freight outward 6,000</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Price of the machine 1,00,000 Packing charges 10,000 Designing charges 20,000 Transit insurance 1,000 Freight outward 8,000</p>		

**705/875**

**SUBMITTED TEXT**

228 WORDS

**89% MATCHING TEXT**

228 WORDS

Value of supply 4,37,500 218 NSOU • PGC0 - V Problem 3: From the following information determine the value of taxable supply as per provisions of Section 15 of the CGST Act, 2017. Contracted value of supply of goods (including GST @ 18%) Rs. 11,00,000. The contracted value of supply includes the following : Rs. (1) Cost of primary packing 10,000 (2) Cost of protective packing at recipient's request for safe transportation 15,000 (3) Design and engineering charges 85,000 Other information: (i) Commission paid to agent by recipient on instruction of supplier 5,000 (ii) Freight and insurance charges paid by recipient on behalf of supplier 75,000 Give reasons with suitable assumptions where necessary. Solution: Computation of value of taxable supply of goods : Particulars Rs. Rs. Contracted value of supply of goods 11,00,000 (1) Cost of primary packing Nil (2) Cost of protective packing at recipient's request for safe transportation (3) Design and engineering charges Nil Add: Commission paid to agent by recipient on 5,000 instruction of supplier Freight and insurance charges paid by recipient 75,000 on behalf of supplier 80,000 Cum tax value 11,80,000 Less: GST @ 18% [Rs. 11,80,000 x 18 / 118] 1,80,000 Value of taxable supply 10,00,000 Working Notes : For the purpose of determining the value of taxable supply, the following adjustments shall be made- (1) cost of primary packing and protective packing at recipient's request for safe transportation charged by supplier from the recipient shall be included for

value of taxable supply: From the following information determine the value of taxable supply as per provisions of Section 15 of the CGST Act, 2017? Rs. Contracted value of supply of goods (including GST @ 18%) 11,00,000 The contracted value of supply includes the following : (1) Cost of primary packing 25,000 (2) Cost of protective packing at recipient's request for safe transportation 15,000 (3) Design and engineering charges 85,000 Other information: (i) Commission paid to agent by recipient on instruction of supplier 5,000 (ii) Freight and insurance charges paid by recipient on behalf of supplier 75,000 Give reasons with suitable assumptions where necessary. Solution: Computation of value of taxable supply of goods : Particulars Rs. Rs. Contracted value of supply of goods 11,00,000 (1) Cost of primary packing [WN-1] - 96 PP-ATL (2) Cost of protective packing at recipient's request for safe transportation [WN-1] - (3) Design and engineering charges [WN-2] - Add: Commission paid to agent by recipient on instruction of supplier [Freight and insurance charges paid by recipient on behalf of supplier [WN-3] 75,000 80,000 Cum tax value 11,80,000 Less: GST @ 18% [Rs. 11,80,000 x 18 / 118] [WN-4] 1,80,000 Value of taxable supply 10,00,000 Working Notes: For the purpose of determining the value of taxable supply, the following adjustments shall be made- (1) As per Section 15(2)(c) of CGST Act, 2017, cost of primary packing and protective packing at recipient's request for safe transportation charged by supplier from the recipient shall be included for

**W** <https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf>

**706/875****SUBMITTED TEXT**

174 WORDS

**93% MATCHING TEXT**

174 WORDS

determining the value of taxable supply. Since it is already included in the value, no treatment is required. (2) any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of taxable supply. Hence design and engineering charges shall also be included in the value of taxable supply. Since it is already included in the value, no treatment is required. (3) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply. Thus, commission paid to agent by recipient on instruction of supplier and freight and insurance charges incurred by recipient on behalf of supplier shall form part of value of taxable supply. (4) value of supply shall not include any taxes or cesses levied under CGST Act, SGST Act, UTGST Act and the GST(compensation to States) Act, if charged separately by the supplier.

determining the value of taxable supply. Since it is already included in the value, no treatment is required. (2) As per Section 15(2)(c) of CGST any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of taxable supply. Hence design and engineering charges shall also be included in the value of taxable supply. Since it is already included in the value, no treatment is required. (3) As per Section 15(2)(b) of the CGST any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply. Thus, commission paid to agent by recipient on instruction of supplier and freight and insurance charges incurred by recipient on behalf of supplier shall form part of value of taxable supply. (4) As per Section 15(2) (a) of the CGST Act, 2017, value of supply shall not include any taxes or cesses levied under CGST Act, SGST Act, UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier.

**W** <https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf>

707/875	SUBMITTED TEXT	280 WORDS	91% MATCHING TEXT	280 WORDS
	<p>Value of taxable supply 13,62,500 Problem 5: Computation of value of taxable supply and tax payable. Determine the value of taxable supply as per Section 15 of the CGST Act, 2017 and the Rules thereof : Contracted sale price of goods (including CGST and SGST @ 5%) 10,56,000 The contracted sale price includes the following elements of cost : (i) Cost of drawings and design 5,000 (ii) Cost of primary packing 2,000 (iii) Cost of packing at buyer's request 4,000 (iv) Freight and insurance from 'place of removal' to buyer's premises 43,000 A discount of Rs. 6,000 was given by the supplier at the time of supply of goods. CGST and SGST is levied @ 5 % . Solution: Computation of Assessable value : Particulars Rs. Rs. Contracted sale price of goods 10,56,000 Less : Discount 6,000 (6,000) Cum tax value 10,50,000 Less: GST @ 5% [Rs.10,50,000 x 5 / 105] 50,000 Value of taxable supply 10,00,000 NSOU • PGCO - V 221 Working Notes : (1) any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of taxable supply. Hence drawing and design charges, cost of packing (even at buyer's request) shall form a part of the transaction value of the supply. Since these are already included in the value of the goods, hence separate treatment is not required. (2) The value of supply shall include any taxes, duties, cess, fees and charges levied under any law for the time being in force other than the CGST Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier. (3) The value of supply shall not include any discount which is given before or at the time of supply. 6.8</p>		<p>value of supply. Q. Computation of value of taxable supply and tax payable: Determine the value of taxable supply as per Section 15 of the CGST Act, 2017 and the Rules thereof: Rs. Contracted sale price of goods (including CGST and SGST @5%) 10,56,000 The contracted sale price includes the following elements of cost: (i) Cost of drawings and design 5,000 (ii) Cost of primary packing 2,000 (iii) Cost of packing at buyer's request 4,000 (iv) Fright and insurance from 'place of removal' to buyer's premises 43,000 Lesson 2 n Supply 101 A discount of Rs. 6,000 was given by the supplier at the time of supply of goods. CGST and SGST is levied @5%. Sol: Computation of Assessable value Particulars Rs. Rs. Contracted sale price of goods 10,56,000 Discount [WN-3] 6,000 6,000 Cum tax value 10,50,000 Less: GST @ 5% [Rs. 10,50,000 x 5 -105] [WN-2] 50,000 Value of taxable supply 10,00,000 Working As per Section 15(2) (c) of CGST any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of taxable supply. Hence drawing and design charges, cost of packing (even at buyer's request) shall form a part of the transaction value of the supply. Since these are already included in the value of the goods, hence, separate treatment is not required. (2) The value of supply shall include any taxes, duties, cess, fees and charges levied under any law for the time being in force other than the CGST Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier. [Section 15(2)(a) CGST Act, 2017] (3) value of supply shall not include any discount which is given before or at the time of supply. [</p>	
	<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>			

708/875	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	<p>treated neither as supply of goods nor as supply of services</p>		<p>treated neither as supply of goods nor as supply of services. (</p>	
	<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>			

<b>709/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>is made from a place of business for which the registration has been obtained, the location of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>is made from a place of business for which the registration has been obtained, the location of</p>		
<b>710/875</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>28% MATCHING TEXT</b>	47 WORDS
<p>place of business (b) the location of the usual place of residence of the supplier (c) either the location of such place of business of the location of the usual place of residence of the supplier (d) any of the above 2. Where a supply of service is made from a</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>place of business or fixed the location of the establishment most directly concerned with the receipt of the supply; and (d) in absence of such places, the location of the usual place of residence of the recipient. Section 2(15): "of the supplier of services" a) where a supply is made from a</p>		
<b>711/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>88% MATCHING TEXT</b>	16 WORDS
<p>a place other than the place of business for which registration has been obtained, the location of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of</p>		
<b>712/875</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>93% MATCHING TEXT</b>	46 WORDS
<p>Where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of goods shall be (a) the location of the goods at the time at which the movement of goods terminates delivery to the recipient (b) the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, place of supply of such goods shall be the location the goods at the time at which the movement of goods terminates for delivery to the recipient; (b) the</p>		
<b>713/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>the location of the usual place of residence of the supplier (d) any of the</p> <p><b>SA</b> IC1741 - Saraswathi - Evolution of Taxation system in India.docx (D33250699)</p>				

<b>714/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>84% MATCHING TEXT</b>	18 WORDS
<p>location of the goods at the time from which the movement of goods originates for delivery to the recipient (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Location of the goods at the time at which the movement of goods terminates for delivery to the recipient.</p>		
<b>715/875</b>	<b>SUBMITTED TEXT</b>	72 WORDS	<b>74% MATCHING TEXT</b>	72 WORDS
<p>the location of such goods at the time of the delivery to the recipient (d) any of the above 4. Where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents NSOU • PGCO - V 223 of title to the goods or otherwise</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the location of goods at the time at which the movement of goods terminates for delivery to the recipient; ( b) where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise,</p>		
<b>716/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>80% MATCHING TEXT</b>	17 WORDS
<p>the place of supply of goods shall be (a) the principal place of business of such third person (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the place of supply of such goods shall be the principal place of business of such person; (</p>		
<b>717/875</b>	<b>SUBMITTED TEXT</b>	52 WORDS	<b>66% MATCHING TEXT</b>	52 WORDS
<p>of goods (c) the principal place of business of supplier of goods (d) none of the above 5. Where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply of goods shall be (a) the location of such goods at the time of the delivery to the recipient (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>of such goods shall be the principal place of business of such person; (c) where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient; (</p>		
<b>718/875</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>47% MATCHING TEXT</b>	34 WORDS
<p>the location of the supplier (c) the location of the recipient (d) any of the above 6. Where the goods are assembled or installed at site, the place of supply of goods shall be (a) the location of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the location such goods the time of the delivery the recipient; (d) where the goods are assembled or installed at site, the place of supply shall be the place of</p>		



<b>719/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>73% MATCHING TEXT</b>	35 WORDS
<p>the place of such installation or assembly (d) any of the above 7. Where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply</p>		<p>the place of such installation or assembly; n Integrated Goods and Services Tax (IGST) 507 (e) on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>720/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>the location at which such goods are taken on board (</p>		<p>the location at which such goods are taken on board. (2)</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>721/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>93% MATCHING TEXT</b>	24 WORDS
<p>Where the service are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply</p>		<p>where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>722/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>75% MATCHING TEXT</b>	17 WORDS
<p>the location of the recipient (c) the first scheduled point of departure of that conveyance for the journey (</p>		<p>the location of the first scheduled point of departure of that conveyance for the journey.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>723/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery</p>		<p>restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>724/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>person, the place of supply of such service shall be (a) the location of</p>		<p>person, the place of supply of such goods shall be the location of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>725/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery</p>		
<b>726/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>45% MATCHING TEXT</b>	21 WORDS
<p>the location of the supplier of services (c) either the location of such registered person or the location of the supplier of services (</p> <p><b>SA</b> Vaishakhi Gandhi_LLM 2nd yr Dissertation 1.pdf (D133606709)</p>				
<b>727/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>64% MATCHING TEXT</b>	22 WORDS
<p>the place of supply of such service shall be (a) the location of the supplier of services (b) the location of the recipient of services (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the place of supply of services the location of the supplier of services or the location of the recipient of services</p>		
<b>728/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>71% MATCHING TEXT</b>	32 WORDS
<p>the location of the recipient where the address on record exists and the location of the supplier of services in other cases (d) any of the above 11. Where the services in relation to</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the location of the recipient where the address on record exists and the location of the supplier of services in other cases 12(3) place of supply of directly in relation to</p>		
<b>729/875</b>	<b>SUBMITTED TEXT</b>	40 WORDS	<b>37% MATCHING TEXT</b>	40 WORDS
<p>the place of supply of such service shall be (a) the location of the supplier of services (b) the location of such registered person (c) either the location of such registered person or the location of the supplier of services (d) any of the</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the place of supply shall be the location of the supplier of services. (13) The place of of insurance services shall, – (a) a registered person, be the location of such person; (b) to a person other than a registered person, be the location of the recipient of services the records of the</p>		

<b>730/875</b>	<b>SUBMITTED TEXT</b>	52 WORDS	<b>31% MATCHING TEXT</b>	52 WORDS
<p>the place of supply of such service shall be (a) the location of the supplier of services (b) the location where the services are actually performed (c) the location of the recipient of services (d) any of the above 13 Where services are provided by way of admission to a cultural, artistic, sporting, scientific or educational, entertainment event,</p>		<p>the Place of Supply of Educational Services where the location of the supplier of services the location the recipient of services is outside India As per section 13(5) of the IGST Act, 2017, the place of supply of services supplied by way of admission to, or organization of a cultural, artistic, sporting, scientific, or entertainment event,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>731/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>84% MATCHING TEXT</b>	13 WORDS
<p>services in relation to training and performance appraisal are provided to a person</p>				
<p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>732/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>48% MATCHING TEXT</b>	32 WORDS
<p>the place of supply of such service shall be (a) the location of the supplier of services NSOU • PGCO - V 225 (b) the location of the recipient of services (c) the place</p>		<p>the place of supply of services the location of the supplier of services or the location of the recipient of services India. (2) The place</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>733/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>100% MATCHING TEXT</b>	27 WORDS
<p>by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events,</p>		<p>by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event , including supply of services in relation to a conference, fair exhibition, celebration or similar events;</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>734/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>62% MATCHING TEXT</b>	19 WORDS
<p>the place of supply of such service shall be (a) the location of the supplier of services (b) the place</p>		<p>the place of supply shall be the location of the supplier of services. (13) The place</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>735/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>88% MATCHING TEXT</b>	14 WORDS
<p>Where the services are provided to a person other than a registered person</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>where the services are supplied to a person other than a registered person,</p>		
<b>736/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>98% MATCHING TEXT</b>	23 WORDS
<p>by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment including supply of services in relation to a conference, fair, exhibition, celebration</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>by way of organisation of a cultural, artistic, sporting, scientific, educational or event , including supply of services in relation to a conference, fair exhibition, celebration</p>		
<b>737/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>62% MATCHING TEXT</b>	19 WORDS
<p>the place of supply of such service shall be (a) the location of the supplier of services (b) the place</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the place of supply shall be the location of the supplier of services. (13) The place</p>		
<b>738/875</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>75% MATCHING TEXT</b>	42 WORDS
<p>place where the event is actually held and if the event is held outside India, then of supply shall be the location of the recipient (d) any of the above 16. Where the services by way of transportation of goods, including by mail or courier</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>place where the event is actually held and if the event is held outside India, the place of supply shall be the location of the recipient. 12(8) place of supply of services by way of transportation of goods, including by mail or courier</p>		
<b>739/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>51% MATCHING TEXT</b>	25 WORDS
<p>the location of the supplier of services (b) the location of such registered person (c) the location at which such goods are handed over for their transportation (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the location of the recipient of services is India Location of the Location at which the goods are handed over for their transportation.</p>		

<b>740/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>76% MATCHING TEXT</b>	21 WORDS
<p>services by way of transportation of goods, including by mail or courier provided to a person other than a registered person,</p>		<p>services by way of transportation of goods, including by mail or courier to (a) registered person (b) a other than a registered person (</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>741/875</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>62% MATCHING TEXT</b>	26 WORDS
<p>the location of the supplier of services (b) the location of recipient of such services (c) the location at which such goods are handed over for their transportation (</p>		<p>the location of supplier of services and the location of the recipient of services is India Location the Location at which the goods are handed over for their transportation.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>742/875</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>56% MATCHING TEXT</b>	27 WORDS
<p>the point of supply of such service shall be (a) the location of such registered person (b) the place where the passenger embarks on the conveyance for a continuous journey (</p>		<p>The place of supply of passenger transportation service to,- (a) a registered shall be the location of such person; (b) a person other than a registered person, be the where the passenger embarks on the conveyance for a continuous journey:</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>743/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>71% MATCHING TEXT</b>	24 WORDS
<p>the place of supply of such service shall be (a) the place where the passenger embarks on the conveyance for a continuous journey (b) the place</p>		<p>The place of supply in of passenger transportation shall be the place where the passenger embarks on the conveyance for a continuous journey. (11) The place</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>744/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>68% MATCHING TEXT</b>	21 WORDS
<p>Furnishing details of Outward Supplies 7.14.2 Furnishing details of Inward Supplies 228 NSOU • PGCO - V 7.14.3 Furnishing of Returns 7.14.4</p>		<p>Furnishing details of outward supplies Section 38 Furnishing details of inward supplies Section 39 Furnishing of returns</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

745/875	SUBMITTED TEXT	57 WORDS	70% MATCHING TEXT	57 WORDS
	Aggregate turnover means the aggregate value of – All taxable supply (excluding the inward supplies on which tax is payable on reverse charge basis) Exempted supplies Export of goods or services or both Inter-state supplies of person having the same Permanent Account Number (PAN) but excluding central tax, state tax, union territory tax and cess (		Aggregate turnover” means the aggregate value of – ? all taxable supplies (excluding the value of supplies on which tax is payable by a person on reverse charge basis), ? supplies, ? exports of goods or services or both, and ? inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis, but excludes - ? Central tax, ? State tax, ? Union territory tax, ? Integrated tax, and ? Cess.	
	<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>			
746/875	SUBMITTED TEXT	31 WORDS	79% MATCHING TEXT	31 WORDS
	not eligible for Composition Scheme The following persons cannot opt for composition scheme and therefore, such persons are required to discharge their tax liability if any in normal manner: Supplier of			
	<b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)			
747/875	SUBMITTED TEXT	22 WORDS	93% MATCHING TEXT	22 WORDS
	shall mention the words “composition taxable person, not eligible to collect tax” on supplies at the top of every bill of supply (		shall mention the words “composition taxable person, not eligible to collect tax on supplies” at the top of the bill of supply	
	<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>			
748/875	SUBMITTED TEXT	37 WORDS	38% MATCHING TEXT	37 WORDS
	Person supplying goods through an electronic commerce operator; Manufacturer of goods notified u/s 10(2)(e), i.e. ice cream, pan masala, tobacco and other manufactured tobacco substitutes; Casual person as well as non resident taxable person.			
	<b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)			

<b>749/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>59% MATCHING TEXT</b>	22 WORDS
<p>registered persons having the same PAN. If one such registered person opts for normal scheme, other became ineligible for composition scheme. A</p>		<p>registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme. ? A</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>750/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>shall not collect any tax from the recipient on supplies made by him.</p>		<p>shall not collect any tax from the recipient on supplies made by him</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>751/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>82% MATCHING TEXT</b>	18 WORDS
<p>The option to pay tax under composition levy shall be effective from the beginning of the financial year</p>		<p>The option to pay tax under shall be effective from the beginning of the financial year,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>752/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>81% MATCHING TEXT</b>	21 WORDS
<p>Validity of composition levy The option exercised by a registered person to pay tax under composition scheme shall remain valid</p>		<p>validity of the composition levy. As per the said rule, the option exercised by a registered person to pay tax the composition scheme shall remain valid</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>753/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>shall lapse from the day on which the aggregate turnover during the financial year exceeds</p>		<p>shall lapse from the day on which his aggregate turnover during the financial year 2019-20 exceeds ₹ 1.5</p>		
<p><b>W</b> <a href="https://www.learn cram.com/category/cs-executive/page/6/">https://www.learn cram.com/category/cs-executive/page/6/</a></p>				
<b>754/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>from the day he ceases to satisfy any of the</p>		<p>from the day he ceases to satisfy any of the</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>755/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
	XYZ Ltd., a manufacturing concern had effected intra-state taxable supply of Rs. 20,00,000 and		XYZ Ltd., a manufacturing concern had effected intra-state taxable supply of Rs. 20,00,000 and	
	<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>			

<b>756/875</b>	<b>SUBMITTED TEXT</b>	74 WORDS	<b>97% MATCHING TEXT</b>	74 WORDS
	taxable supply of Rs. 25,00,000 in Financial year 2017-18. The company wants to opt for composition scheme under Section 10 of CGST Act, 2017. As a GST consultant advise XYZ Ltd. whether it can opt for composition scheme. Solution : As per provisions of Section 10 of CGST Act, 2017, a manufacturer can opt for composition scheme if he is not engaged in making any inter-State outward supplies of goods. In this case since XYZ Ltd. has effected		taxable supply of Rs. 25,00,000 in Financial year 2017-18. The company wants to opt for composition scheme under Section 10 of CGST Act, 2017. As a GST consultant advise XYZ Ltd. whether it can opt for composition scheme. Sol: As per provisions of Section 10 of CGST Act, 2017, a manufacturer can opt for composition scheme if he is not engaged in making any inter-State outward supplies of goods. In this case since XYZ Ltd. has effected	
	<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>			

<b>757/875</b>	<b>SUBMITTED TEXT</b>	98 WORDS	<b>93% MATCHING TEXT</b>	98 WORDS
	taxable supply of goods, it cannot opt for composition scheme. Problem 2: Mr. A, a retailer who keeps no inventories, presents the following information for the year - (1) Purchases of goods : Rs. 50 lakhs (GST @ 5%). (2) Sales (at fixed selling price inclusive of all taxes): Rs. 60 lakhs (GST on sales @ 5%). Discuss whether he should opt for composition scheme if composite tax is 1% of turnover. Expenses of keeping detailed statutory records required under the GST Laws will be Rs. 1,20,000 p.a., which shall get reduced to Rs. 50,000 if composition scheme is opted for. Other expenses are Rs.3,00,000 p.a.		taxable supply of goods, hence it cannot opt for composition scheme. Q. Normal Taxation v. Composition Scheme: Mr. A, a retailer who keeps no inventories, presents the following expected information for the year – 56 PP-ATL (1) Purchases of goods: Rs. 50 lakhs (GST @5%) (2) Sales (at fixed selling price inclusive of all taxes): Rs. 60 lakhs (GST on sales @5%) Discuss whether he should opt for composition scheme if composite tax is 1% of turnover. Expenses of keeping detailed statutory records required under the GST Laws will be Rs. 1,20,000 p.a., which shall get reduced to Rs. 50,000 if composition scheme is opted for. Other expenses are Rs. 3,00,000 p.a.	
	<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>			

<b>758/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
	The cost to the ultimate consumer under two schemes is as		The cost to the ultimate consumer under two schemes is as	
	<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>			



759/875	SUBMITTED TEXT	143 WORDS	94% MATCHING TEXT	143 WORDS
	<p>Conclusion: It is apparent that while cost to ultimate consumer, in both the cases remains same, the profit of the dealer is higher if the dealer opts for composition scheme. Hence, composition scheme should be opted.</p> <p>Problem 3: Applicability of composition scheme: XYZ Ltd. is having two factories. One factory is located in Rajasthan, manufacturing readymade garments and another factory located in Gujarat engaged in manufacturing auto components. The turnover details of Financial Year 2017-18 are as under: Particulars Rs. (1) Intra-State supply of readymade garments in Rajasthan 28,00,000 (2) Intra-State supply of auto- components in Gujarat 18,00,000 Total Value of taxable supplies 46,00,000 The company wants to opt for composition scheme for factory in Rajasthan and tax at normal rates in Gujarat. Advise. Solution: According to Section 10(2) of CGST Act, 2017, All Registered person having same PAN have to opt for Composition Scheme. If one opts for regular levy for one</p>			<p>Conclusion: It is apparent that while cost to ultimate consumer, in both the cases remains same, the profit of the dealer is higher if the dealer opts for composition scheme. Hence, composition scheme should be opted.</p> <p>Q. Applicability of composition scheme: XYZ Ltd. is having two factories. One factory is located in Rajasthan is manufacturing readymade garments and another factory located in Gujarat is engaged in manufacture of auto components. The turnover details of Financial Year 2017-18 are as under: Particulars Rs. (1) Intra-State supply of readymade garments in Rajasthan 28,00,000 (2) Intra-State supply of auto- components in Gujarat 18,00,000 Total Value of taxable supplies 46,00,000 The company wants to opt for composition scheme for factory in Rajasthan and tax at normal rates in Gujarat. Advise. Sol: According to Section 10(2) of CGST Act, 2017, All Registered person having same PAN have to opt for Composition Scheme. If one opts for regular levy for one</p>
	<b>W</b>	<a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>		
760/875	SUBMITTED TEXT	52 WORDS	89% MATCHING TEXT	52 WORDS
	<p>Normal GST Composition Scheme* Scheme Cost of goods sold (*No credit under composition scheme, hence, cost of goods sold will be higher) 50,00,000 52,50,000 Add: Costs of maintaining records 1,20,000 50,000 Add: Normal Expenses 3,00,000 3,00,000 Total Costs 54,20,000 56,00,000 Sales (inclusive of all taxes) 60,00,000 60,00,000 Less: Tax (GST = 60 lakh x 5 /105); (Composite Tax = 60 lakh</p>			<p>Normal GST scheme Composition Scheme Cost of goods sold (*No credit under composition scheme, hence, cost of goods sold will be higher) 50,00,000 52,50,000 Add: Costs of maintaining records 1,20,000 50,000 Add: Normal Expenses 3,00,000 3,00,000 Total Costs 54,20,000 56,00,000 Sales (inclusive of all taxes) 60,00,000 60,00,000 Less: Tax (GST = Rs. 60 lakh x 5 / 105); (Composite Tax = Rs. 60 lakh x 1%) 2,85,714 60,000</p>
	<b>W</b>	<a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>		
761/875	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
	<p>Sales (net of taxes) 57,14,286 59,40,000 Profit of the dealer 2,94,286 3,40,000 (Sales, net of taxes - Total Costs) 234</p>			<p>Sales (net of taxes) 57,14,286 59,40,000 Profit of the dealer (Sales, (net of taxes - Total Costs) 2,94,286 3,40,000</p>
	<b>W</b>	<a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>		

<b>762/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>registered place, others become ineligible for composition levy. Thus, XYZ Ltd. cannot opt for composition scheme in Rajasthan and pay normal tax in Gujarat.</p>		<p>registered place, others become ineligible for composition levy. Thus, XYZ Ltd. cannot opt for composition scheme in Rajasthan and pay normal tax in Gujarat.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>763/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>52% MATCHING TEXT</b>	21 WORDS
<p>to grant exemption from tax if it is necessary in Public Interest to do so, on recommendation of GST Council by notification</p>		<p>TO GRANT EXEMPTION FROM TAX 1) Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by notification,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>764/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>85% MATCHING TEXT</b>	23 WORDS
<p>a) Health care services by a clinical establishment / an authorised medical practitioner. (b) Services provided by way of transportation of patient in an ambulance. (</p>		<p>a) Health care services by a clinical establishment, an authorised medical practitioner or para- medics; (b) Services provided by way of transportation of a patient in an ambulance,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>765/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>59% MATCHING TEXT</b>	20 WORDS
<p>by way of right to admission to the following event (i) circus, dance, drama or ballet. (ii) award function, concert, musical performance (</p>		<p>by way of right to admission to- (a) circus, dance, or theatrical performance including drama or ballet; (b) award function, concert, pageant, musical performance</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>766/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>88% MATCHING TEXT</b>	16 WORDS
<p>of Goods by rail or a vessel from one place in India to another of following goods (</p>		<p>of transportation by rail or a vessel from one place in India to another of the following goods- (</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>767/875</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>59% MATCHING TEXT</b>	48 WORDS
	<p>milk, salt and food grain including flours, pulses and rice. (c) Services provided by a GTA by way of transport in a goods carriage of (i) agricultural produce (ii) Goods where consideration charged in a single carriage not exceeding Rs. 1500 (iii) Goods, where consideration charged for transportation of all such goods</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>milk, salt and food-grain including flours, pulses and rice; and (vii) organic Services provided by a goods transport agency, by way of transport in a goods carriage of,– (a) agricultural produce; (b) goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed one thousand five hundred rupees; (c) goods, where consideration charged for transportation of all such goods</p>	
<b>768/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>89% MATCHING TEXT</b>	14 WORDS
	<p>Services relating to cultivations of plants and rearing of all life form of animals (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Services relating to cultivation of plants and rearing of all life forms of animals,</p>	
<b>769/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>62% MATCHING TEXT</b>	15 WORDS
	<p>ii) Supply of farms labour (iii) Processess carried out at agricultural farm (tending, pruning, cutting, drying,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>ii) supply of farm labour; (iii) processes earned out at an agricultural farm including tending, pruning, cutting, harvesting, drying,</p>	
<b>770/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
	<p>Services by way of public conveniences such as provision of facilities of bathroom, washrooms,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Services by way of public conveniences such as provision of facilities of bathroom, washrooms,</p>	
<b>771/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>85% MATCHING TEXT</b>	14 WORDS
	<p>by way of access to a road or bridge on pyment of toll charges (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>by way of access to a road or a bridge on payment of toll charges. 23</p>	

<b>772/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>83% MATCHING TEXT</b>	12 WORDS
<p>Services provided by an educational institution to its student, faculty and staff (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Services provided – (a) by an educational institution to its students, faculty and staff; “(</p>		
<b>773/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>89% MATCHING TEXT</b>	14 WORDS
<p>to an educational institution by way of (i) Transporation of students, faculty and staff (ii)</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>to an educational institution, by way of,- (i) transportation of students, faculty and staff; (ii)</p>		
<b>774/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>92% MATCHING TEXT</b>	19 WORDS
<p>Services by way of training or coaching in recreational activities relating to arts, or culture or sports by charitable entities.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Services by way of training or coaching in recreational activities relating to arts or culture, or sports by charitable entities</p>		
<b>775/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>92% MATCHING TEXT</b>	13 WORDS
<p>by a person by way of conduct of any religious ceremony. Renting of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>by a person by way of – (a) conduct of any religious ceremony; (b) renting of</p>		
<b>776/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>Services by way of renting of residential dwelling for use as residence (b) Services by a</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Services by way of renting of residential dwelling for use as residence. 13. Services by a</p>		
<b>777/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>90% MATCHING TEXT</b>	11 WORDS
<p>Services by way of giving on hire (i) to state transport undertaking. (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Services by way of giving on hire – (a) to a state transport undertaking,</p>		

<b>778/875</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>65% MATCHING TEXT</b>	61 WORDS
<p>Generally, the supplier of goods or services is liable to pay GST. However, in specified cases like import and other notified supplies the GST liability may be cast on the recipient under the RCM (Reverse Charge Mechanism). RCM means the liability to pay tax lies on the recipient of supply of goods or services instead of the supplier of such goods or services in</p>		<p>Generally, the supplier of goods or services is liable to pay GST. However, in specified cases like imports and other notified supplies, the liability may be cast on the recipient under the reverse charge Reverse Charge means the liability to pay tax is on the recipient of supply of goods or services instead of the supplier of such goods or services in</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				
<b>779/875</b>	<b>SUBMITTED TEXT</b>	66 WORDS	<b>67% MATCHING TEXT</b>	66 WORDS
<p>the Government to notify on the recommendation of the GST Council, specific categories of supply of goods or services, the tax on which shall be paid on reverse charge basis by the recipient of such supply and all provision of GST law shall apply to such recipients as if he is the person liable for paying tax inrelation to the supply of such goods or services or both. 7.12.2</p>		<p>The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both. (4)</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>780/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>Silk Yarn Any person who manufactures Do silk yarn from raw silk 5.</p>		<p>Do silk yarn from raw silk 5.</p>		
<p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>781/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>88% MATCHING TEXT</b>	16 WORDS
<p>a continuous chain of set off from the original producer's point/service provider's point upto the retailer's level/</p>		<p>a continuous chain of set off from the original producer's point/service provider's point upto the retailer's level/</p>		
<p><b>SA</b> Jatin jaiswal - B.Com. V.docx (D154070219)</p>				

<b>782/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>50% MATCHING TEXT</b>	28 WORDS
<p>entitled to claim input tax credit charged on inward supply of goods and/or services if such goods/services are used or intended to be used in course or furtherance of</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>783/875</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>92% MATCHING TEXT</b>	25 WORDS
<p>Input: Input means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business [</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>784/875</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>84% MATCHING TEXT</b>	38 WORDS
<p>Capital goods: Capital goods mean goods, the value of which is capitalised in the books of accounts of the person claiming input tax credit and which are used or intended to be used in course or furtherance of business [</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>785/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>84% MATCHING TEXT</b>	24 WORDS
<p>Input Services : Input services means any service used or intended to be used by a supplier in the course or furtherance of business [</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>786/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>86% MATCHING TEXT</b>	30 WORDS
<p>Zero-Rated Supply : Zero-Rated Supply means any of the following supplies of goods or services or both namely (i) Export of goods/services or both (ii) Supply of goods or services or both 7.13.3</p> <p>Zero rated Sec.16 (1) IGST zero rated supply” means any of the following supplies of goods or services or both, namely: – ( Export of goods or services both; b) Supply of goods or services or both</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>787/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>98% MATCHING TEXT</b>	28 WORDS
<p>Exempt Supply : Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax</p> <p><b>SA</b> 17218 JO.docx (D42922526)</p>				
<b>788/875</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>90% MATCHING TEXT</b>	24 WORDS
<p>Due date of filing return for the month of September of the succeeding financial year (or) (b) Date of filing of the relevant annual return. 7.13.4</p> <p>due date of filing of return for the month of September of the succeeding financial year or the date of filing of the relevant annual return,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>789/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>87% MATCHING TEXT</b>	23 WORDS
<p>the following information determine the amount of Input Tax Credit admissible to ABC Ltd. in respect of various inputs purchased during the month</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>790/875</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>75% MATCHING TEXT</b>	33 WORDS
<p>Rs.) (1) Goods purchased without invoice 25,000 (2) Goods purchased from PQR Ltd. (Full Payment is made by ABC 1,20,000 Ltd. to PQR Ltd. against such supply but that has not been deposited by PQR Ltd.) (3)</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>791/875</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>66% MATCHING TEXT</b>	35 WORDS
<p>Purchase of goods not to be used for business purposes 18,000 (4) Purchases of goods from TT Ltd, (Invoice of TT Ltd. is received 24,000 in month of September, 2017, but goods were received in month of</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				

<b>792/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>92% MATCHING TEXT</b>	22 WORDS
<p>Section 16(2), no registered person shall be entitled to the credit of any input tax in respect of any supply of goods</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods</p>		
<b>793/875</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>54% MATCHING TEXT</b>	37 WORDS
<p>Purchase of goods not to be used for business purposes [WN-3] - (4) Purchase of goods from TT Ltd. (Invoice of TT Ltd. is [WN-4] - received in month of September 2017, but goods were received in month of</p> <p><b>SA</b> GST - M.Com-2nd Sem.docx (D129601189)</p>				
<b>794/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>the tax charged in respect of such supply has been actually paid to the Government.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>the tax charged in respect of such supply has been actually paid to the Government,</p>		
<b>795/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>75% MATCHING TEXT</b>	28 WORDS
<p>registered person shall be entitled to take input tax credit on goods which are used or intended to be used in the course or furtherance of his business.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>registered person shall be entitled to take credit of input tax charged on any of goods or services or to him which used or intended to be used in the course or furtherance of his business.</p>		
<b>796/875</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>100% MATCHING TEXT</b>	30 WORDS
<p>Section 16(2), where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf">https://www.icsi.edu/media/webmodules/Tax_Law_Book_3_10_2019_Final.pdf</a></p>		<p>section 39. Where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment.</p>		



<b>797/875</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>66% MATCHING TEXT</b>	44 WORDS
<p>The basic feature of return filing system in GST includes electronic filing of return. Uploading of invoice level information and auto-populated information relating to input tax credit from return of supplier to that recipient, invoice-level information matching and auto reversal of ITC in case of mismatch.</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				
<b>798/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>82% MATCHING TEXT</b>	20 WORDS
<p>in Electronic cash ledger can be used for making any payment towards tax, interest, penalty, fees or any other amount</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>799/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>between 10th and 15th day of the month succeeding the month during which</p> <p><b>SA</b> Project_GST_VIBHUTI PATEL.pdf (D141952678)</p>				
<b>800/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>90% MATCHING TEXT</b>	12 WORDS
<p>a registered person is liable to pay tax under Reverse Charge Mechanism,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>801/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Interest on delayed payment of Tax: Section 50 of CGST Act</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>802/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>64% MATCHING TEXT</b>	17 WORDS
<p>from the date following the due date of payment to the actual date of payment of tax. 7.15.4</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>from the date following the due date of payment until the date of actual payment of tax.</p>		
<b>803/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>Additional Duty of Customs 8.3.3 Special Customs Duty 8.3.4 Protective Duties 8.3.5 Safeguard Duty 8.3.6 Countervailing Duty 8.3.7</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Additional Duty of Customs, Special Additional Duty, Protective Duty, Safeguard Duty, Countervailing Duty</p>		
<b>804/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>Restrictions on Custody and Removal of Imported Goods 8.6.2 Entry of Goods</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Restrictions on custody and removal of imported goods Section 50 Entry of Goods</p>		
<b>805/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>on Imported Materials used in the Manufacture of Goods which are Exported 8.9.2</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>on imported materials used in the manufacture of Goods which are exported (</p>		
<b>806/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>52% MATCHING TEXT</b>	22 WORDS
<p>Duty Basic Customs Duty is levied under section 12 of the Customs Act. The rates at which duties of customs shall be levied</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>DUTY: Basic custom duty is levied under section 12 of the Customs Act, 1962 read with section 2 of the Custom Tariff Act 1975. The duties of custom shall be levied</p>		
<b>807/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>Objectives After studying this unit we will be able to understand the concept of</p> <p><b>SA</b> M. Com. II Adc. Accountancy P. V &amp; VII all.PDF (D142210236)</p>				

<b>808/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>which the Central Government may, by notification in the Official Gazette,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>which the Central Government may, by notification in the Official Gazette,</p>		
<b>809/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>into India, the Central Government may, by notification in the official gazette,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>into India, the Central Government may, by notification in the Official Gazette,</p>		
<b>810/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>92% MATCHING TEXT</b>	19 WORDS
<p>of the Customs Tariff Act. Accordingly, any article which is imported into India shall, in addition, be liable to</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>of the Customs Tariff Act, 1975, any article which is imported into India shall, in addition, be liable to</p>		
<b>811/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>specified by the Central Government, by notification in the Official Gazette, having regard to the</p> <p><b>W</b> <a href="http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf">http://mu.ac.in/wp-content/uploads/2014/04/DIRECT-AND-INDIRECT-TAX-REV1.pdf</a></p>		<p>specified by the Central Government, by notification in the Official Gazette, having regard to the</p>		
<b>812/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>81% MATCHING TEXT</b>	18 WORDS
<p>any other duty imposed under this Act or under any other law for the time being in force. 8.3.4</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>any other provisions this Act or any other law for the time being in force. 4.</p>		
<b>813/875</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>95% MATCHING TEXT</b>	32 WORDS
<p>where any country or territory pays, bestows, directly or indirectly, any subsidy upon the manufacture or production therein or the exportation therefrom of any article including any subsidy on transportation of such article, then,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>Where any country or territory pays, bestows, directly or indirectly, any subsidy upon the manufacture or production therein or the exportation therefrom of any article including any subsidy on transportation of such article, then,</p>		

<b>814/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>91% MATCHING TEXT</b>	12 WORDS
<p>may impose on any goods imported into India in respect of which</p> <p><b>SA</b> PRERNA KITTU SINGH UNIVERSITY DEPARTMENT OF COMMERCE AND BUSINESS MANAGEMENT AN INDEPTH STUDY OF ... (D161889559)</p>				
<b>815/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>in the same condition as when exported from the country of manufacture</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>816/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>77% MATCHING TEXT</b>	18 WORDS
<p>the Central Government may, by notification in the Official Gazette, impose countervailing duty not exceeding the amount of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>817/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>81% MATCHING TEXT</b>	16 WORDS
<p>any other duty imposed under this Act or any other law for the time being in force.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>818/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>countervailing duty shall not be levied unless it is determined that – (</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>819/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>93% MATCHING TEXT</b>	21 WORDS
<p>subsidy relates to export performance; (b) The subsidy relates to the use of domestic goods over imported goods in the export article;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>820/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>The subsidy has been conferred on a limited number of persons engaged in manufacturing, producing or</p>		<p>The subsidy has been conferred on a limited number of persons engaged in manufacturing, production or</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>821/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>91% MATCHING TEXT</b>	18 WORDS
<p>material injury to any established industry in India and materially retards the establishment of any industry in India.</p>		<p>material injury to any established industry in India or materially retards the establishment of any industry in India.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>822/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>the Central Government may, by notification in the Official Gazette, direct</p>		<p>the Central Government may, by notification in the Official Gazette, direct</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>823/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>in this act, or any other law for the time being in force,</p>		<p>in this Act or any other law for the time being in force,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>824/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>100% MATCHING TEXT</b>	22 WORDS
<p>duties of customs shall be levied at such rates as may be specified under the Customs Tariff Act, 1975 [5] or 1975</p>		<p>duties of customs shall be levied at such rates as may be specified under the Customs Tariff Act, 1975 or</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>825/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>89% MATCHING TEXT</b>	23 WORDS
<p>or any other law for the time being in force, on goods imported into or exported from India. (2) The provisions of sub-section (1)</p>		<p>or any other law for the time being in force. On goods imported into or exported from India as per the provisions of Section 12</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>826/875</b>	<b>SUBMITTED TEXT</b>	54 WORDS	<b>98% MATCHING TEXT</b>	54 WORDS
<p>Duty on pilfered goods If any imported goods are pilfered after unloading thereof and before the proper officer has made an order for clearance for home consumption or deposit in a warehouse, the importer shall not be liable to pay the duty leviable on such goods except where such goods are restored to the importer after pilferage. 8.5</p>		<p>Duty on Pilfered goods [Section 13] – If any imported goods are pilfered after the unloading thereof and before the proper officer has made an order for clearance for home consumption or deposit in a warehouse, the importer shall not be liable to pay the duty leviable on such goods except where such goods are restored to the importer after pilferage.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>827/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>89% MATCHING TEXT</b>	17 WORDS
<p>the Customs Act 1975 [51 of 1975] or any other law for the time being in force</p>		<p>the Act, 2013 (18 of 2013) under any other law for the time being in force;</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>828/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>64% MATCHING TEXT</b>	17 WORDS
<p>is chargeable on any goods by reference to their value, the value of such goods shall be</p>		<p>is chargeable on any supply of goods or services or both with reference to their value, the value of such supply shall be</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>829/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>93% MATCHING TEXT</b>	22 WORDS
<p>price at which such or like goods are ordinarily sold, or offered for sale for delivery at the time of importation or exportation</p>		<p>Price at which such or like goods are ordinarily sold or offered for sale; Price for delivery at the time and place of importation or exportation;</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf">https://www.icsi.edu/media/webmodules/Final_Tax_Law_Book.pdf</a></p>				

<b>830/875</b>	<b>SUBMITTED TEXT</b>	78 WORDS	<b>98% MATCHING TEXT</b>	78 WORDS
<p>Power not to recover duties not levied or short levied as a result of general practice : (1) Notwithstanding anything contained in this Act, if the Central Government is satisfied— (a) That a practice was or is generally prevalent regarding levy of duty (including non-levy thereof) on any goods imported into or exported from India; and (b) That such goods were or are liable— (i) To duty in cases where according to the said practice the duty was not or is being levied; or</p>		<p>Power not to recover duties not levied or short-levied as a result of general practice (Section 28A) (1) notwithstanding anything contained in this Act, if the Central Government is satisfied – (a) That a practice was, or is, generally prevalent regarding levy of duty (including non-levy thereof) on any goods imported into, or exported from, India; and (b) That such goods were, or are, liable - (i) to duty, in cases where according to the said practice the duty was not, or is not being, levied, or (</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>831/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Then, the Central Government may, by notification in the Official Gazette</p>		<p>then, the Central Government may, by notification in the Official Gazette,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>832/875</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>96% MATCHING TEXT</b>	43 WORDS
<p>payable on such goods by for the said practice shall not be required to be paid in respect of the goods on which the duty was not or is not being levied or was or is being short-levied in accordance with the said practice. 8.6</p>		<p>payable on such goods, but for the said practice, shall not be required to be paid in respect of the goods on which the duty was not, or is not being, levied, or was, or is being, short-levied, in accordance with the said practice. (2)</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>833/875</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>89% MATCHING TEXT</b>	14 WORDS
<p>all imported goods unloaded within a customs area shall remain in the custody of</p>		<p>all imported goods, unloaded in a customs area shall remain in the custody of</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>834/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>75% MATCHING TEXT</b>	15 WORDS
<p>the provisions of sub-section (1) or under any law for the time being in force :- (</p>		<p>the provisions of this Act or under any other law for the time being in force.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>835/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>87% MATCHING TEXT</b>	13 WORDS
<p>Notwithstanding anything contained in any law for the time being in force,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Notwithstanding anything to the contrary contained in any law for the time being in force,</p>		
<b>836/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>83% MATCHING TEXT</b>	17 WORDS
<p>if any imported goods are pilfered after unloading thereof in a customs area while in the custody of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>If any imported goods are pilfered after unloading in any customs area, while in the custody of</p>		
<b>837/875</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>86% MATCHING TEXT</b>	36 WORDS
<p>Entry of goods on importation The importer of any goods other than goods intended for transit or transshipment, shall make entry thereof by presenting to the proper officer a bill of entry for home consumption or warehouse in</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Entry of Goods on Importation (Section 46) (1) The importer of any goods, other than goods intended for transit or transshipment, shall make entry thereof by presenting electronically on the customs automated system to the proper officer a bill of entry for home consumption or warehousing in</p>		
<b>838/875</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>91% MATCHING TEXT</b>	37 WORDS
<p>Save as otherwise permitted by the proper officer a bill of entry shall include all the goods mentioned in the bill of lading or other receipt given by the carrier to the consignor. A bill of entry under sub-section</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>Save as otherwise permitted by the proper officer, a bill of entry shall include all the goods mentioned in the bill of lading or other receipt given by the carrier to the consignor. (3) The importer shall present the bill of entry under sub-section (1)</p>		
<b>839/875</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>92% MATCHING TEXT</b>	36 WORDS
<p>make and subscribe to a declaration as to the truth of the contents of such bill of entry and shall in support of such declaration produce to the proper officer the invoice, if any relating to the imported goods.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>make and subscribe to a declaration as to the truth of the 670 PP-ATL contents of such bill of entry and shall, in support of such declaration, produce to the proper officer the invoice, if any, and such other documents relating to the imported goods</p>		



<b>840/875</b>	<b>SUBMITTED TEXT</b>	40 WORDS	<b>91% MATCHING TEXT</b>	40 WORDS
<p>the proper officer is satisfied that the interest of revenue is not prejudicially affected and there was no fraudulent intention, he may permit substitution of a bill of entry for home consumption for a bill of entry for warehousing or vice- versa. 8.7</p>		<p>the proper officer is satisfied that the interests of revenue are not prejudicially affected and that there was no fraudulent intention, he may permit substitution of a bill of entry for home consumption for a bill of entry for warehousing or vice versa.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>841/875</b>	<b>SUBMITTED TEXT</b>	58 WORDS	<b>99% MATCHING TEXT</b>	58 WORDS
<p>Clearance of Goods for Home Consumption Where the proper officer is satisfied that any goods entered for home consumption are not prohibited goods and the importer has paid the import duty if any assessed thereon and any charges payable under this Act in respect of the same the proper officer may make an order permitting clearance of the goods for home consumption.</p>		<p>Clearance of Goods for Home Consumption (section 47) Where the proper officer is satisfied that any goods entered for home consumption are not prohibited goods and the importer has paid the import duty, if any, assessed thereon and any charges payable under this Act in respect of the same, the proper officer may make an order permitting clearance of the goods for home consumption:</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>842/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>89% MATCHING TEXT</b>	19 WORDS
<p>excluding holidays from the date on which the bill of entry is returned to him for payment of duty</p>		<p>excluding holidays) from the date on which the bill of entry is returned to him by the proper officer for payment of duty</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>843/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>fixed by the Central Government by notification in the official gazette</p>		<p>fixed by the Central Government, by notification in the Official Gazette.</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>844/875</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>91% MATCHING TEXT</b>	28 WORDS
<p>Entry of goods for exportation (1) The export of any goods shall make entry thereof by presenting to the proper officer in the case of goods to be exported</p>		<p>ENTRY OF GOODS FOR EXPORTATION (SECTION 50) The exporter of any goods shall make entry thereof by presenting electronically to the proper officer in the case of goods to be exported</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>845/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>84% MATCHING TEXT</b>	13 WORDS
<p>by land a bill of export in the prescribed form. (2) The export of</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>by land, a bill of export in the prescribed form. However, the Commissioner of</p>		
<b>846/875</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>97% MATCHING TEXT</b>	19 WORDS
<p>export shall at the foot thereof make and subscribe to a declaration as to the truth of its contents.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>export shall at the foot thereof make and subscribe to a declaration as to the truth of its contents.</p>		
<b>847/875</b>	<b>SUBMITTED TEXT</b>	57 WORDS	<b>99% MATCHING TEXT</b>	57 WORDS
<p>Clearance of goods for exportation : Where the proper officer is satisfied that any goods entered for export are not prohibited goods and the exporter has paid the duty, if any, assessed thereon and any charges payable under this Act in respect of the same the proper officer may make an order permitting clearance and loading of the goods for</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>CLEARANCE OF GOODS FOR EXPORTATION (SECTION 51) Where the proper officer is satisfied that any goods entered for export are not prohibited goods and the exporter has paid the duty, if any, assessed thereon and any charges payable under this Act in respect of the same, proper officer may make an order permitting clearance and loading of the goods for</p>		
<b>848/875</b>	<b>SUBMITTED TEXT</b>	40 WORDS	<b>100% MATCHING TEXT</b>	40 WORDS
<p>any goods imported in a conveyance and mentioned in the import manifest or the import report, as the case may be, as for transit in the conveyance to any place outside India or any customs station may be allowed to be so</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>any goods imported in a conveyance and mentioned in the import manifest or the import report, as the case may be, as for transit in the conveyance to any place outside India or any Customs station may be allowed to be so</p>		
<b>849/875</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>transhipment shall be presented to the proper officer in the prescribed form :</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>transhipment shall be presented to the proper officer in the prescribed form.</p>		

<b>850/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>85% MATCHING TEXT</b>	22 WORDS
<p>Subject to the provisions of section 11 where any goods imported into a customs station are mentioned in the import manifest or</p>		<p>subject to the provisions of Section 11. Sub-section (3) of Section 54 provides that where any goods imported into a Customs station are mentioned in the Import Manifest or</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>851/875</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>import report, as the case may be, as for transshipment</p>		<p>import report as the case may be, as for transshipment</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>852/875</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>55% MATCHING TEXT</b>	39 WORDS
<p>Where any goods imported into a customs station are mentioned in the import manifest or the import report, as the case may be, as for transshipment— (a) To any major port as defined in the India Ports Act 1908 (15</p>		<p>where any goods imported into a Customs station are mentioned in the Import Manifest or import report, as the case may be, as for a) to any major port as defined in the Indian Ports Act, 1908</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>853/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>79% MATCHING TEXT</b>	16 WORDS
<p>or customs airport at Mumbai, Kolkata, Delhi or Chennai or any other customs port or customs airport</p>		<p>or the Customs Airport at Mumbai, Calcutta, Delhi or Chennai or any other Customs port or Customs airport</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>854/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>proper officer makes an order permitting clearance and loading of the goods for exportation under section 51;</p>		<p>proper officer makes an order permitting clearance and loading of the goods for exportation under section 51</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>855/875</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>90% MATCHING TEXT</b>	20 WORDS
<p>the owner of such baggage, for the purpose of clearing it makes a declaration of its contents to the proper</p>		<p>the owner of any baggage shall for the purpose of clearing it makes a declaration of its contents to the proper</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				

<b>856/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>90% MATCHING TEXT</b>	11 WORDS
<p>officer makes an order permitting clearance of the goods for exportation;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>officer makes an order permitting clearance and loading of the goods for exportation</p>		
<b>857/875</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>91% MATCHING TEXT</b>	12 WORDS
<p>proper officer makes an order permitting clearance of the goods for exportation,</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>		<p>proper officer makes an order permitting clearance and loading of the goods for exportation</p>		
<b>858/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>The goods are identified to the satisfaction of the Assistant Commissioner of Customs [or Deputy Commissioner of Customs] as the goods which were imported;</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>the goods are identified to the satisfaction of the Assistant Commissioner of Customs or Deputy Commissioner of Customs as the goods which were imported; (</p>		
<b>859/875</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>84% MATCHING TEXT</b>	16 WORDS
<p>The goods are entered for export within two years from the date of payment of duty</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>The goods must be entered for re-export within two years from the date of payment of duty.</p>		
<b>860/875</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>93% MATCHING TEXT</b>	23 WORDS
<p>period of two years may, on sufficient cause being shown, be extended by the Board by such further period as it may deem fit.</p> <p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>		<p>period of two years may, on sufficient cause being shown, be extended by the Board by such further period it may deem fit; (</p>		

<b>861/875</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>99% MATCHING TEXT</b>	61 WORDS
<p>section and in particular such rules may— (a) Provide for the manner in which the identity of goods imported in different consignments which are ordinarily stored together in bulk may be established; (b) Specify the goods which shall be deemed to be not capable of being easily identified and (c) Provide for the manner and time within which a claim for payment of drawback is to be filed.</p>		<p>Section 74 and, in particular, such rules may: (a) provide for the manner in which the identity of goods imported in different consignments which are ordinarily stored together in bulk, may be established; (b) specify the goods which shall be deemed to be not capable of being easily identified; and (c) provide for the manner and the time within which a claim for payment of drawback is to be filed.”</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>862/875</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>on imported materials used in the manufacture of goods which are exported</p>		<p>on imported materials used in the manufacture of Goods which are exported (</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf">https://www.icsi.edu/media/webmodules/TL_Final_pdf_25102021.pdf</a></p>				
<b>863/875</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>100% MATCHING TEXT</b>	43 WORDS
<p>it appears to the Central Government that in respect of goods of any class or description [manufactured, processed or on which any operation has been carried out in India], being goods which have been entered for export and in respect of which an order</p>		<p>it appears to the Central Government that in respect of goods of any class or description manufactured, processed or on which any operation has been carried out in India, being goods which have been entered for export and in respect of which an order</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>864/875</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
<p>permitting the clearance and loading thereof for exportation has been made under section 51 by the proper officer</p>		<p>permitting the clearance and loading thereof for exportation has been made under Section 51 by the proper officer,</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>865/875</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>100% MATCHING TEXT</b>	31 WORDS
<p>in respect of which an order permitting clearance for exportation has been made by the proper officer a drawback should be allowed of duties of customs chargeable under this act on any imported</p>		<p>in respect of which an order permitting clearance for exportation has been made by the proper officer, a drawback should be allowed of duties of customs chargeable under this Act on any imported</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

866/875	SUBMITTED TEXT	42 WORDS	96% MATCHING TEXT	42 WORDS
	<p>or processing of such goods or carrying out any operation on such goods the Central Government may by notification in the Official Gazette direct that drawback shall be allowed in respect of such goods in accordance with and subject to the rules made under sub-section.</p>		<p>or processing of such goods or carrying out any operation on such goods, the Central Government may, by notification in the Official Gazette, direct that drawback shall be allowed in respect of such goods in accordance with land subject to the rules made under Sub-section (2).</p>	
	<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>			

867/875	SUBMITTED TEXT	145 WORDS	92% MATCHING TEXT	145 WORDS
	<p>The Central Government may make rules for the purpose of carrying out of the provision of sub-section (1) and in particular such rules may provide— (a) For the payment of drawback equal to the amount of duty actually paid on the imported material used in the manufacture or processing of the goods or carrying out any operation on the goods or as is specified in the rules as the average amount of duty paid on the material of that class or description used in the manufacture or processing of export goods or carrying out any operation on export goods of the class or description either by manufacturers generally or by processing or carrying on any operation generally or by any particular manufacturer or particular person carrying on any process or other operation and interest, if any, payable thereon; (i) For specifying the goods in respect of which no drawback shall be allowed; (ii) For specifying the</p>		<p>The Central Government may make rules for the purpose of carrying out the provisions of Sub-section (1) and, in particular, such rules may provide: (a) for the payment of drawback equal to the amount of duty actually paid on the imported materials used in the manufacture or processing of the goods or carrying out any operations on the goods or as is specified in the rules as the average amount of duty paid on the materials of that class or description used in the manufacture or processing of export goods or carrying out any operation on export goods of that class or description either by manufacturers generally or by persons processing or carrying on any operation generally or by any particular manufacturer or particular person carrying on any process or other operation and interest if any, payable thereon; (aa) for specifying the goods in respect of which no drawback shall be allowed; (ab) for specifying the</p>	
	<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>			

868/875	SUBMITTED TEXT	57 WORDS	97% MATCHING TEXT	57 WORDS
	<p>procedure for recovery or adjustment of the amount of any drawback which had been allowed under sub-section (1) [or interest chargeable thereon]; (b) For the production of such certificate, documents and other evidence in support of each claim of drawback as may be necessary; (c) For requiring the manufacturer or the person carrying on any process or other operation to give access</p>		<p>procedure for recovery or adjustment of the amount of any drawback which had been allowed under Sub-section (1) or interest chargeable thereon. (b) for the production of such certificates, documents and other evidence in support of each claim of drawback, as may be necessary; 690 PP-ATL (c) for requiring the manufacturer or the person carrying on any process or any other operation to give access</p>	
	<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>			

<b>869/875</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>92% MATCHING TEXT</b>	21 WORDS
<p>every part of his manufacturing to any officer of customs specially authorized in this behalf by the Assistant Commissioner of Customs</p>		<p>every part of his manufactory to any officer of customs specially authorised in this behalf by the Assistant Commissioner of Customs</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>870/875</b>	<b>SUBMITTED TEXT</b>	55 WORDS	<b>86% MATCHING TEXT</b>	55 WORDS
<p>Commissioner of Customs to enable such authorized officer to inspect the process of manufacture, process or any other operation carried out and to verify by actual check or otherwise the statement made in support of the claim for drawback; (d) For the manner and the time within which the claim for payment of drawback may be filed. 270</p>		<p>Commissioner of Customs to enable such authorised officer to inspect the process of Manufacture, process or any other operations carried out and to verify by actual check or otherwise the statements made in support of the claim for drawback. (d) for the manner and the time within which claim for payment of drawback may be filed; (3)</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>871/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>91% MATCHING TEXT</b>	22 WORDS
<p>be allowed— (a) In respect of any goods the market price of which is less than the amount of drawback due thereon; (b) Where</p>		<p>be granted: (a) in respect of any goods the market price of which is less than the amount of drawback due thereon; and (b) where</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>872/875</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>96% MATCHING TEXT</b>	15 WORDS
<p>sub-section (1) if the Central Government is of opinion that goods of any specified description</p>		<p>sub-section (1), if the Central Government is of opinion that warehoused goods of any specified description</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				
<b>873/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>90% MATCHING TEXT</b>	22 WORDS
<p>are likely to be smuggled back into India. It may by notification in the Official Gazette direct that drawback shall not be</p>		<p>are likely to be smuggled back into India, it may, by notification in the Official Gazette, direct that such goods shall not be</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a></p>				

<b>874/875</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>88% MATCHING TEXT</b>	17 WORDS
	or may be allowed subject to such restrictions and conditions as may be specified in the notification. 8.10		or may be allowed to be so subject to such restrictions and conditions as may be specified in the notification.	
	<b>W</b> <a href="https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf">https://www.icsi.edu/media/webmodules/AdvanceTaxLaws.pdf</a>			











<b>875/875</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>57% MATCHING TEXT</b>	22 WORDS
	Discuss the provisions of Customs Act, 1962 relating to drawback of duties. 9. Discuss the provisions of the Customs Act relating to		Discuss the provisions of the Income-tax Act relating to the set-off of losses. 8. Discuss the provisions of the Income-tax Act relating to	
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Netaji Subha Open University Module - I Unit 1 Disclosures in Company Accounts and 7 - 57 Accounting Standards Unit 2 Valuation of Goodwill and Shares 58 - 86 Unit 3 Accounting for Liquidation of Companies 87 - 112 Unit 4 Accounting for Financial Instruments 113 - 140 Module – II Unit 5 Consolidated Accounts 141 - 189 Unit 6 Scheme for Corporate Restructuring 190 - 247 Unit 7 Segment Reporting 248 - 259 Unit 8 Contemporary Issues in Corporate Reporting 263 - 292 Subject : Post Graduate Commerce (M. Com) Course : Corporate Financial Accounting and Reporting Code : PGCO-VI

[7] [ 7 ] Unit 1 Disclosures in Company Accounts and Accounting Standards Structure 1.1 Objective 1.2 Introduction 1.3 Objectives of Disclosure 1.4 Need for Regulation of Disclosures through Corporate Reporting Practices 1.5 Disclosures in Company Accounts in India 1.5.1 Disclosure in Company Accounts as per Companies Act 2013 1.5.2 Disclosures in Company Accounts as per Accounting Standards 1.5.3 Disclosures in Company Accounts as per SEBI Regulations 1.6 Summary 1.7 Exercises 1.1 Objective After going through this unit, you will be able to: ? Understand the disclosure requirements as per the Companies Act, 2013; ? Know the disclosure requirements as per the Indian Accounting Standards notified by the Ministry of Corporate Affairs in India; ? Know the disclosure requirements as per the SEBI regulations 1.2 Introduction Companies usually prepare financial statements to provide useful financial information to the users. However, preparation and presentation of some numbers through financial statements may not be enough to satisfy the information need of the large number of users as financial statements, by themselves, are not complete unless they are supplemented by relevant financial and non-financial information through formal disclosures. Thus, disclosures in and off the financial statements play an important role in shaping the decision-making exercises among stakeholders i.e., owners in specific and all other interested parties in general. However, disclosures [8] [ 8 ] must be formal and well regulated to ensure greater comparability across the companies and over time. In order to ensure adequate and effective corporate reporting in the interests of the investors and other users, disclosure requirements in India are guided by a number of regulations which will be discussed in the sections that follow. 1.3 Objectives of Disclosure The primary objective of corporate reporting through disclosures is to make the company visible to its stakeholders and improve the reliability and relevance of the financial information reported through the financial statements. In particular, disclosures aim to achieve the following specific objectives: a) To help the users better understand the numbers reported in the financial statements. b) To assess whether the profit or loss is the result of transactions between independent or unrelated parties or is the result of some manipulated dealings. c) To better assess the performance and financial state of various segments of the business. d) To guide the users in making useful changes in the reported numbers before they are compared against other organizations or previous years having different accounting policies in place. e) To better assess the management stewardship. 1.4 Need for Regulation of Disclosures through Corporate Reporting Practices Accounting, at various levels of preparation of accounts and presentation of final results through financial statements allow use of alternative accounting policies which may have significant bearing on the financial performance and financial state of affairs disclosed in the financial statements. As a result, the users of accounting information must be supplied with additional information in form of disclosures to better comprehend such results and make informed judgements before arriving at any economic decision. Till the first quarter of 20 th century, when the objectives of the preparation of financial statements were primarily to reveal the wealth generated and income earned by the proprietor, self-regulation was considered sufficient. But now when accounting

[9] [ 9 ] provides more than one interested party with quantitative financial information that helps them to make decisions about employment and use of resources in business and non-business entities and the reports are consulted by a large section of the people (including government) who have a wide range of interest in them (through in varying degrees), self-regulation has to be replaced by regulation through some outside agencies. Thus, in modern times, accounting regulation means regulation by other outside agencies like the government or regulatory agencies established by the government. Corporate form of business having separation between ownership and management came into existence during mid-eighteenth century, and it required quantities of capital greater than that could be provided by an individual or family. This was soon proved to be the most satisfactory form of business organisation and gradually were considered a cornerstone in the trading structure of the world. The separation between ownership and management has created another separation between 'financial function' and 'managerial function' as a result of which there has cropped up a number of accounting challenges and financial accounting and reporting has got an important social status. Since managers of corporate business houses manage other people's money rather than their own, it cannot be expected that they should look over it with the same anxious vigilance as the real owners do with respect to the management of the affairs of the business including financial function. In this situation, fraud and misappropriation of fund are also very likely to occur. During 1960 financial reporting system was made the subject of much criticism on some strong and reasonable grounds like (i) lack of uniformity in accounting practice that made difficult the comparison of different companies (ii) the multiplicity of accounting practices that made it possible for the management to select alternate representations of financial results which allowed earning to be manipulated and made it possible to conceal economic realities, etc. Government cannot allow the situation and acts as a passive observer. It felt, therefore, the necessity of regulating the corporate accounting and management and started promulgating the Companies Act, keeping in view the objective for protecting the interest of investors and other interested parties. Again, every democratic government with an aim of maximizing the social welfare has the capacity of being an independent and impartial regulator. Moreover, accounting profession of almost all the countries is in favour of imposing regulation on corporate accounting and reporting. Thus, the regulation of accounting is not only desirable but also essential in the interest of all concerned. But there are many differences as to the approach of regulation among countries. It is therefore, imperative to have external regulation in accounting. Accounting

[10] [ 10 ] has also accepted its importance for its healthy improvement and progress. Both maintenance of books of accounts and financial reporting are now guided by several provisions of the Companies Act, accounting standards and regulations by capital market regulators. It is to be remembered that accounting regulation should be consistent with some pre-determined objectives. These objectives cannot, again, be static and uniform in all countries and throughout all times. Rather they must be dependent on changing social economic need of the country concerned. 1.5 Disclosures in Company Accounts in India In India, preparation of company accounts and presentation of financial statements are guided by three major regulations – (a) Companies Act (b) Accounting Standards, and (c) SEBI Regulations. Major provisions of these regulations are discussed below: 1.5.1 Disclosure in Company Accounts as per Companies Act 2013 The Companies Act 2013, which replaces the Companies Act 1956, contains a number of important provisions that facilitates preparation of company accounts and effective dissemination of financial information generated therefrom. The relevant provisions in this context have been included in the following sections. ? Requirement of keeping books of account (Section 128) ? Preparation of Financial Statements (Section 129) ? Central Govt. to prescribe Accounting Standards (Section 133) ? Financial Statements, Board's report etc. (Section 134) ? Corporate Social responsibility (Section 135) Important provisions are discussed below (However, Section 135 has been discussed in detail in Unit No. 8): ? Section 128 : Requirement of keeping books of account (1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which

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give a true and fair view of the state of the affairs of the company,

including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on

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accrual basis and according to the double entry system of accounting.

The books of accounts may be kept at a place other than the office of the company with due notification to the registrar. Moreover, the books of accounts or relevant papers may also be [11] [ 11 ] kept in electronic format. (2) For branch offices in India or outside India, books of account relating to such branch may be kept there. However, proper summarized returns periodically must be sent to the registered office. (3) The books of account and other books and papers maintained by the company within India shall be open for inspection at the registered office of the company or at such other place in India by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director. However, the inspection in respect of any subsidiary of the company shall be done only by the person authorized in this behalf by a resolution of the Board of Directors. (4) Where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the person making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give. (5) Every company shall preserve the books of accounts together with all the relevant vouchers in good condition for a period of not less than next eight years. However, where an investigation has been ordered in respect of the company under Chapter XIV, the Central Government may direct the company that the books of account may be kept for such longer period as it may deem fit. (6) The Act specifies the following persons to be in charge with the duty of complying with the provisions of maintenance of proper books of accounts – (i) Managing director; (ii) The whole-time director in charge of finance; (iii) The Chief Financial Officer; or (iv) Any other person of a company who has been charged by the Board in this respect. Accordingly, if there is any contravention with regard to such provisions, the above persons shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees or with both.

[12] [ 12 ] ? Section 129 : Preparation of Financial Statements (1)

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The financial statements shall give a true and fair view of the state of affairs of the company or companies, complying with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III: (2)

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At every annual general meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year. (3) Where a company has one or more subsidiaries or associate companies, it shall additionally prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards.

The consolidated financial statements

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shall also be laid before the annual general meeting of the company.

In addition, the company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries and associate company or companies in such form as may be prescribed. (4) The provisions of this Act applicable to the preparation, adoption and audit of the financial statements of a holding company shall, mutatis mutandis, apply to the consolidated financial statements. (5) Where the financial statements of a company do not comply with the accounting standards, the company shall disclose in its financial statements,

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the deviation from the accounting standards, the reasons for such deviation

and the financial effects, if any, arising out of such deviation. Note : The financial statements

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shall be in the form or forms as may be provided for different class or classes of companies. Schedule III

contains general instructions for

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preparation of balance sheet and statement of profit and loss

account. ? Section 133 : Central Govt. to prescribe Accounting Standards

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The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in

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consultation with and after examination of the recommendations made by the National Financial Reporting Authority. Accordingly, the

Companies (Indian Accounting Standard) Rules 2015 have been notified by the Ministry of Company Affairs on 27.02.2014.

[13] [ 13 ] ? Section 134 : Financial Statements, Board's report etc. (1) The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed. (2) The auditors' report shall be attached to every financial statement. (3) A report by the BODs shall also be attached to the financial statements containing information such as the web address where annual return has been placed, number of board meetings held, a Director's Responsibility Statement, details of fraud reported to the Central Govt. etc. However, disclosures already made in the financial statements should not be repeated but referred appropriately. (5) The Directors' Responsibility Statement referred to in clause (c) of sub- section (3) shall state that— (

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a) in the preparation of the annual accounts, the applicable

accounting standards had been followed along with proper explanation relating to material departures; (b) the directors had

**78%**

**MATCHING BLOCK 13/516**

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selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period; (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; (d) the directors had prepared the annual accounts on a going concern basis;

and (e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively. (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively. (6) A signed copy of every financial statement, including consolidated financial statement, if any, shall be issued, circulated or published along with a copy each of— (a) any notes annexed to or forming part of such financial statement; [14] [ 14 ] (b) the auditor’s report; and (c) the Board’s report referred to in sub-section (3). (7) If a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees. ? Section 135 : Corporate Social responsibility This section provides that every company with a specified amount of net worth or turnover or net profit during any financial year must constitute the Corporate Social Responsibility Committee of the Board. The Committee shall formulate policy and specify as the areas listed in Schedule VII where the activities will be conducted. The content of the policy must be disclosed by the board in the website of the company. The section further provides that the Board shall ensure that at least two per cent

**97%**

**MATCHING BLOCK 14/516**

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of average net profits of the company made during three immediately preceding financial years shall be spent

as per the policy every year. If the company fails to spend such amount the Board shall give in its report the reasons for not spending. 1.5.2 Disclosures in Company Accounts as per Accounting Standards The main objective of accounting standard setting is to maintain uniformity in the presentation of economic data contained in the periodical accounts of corporate enterprises. In other words, it aims at harmonizing the diverse accounting policies and practices adopted by different enterprises and ensuring consistency in the reported information of an enterprise from year to year so that users of financial statements are in any position to understand and make proper use of financial statement for their decision purposes.

**66%**

**MATCHING BLOCK 17/516**

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In India, accounting standards were traditionally issued by the Institute of Chartered Accountants of India

to suit the Indian business conditions. This set of accounting standards is known as Accounting Standards (AS). Though the same is still in force as per Companies (Accounting Standards) Rules 2006, considering the growing level of internationalisation, a new set of converged accounting standards has been promulgated and is being implemented in a phased manner. The new set of accounting standards is known as Indian Accounting Standards (Ind AS) which has been notified by the Ministry of Corporate Affairs as per Companies (Indian Accounting Standards) Rules 2015. As mentioned earlier this new set of accounting standards is converged with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and hence are more aligned with



[15] [ 15 ] the global best practices in the field of accounting with minor deviations to suit the Indian business conditions (the deviations are known as curve-ins or curve-outs). Following is a complete list of Ind ASs notified by the Ministry of Corporate Affairs (MCA) in India (as on 15.01.2021). Notifications Description

<b>98%</b>	<b>MATCHING BLOCK 15/516</b>	<b>W</b>
<p>Indian Accounting Standard (Ind AS) 101 First-time Adoption of Indian Accounting Standards Indian Accounting Standard (Ind AS) 102 Share-based Payment Indian Accounting Standard (Ind AS) 103 Business Combinations Indian Accounting Standard (Ind AS) 104 Insurance Contracts Indian Accounting Standard (Ind AS) 105 Non-current Assets Held for Sale and Discontinued Operations Indian Accounting Standard (Ind AS) 106 Exploration for and Evaluation of Mineral Resources Indian Accounting Standard (Ind AS) 107 Financial Instruments: Disclosures Indian Accounting Standard (Ind AS) 108 Operating Segments Indian Accounting Standard (Ind AS) 109 Financial Instruments Indian Accounting Standard (Ind AS) 110 Consolidated Financial Statements Indian Accounting Standard (Ind AS) 111 Joint Arrangements Indian Accounting Standard (Ind AS) 112 Disclosure of Interests in Other Entities Indian Accounting Standard (Ind AS) 113 Fair Value Measurement Indian Accounting Standard (Ind AS) 114 Regulatory Deferral Accounts Indian Accounting Standard (Ind AS) 115 Revenue from Contracts with Customers Indian Accounting Standard (Ind AS) 1 Presentation of Financial Statements Indian Accounting Standard (Ind AS) 2 Inventories Indian Accounting Standard (Ind AS) 7 Statement of Cash Flows Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting Estimates and Errors Indian Accounting Standard (Ind AS) 10 Events after the Reporting Period Indian Accounting Standard (Ind AS) 12 Income Taxes Indian Accounting Standard (Ind AS) 16 Property, Plant and Equipment Indian Accounting Standard (Ind AS) 17 Leases Indian Accounting Standard (Ind AS) 19 Employee Benefits Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance [16] [ 16 ]</p>		

Notifications Description

<b>98%</b>	<b>MATCHING BLOCK 16/516</b>	<b>W</b>
<p>Indian Accounting Standard (Ind AS) 21 The Effects of Changes in Foreign Exchange Rates Indian Accounting Standard (Ind AS) 23 Borrowing Costs Indian Accounting Standard (Ind AS) 24 Related Party Disclosures Indian Accounting Standard (Ind AS) 27 Separate Financial Statements Indian Accounting Standard (Ind AS) 28 Investments in Associates and Joint Ventures Indian Accounting Standard (Ind AS) 29 Financial Reporting in Hyperinflationary Economies Indian Accounting Standard (Ind AS) 32 Financial Instruments : Presentation Indian Accounting Standard (Ind AS) 33 Earnings per Share Indian Accounting Standard (Ind AS) 34 Interim Financial Reporting Indian Accounting Standard (Ind AS) 36 Impairment of Assets Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets Indian Accounting Standard (Ind AS) 38 Intangible Assets Indian Accounting Standard (Ind AS) 40 Investment Property Indian Accounting Standard (Ind AS) 41 Agriculture</p>		

In the above two categories of accounting standards may be found – one with serial number 1 to 41 and another with serial number 101 to 115. While the first set of Ind AS are the counterparts of International Accounting Standards with similar serial numbers the latter set corresponds to International Financial reporting Standards (IFRS) with the same serial numbers. Out of the above accounting standards Ind AS 1: Presentation of Financial Statements deals with the overall structure of financial statements of companies while all the other Ind ASs (except Ind AS 101: First-time Adoption of Indian Accounting Standards) deal with specific problem areas. I. Structure of Financial Statements

<b>94%</b>	<b>MATCHING BLOCK 22/516</b>	<b>SA</b>	MCOM-AFA - Plagiarism - M.Com - 1st Sem-USH.docx (D127906811)
<p>As per Section 129 of the Companies Act 2013, the financial statements shall give a true and fair view of the state of affairs of the company or companies, complying with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III.</p>			

Accordingly, the type and content of financial statements must be in commensurate with Ind AS 1: Presentation of Financial Statements and Schedule III of Companies Act 2013.

[17] [ 17 ] (a) Ind AS 1: Presentation of Financial Statements According to Ind AS 1, companies prepare general purpose financial statements to exhibit a true and fair view with respect to (i) financial position (namely assets, liabilities and equity), (ii) financial performance (income, expenses including gains and losses), (iii) cash flows and (iv) use of its resources by the management. Accordingly, the following statements are included in the complete list of financial statements to be prepared by a company: ?

**75% MATCHING BLOCK 18/516**

**W**

A balance sheet at the end of the period; ? A statement of profit and loss (including other comprehensive income) for the period; ? A statement of changes in equity for the period; ? A statement of cash flows for the period; ? Notes, comprising a summary of significant accounting policies and other explanatory information; and ? Comparative information in respect of the preceding period;

and ?

**100% MATCHING BLOCK 19/516**

**W**

A balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

The above financial statements must possess the following features or characteristics in order to be relevant and reliable: ? True and fair presentation and compliance with Ind ASs. ? Adherence to Going Concern assumption (accounting should be done assuming that the entity will continue its business for an unforeseeable future unless the management intends to liquidate it) ? Accrual basis of accounting (all financial statements excluding Cash Flow Statement should be prepared following accrual basis of accounting) ? Materiality and aggregation (each material class of similar items should be presented separately) ? Offsetting (assets and liabilities should not be offset unless permitted by Ind AS) ? Frequency of reporting (financial statements are to be prepared normally annually) ? Comparative information (information for the previous period should be disclosed unless exempted by Ind AS)

[18] [ 18 ] ? Consistency of presentation (similar accounting policies should be continued; changes if any for appropriate presentation or as required by Ind AS will be allowed). The structure and content

**61% MATCHING BLOCK 20/516**

**W**

of financial statements (especially for Balance Sheet, Statement of Profit and Loss and Statement of Changes in Equity)

must conform to the structure given under Schedule III of the Companies Act 2013 as originally notified by the MCA on 06.04.2016 and amended from time to time. Also, the financial statements must clearly specify the presentation currency (e.g., in India, Indian rupee is the presentation currency) and the level of rounding off. Sufficient disclosures should be made with respect to the following: (i) Accounting Policies : The entity will have to disclose significant accounting policies like – ? basis of measurement used in preparing the financial statements (e.g., historical cost, realisation, fair value etc.); ? judgement made by the management in applying the accounting policy for recognition and measurement of the amount; and ? each specific accounting policy relevant for understanding the financial statements (such as in the area of revenue recognition, capitalisation of borrowing cost, investment property, employee benefits, inventories etc.) (ii) Estimation of Uncertainty : The entity will have to disclose the assumptions concerning the future and other major sources of estimation of uncertainty

**93% MATCHING BLOCK 21/516**

**W**

that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial

years. (iii) Capital Disclosure : The entity shall also disclose information as regards the process of managing the capital. (iv) Other Disclosure : The entity will also have to disclose information concerning the domicile and legal form including country of incorporation, description and nature of operations and principal activities and the nature of the parent etc. (b) Schedule III of the Companies Act 2013 : As regards to the structure of financial statements to be prepared Schedule III of the Companies Act 2013 proposes three divisions as follows: ? Division I which is applicable for preparation of financial statements for a company whose financial statements are required to comply with the Companies (Accounting Standards) Rules, 2006.

[19] [ 19 ] ? Division II which is applicable for preparation of financial statements for a company whose financial statements are required to comply with the Companies (Indian Accounting Standards) Rules, 2015. ? Division III which is applicable for preparation of financial statements for a Non-Banking Financial Company (NBFC) whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015. Since in this book we shall discuss the topics for companies other than NBFCs with reference to Companies (Indian Accounting Standards) Rules, 2015, only Division II will be relevant here. Division II contains the structure of Balance Sheet (Part I), Statement of Changes in Equity (Part I) and Statement of Profit and Loss (Part II). These are discussed below:

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PART I-BALANCE SHEET Name of the Company..... Balance Sheet as at ..... (Rupees in.....)  
Particulars Note Figures as at the Figures as at the No. end of current end of previous reporting period

reporting period ASSETS Non-current assets (a) Property, Plant and Equipment (b) Capital work-in-progress (c) Investment Property (d) Goodwill (e) Other Intangible assets (f) Intangible assets under development (g) Biological Assets other than bearer plants (h) Financial Assets (i) Investments (ii) Trade receivables (iii) Loans (i) Deferred tax assets (net) (j) Other

**52% MATCHING BLOCK 23/516**

**W**

non-current assets Current assets (a) Inventories (b) Financial Assets (i) Investments [20] [ 20 ] (ii) Trade receivables (iii) Cash and cash equivalents (

iv) Bank balances other than(iii) above (v) Loans (vi) Others (to be specified) (c) Current Tax Assets (Net) (d)

**62% MATCHING BLOCK 24/516**

**W**

Other current assets Total Assets EQUITY AND LIABILITIES EQUITY (a) Equity Share capital (b) Other Equity LIABILITIES Non-current liabilities (a) Financial Liabilities (i) Borrowings (ii) Trade Payables: (A) total

outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises. (iii) Other financial liabilities (other than those specified in item (b), to be specified) (b) Provisions (c) Deferred tax liabilities (Net) (d) Other non-current liabilities Current liabilities (a) Financial Liabilities (i) Borrowings (ii) Trade Payables : (A) total outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises. (iii) Other financial liabilities (other than those specified in item (c) (b) Other current liabilities (c) Provisions (d) Current Tax Liabilities (Net) Total Equity and Liabilities  
[21] [ 21 ]

[22] [ 22 ]

General Instructions for Preparation of Balance Sheet: 1.

**99% MATCHING BLOCK 25/516**

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An entity shall classify an asset as current when - (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realise the asset within twelve months after the reporting period; or (d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. An entity shall classify all other assets as non-current. 2. The

operating cycle of an entity

is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents, When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months. 3.

**99% MATCHING BLOCK 26/516**

**W**

An entity shall classify a liability as current when - (a) it expects to settle the liability in its normal operating cycle; (b) it holds the liability primarily for the purpose of trading; (c) the liability is due to be settled within twelve months after the reporting period; or (d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in settlement by the issue of equity instruments do not affect its classification. An entity shall classify all other liabilities as non-current. 4.

A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business. 5.

A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business. 6.

A company shall disclose the following in the Notes:

[23] [ 23 ] A. Non-Current Assets I. Property. Plant

and Equipment: (i) Classification shall be given as: (a) Land (b) Buildings (c) Plant and Equipment (d) Furniture and Fixtures (e) Vehicles (f) Office equipment (g) Bearer Plants (h) Others (specify nature) (ii) Assets

under lease shall be separately specified under each class of assets. (iii) A reconciliation of the gross and net carrying amounts of each class

**87% MATCHING BLOCK 27/516**

**W**

of assets at the beginning and end of the reporting period showing

additions, disposals, acquisitions

through business combinations and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately. II. Investment Property: A reconciliation of the gross and net carrying amounts of each class

**87% MATCHING BLOCK 28/516**

**W**

of property at the beginning and end of the reporting period showing

additions, disposals,

acquisitions through business combinations and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately. III. Goodwill: A reconciliation of the gross and net

**100% MATCHING BLOCK 30/516**

**W**

carrying amount of goodwill at the beginning and end of the reporting period showing

additions, impairments, disposals and other adjustments. IV. Other Intangible assets (i)

Classification shall be given as: (a) Brands or trademarks (b) Computer software (c) Mastheads and publishing titles (d) Mining rights

[24] [ 24 ] (e) Copyright,

patents, other intellectual property rights, services and operating rights (f) Recipes, formulae, models, designs and prototypes (

g) Licenses and franchises (h) Others (specify nature) (ii) A reconciliation of the gross and net carrying amounts of each class

**87% MATCHING BLOCK 31/516**

**W**

of assets at the beginning and end of the reporting period showing

additions, disposals, acquisitions

through business combinations and other adjustments and the related amortization and impairment losses or reversals shall be disclosed separately. V. Biological Assets other than bearer plants:

A reconciliation of the carrying amounts of each class

**87% MATCHING BLOCK 32/516**

**W**

of assets at the beginning and end of the reporting period showing

additions, disposals, acquisitions

through business combinations and other adjustments shall be disclosed separately. VI. Investment (i) Investments shall be

classified as: (a) Investments in Equity Instruments; (b) Investments in Preference Shares; (c) Investments in Government or trust securities; (d) Investments in debentures or bonds; (e) Investments in Mutual Funds; (

f) Investments in partnership firms; or (g) Other investments (specify nature) Under each classification, details shall be given of names of the bodies corporate that are- (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) structured entities, in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). Investments in partnership firms along with names of the firms, their partners, total capital and the shares of each partner shall be disclosed separately.

[25] [ 25 ] (ii) The following shall also be disclosed: (a) Aggregate amount of quoted investment and market value thereof; (b) Aggregate amount of unquoted investment; and (c) Aggregate amount of impairment in value of investment. VII. Trade Receivables: (i) Trade receivables shall be sub-classified as: (a) Trade Receivables considered good - Secured; (b) Trade Receivables considered good - Unsecured; (c) Trade Receivables which have significant increase in Credit Risk; and (d) Trade Receivables - credit impaired. (ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately. (iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated. VIII. Loans: (i) Loans shall be classified as - (a) Security Deposits; (b) Loans to related parties (giving details thereof); and (c) Other loans (specify nature). (ii) Loans Receivables shall be sub-classified as: (a) Loans Receivables considered good - Secured; (b) Loans Receivables considered good - Unsecured; (c) Loans Receivables which have significant increase in Credit Risk; and (d) Loans Receivables - credit impaired. (iii) Allowance for bad and doubtful loans shall be disclosed under the relevant heads separately. (iv) Loans due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

[26] [ 26 ] IX.

Bank deposits with more than 12 months maturity shall be disclosed under 'Other financial assets'. X. Other non-current asset: Other non-current assets shall be classified as - (i) Capital Advances; and (ii) Advances other than capital advances; (1) Advances other than capital advances shall be classified as: (a) Security Deposits; (b) Advances to related parties (giving details thereof); and (c) Other advances (specify nature). (2) Advances to directors or other officers of the company or any of them either severally or jointly with any other persons or advances to firms or private companies respectively in which any director is a partner or a director or a member should be separately stated, In case advances are of the nature of a financial asset as per relevant Ind AS, these are to be disclosed under 'other financial assets' separately. (iii) Others (specify nature). B. Current Assets I. Inventories: (i)

Inventories shall be classified as - (

a) Raw materials; (b) Work-in-progress; (c) Finished goods; (d) Stock-in-trade (

in respect of goods acquired for trading); (

e) stores and spares; (

f) Loose tools; and (g) Others (

specify nature). (ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories. (iii) Mode of valuation shall be stated. II. Investment: (i) Investments shall be

classified as - (a) Investments in Equity Instruments; (b) Investment in Preference Shares;

[27] [ 27 ] (c) Investments in government or trust securities; (d) Investments in debentures or bonds; (e) Investments in Mutual Funds; (

f) Investments in partnership firms; and (g) Other investments (specify nature). Under each classification, details shall be given of names of the bodies corporate that are - (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) structured

entities, in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid) (ii) The following shall also be disclosed (a) Aggregate

amount of quoted investments and market value thereof; (b) Aggregate amount of unquoted investments; (c) Aggregate amount of impairment in value of investments. III. Trade Receivables (i) Trade receivables shall be sub-classified as: (a)

Trade Receivables considered good - Secured; (b) Trade Receivables considered good - Unsecured; (c) Trade Receivables which have significant increase in Credit Risk; and (d) Trade Receivables - credit impaired. (ii) Allowance for bad and

doubtful debts shall be disclosed under the relevant heads separately. (iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies

respectively in which any director is a partner or a director or a member should be separately stated. IV.

Cash and cash equivalents: Cash and cash equivalents shall be classified as- a. Balances with Banks (

of the nature of cash and cash equivalents);

[28] [ 28 ] b. Cheques, drafts on hand; c. Cash on hand; and d. Others (specify nature). V. Loans: (i) Loans shall be classified as: (a) Security deposits; (b) Loans to related parties (giving details thereof); and (c) others (specify nature). (ii) Loans Receivables shall be sub-classified as: (a) Loans Receivables considered good - Secured; (b) Loans Receivables considered good - Unsecured; (c) Loans Receivables which have significant increase in Credit Risk; and (d) Loans Receivables - credit impaired. (iii) Allowance for bad and doubtful loans shall be disclosed under the relevant heads separately. (iv) Loans due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated. VI.

Other current assets (specify nature): This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.

Other current assets shall be classified as- (i) Advances other than capital advances (1) Advances other than capital advances shall be classified as: (a) Security Deposits; (b) Advances to related parties (giving details thereof); (c) Other advances (specify nature) (2) Advances to directors or other officers of the company or any of them either severally or jointly with any other persons or advances to firms or private companies respectively in which any director is a partner or a director or a member should be separately stated. (a)

Earmarked balances with banks (for example. for unpaid dividend) shall be separately stated.

[29] [ 29 ] (b) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately. (

c) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated. C. Equity: I. Equity

Share Capital: For each class of equity share capital: (a) the number and amount of shares authorised; (b) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid; (c) par value per Share; (d) a reconciliation of

the number of shares

outstanding at the beginning and at the end of the period; (

e) the

rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital; (f) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate; (g) shares in the company held by each shareholder holding more than five per cent.

shares specifying the number of shares held; (h) shares reserved for issue under options and contracts or commitments for the sale of shares or disinvestment, including the terms and amounts; (i)

for the period of five years immediately preceding the date at which the Balance Sheet is prepared ? aggregate number and class of shares allotted as fully paid up

pursuant to contract without payment being received in cash; ?

aggregate number and class of shares allotted as fully paid up by way of bonus shares;

and ? aggregate number and class of shares bought back; (j) terms of any securities convertible into equity shares issued along with the earliest date of conversion in descending order starting from the farthest such date; (k)

calls unpaid (showing aggregate value of calls unpaid by directors and officers); (

l) forfeited shares (amount originally paid up).

[30] [ 30 ] II. Other Equity: (i) 'Other Reserves' shall be classified in the notes as - (a) Capital Redemption Reserve; (b)

Debenture Redemption Reserve; (c) Share Options Outstanding Account; and (d) others - (specify the nature and

purpose of each reserve and the amount in respect thereof); (Additions and deductions since last balance sheet to be shown under each of the specified heads) (ii) Retained Earnings represents surplus i.e., balance of the relevant column in

the Statement of Changes in Equity; (iii) A reserve specifically represented by earmarked investments shall disclose the fact that it is so represented; (iv)

Debit balance of Statement of Profit and Loss shall be shown as a negative figure under the head 'retained earnings'.

Similarly, the balance of 'Other Equity', after adjusting negative balance of

retained earnings, if any, shall be shown under the head 'Other Equity' even if the resulting figure is in the negative; and (v) Under the sub-head 'Other Equity', disclosure shall be made for the nature and amount of each item. D. Non-Current Liabilities: I. Borrowings: (i) borrowings shall be classified as - (a) Bonds or debentures (b) Term loans (I) from banks (II) from other Parties (c) Deferred payment liabilities (d) Deposits (e) Loans from related parties (f) Long term maturities of finance lease obligations (g) Liability component of compound financial instruments (h) Other loans (specify nature); [31] [ 31 ] (ii)

borrowings shall further be sub-classified as secured and unsecured.

Nature of security shall be specified separately in each case. (iii) where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed; (iv) bonds or debentures (along with the rate of interest, and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be, where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as the date on which the first instalment becomes due; (v) particulars of any redeemed bonds or debentures which the company has power to reissue shall be disclosed; (vi) terms of repayment of term loans and other loans shall be stated; and (vii) period and amount of default as on the balance sheet date in repayment of borrowings and interest shall be specified separately in each case. II. Provisions : The amounts shall be classified as - (a) Provision for employee benefits; and (b) Others (specify nature). III. Other non-current liabilities : (a) Advances; and (b) Others (specify nature). E. Current Liabilities: I. Borrowings: (i)

Borrowings shall be classified as - (a) Loans repayable on demand (I) from banks (II) from other parties (b) Loans from related parties (c) Deposits (d) Other loans (specify nature); (

ii)

borrowings shall further be sub-classified as secured and unsecured.

Nature of security shall be specified separately in each case; (iii) where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed;

[32] [ 32 ] (iv) period and amount of default as on the balance sheet date in repayment of borrowings and interest, shall be specified separately in each case. II. Other Financial Liabilities: Other Financial liabilities

shall be classified as - (a) Current maturities of long-term debt; (

b) Current maturities of finance lease obligations; (c) Interest accrued; (d) Unpaid dividends; (e) Application money received for allotment of securities to the extent refundable

and interest accrued thereon; (f) Unpaid matured deposits and interest accrued thereon; (g) Unpaid matured debentures and interest accrued thereon;

and (h) Others (specify nature). 'Long term debt' is a borrowing having a period of more than twelve months at the time of origination III. Trade Payables: The following details relating to micro, small and medium enterprises shall be disclosed in the notes: (a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year; (b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year; (c) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006; (d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and (e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

[33] [ 33 ] Explanation - The terms 'appointed day', 'buyer', 'enterprise', 'micro enterprise', 'small enterprise' and 'supplier', shall have the same meaning as assigned to them under clauses (b), (d), (e), (h), (m) and (n) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.] IV. Other current liabilities: The amounts shall be classified as- (a) revenue received in advance; (b) other advances (specify nature); and (c) others (specify nature); IV. Provisions: The amounts shall be classified as- (i) provision for employee benefits; and (ii) others (specify nature) F. The presentation of liabilities associated with group of assets classified as held for sale and non-current assets classified as held for sale shall be in accordance with the relevant Indian Accounting Standards (Ind ASs) G.

Contingent Liabilities and Commitments: (to the extent not provided for) (



i) Contingent Liabilities shall be classified as- (a) claims against the company not acknowledged as debt; (b) guarantees excluding financial guarantees; and (c) other money for which the company is contingently liable. (ii) Commitments shall be classified as- (a) estimated amount of contracts remaining to be executed on capital account and not provided for; ( b) uncalled liability on shares and other investments partly paid; and (c) other commitments (specify nature). H. The amount of dividends proposed to be distributed to equity and preference shareholders for the period and title related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on irredeemable preference shares shall also be disclosed separately. I. Where in respect of an issue of securities made for a specific purpose the whole [34] [ 34 ] or part of amount has not been used for the specific purpose at the Balance sheet date, there shall be indicated by way of note how such unutilised amounts have been used or invested. J. Every company shall disclose the details of Specified Bank Notes (SBN) held and transacted during the period 08/11/2016 to 30/12/2016 as provided in the Table below: SBNs Other denomination Total notes Closing cash in hand as on 08.11.2016 (?) Permitted receipts (?) Permitted payments (?) Amount deposited in Banks Closing cash in hand as on 30.12.2016 Explanation : For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016." . 7. When a company

**95% MATCHING BLOCK 33/516**

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applies an accounting policy retrospectively or makes a restatement of items in

the

**100% MATCHING BLOCK 34/516**

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financial statements or when it reclassifies items in its financial statements,

the company shall attach to the Balance Sheet,

**100% MATCHING BLOCK 35/516**

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a "Balance Sheet" as at the beginning of the earliest comparative period

presented. 8. Share application money pending allotment shall be classified into equity or liability in accordance with relevant Indian Accounting Standards. share application money to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable shall be separately shown under 'Other financial liabilities'. 9.

Preference shares including premium received on issue, shall be classified and presented as 'Equity' or 'Liability' in accordance with the requirements of the relevant Indian Accounting Standards. Accordingly, the disclosure and presentation requirements in that regard applicable to the relevant class of equity or liability shall be applicable mutatis mutandis to the preference shares. For instance, [plain vanilla] redeemable preference shares shall be classified and presented under 'non-[35] [ 35 ] current liabilities' as 'borrowings' and the disclosure requirements in this regard applicable to such borrowings shall be applicable mutatis mutandis to redeemable preference shares. 10. Compound financial instruments such as convertible debentures, where split into equity and liability components, as per the requirements of the relevant Indian Accounting Standards, shall be classified and presented under the relevant heads in 'Equity' and 'Liabilities' 11. Regulatory Deferral Account Balances shall be presented in the Balance Sheet in accordance with the relevant Indian Accounting Standards.

**52% MATCHING BLOCK 38/516**

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PART II - Statement of Profit and Loss Name of the Company..... Statement of Profit and Loss for the period ended..... Particulars Note Figures as at the Figures as at the No. end of current end of previous reporting period reporting period I Revenue From operations II Other Income III Total Income (I + II) IV Expenses: Cost of materials consumed Purchases of Stock-in-Trade Changes in inventories of finished goods, Stock-in -Trade and work-in-progress Employee benefits expense Finance costs Depreciation and amortization expenses Other expenses Total expenses (IV) V Profit/(

loss) before exceptional items and tax (I-IV) VI Exceptional Items VII Profit/ (loss) before exceptions items and tax(V-VI)

**40% MATCHING BLOCK 36/516**

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VIII Tax expense:(1) Current tax(2) Deferred tax [36] [ 36 ] IX Profit (Loss) for the period from continuing operations (VII-VIII) X Profit/(loss) from discontinued operations XI Tax expenses

of discontinued

**58% MATCHING BLOCK 37/516**

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operations XII Profit/(loss) from Discontinued operations (after tax) (X-XI) XIII Profit/(loss) for the period (

IX+XII) XIV

**82% MATCHING BLOCK 39/516**

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Other Comprehensive Income A. (i) Items that will not be reclassified to profit or loss (

ii) Income tax relating to

**100% MATCHING BLOCK 40/516**

**SA**

Assignment 1.pdf (D134275548)

items that will not be reclassified to profit or loss

B. (i) Items that will be reclassified to profit or loss (ii) Income tax relating to

**70% MATCHING BLOCK 41/516**

**SA**

Assignment 1.pdf (D134275548)

items that will be reclassified to profit or loss XV Total Comprehensive Income for the

period (XIII+XIV) comprising Profit (Loss) and Other comprehensive Income for the period XVI Earnings per equity share (for continuing operation):(1) Basic(2) Diluted XVII Earnings per equity share (for discontinued operation):(1) Basic(2) Diluted XVIII Earning per equity share (for discontinued & continuing operation)(1) Basic(2) Diluted General Instructions for Preparing of Statement of Profit and Loss 1. The provisions of this Part shall apply to the income and expenditure account, in like manner as they apply to a Statement of Profit and Loss. 2. The Statement of Profit and Loss shall include: (1) Profit of loss for the Period; (2) Other Comprehensive Income for the period The sum of (1) and (2) above is 'Total Comprehensive Income'. 3. Revenue from operations shall disclose separately in the notes (a) sale of products (including Excise Duty); (b) sale of services; and (c) other operating revenues.

[37] [ 37 ] 4. Finance Costs: Finance costs shall be classified as - (a) interest; (b) dividend on redeemable preference shares; (c) exchange differences regarded as an adjustment to borrowing costs; and (d) other borrowing costs (specify nature). 5. Other income: other income shall be classified as- (a) interest Income; (b) dividend Income; and (c) other non-operating income (net of expenses directly attributable to such income) 6.

**58% MATCHING BLOCK 43/516**

**SA** Assignment 1.pdf (D134275548)

Other Comprehensive Income shall be classified into - (A) Items that will not be reclassified to profit or loss (

i) Changes in revaluation surplus; (ii) Remeasurements of the defined benefit plans; (iii) Equity Instruments through Other Comprehensive Income; (iv) Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss; (v) Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss; and (v) Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss; and (vi) Others (specify nature). (B) Items that will be reclassified to profit or loss; (i) Exchange differences in translating the financial statements of a foreign operation; (ii) Debt Instruments through Other Comprehensive Income; (iii)

**90% MATCHING BLOCK 42/516**

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The effective portion of gains and loss on hedging instruments in a cash flow hedge; (

iv) Share of other comprehensive Income in Associates and Joint Ventures, to the extent to be classified into profit or loss; and (v) Others (specify nature)

[38] [ 38 ] 7. Additional Information: A Company shall disclose by way of notes, additional information regarding aggregate expenditure and income on the following items: (a) employee Benefits expense (showing separately (i) salaries and wages, (ii) contribution to provident and other funds, (iii) share based payments to employees, (iv) staff welfare expenses). (b) depreciation and amortisation expense; (c) any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.10,00,000, whichever is higher, in addition to the consideration of 'materiality' as specified in clause 7 of

**100% MATCHING BLOCK 47/516**

**SA** COMBINE Corporate Accounting(1).pdf (D61319284)

the General Instructions for Preparation of Financial Statements of a Company; (

d) interest Income; (e) interest Expense; (f) dividend income; (g) net gain or loss on sale of investments; (h) net gain or loss on foreign currency transaction and translation (other than considered as finance cost); (i) payments to the auditor as (a) auditor, (b) for taxation matters, (c) for company law matters, (d) for other services, (e) for reimbursement of expenses; j) in case of companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities; and (k) details of items of exceptional nature; 8. Changes in Regulatory Deferral Account Balances shall

**87% MATCHING BLOCK 44/516**

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be presented in the Statement of Profit and Loss in accordance with

the relevant Indian Accounting Standards II. Disclosure as per Other Ind ASs Some of the important Ind ASs and disclosure requirements specified therein are discussed below: Ind AS 2: Inventories This standard deals with the principles of valuation of inventories for the purpose of financial statements. It defines inventories as

**100% MATCHING BLOCK 45/516**

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assets (a) held for sale in the ordinary course of business, (b) in the process of production for such sale, or (c) in the form of materials or supplies to be consumed in the production process or in the rendering of [39] [ 39 ] services.

It also prescribes that valuation of

**76% MATCHING BLOCK 46/516**

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inventories must be done at the lower of cost and net realisable value.

While

**94% MATCHING BLOCK 48/516**

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the cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition,

**80% MATCHING BLOCK 49/516**

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the net realisable value shall mean the estimated selling price in the ordinary course of business less the estimated costs of completion and

Ind AS 2, Inventories the estimated costs necessary to make the sale. As regards to the disclosure requirements, Ind AS 2 states that

**92% MATCHING BLOCK 50/516**

**SA**

M.Com.I\_Adv.\_Accountancy\_P.\_I\_\_\_\_III\_all.PDF (D142209931)

the financial statements shall disclose: (a) the accounting policies adopted in measuring inventories, including the cost formula used; (b) the total carrying amount of inventories and

the carrying amount in classifications appropriate to the entity; (c)

**68% MATCHING BLOCK 53/516**

**SA**

Canadian GAAPs.pdf (D917184)

the carrying amount of inventories carried at fair value less costs to sell; (d) the amount of inventories recognised as an expense during the period; (

e) the amount of any write-down of inventories recognised as an expense in the period; (f) the amount of any reversal of any write-down; (g) the circumstances or events that led to the reversal of a write-down; and (h) the carrying amount of inventories pledged as security for liabilities. Ind AS 7: Statement of Cash Flows The main objectives of Ind AS 7 is to disclose

**100% MATCHING BLOCK 51/516**

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to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows.

Ind AS 7 states that the

**66% MATCHING BLOCK 52/516 W**

statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

Cash flow from operating activities shall be reported using either (a) the direct method, whereby major classes of

**77% MATCHING BLOCK 54/516 SA** Canadian GAAPs.pdf (D917184)

gross cash receipts and gross cash payments are disclosed; or (b) the indirect method, whereby profit or loss is adjusted

for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Among other disclosure requirements, Ind AS 7 states that an entity shall disclose, together with a commentary by management,

**85% MATCHING BLOCK 56/516 SA** original.doc (D34943452)

the amount of significant cash and cash equivalent balances held by the entity that are not available for use by

the group.  
[40] [ 40 ]

**97% MATCHING BLOCK 55/516 W**

Ind AS 8: Accounting Policies, Changes in Accounting Estimates and Errors The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

Ind AS 8 requires that an entity shall disclose

**74% MATCHING BLOCK 57/516 SA** 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)

the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable

to estimate that effect.

**100% MATCHING BLOCK 58/516 SA** 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)

If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

In respect of prior period errors, the standard states that an entity shall disclose (a) the nature of the prior period error; (b) for

**53% MATCHING BLOCK 61/516**

**SA** 9702792, AFE3782, Assignment 2.pdf (D112831655)

each prior period presented, to the extent practicable, the amount of the correction (c) the amount of the correction at the beginning of the earliest prior period presented; and (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the

error has been corrected.

**76% MATCHING BLOCK 59/516**

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Ind AS 10: Events after the Reporting Period The objective of Ind AS 10 is to prescribe

guidelines regarding (a) adjustments to be done to

**96% MATCHING BLOCK 60/516**

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an entity's financial statements for events after the reporting period; and (b) the disclosures that an entity should give about the date when the financial statements were approved for issue and about events after the reporting period. The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

As regards to the disclosure requirements, Ind AS 10 states that an entity shall disclose

**76% MATCHING BLOCK 63/516**

**SA** Canadian GAAPs.pdf (D917184)

the date when the financial statements were approved for issue and who gave that approval. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

It also states that if an entity receives information after the reporting period about

**100% MATCHING BLOCK 62/516**

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conditions that existed at the end of the reporting period,

it shall update disclosures that relate to those conditions, in the light of the new information. Also, an entity shall disclose, for each material category of non-adjusting event after the reporting period, (a)

**79% MATCHING BLOCK 69/516**

**SA** Canadian GAAPs.pdf (D917184)

the nature of the event, and (b) an estimate of its financial effect, or a statement that such an estimate cannot be

done.

[41] [ 41 ]

**99% MATCHING BLOCK 64/516**

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Ind AS 12: Income Taxes The objective of this Standard is to prescribe the accounting treatment for income taxes. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of (a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in an entity's balance sheet, and (b) transactions and other events of the current period that are recognised in an entity's financial statements.

As regards to the disclosure requirements, Ind AS 12 states that an entity must disclose the major components of tax expense (income) separately. It also requires an entity to disclose separately (a) the aggregate current and deferred tax relating to items that are charged or credited directly to equity, (b) the amount of income tax relating to each component of other comprehensive income, (c) an explanation of the relationship between tax expense (income) and accounting profit, (d) an explanation of changes in the applicable tax rate(s) compared to the previous accounting period, (e) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognised in the balance sheet etc. Ind

AS 16: Property,  
Plant and Equipment

**87% MATCHING BLOCK 65/516**

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The objective of this Standard is to prescribe the accounting treatment for

**85% MATCHING BLOCK 66/516**

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property, plant and equipment. The principal issues in accounting for property, plant and equipment includes recognition of the assets, the determination of their carrying amounts, the depreciation charges and impairment losses to be recognised in relation to them.

Ind AS 16 requires an entity shall

**91% MATCHING BLOCK 67/516**

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disclose, for each class of property, plant and equipment (a) the measurement bases used for determining the gross carrying amount; (b) the depreciation methods used; (c) the useful lives or the depreciation rates used; (

**100% MATCHING BLOCK 68/516**

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d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and (e) a reconciliation of the carrying amount at the beginning and end of the period.

The Standard also requires that the financial statements of the entity shall disclose (a)

**90% MATCHING BLOCK 70/516**

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the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities; (b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction; (c) the amount of contractual commitments for the acquisition of property, plant and equipment; and (d) if it is not disclosed separately in the statement of profit and loss, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in

profit or loss

[42] [ 42 ]

Ind AS 19: Employee Benefits

**77% MATCHING BLOCK 71/516**

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The objective of Ind AS 19 is to prescribe the accounting and disclosure for employee benefits. As per this standard, an entity shall recognise (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Though the standard does not require disclose for specific items of employee benefits, other standards such as Ind AS 24 requires disclosure of information about related party transactions with post-employment benefit plans and post-employment benefits for key management personnel, Ind AS 37 requires that an entity must disclose information about contingent liabilities arising from post- employment benefit obligations and Ind AS 19 requires disclosure of employee benefits expense.

**86% MATCHING BLOCK 72/516**

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Ind AS 20: Accounting for Government Grants and Disclosure of Government Assistance This Standard deals with accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance.

The Standard requires disclosure of (a) the accounting policy adopted for government grants, including the methods

**85% MATCHING BLOCK 73/516**

**W**

of presentation adopted in the financial statements; (b) the nature and extent of government grants recognised in the financial statements

and an indication of other forms of government assistance from which the entity has directly benefited; and (c) unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

**100% MATCHING BLOCK 74/516**

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Ind AS 21: The Effects of Changes in Foreign Exchange Rates

The

standard deals with the issues in accounting for foreign currency transactions and foreign operations. It also deals with the process of translating financial statements into a presentation currency. The principal issues covered by the Standard include selection of



**100% MATCHING BLOCK 75/516**

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exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements.

As regards to the disclosure requirements, Ind AS 21 requires an entity to disclose (a) the amount of exchange differences recognised in profit or loss

**100% MATCHING BLOCK 78/516**

**SA**

Canadian GAAPs.pdf (D917184)

except for those arising on financial instruments measured at fair value through profit or loss in accordance with

Ind AS 109;  
and (b) net

**96% MATCHING BLOCK 76/516**

**W**

exchange differences recognised in other comprehensive income and accumulated in a separate component of equity, [43] [ 43 ]

and

**67% MATCHING BLOCK 77/516**

**W**

a reconciliation of the amount of such exchange differences at the beginning and end of the period.

It also requires disclosure of

**70% MATCHING BLOCK 85/516**

**SA**

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the functional currency and the reason for using a separate presentation currency, if so done, reason for change in functional currency of the reporting entity or a significant foreign operation.

Ind AS 23: Borrowing Costs This standard deals with the accounting of borrowing costs and disclosures thereof.

**100% MATCHING BLOCK 79/516**

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Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

As per this standard,

**100% MATCHING BLOCK 80/516**

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borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.

**100% MATCHING BLOCK 81/516**

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A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are recognised as an expense.

According to Ind AS 23, an entity shall disclose: (a) the amount of borrowing costs capitalised during the period; and (b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation. Ind AS 24: Related Party Disclosures This standard deals with the reporting

**87% MATCHING BLOCK 82/516**

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of related party relationships and transactions between a reporting enterprise and related

parties. The Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements

**76% MATCHING BLOCK 83/516**

**W**

of a parent or investors with joint control of, or significant influence over, an investee

presented

**89% MATCHING BLOCK 84/516**

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in accordance with Ind AS 110, Consolidated Financial Statements, or Ind AS 27, Separate Financial Statements.

This Standard also applies to individual financial statements. For all entities, the Standard requires that relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. The entity shall also disclose key managerial personnel compensation both in total and under various specified categories. If an entity has had

**61% MATCHING BLOCK 86/516**

**W**

related party transactions during the periods covered by the financial statements, it shall disclose the nature of

the related party relationship as well as information about those Ind AS 24, Related Party Disclosures transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

[44] [ 44 ]

**98% MATCHING BLOCK 87/516**

**W**

Ind AS 27: Separate Financial Statements The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

According to Ind AS 27, when a parent, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements (a) the fact that the financial statements are separate financial statements and that it has availed the exemption from consolidation (b) a list of significant investments in subsidiaries, joint ventures and associates and (c) a description of the method used to account for the investments listed under (b). When an investment entity that is a parent

**100% MATCHING BLOCK 88/516**

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prepares separate financial statements as its only financial statements, it shall

disclose that fact. When

**90% MATCHING BLOCK 89/516**

**W**

a parent or an investor with joint control of, or significant influence over an investee,

prepares separate financial statements, the parent or investor shall identify the financial statements prepared in accordance with Ind AS 110, Ind AS 111 or Ind AS 28 to which they relate.

**98% MATCHING BLOCK 90/516**

**W**

Ind AS 28: Investments in Associates and Joint Ventures The objective of this Standard is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

As per Ind AS 28,

**100% MATCHING BLOCK 91/516**

**W**

an entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method

except when the investment is exempted as per this standard. Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and

**46% MATCHING BLOCK 92/516**

**W**

the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The investor's share of the investee's profit or loss is recognised in the investor's profit or loss.

**100% MATCHING BLOCK 93/516**

**W**

Distributions received from an investee reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in the investor's other comprehensive income.

[45] [ 45 ]

**70% MATCHING BLOCK 94/516**

**W**

Ind AS 32: Financial Instruments- Presentation; Ind AS 107: Financial Instruments – Disclosures and Ind AS 109 – Financial Instruments

Under Ind AS, three Standards deal with accounting for financial instruments. ? Ind AS 32 Financial Instruments: Presentation deals with the presentation and classification of financial instruments as financial assets, financial liabilities or equity and sets out the requirements regarding offset of financial assets and financial liabilities in the balance sheet. ? Ind AS 107 Financial Instruments: Disclosures sets out the disclosures required in respect of financial instruments. ? Ind AS 109 Financial Instruments contains guidance on the recognition, de-recognition, classification and measurement of financial instruments, including impairment and hedge accounting. Ind AS 107 prescribes the disclosures requirements for (a) different categories of financial assets (b) different categories of financial liabilities (c) re-classification of financial liabilities (d) de-recognition of financial assets and liabilities (e) financial assets pledged as collateral (f) allowances for credit losses (g) compound financial instruments with multiple embedded derivatives (h) defaults and breaches for loan payables (i) income, expense, gains or losses recognized in profit and loss (j) accounting policies followed (k) hedge accounting (l) fair value determination for financial assets and liabilities (m) risk disclosures.

**98% MATCHING BLOCK 95/516**

**W**

Ind AS 33: Earning Per Share The objective of this Standard is to prescribe principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity.

According to Ind AS 33, an entity shall disclose (a) the amounts used as the numerators in calculating basic

**77% MATCHING BLOCK 96/516**

**W**

and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period, (b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other, (c)

**100% MATCHING BLOCK 97/516**

**W**

instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, (

d) a description of ordinary share transactions or potential ordinary share transactions that occur after the reporting period and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.

[46] [ 46 ]

**98% MATCHING BLOCK 98/516**

**W**

Ind AS 34: Interim Financial Reporting The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period.

An interim period is a financial reporting period shorter than a full financial year. Interim financial report means a financial report containing either a complete set of financial statements (as described in Ind AS 1, Presentation of Financial Statements, or a set of condensed financial statements (as described in this Standard) for an interim period. As per Ind AS 34, disclosures shall include (a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements (b) explanatory comments about the seasonality or cyclicity

**87% MATCHING BLOCK 99/516**

**W**

of interim operations (c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence (

d)

**95% MATCHING BLOCK 100/516**

**W**

the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial

years (e) issues,

**93% MATCHING BLOCK 107/516**

**SA**

Canadian GAAPs.pdf (D917184)

repurchases and repayments of debt and equity securities (f) dividends paid (aggregate or per share) separately for ordinary shares and other shares, (

g) segment information, (h) events after the interim period that have not been reflected in the financial statements for the interim period, (i) the

**88% MATCHING BLOCK 101/516**

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effect of changes in the composition of the entity during the interim period, (

j) information about fair value as required by Ind AS 113 and Ind AS 107, (k) the disaggregation of revenue from contracts with customers required by Ind AS 115.

**99% MATCHING BLOCK 102/516**

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Ind AS 36: Impairment of Assets The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognise an impairment loss. The Standard also specifies when an entity should reverse an impairment loss.

According to Ind AS 36,

**94% MATCHING BLOCK 103/516**

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an entity shall disclose, among many things (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit and loss in which those impairment losses are included. (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit [47] [ 47 ] and loss in which those impairment losses are reversed. (c) the amount of impairment losses on revalued assets recognised in other comprehensive income during the period. (d) the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.

The Standard also requires disclosure of information on impairment loss recognised and reversals made with respect to each reportable segment. Again, for each individual assets or cash generating unit, information such as (a) the events leading to impairment, (b) amount of loss recognised or reversed along with the description of individual assets or cash generating units (c) recoverable amount and related information.

**99% MATCHING BLOCK 104/516**

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Ind AS 38: Intangible Assets The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.

As regards to the general disclosures, Ind As 38 requires an entity to disclose,

**78% MATCHING BLOCK 105/516**

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for each class of intangible assets (distinguishing between internally generated intangible assets and others), (a) whether the useful lives

are indefinite or finite and, if finite, the useful lives or the amortisation rates used; (b) the amortisation methods used for intangible assets with finite useful lives; (

**87% MATCHING BLOCK 106/516**

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c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; (d)

the line item(s) of the statement of profit and loss in which any amortisation of intangible assets is included; (

**100% MATCHING BLOCK 108/516**

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e) a reconciliation of the carrying amount at the beginning and end of the period.

An entity shall also disclose (a) for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite

**86% MATCHING BLOCK 109/516**

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useful life, (b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the

entity's financial statements, (c) for intangible assets acquired by way of a government grant and initially recognised at fair value – the fair value initially recognised, the carrying amount.

**97% MATCHING BLOCK 110/516**

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Ind AS 40: Investment Property The objective of this Standard is to prescribe the accounting treatment for investment property and related disclosure requirements.

According to this standard, an owned investment property shall

**78% MATCHING BLOCK 111/516**

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be recognised as an asset when, and only when: (a) it is probable that

the future economic benefits that are associated with the [48] [ 48 ] investment property

**73% MATCHING BLOCK 112/516**

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will flow to the entity; and (b) the cost of the investment property can be measured reliably.

The owned investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. As regards to the disclosure requirements, an entity shall disclose (a) its accounting policy for measurement of investment property, (b) the criteria it uses to distinguish investment property from owner-occupied property and from

**100% MATCHING BLOCK 113/516**

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property held for sale in the ordinary course of business

when classification is difficult, (c) the extent to which the fair value of investment property is based on a valuation by an independent valuer, (d) the amounts recognised in profit or loss for rental income from investment property, direct operating expenses arising from investment property that generated rental income during the period, direct operating expenses arising from investment property that did not generate rental income during the period, (e) the existence and amounts of

**71% MATCHING BLOCK 114/516**

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restrictions on the realisability of investment property or the remittance of income and proceeds of disposal,

and (f) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements. In addition to above, the entity shall also disclose the depreciation method used, the useful lives or depreciation rate used, the gross carrying amount

**84% MATCHING BLOCK 115/516**

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at the beginning and end of the period and a reconciliation between the

two and the fair value

**97% MATCHING BLOCK 116/516**

**W**

of investment property. Ind AS 41: Agriculture The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.

The standard applies to account for

**90% MATCHING BLOCK 117/516**

**W**

biological assets, agricultural produce at the point of harvest and government

grant when they relate to agricultural activity. Among many items, the general disclosures required by Ind AS 41 include disclosure relating to the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets, description of each group of biological assets, the nature of its activities involving each group of biological assets and non-financial measures or estimates of the physical quantities of (i) each group of the entity's biological assets at the end of the period and (ii) output of agricultural produce during the period. Additionally, an entity shall disclose (a)

**83% MATCHING BLOCK 118/516**

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the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities (b) the amount of commitments for the

development or acquisition of biological assets and (c) financial risk management strategies related to agricultural activity. There are additional disclosure requirements as well for biological assets where fair value cannot be measured reliably and for government grants in this respect.

[49] [ 49 ]

**94% MATCHING BLOCK 119/516**

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Ind AS 102: Share Based Payment The objective of this Standard is to specify the financial reporting by an entity when it undertakes a share-based payment transaction. More specifically, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.

According to this standard,

**100% MATCHING BLOCK 120/516**

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an entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognise a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.



However,

**100% MATCHING BLOCK 121/516 W**

when the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognised as expenses.

For

**100% MATCHING BLOCK 122/516 W**

equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

As regards to the disclosure requirements, the standard requires an entity to disclose information that enables users of the financial statements

**92% MATCHING BLOCK 124/516 SA** Canadian GAAPs.pdf (D917184)

to understand the nature and extent of share-based payment arrangements that existed during the period, how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined and the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position.

Ind AS 103: Business Combinations This standard deals with the principles and requirements as to

**97% MATCHING BLOCK 123/516 W**

how the acquirer recognizes and measures, in its financial statements, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognises and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

The Standard requires

**88% MATCHING BLOCK 132/516 SA** new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)

an entity to account for each business combination by applying the acquisition method. (

For details regarding the accounting for business combinations please refer to Unit 6)  
[50] [ 50 ] As regards to the disclosure requirements, the Standard requires the acquirer to disclose, with respect to each business combination that occurs during the reporting period,

**63% MATCHING BLOCK 125/516**

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the name and description of the acquiree, acquisition date, the percentage of voting equity interests acquired, the primary reason for combination and the process of obtaining control, a qualitative description of the factors that make up the goodwill recognised, the acquisition-date fair value of the total consideration transferred as well as of each major class, contingent consideration

related information, amount recognised

**100% MATCHING BLOCK 126/516**

**W**

for each major class of assets acquired and liabilities assumed,

goodwill and gain on bargain purchase etc. Ind AS 108: Operating Segments It deals with the disclosure of information on the basis of segment of an enterprise. The Standard prescribes the rules for identification of reportable segments and the aggregation criteria for aggregating two or more segments into one. The disclosure requirements include both general information and entity wide disclosures. (For details, please refer to Unit 7)

**98% MATCHING BLOCK 127/516**

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Ind AS 110: Consolidated Financial Statements The objective of this Indian Accounting Standard (Ind AS) is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

**100% MATCHING BLOCK 128/516**

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A parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

**100% MATCHING BLOCK 129/516**

**W**

A parent shall present non-controlling interests in the consolidated balance sheet within equity, separately from the equity of the owners of the parent.

**98% MATCHING BLOCK 130/516**

**W**

Ind AS 111: Joint Arrangements The objective of this Indian Accounting Standard (Ind AS) is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e., joint arrangements).

**98% MATCHING BLOCK 131/516**

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A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement can either be a joint operation or a joint venture. Ind AS 113: Fair Value Measurement This Standard provides the definition of fair value and set out a framework for measuring fair value and requires disclosures about

**89% MATCHING BLOCK 133/516**

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fair value measurements. Fair value as the price that would be received to sell an asset or paid to transfer a liability in [51] [ 51 ] an orderly transaction between market participants at the measurement date. To

increase consistency and comparability in fair value measurements and related disclosures,

**97% MATCHING BLOCK 134/516**

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this Ind AS establishes a fair value hierarchy that categorises into three levels, the inputs to valuation techniques

used to measure

**98% MATCHING BLOCK 135/516**

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fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The

standard  
requires  
an entity to

**100% MATCHING BLOCK 136/516**

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disclose information that helps users of its financial statements assess both of the following: (

a)

**100% MATCHING BLOCK 137/516**

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for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheet after initial recognition, the valuation techniques and inputs used to develop those measurements. (

b)

**100% MATCHING BLOCK 138/516**

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for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

Ind AS 115: Revenue from contracts with Customers Ind AS 115 provides a single model for revenue recognition from the contracts with customers. The core principle of Ind AS 115 is that revenue should be recognised from

**69% MATCHING BLOCK 139/516**

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the transfer of goods and services to a customer in an amount that reflects the consideration that the entity expects to be entitled

to in exchange for goods and services. Ind AS 115 suggests a five-step process for revenue recognition as follows: Step 1: Identify the contracts with customer Step 2: Identify the separate performance obligations Step 3:

<b>76%</b>	<b>MATCHING BLOCK 140/516</b>	<b>W</b>
Determine the transaction price Step 4: Allocate the transaction price to the performance obligations Step 5: Recognise revenue when (		

or as) a performance obligation is satisfied According to Ind AS 115, an entity shall disclose qualitative and quantitative information about the contract with customers. It shall ensure a separate disclosure of revenue from contracts with customers from other sources of revenue; impairment loss recognised on receivable or contract assets should be disclosed separately from other impairment losses; disclosure should be there for aggregate revenue, contract balances i.e., receivables, contract assets and contract liabilities; there should be disclosure of performance obligations, disclosure of transaction price allocated to the remaining performance of the patients and disclosure of use of practical expedients. [52] [ 52 ] Ind AS 116: Leases This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on

<b>100%</b>	<b>MATCHING BLOCK 141/516</b>	<b>W</b>
the financial position, financial performance and cash flows of an entity.		

According to this standard, at inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the

<b>57%</b>	<b>MATCHING BLOCK 144/516</b>	<b>SA</b>	M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)
contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.			

At the commencement date, a lessee shall recognise a right-of use asset and a lease liability. The right-of-use asset shall be measured at cost. At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. After the commencement date, a lessee shall measure the right-of-use asset applying a cost model. After the commencement date, a lessee shall measure the lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications. A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. A lessee shall disclose, for the reporting period, (a) depreciation charge for right-of-use assets by class of underlying asset (b) interest expense on lease liabilities (c) the expense relating to short-term leases (d) the expense relating to leases of low-value assets (e) the expense relating to variable lease payments not included in the measurement of lease liabilities (f) income from subleasing right-of-use assets (g) total cash outflow for leases (h) additions to right-of-use assets (i) gains or losses arising from sale and leaseback transactions and (j) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset. A lessor shall disclose the following amounts for the reporting period: (a) for finance leases: (i) selling profit or loss; (ii) finance income on the net investment in the lease; and (iii) income relating to variable lease payments not included in the measurement of the net investment in the lease. (b) for operating leases, lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate.

[53] [ 53 ] 1.5.3 Disclosures in Company Accounts as per SEBI Regulations Stock exchanges have a vital role in the development of capital markets for the benefit of the corporate sector. At the same time, they exert influence on the reporting practices of companies with a view to safeguard the interest of present and potential investors through the compliance of Listing Agreement on the admission of securities for listing. The listing agreement is the most influential aspect of stock exchange regulation as far as the financial reporting is concerned. It aims at securing a regular supply of information to investors and others, and at specifying the information which must be supplied by a company. It also ensures consistency of company financial reporting requiring the disclosure of reasons for deviations from an existing policy. Moreover, according to the Agreement Form, each company is generally required to publish in a form, approved by the stock exchange, periodical interim statement, total turnover, gross profit, depreciation, net profit etc. Thus, the role of stock exchange, as a regulatory body, in corporate accounting is essentially very important. The Securities and Exchange Board of India (SEBI) came into existence in 1992 as an exclusive and regulatory body of Indian capital market. It has brought a new dimension in the field of securities transactions in India. During the last three decades, it has taken a number of steps in order to discharge the responsibility of regulating both the primary market (initial issue of securities) and secondary market (dealing with securities in the stock exchanges) with a view to bringing uniformity through the compliance of its guidance in the matter of financial reporting practices by the companies in the interests of both the present and potential investors. SEBI guidelines in respect of financial accounting and reporting is mainly covered by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 notified on 02.09.2015. The main provisions relating to accounting and reporting or disclosures are discussed below: Chapter IV: Obligations of Listed Entity Which Has Listed Its Specified Securities Clause 33: Financial Results (1) While preparing financial results, the listed entity shall comply with the following: (a) The financial results shall be prepared on the basis of accrual accounting policy and shall be in accordance with uniform accounting practices adopted for all the periods. (b) The quarterly and year to date results shall be prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 or Indian Accounting Standard 31 (AS 25/ Ind AS 34 – Interim [54] [ 54 ] Financial Reporting), as applicable, specified in Section 133 of the Companies Act, 2013. (c) The standalone financial results and consolidated financial results shall be prepared as per Generally Accepted Accounting Principles in India: Provided that in addition to the above, the listed entity may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board. Clause 34: Annual Report (2) The annual report shall contain the following: (a) audited financial statements i.e., balance sheets, profit and loss accounts etc. (b) consolidated financial statements audited by its statutory auditors; (c) cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 or Indian Accounting Standard 7, as applicable (d) directors report; (e) management discussion and analysis report - either as a part of director’s report or addition thereto; (f) for the five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year),

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business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board

from time to time. Other than top five hundred listed companies based on market capitalization and listed entities which have listed their specified securities on SME Exchange, may include these business responsibility reports on a voluntary basis in the format as specified. (3) The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations. Clause 43: Dividends (1) The listed entity shall declare and disclose the dividend on per share basis only. Clause 48: Accounting Standard The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.

[55] [ 55 ] Chapter V : Listed Entity Which Has Listed Its Nonconvertible Debt Securities or Nonconvertible Redeemable Preference Shares or Both Clause 52: Financial Results (1) The listed entity shall prepare and submit un-audited or audited financial results on a half yearly basis in the format as specified by the Board within forty- five days from the end of the half year to the recognised stock exchange(s). (4) The listed entity, while submitting half yearly / annual financial results, shall disclose the following line items along with the financial results: (a) credit rating and change in credit rating (if any); (b) asset cover available, in case of non-convertible debt securities; (c) debt-equity ratio; (d) previous due date for the payment of interest/ dividend for non-convertible redeemable preference shares/ repayment of principal of non-convertible preference shares /non-convertible debt securities and whether the same has been paid or not; and, (e) next due date for the payment of interest/ dividend of non-convertible preference shares /principal along with the amount of interest/ dividend of non-convertible preference shares payable and the redemption amount; (f) debt service coverage ratio; (g) interest service coverage ratio; (h) outstanding redeemable preference shares (quantity and value); (i) capital redemption reserve/debenture redemption reserve; (j) net worth; (k) net profit after tax; (l) earnings per share. However, the requirement of disclosures of debt service coverage ratio, asset cover and interest service coverage ratio shall not be applicable for banks or non-banking financial companies registered with the Reserve Bank of India. (6) The listed entity which has listed its non-convertible redeemable preference shares shall make the following additional disclosures as notes to financials: (a) profit for the half year and cumulative profit for the year; (b) free reserve as on the end of half year; (c) securities premium account balance (if redemption of redeemable preference share is to be done at a premium, such premium may be appropriated from securities premium account): Provided that disclosure on securities premium account balance may be provided only in the year in which non-convertible redeemable preference shares are due for redemption; (d) track record of dividend payment on non-convertible redeemable preference shares: Provided that in case the dividend has been deferred at any time, then the actual date of payment shall be disclosed; (e) breach of any covenants under the terms of the non-convertible redeemable preference shares: Provided that in case a listed entity is planning a fresh issuance of shares whose end use is servicing of the non-convertible redeemable preference shares (whether dividend or principle redemption), then the same shall be disclosed whenever the listed entity decided on such issuances.

[56] [ 56 ] Clause 53: Annual report The annual report of the listed entity shall contain disclosures as specified in Companies Act, 2013 along with the following: (a) audited financial statements i.e., balance sheets, profit and loss accounts etc; (b) cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3/ Indian Accounting Standard 7; (c) auditors report; (d) directors report; (e) name of the debenture trustees with full contact details (f) related party disclosures as specified in Para A of Schedule V. Chapter VI: Listed Entity Which Has Listed Its Specified Securities and Either Non-convertible Debt Securities or Non-Convertible Redeemable Preference Shares or Both Clause 63: Applicability of Chapters IV and V (1) Entity which has listed its 'specified securities' and 'non-convertible debt securities' or 'non-convertible redeemable preference shares' or both on any recognised stock exchange, shall be bound by the provisions in Chapter IV of these regulations. 1.6 Summary Proper and adequate disclosure of information through preparation and presentation of financial and non-financial statements, charts, diagrams etc. is the need of the hour not only in interest of a wide variety of users for taking right decisions but also in the interest of the companies themselves in the matter of compliance of disclosure requirements as required by the Companies Act 2013, Indian Accounting Standards notified by MCA and SEBI (LODR) Regulations 2015. MCA and SEBI have been playing a remarkable role in the development of corporate accounting and reporting with a view to harmonizing diverse accounting and reporting practices in India through the legal framework of Acts, Standards and Regulations respectively. 1.7 Exercises 1. What are the objectives of disclosure of information? 2. What is meant by regulation of corporate accounting and reporting? Why is external regulation essential? 3. Explain in brief the disclosure requirements in the financial statements as per the Companies Act 2013.

[57] [ 57 ] 4. What is the necessity of accounting standards? Can accounting standards remove diverse financial accounting and reporting practices? 5. State the disclosure requirements in the financial statements for the following: a) Inventories (Ind AS 2) b) Statement of Cash Flows (Ind AS 7) c)

**78%**

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Accounting Policies, Changes in Accounting Estimates and Errors (Ind AS 8) d) Events after the Reporting Period (

Ind AS 10) e) Property, Plant and Equipment (Ind AS 16) f) Employee Benefits (Ind AS 19) g)

<b>62%</b>	<b>MATCHING BLOCK 145/516</b>	<b>SA</b>	M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)
The Effects of Changes in Foreign Exchange Rates (Ind AS 21) h) Borrowing Costs (Ind AS 23) i) Related party Disclosures (Ind AS 24)			

j) Earnings Per Share (Ind AS 33) k) Impairment of Assets (Ind AS 36) l) Intangible Assets (Ind AS 38) m) Share Based Payments (Ind AS 102) n) Financial Instruments: Disclosures (Ind AS 107) o) Fair Value Measurement (Ind AS 113) p) Leases (Ind AS 116) 6. State the provisions relating to accounting and reporting as per SEBI (LODR) Regulations, 2015 with respect to: (a) listed entity which has listed its specified securities; and (b) listed entity which has listed its non-convertible debt securities or non- convertible redeemable preference shares or both.

[58] [ 58 ] Unit 2 Valuation of Goodwill and Shares Structure 2.1 Objective 2.2 Introduction 2.3 Meaning of Goodwill 2.4 Types of Goodwill 2.4.1 Purchased Goodwill 2.4.2 Non-purchased Goodwill 2.5 Factors Contributing to Goodwill 2.6 Need for

<b>73%</b>	<b>MATCHING BLOCK 146/516</b>	<b>SA</b>	MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)
Valuation of Goodwill 2.7 Methods for Valuation of Goodwill 2.7.1. Super Profit Method 2.7.2 Capitalization Method 2.7.3 Annuity Method 2.8			

Need for

<b>66%</b>	<b>MATCHING BLOCK 147/516</b>	<b>SA</b>	MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)
Valuation of Shares 2.9 Methods of Valuation of Shares 2.9.1 Net Asset Method 2.9.2 Yield Method 2.9.3 Preference Shareholders' Claim 2.9.4 Fair Value			

of Share 2.10 Using Relative Valuation 2.11 Summary 2.12

<b>70%</b>	<b>MATCHING BLOCK 148/516</b>	<b>SA</b>	new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)
Exercises [59] [ 59 ] 2.1 Objective After going through this unit, you will be able to: ? know the meaning			

of goodwill, its types and the factors affecting

it; ? explain the need for valuation and methods of valuation; ? explain why valuation of shares is necessary and the methods of valuation. 2.2 Introduction Goodwill is an intangible asset but not fictitious. Since it is an intangible asset, it cannot be used as tangible assets like land & building, plant & machinery, furniture & fittings; but like other tangible assets it contributes to the profit earning capacity of the business. Again, goodwill is a valuable asset if the business is profitable; it is value less if the business is a losing one. When a business is able to earn profits at a rate higher than its similar counterparts, the business is said to possess goodwill. 2.3 Meaning of Goodwill Goodwill is the value of the reputation, connection or other advantage of the business judged in respect of its capacity to bring in, unaided, profits. It is that attractive force which brings customers into the business. Again, it is the value of excess earning power of a firm. Actually, it is the anticipated future excess earnings of an enterprise. Thus,

<b>93%</b>	<b>MATCHING BLOCK 150/516</b>	<b>SA</b>	MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)
goodwill may be defined as the value of the reputation of a business in respect of profits expected in future over and above the normal level of profit earned by			

the undertaking belonging to the same class of business. 2.4 Types of Goodwill In business, there are two types of goodwill, namely, Purchased goodwill and Inherent or Non-purchased goodwill. Different types of goodwill are discussed in the paragraphs that follow. 2.4.1 Purchased Goodwill It may arise when a business purchases another business. Purchased goodwill is the excess of the purchase consideration over and above the fair value of the separable net assets acquired with an expectation of better future prospects of the entity as a whole. It must not exist in a business except by business purchase. Conventionally, only purchased goodwill is recognized in accounting. [60] [ 60 ] 2.4.2 Non-purchased Goodwill Internally generated goodwill is known as non-purchased, self-generated or inherent goodwill. It arises when a business generates its own goodwill over the years. It is not shown in the balance sheet. 2.5 Factors Contributing to Goodwill The following factors contribute significantly in developing the goodwill of an organization. 1. Superior management team 2. Outstanding sales manager of organization 3. Weakness in the management of a competitor 4. Effective advertising 5. Secret or patented manufacturing 6. Good labour relations 7. Outstanding credit rating 8. Top flight training programme for employees 9. Good public 'image' 10. Unfavourable development in operation of a competitor 11. Favourable association with another company 12. Strategic location 13. Discovery of talents or resources 14. Favourable tax conditions 15. Favourable government regulations 16. Favourable attitudes of customers 17. Excellent reputation for quality and reliability of products 18. Number of outlets for products 19. Number of service locations for products 20. Favourable agency agreements 21. Established list of customers 22. Established license to trade 23. Experienced work-force 24. Good relations with suppliers 25. Superior pension fund resources

[61] [ 61 ] 2.6 Need for Valuation of Goodwill In case of a joint stock company, the need for valuation of goodwill arises in the following circumstances: a. When the business of a company is taken over by another company for the purpose of amalgamation or absorption. b. When the shares of the company are not quoted on the stock exchange and their valuation is to be made for the purpose of taxation etc. c. When the business of a company is being taken over by the government. d. When a person (or a company) wants to buy a large block of shares of a company with a view to exercising control over the management of the company concerned. In case of a partnership organisation also valuation of goodwill may be necessary in case there is any change in the ownership structure of the organisation such as admission of a partner, retirement or death of a partner, change in profit sharing ratio etc. 2.7 Methods for Valuation of Goodwill Generally, there are three popular methods for valuation of goodwill. They are: (1) Super Profit Method; (2) Capitalization of Average Profits Method, and (3) Annuity Method. These may be discussed in the following paragraphs: 2.7.1 Super Profit Method The excess of average future maintainable profit over the normal profit is known as super profit. In this method, goodwill is taken as the sum of super profits of the future years for which such super profit is expected to be maintained. The elements to be taken into account in determining the value of goodwill are: (a) Average future maintainable trading profit; (b) Capital employed; (c) Normal rate of return; and (d) Number of year(s) for which super profit is expected to be maintained, i.e., number of years' purchase. Super

**80% MATCHING BLOCK 149/516**

**W**

Profit ? Future maintainable profit ? (Capital employed ? Normal rate of return) Goodwill ? Super profit ?

Number of year(s) for which super profit can be maintained. Following illustration will clarify the above steps.

[62] [ 62 ] Illustration 1: Valuation of Goodwill under Super Profit Method; Simple Problem Capital employed of Venus Ltd. was Rs. 20,00,000. Trading profits for the last 3 years were Rs. 2,90,000, Rs. 3,00,000 and Rs. 3,10,000 respectively. Normal rate of return is 12%. Super profit is expected to be maintained for 4 years. Determine the value of goodwill. Solution: Calculation of Super Profit Av. future maintainable trading profit [(2,90,000 + 3,00,000 + 3,10,000) / 3] Rs. 3,00,000 Less: Normal return @ 12% on capital employed ( Rs. 20,00,000 \* 12%) Rs. 2,40,000 Rs. 60,000 Value of goodwill ? Super profit ? No. of year



for which super profit can be maintained ? Rs. 60,000 ? 4 ? Rs. 2,40,000. The steps of calculation of goodwill under super profit method are now discussed in detail as follows: (a) Future Maintainable Trading Profit Future maintainable profit is an important factor in determining the value of goodwill. Future maintainable profit is ascertained by taking either simple average or weighted average, as the circumstance demands, of the past profits. Conventionally, profits of last 3 to 5 years are considered. When the past profits do not show any definite trend, simple average is used to ascertain the future maintainable profit. In case of existence of increasing or decreasing trend in the past profits, weighted average is taken in order to ascertain future maintainable profit. However, more weights are assigned to the profit figures of the immediate past years while less weights are given to the profit figures of the furthest past years. Moreover, only trading profits should be considered as goodwill in the result of organisation's operation and hence should not be affected by any non-trading expenses or losses and non-trading income. Nevertheless, ascertainment of future maintainable trading profit requires following adjustments: (1) Elimination of non-trading loss due to sale of asset(s), fire, earthquake, flood, strike, lock out, etc, from profit or loss. (2) Elimination of any non-trading expenses such as interest on loan or interest on debentures.

[63] [ 63 ] (3) Elimination of non-trading income arising out of sale of asset(s), dividend or interest income, etc. from profit or loss because capital employed consists only of trading assets. But, in case of income received from trading investments, no adjustment is needed. (4) In case of increase or decrease in the value of fixed assets on account of revaluation, under-charged or over-charged depreciation should be adjusted on the increased or decreased values. (5) In case of change in the corporate tax rate, tax charged at old rate should be added back and tax should be charged at new rate. (6) In case of change in accounting policy, profit or loss should be so adjusted to have profit or loss on the basis of uniform accounting policy. (b) Capital Employed It is the most important factor in valuation of goodwill because the volume of profit is significant only in relation to the capital used to earn it. Thus, while valuing the goodwill, capital employed refers to permanent resources used to earn operating or trading profit. Accordingly, capital employed means 'total assets minus non-trading assets minus fictitious assets minus current liabilities.' Alternatively, capital employed means 'net-worth plus long-term debt.' This basically, gives us the Trading Capital Employed. It is to be remembered that profit is expressed in terms of current prices. So, in order to make fair determination of capital employed, all assets and current liabilities (or, outside liabilities) are to be taken at current prices, because profit is measured at current price. In making so, all fixed assets and inventories are to be taken into account at current prices and the remaining current assets and current liabilities (or, outside liabilities) need not require any valuation as they are already stated at current prices. However, expected bad debt should be deducted from sundry debtors. Here, current prices will mean their fair value. Since the capital employed changes over the year, it would be better to have an average capital employed instead of capital employed (i.e., closing capital employed) because average capital employed is the true representative of the capital employed while evaluating goodwill. It is determined by deducting half of the current year's trading profit (after tax) from the closing capital employed. (c) Normal Rate of Return on capital employed Normal rate of return is the third important factor in valuing goodwill. It means the rate of return that a similar business is earning with the similar resources (i.e.,

[64] [ 64 ] capital employed). Such a return differs from industry to industry. It comprises of two components: (1) Risk-free rate : It is the pure interest rate prevailing in the concerned economy (the rate of return on fixed deposit in bank or government securities may be considered as risk-free rate). (2) Risk premium : It is the premium in addition to risk-free rate for taking business risk for the industry to which the company belongs. It is relevant to state that, higher is the business risk, the higher is the normal rate of return. In practice, industry average return is taken as normal rate of return. Consider the following comprehensive illustration. Illustration 2 : Valuation of Goodwill under Super Profit Method; Comprehensive Problem From the following information, determine: (a) Closing trading capital employed; (b) Average trading capital employed; and (c) Value of goodwill by super profit method (on the basis of 5 years' purchase of average super profit).

The summarized  
Balance Sheet of Z

**63%**

**MATCHING BLOCK 154/516**

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Ltd. as on December 31, 2020 Liabilities Amount Assets Amount Rs. Rs. 20,000 Equity Shares of Rs. 10 each 2,00,000  
Fixed Assets 3,50,000 1,000 9% Preference Shares Investments of Rs. 100 each 1,00,000 (6%

Govt. Deposit) 45,000 Reserve and Surplus 1,80,000 Current Assets 2,00,000 10% Debentures 90,000 Fictitious assets 55,000 Creditors 60,000 Provision for Taxation 20,000 6,50,000 6,50,000  
[65] [ 65 ] The current market value of the plant included in fixed assets is Rs. 15,000 more. The average profit of the company (after deductions of interest and govt. taxes) is Rs. 68,000. The normal rate of return on capital employed is 12%. Depreciation rate on plant 10%. Tax rate is 40%. Solution. (a) Closing Trading Capital Employed Particulars Rs. Total Assets as per given balance sheet 6,50,000 Less : Fictitious assets (55,000) Less : Investment (being non-trading) (45,000) Add : Increase in plant 15,000 Less : Provision for taxation (20,000) Creditors (60,000) Closing trading capital employed 4,85,000 (b) Average Trading Capital Employed Particulars Rs. Closing Trading Capital Employed as in (a) above 4,85,000 Less :  $\frac{1}{2}$  of \*current year's trading profit after taxes (70,880  $\times$   $\frac{1}{2}$ ) 35,440 Average trading capital employed 4,49,560 \* Here, it is assumed that current year's trading profit is same as the average maintainable trading profit. (c) Valuation of Goodwill (i) Super Profit Method: Particulars Rs. Average profit after interest and tax 68,000 Less : Income from investments after tax (45,000  $\times$  6%) (1,620) Less : Depreciation on the increased value of plant net of tax (15000  $\times$  10%  $\times$  60%) (900) Add : Debenture Interest (90000  $\times$  10%  $\times$  60%) 5,400 Average maintainable trading profit after tax 70,880.00 Less : Normal return on average trading capital 53,947.20 employed (4,49,560  $\times$  12%) Super profit 16,932.80

[66] [ 66 ] Goodwill  $\times$  Super Profit  $\times$  No of years for which super profit can be maintained  $\times$  5  $\times$  Rs.16,932.80  $\times$  5  $\times$  Rs.84,664  
2.7.2 Capitalization of Average Profits Method Under this method, average future maintainable trading profit is capitalised using normal rate of return on capital employed to arrive at the value of the firm (including goodwill). Goodwill is taken as the excess of the value of the firm (including goodwill) over the value of capital employed (excluding goodwill) for which goodwill is calculated. In this method the following elements are to be taken into account: (a) Average future maintainable trading profit; (b) Capital employed in the business for which goodwill is to be calculated; and (c) Normal rate of return in the industry to which the business belongs.

**72%**

**MATCHING BLOCK 151/516**

**W**

Value of the business  $\times$  (Average future maintainable trading profit) / (Normal rate of return) Value of goodwill  $\times$  Value of the business  $\times$

Value of capital employed Illustration 3 : Valuation of Goodwill Under Capitalisation Method Capital employed in Venus Company Ltd. is Rs. 20,00,000. Average future maintainable trading profit is Rs. 3,00,000. Normal rate of return is 12%. Find out the value of goodwill. Solution : Value of the business  $\times$  (Average future maintainable trading profit)/Normal rate of return  $\times$  (Rs. 3,00,000)/ 12%  $\times$  Rs. 25,00,000 Value of goodwill  $\times$  ( Value of the business)  $\times$  (Value of capital employed)  $\times$  Rs. (25,00,000  $\times$  20,00,000)  $\times$  Rs. 5,00,000 Illustration 4 : Valuation of Goodwill under Capitalization Method Refer to Illustration 2. Compute goodwill under Capitalization Method.

[67] [ 67 ] Solution : Capitalization Method Value of the business ? (Average future maintainable trading profit)/Normal rate of return ? (Rs. 70,880)/12% ? Rs.5,90,667 Value of goodwill ? (Value of the business) ? (Value of capital employed) ? Rs. (Rs.5,90,667 ? 4,85,000) ? Rs. 1,05,667 2.7.3. Annuity Method This method is the refinement of the super profit method. Super profit is expected to arise usually at the end of each financial year, i.e., at different points of time. In order to find out the value of goodwill, it would be unfair to simply multiply the super profit by the number of years' purchase for which super profit is expected to be earned. So future values of super profit must be discounted using appropriate discount rate (i.e., normal rate of return) with a view to getting present value of super profits. In case of annual super profit, the Annuity Formula can be used suitably for discounting future values of super profit in order to convert them into the present value; or, annual super profits can be multiplied by the sum of present values of the appropriate discount rate to find out the value of goodwill. Illustration 5 : Valuation of Goodwill Under Annuity Method Super profit of Venus Ltd. Rs. 60,000 per year can be maintained for 4 year. Discount rate is 12%. Find the value of goodwill. Solution : Goodwill (V) ? Super Profit ? PVIFA (i, n) Here, PVIFA 4 1 1 (1 ) 1 1 1(1 0.12) 3.0373 0.12 n i ? ? ? ? ? ? ? So, Value of goodwill ? Rs. 60,000 ? 3.0373 ? Rs. 1,82,238 Illustration 6 : Valuation of Goodwill Under Annuity Method Refer to Illustration 2. Compute goodwill under annuity method assuming appropriate discounting rate is 12%.

[68] [ 68 ] Solution : Annuity Method: Goodwill ? Super profit??Sum of present values at 12% for 5 years ? Rs. 16,932.80??3.6048 ? Rs. 61,039 2.8 Need for Valuation of Shares Shares of all public limited companies are not quoted on the stock exchange. Again, shares of private limited companies, in any case, will not be quoted. In case of change of hands of unquoted shares, value of such shares should be ascertained. Moreover, need for valuation of shares arises in the following circumstances: (1) Assessments under the estate duty, gift tax, wealth tax, etc. (2) Purchase of a block of shares generally involving acquisition of controlling interest in the company. (3) Formulation of schemes of amalgamation, absorption, reconstruction, etc. (4) Acquisition of interest of dissenting shareholders under a reconstruction scheme. (5) Compensating

**77% MATCHING BLOCK 152/516**

**W**

shareholders on the acquisition of their shares, by the government under a nationalisation scheme. (6) Conversion of preference shares into equity shares. (7) Advancing loan on the security of shares. (8)

Purchase of shares by the

**91% MATCHING BLOCK 153/516**

**W**

employees of the company where the retention of such shares is limited up to the period of their

retirement. 2.9 Methods of Valuation of Shares Basically, there are two methods used for valuation of equity shares. They are explained as below: 2.9.1 Net Asset Method This method is also known as asset backing method or intrinsic value method or break-up value method or balance sheet method. The essence of this method is the security, safety and asset cover of shares. Under this method, value per equity share is ascertained as follows: Value per equity share ? (Net assets available for equity shares)/(No. of equity shares)

[69] [ 69 ] The following important aspects should be considered while arriving at the 'net assets available for equity shares'. (1) A proper value should be placed on the goodwill of the business. Valuation of goodwill should be made using any of the methods, as explained in the preceding pages. (2) Proper valuation should be made for other intangibles like patents, trademarks, know-how, etc. They should be shown at their fair value. (3) Fictitious assets like debit balance in the profit & loss account, preliminary expenses, discount on debentures etc. should be excluded from total assets. (4) All tangible fixed assets and non-trading investments should be taken at their market values. In the absence of information relating to the market values of assets, balance sheet values may be taken as the market values. (5) Stock of finished goods including stock of raw materials and work-in- progress, should be valued at cost or market price, whichever is lower. (6) Adequate provision for bad and doubtful debts should be made against sundry debtors. (7) In case of equity shares having same nominal value, but different paid-up values, it is advisable to make notional calls on unpaid shares in order to make the partly paid-up shares notionally fully paid up. Amount to be realised from notional calls is taken as if cash in hand. (8) In case of equity shares having different nominal values and different paid- up values, it is advisable to distribute net assets available for equity shareholders before making notional calls among different groups of shares in proportion of paid up capital, and then make notional calls on unpaid shares to make them notionally fully paid up. Following liabilities should be deducted from the total assets arrived at as discussed above, in order to find out the net assets available for equity shareholders. (1) All long-term debts including outstanding interest. (2) Current liabilities like bank overdraft, sundry creditors, bills payable, outstanding expenses, pre-received incomes or provision for taxation. (3) All liabilities not provided for in the accounts, (4) Preference share capital including arrear preference dividends, if any.

[70] [ 70 ] Valuation of shares under net asset method is useful for formulating scheme of amalgamation or when a person (or, a company) wants to acquire a controlling interest in the company. This method is also suitable for those who are risk averse. Illustration 7 : Valuation of Shares Under Asset Backing / Net Assets Method

**52%**

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The following is the summarized Balance Sheet of X?Ltd. as on March 31 2020: Liabilities Amount Assets Amount Rs. Rs. 2,000 Equity Shares of Rs. 100 Goodwill 10,000 each fully paid 2,00,000 Land & Building 2,10,000 1,000 Preference Shares Plant & Machinery 1,50,000 of Rs. 100 each fully paid 1,00,000

Investment in National General Reserve 30,000 Plan Certificates 10,000 Dividend Equalization Reserve 10,000 Stock at cost 90,000 Staff Welfare Fund 15,000 Sundry Debtors 40,000 Employees' Provident Fund 1,40,000 Bills Receivable 8,000 Employees' Compensation Fund Cash at Bank 1,37,000 (represented by investments) 10,000 Cash in hand 10,000 Employees' Savings A/c 20,000 Preliminary Expenses 10,000 Profit & Loss Balance 60,000 Provision for Taxation 40,000 Sundry Creditors 50,000 6,75,000 6,75,000 On April 1, 2020, all Preference Shares were redeemed at a premium of 10% out of profit otherwise available for dividend. You are required to

**71%**

**MATCHING BLOCK 155/516**

**W**

ascertain the value of each Equity Share by Net Asset Method on the basis of the

Balance Sheet immediately after redemption of Preference Shares taking into consideration of the following information: (a) Goodwill is valued at Rs. 85,000. (b) 10% of Sundry Debtors are to be considered as bad.

[71] [ 71 ] (c) A claim for compensation to an employee has been admitted on April 1, 2020, the amount involving being Rs. 5,000. (d) All other assets are to be taken at their book values. Solution : Net assets available for equity shareholders: Particulars Rs. Rs. Total assets as per last balance sheet 6,75,000 Add : Increase in goodwill 75,000 Less : Decrease in bank balance for redemption (1,10,000) of preference shares Less : Decrease in sundry debtors for bad debt (4,000) Less : Preliminary expenses (10,000) Less : Current liabilities: 6,26,000 Staff welfare fund\* 15,000 Employees' provident fund 1,40,000 Claim for compensation to an employee 5,000 Employees' saving A/c 20,000 Provision for taxation 40,000 Sundry Creditors 50,000 2,70,000 3,56,000 Value of each share ? (Net assets available for equity shares)/Number of shares ? Rs. 3,56,000/2,000 ? Rs. 178 \*Staff Welfare Fund is treated as current liability according to conservatism concept.

2.9.2 Yield Method Yield refers to effective rate of return from similar types of investment. Investors are interested in yield of the company and ultimately in dividend. The essence of this method is the return on investment. Hence, the valuation of shares should be based on return on investment of the company concerned. This method is also known as market value method or earning capacity method. Again, this method may be divided into two categories. They are: (1) Earnings Yield Method, and (2) Dividend Yield Method.

[72] [ 72 ] They are: (1) on the basis of expected rate of earning (for majority shareholders with long term view), and (2) on the basis of expected dividend (for minority shareholders with short term view). These are discussed below. ? Earnings Yield Method: This basis of valuation is most suitable to the holders of large block of shares (i.e., controlling interest/majority holding with long term view about the company). The formula for determining the yield value per equity share is:  $\text{Yield value} = \frac{[(\text{Expected rate of return}) \times (\text{Paid up value per share})]}{(\text{Normal Rate of Return})}$  In view of finding out the expected rate of return (or company yield), it is advisable to take the average of past years' earnings of the company. Moreover, it requires adjustment of the following aspects: (1) Abnormal losses due to fire, theft, burglary, etc. should be eliminated from the figures of profit and loss. (2) Non-recurring incomes and losses should be eliminated. (3) Capital profit or loss on account of sale of fixed assets should be eliminated. (4) Compensation paid to employees due to accident or voluntary retirement scheme (VRS) should be eliminated. (5) Compensation received for acquiring land or property of the company by the government, should be eliminated. (6) Adequate provision for taxation should be made. (7) Transfer to general reserve should be made. (8) Preference dividend should be considered. (9) Normal rate of return to equity shareholders (not on capital employed) should be considered. ? Dividend Yield Method: This basis of valuation is highly suitable to the holders of small block of shares (i.e., non-controlling interest/minority holding with short term view) because they are not interested in earning capacity of the company. As a result, expectation of the minority shareholders should be confined to the payment of dividend. The formula for ascertaining the yield value per share is:  $\text{Yield value} = \frac{[(\text{Expected rate of dividend}) \times (\text{Paid up value per share})]}{(\text{Normal rate of return})}$ .

[73] [ 73 ] In determining the expected rate of dividend, average of the immediate past 3 to 5 years of actual dividend paid by the company may be taken. This basis of valuation is preferred by investors who invest their funds with speculative motive and who are risk taker and are less interested in asset cover of their shares. Illustration 8 : Valuation of Shares Under Yield Method

From the following information, find out the value of each equity share under yield method: 20,000, 12%

**72%**

**MATCHING BLOCK 157/516**

**SA**

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Preference shares of Rs. 10 each fully paid Rs. 2,00,000 25,000 Equity shares of Rs. 10 each fully paid Rs. 2,50,000 20,000 Equity shares of Rs. 10 each Rs. 7.50 paid up

Rs. 1,50,000 Expected profit per year before taxes Rs. 2,25,000 Rate of Tax: 40% Transfer to general reserve: 20% of profit after taxes Normal rate of return on equity capital: 15% Rate of equity dividends for last 3 years are 14%, 13% and 15% respectively. Similar companies pay dividend @ 12.50% on paid up equity capital. Solution : • Earnings Yield Method: Particulars Rs. Expected profit before taxes per year 2,25,000 Less : Taxes @ 40% 90,000 Distributable profit after tax per year 1,35,000 Less : Transfer to general reserve @ 20% 27,000 Profit available to shareholders 1,08,000 Less : Preference dividend @ 12% on Rs. 2,00,000 24,000 Profit available for equity dividend 84,000 Paid up equity capital ? (Rs. 2,50,000 ? Rs. 1,50,000) ? Rs. 4,00,000

**30% MATCHING BLOCK 159/516**

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Expected rate of return  $\frac{[(\text{Profit available for equity shares}) \times 100]}{(\text{Paid up equity capital})}$   $\frac{84,000 \times 100}{4,00,000} = 21\%$  Normal rate of return on equity capital  $15\%$  Yield value per share  $\frac{[(\text{Expected rate of return}) \times (\text{Paid up value})]}{(\text{Normal rate$

of return): Fully paid up  $\frac{(21\% \times \text{Rs. } 10)}{15\%} = \text{Rs. } 14.00$  Partly paid up  $\frac{(21\% \times \text{Rs. } 7.50)}{15\%} = \text{Rs. } 10.50$  Dividend Yield Method: Since the rates of dividend paid are fluctuating during the last 3 years, simple average is suitable in order to find out expected rate of

**50% MATCHING BLOCK 158/516**

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dividend. Expected rate of dividend  $\frac{(14\% + 13\% + 15\%)}{3} = 14\%$  Normal rate of dividend  $12.50\%$  Yield value per share  $\frac{[(\text{Expected rate of dividend}) \times (\text{Paid up value})]}{(\text{Normal rate of dividend})}$  Fully paid up  $\frac{(14\% \times \text{Rs. } 10)}{12.50\%} = \text{Rs. } 11.20$  Partly paid up  $\frac{(14\% \times \text{Rs. } 7.50)}{12.50\%} = \text{Rs. } 8.40$

2.9.3 Preference Shareholders' Claim The claim of Preference Shareholders may be ascertained under the following situations: (1) When preference shares have priority as to the payment of capital only (i.e., non-cumulative), then preference shareholders' claim will be limited to paid up capital only. (2) When preference shares are redeemable at a premium, then preference shareholders' claim will be paid-up capital plus premium payable on redemption. (3) When preference shares have priority as to the payment of capital and arrear dividend (i.e., cumulative), the preference shareholders' claim will be limited to paid up capital plus arrear dividend. (4) When preference shares are participating, then preference shareholders' claim will be paid-up capital plus share of surplus of assets, if any, after payment of both preference share capital plus equity share capital. The question arrear preference dividend does not arise at all in case of non-cumulative preference shares. But when the shares are not specifically mentioned as non-cumulative, they should be considered as cumulative.

2.9.4 Fair Value of Share This is, of course, no valuation, but a compromise formula for bringing parties to an agreement. The fair value is simply the average of the values obtained by net asset method and yield method. It is often argued that the average of net asset value and yield value incorporates the merits of both the methods. For this reason, such average is called fair value. Thus, fair value per share  $\frac{(\text{Net asset value} + \text{Yield value})}{2}$ . Illustration 9 : Valuation of Equity and Preference Shares

**85% MATCHING BLOCK 160/516**

**SA**

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The following is the summarized Balance Sheet of Union Ltd. as on March 31, 2020. Liabilities Amount Assets Amount

Rs. Rs. 6% Preference Shares of Fixed Assets at cost 4,10,000 Rs. 10 each fully paid 2,00,000 Current Assets 2,48,000 Equity Shares of Rs. 10 Preliminary Expenses 10,000 each fully paid 3,00,000 Discount on debentures 5,000 General Reserve 12,000 Profit & Loss A/c 27,000 Debenture Redemption Fund 18,000 Investment Fluctuation Fund 10,000 5% Debentures 50,000 Depreciation Fund 20,000 Sundry Creditors 90,000 7,00,000 7,00,000 Current assets included investments of Rs. 60,000, market price of which is Rs. 64,000. Debtors included in current assets are doubtful to extent of Rs. 5,000 for which no provision has been made so far. Stock includes obsolete items of Rs. 6,000 and at the end of the year did not include a return of Rs. 1,000 though the transaction was properly recorded and posted. Debenture interest is owing for one year and preference dividends are in arrear for two years. Other assets are worth book values. You are required to find out the value of each equity and preference share under the following circumstances: (1) When preference shares have priority both as to the payment of capital and of dividend in the event of liquidation.

[76] [ 76 ] (2) When preference have priority as to capital only; and (3) When preference shares have priority as to payment of dividend only. Solution : I. Net Assets available for shareholders: Particulars Rs. Rs. Total assets as per last balance sheet 7,00,000 Add : Increase in the value of investments 4,000 Return of goods not included in stock 1,000 5,000 7,05,000 Less : Depreciation fund 20,000 Provision for doubtful debts 5,000 Obsolete items of stock 6,000 Preliminary expenses 10,000 Discount on debenture 5,000 Debit balance of profit and loss A/c 27,000 73,000 Revalued total assets 6,32,000 Less : Outside liabilities: 5% Debentures 50,000 Outstanding debenture interest for one year 2,500 Sundry creditors 90,000 1,42,500 4,89,500 (a) When preference shares have priority both as to the payment of capital and arrear dividend (i.e., cumulative preference shares) in the event of liquidation takes place: Particulars Rs. Rs. Net assets available for shares as in (1) above 4,89,500 Less : Preference shareholders' claim: Paid up preference share capital 2,00,000 Arrear dividends for 2 years 24,000 2,24,000 Net assets available for equity shares 2,65,500 [77] [ 77 ] Value of each share ? (Net assets available for shares)/number of shares: Preference share ? Rs. 2,24,000/20,000 ? Rs. 11.20 Equity share ? Rs. 2,65,500/30,000 ? Rs. 8.85 (b) When preference shares have priority as to the payment of capital only (i.e., non-cumulative preference shares): Particulars Rs. Net assets available for shares as in (1) above 4,89,500 Less : Preference shareholders' claim: Paid up capital only 2,00,000 Net assets available for equity shares 2,89,500 Value of each share: Preference share ? Rs. 2,00,000/20,000 ? Rs. 10.00 Equity share ? Rs. 2,89,500/30,000 ? Rs. 9.65 (c) When preferences shares have priority as to the payment of arrear dividend only: Particulars Rs. Net assets available for shareholders as in (1) above 4,89,500 Less : Arrear preference dividend 24,000 Net assets available for shares after arrear preference dividend (1) 4,65,500 Distribution of assets as in (1) should be made between preference shares and equity shares in the paid-up capital ratio of 2,00,000: 3,00,000 i.e., in the ratio of 2:3. Net assets available for shares Preference Equity Share of net assets 1,86,200 2,79,300 Arrear preference dividend 24,000 Nil 2,10,200 2,79,300 Value of each share: Preference share ? Rs. 2,10,200/20,000 ? Rs. 10.51 (cum-dividend) Equity share ? Rs. 2,79,300/30,000 ? Rs. 9.31(ex-dividend) [78] [ 78 ] Illustration 8 : Comprehensive Problem on Calculation of Fair Value Per Share The Summarized

**50% MATCHING BLOCK 166/516**

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Balance Sheet of Sunflower Ltd, as on December 31, 2020 is as below. Liabilities Amount Assets Amount Rs. Rs. Share Capital : Fixed Assets : Equity shares of Rs. 100 each 7,50,000

Machinery 3,80,000 Less: Calls in arrear Factory Shed 4,10,000 (Rs. 20 for final call) 30,000 7,20,000 Vehicles 1,05,000 8% Preference shares of Furniture 40,000 Rs. 100 each 3,00,000 Patent 70,000 Reserves and Surplus : Investments 1,60,000 General Reserve 2,80,000 Current Assets : Profit & Loss Balance 1,70,000 Stock-in-trade 3,00,000 Current Liabilities : Sundry Debtors 5,25,000 10% Bank Loan 1,50,000 Cash at Bank 80,000 Sundry Creditors 4,50,000 20,70,000 20,70,000 Additional information : (1)

**75% MATCHING BLOCK 161/516**

**W**

Fixed assets are worth 20% above book value. Depreciation on appreciated value of fixed assets not to be considered for valuation of goodwill.

Patent is valueless. (2)

**80% MATCHING BLOCK 162/516**

**W**

Of the investments, 70% is non-trading and the balance is trading. All investments are to be valued at 20% above cost. An uniform dividend @ 10% is earned on all investments. (3) For the purpose of valuation of shares, goodwill is to be considered on the basis of 5 years' purchase of super profit based on average profit of last 3 years. Profit (after 40% tax) are as follows: 2018:

Rs. 3,10,102; 2019 Rs. 3,54,148 and 2020: Rs. 3,87,162.

**86% MATCHING BLOCK 163/516**

**W**

In similar business, return on capital employed is 15%. (4) In 2018, new machinery costing Rs. 20,000 was purchased but wrongly charged to revenue. No effect has yet been given for rectifying the same. [79] [ 79 ] Depreciation charged on

machinery is 10% per annum under reducing balance method. (5) The rate of equity dividend for last 3 years were 18%, 19% and 20% respectively. Similar companies pay dividend @ 16% and the share is quoted on the stock exchange at Rs. 120. (6) 20% of the profit will be transferred to General Reserve. Use weights 1, 2, 3 for the year 2018, 2019 and 2020 for both profits and dividend. Find out the fair value for each fully paid and partly paid equity share. Solution: Valuation of Goodwill : (1) Average trading profit after taxes of the last 3 years: Particulars 2018 2019 2020 Rs. Rs. Rs. Profit after tax @ 40% 3,10,102 3,54,148 3,87,162 Add :Purchase of machine wrongly charged to revenue 12,000 — — 20,000??60% Less :Depreciation at 10% on machinery less tax 40% (1,200) (1,080) (972) Less :Income from non-trading investments, net (6,720) (6,720) (6,720) of tax @ 40% (1,60,000??70%??10%??60%) 3,14,182 3,46,348 3,79,470 Since there is a sharp increasing trend in profit, weighted average profit is suitable. Considering weights 1, 2 and 3 for the year 2018, 2019 and 2020 respectively, weighted average trading profit after taxes will be: [(Rs. 3,14,182??1) ? (3,46,348)??2 ? (3,79,470??3)]/ (1 ? 2 ? 3) ? Rs. 3,57,548

[80] [ 80 ] (2) Average trading capital employed on 31.12.2020: Particulars Rs. Machinery (3,80,000 ? 20,000??90%??90%??90%) 3,94,580 Factory Shed 4,10,000 Vehicles 1,05,000 Furniture 40,000 Book value of fixed assets 9,49,580 Add : Increase in fixed assets @ 20% 1,89,916 Current market value of fixed assets 11,39,496

**80% MATCHING BLOCK 164/516**

**W**

Trade Investments (1,60,000??30%??120%) 57,600 Stock-in-trade 3,00,000 Sundry Debtors 5,25,000 Cash at Bank 80,000 Less : Current liabilities 21,02,096 10% Bank loan 1,50,000 Sundry creditors 4,50,000 Trading capital employed

on 31.12.2020 15,02,096 Less : 1/2 of current year's trading profit after taxes (3,79,470??1/2) 1,89,735 Average trading capital employed on 31.12.2020 13,12,361 (3) Value of goodwill: Particulars Rs. Weighted average annual maintainable trading profit after taxes 3,57,548 Less : Normal return on average capital employed (13,12,361 ? 15%) 1,96,854 Super profit 1,60,694 Goodwill ? Super profit??5 years' purchase ? Rs. 1,60,694??5 ? Rs. 8,03,470 Valuation of Equity Shares (Net Asset Method) Particulars Rs. Trading capital employed on 31. 12. 2020 15,02,096 Add : Goodwill 8,03,470 Market value of non-trading investments (1,60,000 x 70% x 120%) 1,34,400 Calls in arrear 30,000

**40% MATCHING BLOCK 165/516**

**W**

Net assets available for shares 24,69,966 Less : Preference share capital 3,00,000 Net assets available to equity shares (a) 21,69,966 [81] [ 81 ] Number of shares (b) ? 7,500 Value of each fully paid-up share [(

a)/(b)) ? Rs. 289.33 Value of each partly paid-up share (Fully paid up - unpaid call) ? Rs.269.33 Note : Here, calls-in-arrear has been assumed to be realizable in full. This is a far more rational assumption than assuming it to be non-realizable, as in that case forfeiture of equity shares will be inevitable. Valuation of Equity Shares (Yield Method): Particulars Rs. Rs. (a) Majority Shareholders (Earnings Yield): Weighted average trading profit after taxes 3,57,548 Add : Non-trading investment income 6,720 3,64,268

**46% MATCHING BLOCK 172/516**

**SA**

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Less : Transfer to General Reserve @ 20% 72,854 Preference dividend (3,00,000??8%) 24,000 96,854 Profit available for equity shareholders 2,67,414 Expected rate of return ? (Profit available for equity shares)??100]/Paid up equity capital ? (



Rs. 2,67,414/100)/Rs. 7,20,000 = 37.14% Normal rate of return to ESH = [Dividend per share/100]/ (Market price per share) = (Rs. 16/100)/Rs. 120 = 13.33% Yield value per share = [(Exp. Rate of return)/(Paid up value)] / (Normal rate of return to ESH): Fully paid up = (37.14%/Rs. 100)/13.33% = Rs. 278.62 Partly paid up = [37.14%/Rs. 80]/13.33% = Rs. 222.90 Fair Value per share: Fully paid up = Rs. (289.33 + 278.62)/2 = Rs. 283.98 Partly paid up = Rs. (269.33 + 222.90)/2 = Rs. 246.12 (b) Minority Shareholders (Dividend Yield): Average dividend = (18% + 19% + 20%)/3 = 19.33% Normal rate of return to ESH = 13.33% ESH = Equity Share Holding

[82] [ 82 ] Yield value per share = [(Exp. Rate of dividend)/(Paid up value)]/ (Normal rate of return to ESH) Fully paid up = [19.33%/Rs. 100]/13.33% = Rs.145.00 Partly paid up = [(19.33%/Rs. 80)/13.33% = Rs. 116.00 Fair value of a share: Fully paid up = Rs. (289.33 + 145.00)/2 = Rs. 217.17 Partly paid up = Rs. (269.33 + 116.00)/2 = Rs. 192.67 Note: Normal rate of return to ESH As mentioned earlier, the concept of normal rate of return to ESH is to be aligned with the concept of cost of equity capital (the minimum rate of return expected by equity shareholders). Accordingly, the normal rate of return to ESH has been calculated for earnings yield (for majority shareholders). Note that the rate is not the same with normal rate of return on capital employed. For dividend yield (i.e., for minority shareholders), the normal rate of dividend paid by other players in the industry should not be taken as the normal rate of return to ESH. This is because even a minority investor will also buy the shares of the company at Rs.120 per share and get dividend at 16% on face value of Rs.100 i.e., Rs.16. So, for him also the normal rate of return will be (16/120 \*100) =13.33%. 2.10 Using Relative Valuation This is a relatively new method of valuation which focuses on the industry dynamics and a firm's relative position in the industry. Under this method a valuation relative is first calculated that describes best a firm's relative position in the industry. The valuation relative can be – price earnings ratio (or P/E multiple), price to sales ratio, price to book value per share ratio, price to EBITDA per share ratio etc. The ratios are calculated for a firm which can be considered as the peer (comparable) of the firm whose valuation is under consideration. In the absence of any peer, the industry average can be taken. Once the valuation relative is finalized, it is then multiplied with the relevant characteristic value of the company to arrive at the per share value. Consider the following illustration.

[83] [ 83 ] Illustration 11 : Relative Valuation X Ltd. has a profit after tax of Rs. 2000000. It has 8%,

**76% MATCHING BLOCK 167/516**

**W**

Preference Share Capital of Rs. 1000000 and Equity Shares of Rs. 10 each fully paid

for Rs. 1500000. The P/E ratio of a peer firm in the industry is 12. Calculate the value per equity share of X Ltd. Solution : Calculation of EPS of X Ltd. Profit After Tax Rs. 2000000 Less: Preference Share Dividend (1000000\*8%) Rs. 80000 Earnings available for equity shareholders Rs. 1920000 Earnings per share = 1920000/ 150000 = Rs.12.80 Value per equity share = EPS of the company\*P/E ratio of the peer firm = Rs.12.80\*12 = Rs.153.60 2.11 Summary Valuation of shares demands valuation of goodwill. Valuation of goodwill and shares are the most controversial issues in financial accounting. Determination of capital employed, future maintainable profit, super profit, and the number of years for which either future maintainable profit or super profit can be maintained requires subjective judgment. Thus, result of subjective judgment of anyone may differ with the result of another, even it may differ between attitudes of oneself at different circumstances. Nevertheless, valuation of goodwill and shares are made using popular methods and conventions so that the chance of variation of computed result is minimum. 2.12 Exercises ? Theoretical Questions 1. What is goodwill? Explain different methods of valuation of goodwill. Which method of Valuation of goodwill is considered to be the best? 2. Can goodwill be sold alone? State the special features of goodwill. What are the circumstances where the need for valuation of goodwill arises in case of a company? 3. Why is average capital employed preferable in valuing goodwill? Why is 'Equity Approach' more acceptable over 'Long Term Fund Approach' in the light of valuation of shares of a company?

[84] [ 84 ] 4. Explain different methods of valuation of shares. State the choice of the particular method by equity shareholders who demand safety, security and asset cover. Also state the choice of the method by the holders of large block of shares for speculative motive and by the holders of small block of shares for receiving regular dividend and capital gain motive. ? Practical Problems Problem 1: Following information of Eastern Ltd. are available: 1. Profits earned after taxes: 2001 Rs. 80,000; 2002 Rs. 88,000 and 2003 Rs. 84,000 2. Normal rate of return: 10% 3. Capital employed: Rs. 7,50,000 including 8% debentures of Rs. 1,50,000 4. Present value of an annuity of rupee one for 5 years at 10% is Rs. 3.78 5. Profits

**72% MATCHING BLOCK 168/516**

**W**

included non-recurring profits on an average Rs. 4,000 out of which it was deemed that even non-recurring profits had a tendency

of appearing at the rate of Rs. 1,000 per year. 6. Tax rate is 40%. You are asked to ascertain the value of goodwill using. (a) Super profit method, assuming super profit can be maintained for 5 years; (b) Capitalization of (i) future maintainable profit and (ii) super profit; and (c) Annuity method. Answers: Value of goodwill: (a) Super profit method Rs.96,000 (b) Capitalisation method, for both (i) & (ii) Rs.1,92,000 (c) Annuity method Rs.72,576 Problem 2 : The capital structure of Z Ltd. is made up as follows: 15,000

**90% MATCHING BLOCK 169/516**

**W**

Equity Shares of Rs. 100 each fully paid Rs. 15,00,000 9,000 10% Preference Shares of Rs. 100 each fully paid

Rs. 9,00,000 The preference share are participating and they are entitled to a profit of 20% after payment of preference dividend and an equity dividend of 15%. The balance [85] [ 85 ] of profit of will be available for equity shareholders. It is the practice of the company to transfer 10% of profit after tax to general reserve. Average profit after tax of the company is Rs. 7,50,000. Normal rates of return for this type of company are 12% for preference shares and 16% for equity shares. On the basis of above information, find out the value of each share, preference and equity using yield method. Answer : value of each share: preference Rs. 150.00 and equity Rs. 213.75 Problem 3 :

**88% MATCHING BLOCK 170/516**

**W**

The Summarized Balance Sheet of Blue Ltd. as on March 31, 2003 was as follows: Liabilities Amount Assets Amount

**78% MATCHING BLOCK 171/516**

**W**

Rs. Rs. Share Capital : Fixed Assets : 1,000 6% Preference Shares 1,00,000 Goodwill 22,000 of Rs. 100 each fully paid

Land & Buildings 5,40,000 3,000

**28% MATCHING BLOCK 180/516**

**SA**

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Equity Shares of Plant & Machinery 1,00,000 Rs. 100 each fully paid 3,00,000 8% Investments 4,000 Equity Shares of (Nominal value 58,000 Rs. 100 each Rs. 50 per 2,00,000 Rs. 60,000) share paid Stock-in-trade 1,80,000 Sundry Debtors 1,60,000 Reserves and Surplus : Cash at Bank 20,000 General Reserve 50,000 Profit & Loss A/c 80,000

Secured Loans : 7% Debentures 2,00,000 Current Liabilities : Provision for Taxation 50,000 Sundry Creditors 1,00,000 10,80,000 10,80,000 Additional information : 1. The revaluation of assets were made as follows: Land & Buildings Rs. 5,80,000; Plan, & Machinery Rs. 1,40,000 and investments are 105 above the nominal value and current assets are to be taken at their book values. 2. Of the investments, 60% is trading and the balance is non-trading. [86] [ 86 ] 3.

**71% MATCHING BLOCK 173/516**

**W**

For the purpose of valuation of shares, goodwill is to be considered on the basis of 4 years' purchase of super profit based on weighted average profit after taxes of last 3 years.

The weights are 1, 2 and 3 for the year 2000-01, 2001-02 and 2002-03 respectively. Profits after 40% taxes are as follows: 2000-01: Rs. 99,000; 2001-02: Rs. 1,18,500 and 2002-03: Rs. 1,34,100 In similar business, normal return on capital employed is 14%. 4. The rates of dividend paid for last 3 years were 16%, 18% and 20% respectively. Similar companies pay dividend @ 16% and the shares are quoted on the stock exchange at Rs. 125 each. 5. At the beginning of 2000-01, a machine

**90% MATCHING BLOCK 174/516**

**W**

costing Rs. 16,000 was purchased but wrongly charged to revenue. No rectification has yet been made

in the books of account. Depreciation was charged on plant and machinery @ 10% and on land and buildings @ 5% under diminishing balance method, Compute fair value of each equity share. Answer : Closing capital employed (using equity approach) Rs 781 264; Average capital employed Rs. 7,16,979; Value of goodwill Rs. 81 916, Net asset value per share: fully paid Rs. 141.37, partly paid Rs. 91.37; Yield value per share: earnings yield (using weighted average)-fully paid Rs.145.86, partly paid Rs.72.93; Fair value per share: fully paid Rs.141.55 and /or Rs.143.62 and partly paid Rs.70.86 and /or Rs.82.15. Problem 4: X Ltd. has earned a revenue of Rs.5000000 during the year. It has Equity Shares of Rs. 10 each fully paid for Rs. 2500000. The industry average price to sales ratio is 10. Calculate the value per equity share of X Ltd. Answer : Value per equity share Rs.200

[87] [ 87 ] Unit 3 Accounting for Liquidation of Companies Structure 3.1 Objective 3.2 Meaning

**87% MATCHING BLOCK 175/516**

**W**

of Liquidation 3.3 The Legal Framework of Liquidation or Winding Up in India 3.4

Modes of Winding Up/Liquidation 3.5 Liquidator 3.6 Statement of Affairs 3.6.1 Procedure for Preparation of Statement of Affairs 3.6.2 Deficiency Account (As per List H) 3.6.3 Illustrations on Preparation of Statement of Affairs 3.7 Liquidator's Final Statement of Account 3.7.1 Priority Chart for Payment towards Various Parties 3.7.2 Priority Chart Items Explained 3.7.3 Overriding Preferential Payments 3.6.4 Illustrations on Preparation of Liquidator's Final Statement of Account 3.8 Summary 3.9 Exercises 3.1 Objective After going through this unit, you will be able to: ? understand the legal provisions of liquidation with respect to its types according to the Companies Act, 2013; and ? know the procedure of the preparation of Statement of Affairs (by the company) and Liquidator's Final Statement of Account (by the liquidator). 3.2 Meaning of liquidation A company is an artificial person which is the creation of law. Thus, the life of a company can come to an end only through the process of law. The process of law undertaken to bring end to the life of a company is known as liquidation or winding up. It is not necessary that only insolvent company be liquidated. Sometimes, also it [88] [ 88 ] is essential to liquidate solvent and prosperous company. 3.3

**98% MATCHING BLOCK 176/516**

**W**

The Legal Framework of Liquidation or Winding Up in India Prior to Companies Act 2013, liquidation procedure of companies was guided by Companies Act 1956. The new Companies Act 2013, incorporated in it, Chapter XX, Winding Up for liquidation of companies. The provisions were narrated in Section 270 to 365. However, enforcement of those sections was deferred and the provisions of the 1956 Act were continued even after the implementation of 2013 Act. The same went on until the Insolvency and Bankruptcy Code (IBC) was introduced in May 2016. On 15.11.2016, Section 255 of the IBC was notified and by virtue of Section 255, the 2013 Act stands amended in accordance of schedule XI of the Code. The Code, for the first time, introduced a definition of "winding up" in section 2 (94A) of Companies Act 2013, whereby winding up means winding up under the Act or liquidation under the Code, thus harmonising both statutes. The Code also introduced ancillary changes to the Act. 3.4 Modes of Winding Up/Liquidation

The above diagram shows the different modes of liquidation of a company in

[89] [ 89 ] India as per the present legal framework discussed earlier. It is clear from the above diagram that, at present, Insolvency and Bankruptcy Code, 2016 primarily govern the liquidation process. Liquidation of a company in the event of inability of the company to pay debt and all voluntary liquidations on or after 01.04.2017 come under the purview of Insolvency and Bankruptcy Code, 2016. Only compulsory liquidations for grounds other than inability to pay debt is covered by Companies Act 2013. ?  
Winding up by the Tribunal

**100%**

**MATCHING BLOCK 177/516**

**W**

As per Section 270 of the Companies Act 2013, the procedure for winding up of a company can be initiated either: (a) By the tribunal or, (b) Voluntary. However, Section 304 of Companies Act,

allowing voluntary winding ups

**94%**

**MATCHING BLOCK 178/516**

**W**

of companies, has now been omitted and therefore Section 59 of the Insolvency and Bankruptcy Code 2016 is applicable from 1/4/2017 to deal with voluntary winding up cases. Moreover, the distinction between members' voluntary winding up and creditors' voluntary winding up has also been eliminated. As per section 271 of the Companies Act 2013, a company can be wound up by a tribunal in the following circumstances: 1. If the company has by special resolution resolved that the company be wound up by the tribunal. 2. If the company has acted against the interest of the integrity or morality of India, security of the state,

or  
has

**97%**

**MATCHING BLOCK 179/516**

**W**

spoiled any kind of friendly relations with foreign or neighbouring countries. 3. If the company has not filed its financial statements or annual returns for preceding five consecutive financial years. 4. If the tribunal by any means finds that it is just and equitable that the company should be wound up. 5. If the company in anyway is indulged in fraudulent activities or any other unlawful business, or any person or management connected with the formation of company is found guilty of fraud, or any kind of misconduct.

**91%**

**MATCHING BLOCK 184/516**

**SA**

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Section 272 provides that a winding up petition is to be filed in the prescribed form. The petition for compulsory winding up can be presented by the following persons only: ? The company [90] [ 90 ] ? The creditors; or ? Any contributory or contributories ? By the central or state govt. ? By the registrar of any person authorized by central govt., for that purpose The winding up petition has to be accompanied with a Statement of Affairs (

to be discussed later in this unit).

The tribunal after hearing the petition has the power to dismiss it or to make an interim order as it think appropriate or it can appoint the provisional liquidator of the company till the passing of winding up order. ?

**100%**

**MATCHING BLOCK 181/516**

**W**

Voluntary Winding up Chapter V of Part II of the Insolvency and Bankruptcy Code contains Section 59 that deals with voluntary liquidation. As per Section 59 of the Code, the voluntary liquidation process can only be initiated by a corporate person, which has not committed any default. The company can be wound up voluntarily by the mutual agreement of members of the company, if: (i) The company passes a Special Resolution stating about the winding up of the company. (ii) The company in its general meeting passes a resolution for winding up as a result of expiry of the period of its duration as fixed by its Articles of Association or at the occurrence of any such event where the articles provide for dissolution of company.

Steps for Voluntary Winding up Process of Company as per Section 59 of the Insolvency and Bankruptcy Code, 2016 1. Declaration of Solvency duly verified by an Affidavit by Majority of Directors of the Company. Affidavit to be accompanied by: (i) Audited Financial Statement of past two years/Since Incorporation whichever is later. (ii) Records of Business Operations of past two year/Since Incorporation whichever is later. (iii) Report by the Registered Valuer about the valuation of the assets of the Company. (iv) Latest Financial Position of the Company, if any. 2. Within 4 weeks of Declaration of Solvency, Voluntary Winding up of the Company shall happen and there shall be an appointment of Insolvency Professional to act as Liquidator subject to the approval of the Members in General Meeting and creditors owing 2/3rd of the Value of the Debt of the Company through Special Resolution within 7 days of approval of liquidation of Company. Intimation of the same has to be made to the Registrar of Companies. 3. Company has to intimate Insolvency and Bankruptcy Board of India (IBBI)

[91] [ 91 ] regarding initiation of Voluntary Winding up within 7 days of approval of liquidation of Company/subsequent approval by the creditors. 4. Within 5 days of Appointment of Insolvency Professional as Liquidator: (i) A Public Announcement to be made in one English Newspaper and one Regional Language Newspaper having wide circulation where the registered office and the principal office if any, of the Company is situated. (ii) Public Announcement to be updated on website of the Company, if any. 5. Liquidator has to open a Bank Account in the Name of the Company followed by the words "in voluntary liquidation" in a scheduled bank within one month of passing of Special Resolution. 6. Intimate the Income Tax Department within One month of passing resolution regarding Voluntary Winding up of the Company and to obtain NOC for the same. 7. Prepare a Preliminary Report to be submitted within 45 days from the commencement of the liquidation process consisting details of: (i) Capital Structure of the Company (ii) Estimates of assets and liabilities as on the liquidation commencement (iii) Any further inquiry relating to promotion/formation/conduct of the business (iv) Proposed plan of action by liquidator including the timeline within in which he proposes to carry it out and the estimated liquidation costs. 8. The liquidator shall verify the claims submitted within 30 days from the last date for receipt of claims and may either admit or reject the claim. 9. Liquidator has to prepare list of stakeholders within 45 days from the last date for receipt of claims and also has to maintain Particulars/Minutes about any consultation with Stakeholders. 10. Liquidator has to value and sell the assets in the manner and mode approved by the Company and have to deposit proceeds of distribution in Bank Account 11. Liquidator has to distribute the Proceeds to the stakeholders within 6 months from the receipt of amount. 12. Liquidator has to maintain accounts for liquidation period and conduct audit for the same. 13. The entire process to be completed within 12 months from the date of commencement of liquidation. 14. If the liquidation process extends for more than 12 months, the liquidator shall – Within 15 days from the end of 12 months hold meeting of contributories and Present a Annual Report indicating: (i) Settlement of

[92] [ 92 ] List of Stakeholders (ii) Details of Assets remaining to be sold (iii) Distribution made to the stakeholders. 15. To prepare Final Report with details of Audited Accounts of Liquidation and send it to: (i) The Registrar of Companies (ii) The Insolvency and Bankruptcy Board of India (iii) The Adjudicating Authority, i.e., NCLT (National Company Law Tribunal). 3.5

**98% MATCHING BLOCK 182/516**

**W**

Liquidator The person appointed for conducting the liquidation proceedings of the company is called 'Liquidator'. Under IBC, "liquidator" means an insolvency professional appointed as a liquidator in accordance with the provisions of Chapter III or Chapter V of this Part, as the case may be. In case of Voluntary winding up by an Insolvency Professional, the company must submit a Statement of Affairs to the liquidator. The general duties of the liquidator are to take into his custody all the property of the company and actionable claims and make the payments as per the order laid down in the Companies Act. 3.6 Statement of Affairs

**100% MATCHING BLOCK 183/516**

**W**

When the liquidator officially takes charge of the company from the BODs, the directors are required to communicate the present financial status of the company. Accordingly, apart from the Statement of Profit and Loss for the period ended on the liquidation and a balance sheet with carrying amount of assets and liabilities on the date of liquidation, they are also to prepare and submit a statement showing the estimated realisable value of assets and liabilities of the company under liquidation. The statement must also include the estimated Deficiency, if any. Such a statement is known as Statement of Affairs.

In case of winding up by Tribunal, Section 272(5) of the Companies Act, 2013, provides that a petition prescribed by the company for winding up before the Tribunal shall be admitted only if accompanied by a statement of affairs in such form and in such manner as may be prescribed. 3.6.1 Procedure for Preparation of Statement of Affairs The procedure of the preparation of Statement of Affairs is furnished hereunder: 1. Include all assets not specifically pledged (as per list A). The amount expected to be realised from individual asset including unpaid calls would be extended to the 'estimated realisable value' column.

[93] [ 93 ] 2. Include all assets specifically pledged (as per list B). The amount expected to be realised from individual asset would be compared with the amount due to the secured creditor(s) concerned. Surplus, if any, is to be extended to both the 'surplus carried to last column' and 'estimated realizable value' column. A deficit arising out of the amount due to the secured creditors exceeding the amount realisable from the asset is to be added to unsecured creditors. 3. The total of assets is available for all creditors excluding secured creditors as already covered by assets specifically pledged would be the sum of the amounts as in-paragraph (1) and (2) above. 4. Find the 'Summary of Gross Assets'. The amount would be the total of 'estimated realisable value of assets not specifically pledged' and 'other assets (gross estimated realisable value of assets specifically pledged). The amount of the gross assets would be shown in the main body of the statement of affairs but not in the 'estimated realisable value' column. 5. Place the amount of

**100% MATCHING BLOCK 185/516**

**SA**

2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT ... (D143464517)

secured creditors to the extent to which claims are estimated to be covered by assets specifically pledged

in the 'Gross Liabilities' column only (as per list B). 6. From the total assets available, the following should be placed in the 'Gross Liabilities' column and also should be deducted one by one and struck the balance at each stage: a. Preferential creditors (as per list C); b.

**64% MATCHING BLOCK 186/516**

**SA**

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Debenture-holders having a floating charge (as per list D); c. Unsecured creditors (as per list E);

d. Paid up Preference share capital (as per list F); and e. Paid up Equity share capital (as per list G). In case of minus balance, there would be deficiency as regards members, otherwise there would be surplus (as per list G). 3.6.2 Deficiency Account (

**95%**

**MATCHING BLOCK 187/516**

**SA**

2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT ... (D143464517)

As per List H) The official liquidator will specify a date for period (minimum 3 years) beginning with the date on which information is supplied for preparation of an account to explain the deficiency or surplus. On that date either assets would exceed capital plus liabilities, that is, there would be a reserve or there would be a deficit or debit balance in the Profit

or

**98%**

**MATCHING BLOCK 188/516**

**SA**

2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT ... (D143464517)

Loss Account. The Deficiency Account is divided into two parts: [94] [ 94 ] 1. The first part starts with the deficit (on the given date) and contains every item that increases deficiency (or reduces surplus such as losses, dividend etc.) 2. The second part starts with the surplus on the given date and includes all profits. If the total of the first exceeds that of the second, there would be a deficiency to the extent of the difference, and if the total of the second part exceeds that of the first, there would be a surplus. 3.5.3

Illustrations on Preparation of Statement of Affairs Illustration 1 : Metal Ltd. went into

**57%**

**MATCHING BLOCK 189/516**

**SA**

2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT ... (D143464517)

liquidation on March 31, 2021. The following balances are extracted from the books on that date: Liabilities Amount Assets Amount Rs. Rs. Capital: Buildings 1,50,000 50,000 Equity Shares of

Plant & Machinery 2,10,000 Rs. 10 each 5,00,000 Stock-in-trade 95,000 Debentures (secured by Book Debts 75,000 floating charge) 2,00,000 Less : Provision 10,000 65,000 Bank Overdraft 30,000 Calls in Arrears 1,00,000 Creditors 40,000 Cash on hand 10,000 Profit and Loss Account 1,40,000 7,70,000 7,70,000 Plant & Machinery and Buildings are valued at Rs. 1,60,000 and Rs. 1,20,000 respectively. On realisation, losses of Rs. 25,000 are expected on stock, Book Debts will realise Rs. 70,000. Calls in arrears are expected to realise 90%. Bank overdraft is secured against Buildings, Preferential Creditors for taxes and wages are Rs. 6,000 and Miscellaneous Expenses outstanding Rs. 2,000. Prepare a Statement of Affairs to be submitted.

[95] [ 95 ] Solution : Metal Ltd. (in liquidation)

**88%**

**MATCHING BLOCK 190/516**

**SA**

ACA-MCOS 34 MAIN.docx (D147306261)

Statement of Affairs as on March 31, 2021 Estimated realisable value (Rs.) Assets not specifically pledged (as per list A) :

Plant & Machinery 1,60,000 Stock-in-trade 70,000 Book Debts 70,000

Unpaid Calls (

Calls in

Arrear) 90,000 Cash on hand 10,000 4,00,000

**57%**

**MATCHING BLOCK 191/516**

**SA**

ACA Unit 3 (1).docx (D145689842)

Assets specifically pledged (as per list B): (a) (b) (c) (d) Estimated Due to Deficiency Surplus Realisable Secured ranked as carried to Value Creditors unsecured last column Building 1,20,000 30,000 — 90,000 Estimated surplus from assets specifically pledged 90,000 Estimated total assets available for Preferential Creditors, Debenture-holders secured by floating and unsecured creditors 4,90,000 Summary of Gross Assets (e): Gross realisable value of assets specifically pledged 1,20,000 Other assets 4,00,000 Gross Assets 5,20,000 Gross Liabilities (f) Rs.

**89%**

**MATCHING BLOCK 192/516**

**SA**

MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)

Secured Creditors (as per list B) to the extent to which claims Rs. 30,000 are estimated to be covered by assets specifically pledged Preferential Creditors (as per list C): 6,000

Creditors for taxes and wages 6,000

**64%**

**MATCHING BLOCK 196/516**

**SA**

ACA Unit 3 (1).docx (D145689842)

Estimated balance of assets available for Debenture-holders 4,84,000 secured by a floating charge and unsecured creditors 2,00,000 Debenture-holders secured by a floating charge (as per list D) 2,00,000 Estimated surplus as regards Debenture-holders 2,84,000 34,000 Unsecured Creditors (as per list E) 34,000 2,70,000 Estimated surplus as regards creditors [(e) - (f)] 2,50,000 Issued and Called up Capital: Preference Shares (as per list F) Nil 5,000 Equity Shares of Rs. 100 each fully paid (as per list G) 5,00,000 5,00,000 Estimated deficit as regards members 2,50,000 [96] [ 96 ]

Illustration 2 :

**93%**

**MATCHING BLOCK 193/516**

**W**

The following particulars were extracted from the books of Silver Ltd. as on March 31, 2019 on which date a winding up order was made:

Particulars

Rs.

**92%**

**MATCHING BLOCK 194/516**

**W**

Equity Share Capital: 2,000 Shares of Rs. 100 each, Rs. 50 paid up 1,00,000 6% Preference Share Capital: 2,000 Shares of Rs. 100 each fully paid 2,00,000 6% First Mortgage Debentures, secured by a floating charge on the whole 1,50,000 of the assets of the company, exclusive of the uncalled capital Fully Secured Creditors (value of securities, Rs. 35,000) 35,000 Partly Secured Creditors (value of securities, Rs. 10,000) 20,000 Preferential Creditors for rates, taxes, wages etc. 6,000 Unsecured Creditors 70,000 Bills Payable 1,00,000 Bank Overdraft 10,000 Bills Receivable in hand 15,000 Bills Discounted (one bill for Rs. 10,000 known to be bad) 40,000 Book Debts — Good 10,000 — Doubtful (estimated to produce 40%) 7,000 — Bad 6,000 Land & Building (estimated to produce Rs. 1,00,000) 1,50,000 Stock-in-trade (estimated to produce Rs. 40,000) 50,000 Machinery, Tools etc. (estimated to produce Rs. 2,000) 5,000 Cash in hand 2,100 Prepare Statement of Affairs and Deficiency Account. [97] [ 97 ] Solution : In order to find out

the position of Reserve and Surplus as on March 31, 2019 the following Trial Balance is prepared: Liabilities Amount Assets Amount Rs. Rs. Land & Building 1,50,000 Equity Share Capital 1,00,000 Machinery, Tools etc. 5,000 6% Pref. Share Capital 2,00,000 Investments 45,000 6% Mortgage Debentures 1,50,000 Stock-in-trade 50,000 Fully Secured Creditors 30,000 Book Debts 23,000 Partly Secured Creditors 20,000 Bills Receivable 15,000 Preferential Creditors 6,000 Cash in hand 2,100 Unsecured Creditors 70,000 Profit & Loss (Balancing fig.) 3,95,900

**89%**

**MATCHING BLOCK 195/516**

**W**

Bills Payable 1,00,000 Bank Overdraft 10,000 6,86,000 6,86,000 Silver Ltd. (in liquidation) Statement of Affairs as on March 31, 2019

Estimated



**71%**

**MATCHING BLOCK 197/516**

**SA**

ACA Unit 3 (1).docx (D145689842)

to realise Assets not specifically pledged (as per list A): Rs. Cash in hand 2,100

Land & Building 1,00,000 Machinery, Tools etc. 2,000 Stock-in-trade 40,000 Book Debts 12,800 Bills Receivable 15,000

**64%**

**MATCHING BLOCK 198/516**

**SA**

ACA Unit 3 (1).docx (D145689842)

Assets specifically pledged (as per list B): 1,71,900 (a) (b) (c) (d) Estimated Due to Deficiency Surplus Realisable Secured ranked as carried to Value Creditors unsecured last column Rs. Rs. Rs. Rs. Investments 35,000 30,000 — 5,000 Investments 10,000 20,000 10,000 — 45,000 50,000 10,000 5,000 [98] [ 98 ] Estimated surplus from assets specifically pledged 5,000 Estimated total assets available for preferential creditors, 1,76,900 debenture-holders secured by a floating charge and unsecured creditors Summary of Gross Assets (e) : Gross realisable value of assets specifically pledged 45,000 Other assets 1,71,900 Gross Assets 2,16,900 Gross Liabilities (to be deducted from surplus or be added to

Liabilities (f) deficiency as the case may be)  
Rs.

**97%**

**MATCHING BLOCK 201/516**

**SA**

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Secured Creditors (as per list B) to the extent to which 40,000 claims are estimated to be covered by assets specifically pledged 6,000 Preferential Creditors (as per list C) 6,000 Estimated balance of assets available for Debenture-holders 1,70,900 secured by a floating charge and unsecured creditors 1,50,000 Debenture-holders secured by a floating charge (as per list D) 1,50,000 Estimated surplus as regards Debenture-holders 20,900 Unsecured Creditors (as per list E): 10,000

Unsecured balance of partly secured  
creditors 10,000 70,000 Unsecured Creditors 70,000 1,10,000 Bills Payable 1,00,000 10,000 Bank Overdraft 10,000 10,000 Bills Discounted 10,000 2,00,000 3,96,000 Deficiency  
as regards

**99%**

**MATCHING BLOCK 199/516**

**W**

creditors 1,79,100 Issued and Called up Capital: 2,000 6% Pref. Shares of Rs. 100 each fully paid (as per list F) 2,00,000 2,000 Equity Shares of Rs. 100 each, Rs. 50 paid up (as per list G) 1,00,000 3,00,000 Estimated deficiency as regards members (as per list H) 4,79,100 [99] [ 99 ] List H-Deficiency Account A. Items contributing to deficiency (or reducing surplus):

Rs. 1.

**100%**

**MATCHING BLOCK 200/516**

**W**

Excess of capital and liabilities over assets on 1.4. 2016 (at least 3 years before the date of winding up order)

**89%**

**MATCHING BLOCK 203/516**

**SA**

ACA-MCOS 34 MAIN.docx (D147306261)

Nil 2. Net dividends and bonuses declared during the period from 1.4.2016 to 31. 3.2019 Nil 3. Net trading losses after charging depreciation, taxation, interest on Debentures, etc.

for the same period. 3,95,900 4. Losses other than trading losses Nil 5.

**93% MATCHING BLOCK 202/516**

**W**

Estimated losses now written off or for which provision has been made for the purpose of preparing the statement. Land & Building (1,50,000 - 1,00,000) 50,000 Machinery, Tools etc. (5,000 - 2,000) 3,000 Stock-in-trade (50,000 - 40,000) 10,000 Book Debts (23,000 - 12,800) 10,200 Bills Discounted 10,000 83,200 6. Other items contributing to deficiency Nil Total (A) 4,79,100 B. Items reducing deficiency (or contributing to surplus)

Nil 7.

**65% MATCHING BLOCK 212/516**

**SA**

ACA-MCOS 34 MAIN.docx (D147306261)

Excess of assets over capital and liabilities on 1.4.2016 Nil 8. Net trading profits after charging depreciation, taxation, interest on Debentures, etc.

during

**64% MATCHING BLOCK 204/516**

**W**

the period from 1.4.2016 to 31.3.2019 Nil 9. Profits and income other than trading profits during the same period Nil 10. Other items reducing deficiency Nil Total (B) Deficiency as shown by the Statement of Affairs (A – B) 4,79,100 3.7

Liquidator's Final Statement of Account

**100% MATCHING BLOCK 205/516**

**W**

Liquidator's Final Statement of Account is a statement to be prepared by the liquidator with details regarding the actual realizations of assets and payment to creditors. The same will be submitted to the appointing authority of the liquidator.

Though named 'Account', this is basically a 'Statement' and not a 'Ledger Account'. 3.7.1

**100% MATCHING BLOCK 206/516**

**W**

Priority Chart for Payment towards Various Parties While making payment towards various parties out of the amount realised from the assets of the company under liquidation, the liquidator is to abide by the following payment hierarchy. It is also known as the Priority Chart. 1. Secured creditors up to the amount available from the asset secured. 2. Cost of Liquidation [100] [ 100 ] a) Liquidator's remuneration b) Legal expenses c) Other expenses 3. Preferential Creditors 4. Debenture holders covered by floating charge on all assets 5. Unsecured creditors 6. Preference shareholders 7. Equity shareholders 3.7.2 Priority Chart

Items Explained The individual items of priority chart are explained below. 1.

**100% MATCHING BLOCK 207/516**

**W**

Secured Creditors : Secured creditors refer to the liabilities against which some assets have been kept as pledge.

They are paid up to the extent of amount realised from secured assets or the claim amount, whichever is lower. The surplus, if any, is utilised to pay others in the priority chart. The claim of secured creditors primarily includes principal amount of loan plus outstanding interest, if any, up to the date of liquidation. This claim is covered by the amount realised from the secured assets. However, in case they are paid on a date later than the liquidation date, they are also entitled to get

**81% MATCHING BLOCK 208/516**

**W**

lag period interest (i.e. interest from the date of liquidation up to the date of payment).

However, lag period interest is paid only if the company is solvent. A company is called solvent if it has sufficient amount left after paying in full all the liabilities up to the ordinary unsecured creditors. 2. Cost of Liquidation: This includes – (a) Liquidator’s remuneration, (b) legal charges (drafting charges for legal documents), and (c) other charges (travelling expenses, printing and stationery). 3.

**99% MATCHING BLOCK 209/516**

**W**

Preferential creditors: These are unsecured creditors who are paid in preference to others. As per Sec. 327 of the Companies Act, 2013, preferential creditors include the following: a) Due to Government: All revenues, taxes, cesses and rates due to the Central, State Government or to a local authority which have become due and payable within twelve months before the date of winding up order. b) Salary and Wages Outstanding: All wages or salary including wages payable for time or piece work and salary earned wholly or in part by way of commission of any employee in respect of services rendered [101] [ 101 ] to the company and due for a period not exceeding four months within the twelve months immediately before the liquidation date, subject to the condition that the amount payable under this clause to any workman shall not exceed Rs. 20000 per claimant. c) All amounts due in respect of contribution payable during the twelve months under the Employees’ State Insurance Act, 1948 or any other law. d) Compensation due under Workmen’s Compensation Act, 1923 in respect of death or disablement of any employee of the company. e) Any amount due to any employee from provident fund, pension fund, gratuity fund for the welfare of the employees maintained by the company. f) Accrued holiday remuneration becoming payable to the employee or in case of his death, to any other person in his right, on termination of his employment before, or by the effect of the winding up. g) The expenses of any investigation held in pursuance of Sec. 213 or 216 in so far as they are payable by the company. Note : Here, the term ‘workmen’, in relation to a company, means the employees of the company, being workmen within the meaning of clause (s) of section 2 of the Industrial Disputes Act, 1947 (14 of 1947). Hence, persons working in the managerial capacity are not workmen. 4.

Debenture holders Covered by Floating Charge: Their claim includes (a) principal amount and, (b) outstanding interest up to the date of liquidation. Also, lag period interest, if any, may be payable if the company is solvent. 5. Ordinary Unsecured Creditors: They are unsecured creditors other than preferential creditors. 6. Preference Shareholders: Their claim includes (a) capital, and (b) arrear dividend. However, arrear dividend will be payable only if the shares are cumulative and the arrear dividend is stated to be payable on liquidation as per the terms of issue of the shares. There is no question of any lag period dividend. 7. Equity Shareholders: They are paid at the end, if any surplus remains after payment to preference shareholders. 3.7.3

**96% MATCHING BLOCK 210/516**

**W**

Overriding Preferential Payments: As per Section 326 of Companies Act 2013, overriding preferential payments are to be paid in priority to all other debts as per the said Act. They include: [102] [ 102 ] (a) Dues to workmen, and (b) Debts due to secured creditors to the extent such debts rank to the security of every creditor shall be deemed to be subject to pari passu charge in favour of the workmen to the extent of workmen’s portion therein. 3.7.4

Preparation of Liquidator's Final Statement of Accounts Illustration 3 : The following particulars relate to Copper Ltd., which has gone into voluntary liquidation on March 31, 2021.

**95% MATCHING BLOCK 211/516**

**W**

You are required to prepare the Liquidator's Statement of Account

for the period ending on 30.06.2021, allowing for

**75% MATCHING BLOCK 214/516**

**SA**

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his remuneration @ 3% on the amount realised, and 2% on the amount distributed to unsecured creditors:

Particulars Rs. Preferential Creditors 10,000

Unsecured Creditors 32,000 Debentures 10,000 The assets realised the following sums: Land and Building 20,000 Plant and Machinery 18,700 Fixtures and Fittings 1,000 The liquidation expenses amounted to Rs. 1,000. Solution : Liquidator's Statement of Account for the period ending on June 30, 2021 Receipts Amount Payment Amount Rs. Rs. To Assets realised: Land & Building 20,000 By Liquidator's Remuneration 1,534 Plant & Machinery 18,700

**65% MATCHING BLOCK 213/516**

**W**

By Liquidation Expenses 1,000 Fixtures & Fittings 1,000 By Preferential Creditors 10,000 By Debenture holders (assume having a floating charge) 10,000 By Unsecured Creditors 17,166 39,700 39,700 [103] [ 103 ]

Working Note: (1) Liquidator's Remuneration Particulars Rs. Rs. Assets realised 39,700 Less: 3% on assets realised 1,191 Liquidation Expenses 1,000 Preferential Creditors 10,000 Debenture-holders having a floating charge 10,000 22,191 Amount available for unsecured creditors subject to remuneration 17,509 Less: Payment to Unsecured Creditors (17,509 ? 100/102) 17,166 Remuneration on Unsecured Creditors 343 Total remuneration (1,191 ? 343) 1,534

**32% MATCHING BLOCK 215/516**

**SA**

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Illustration 4 : The Balance Sheet of Picture Ltd. as on March 31, 2021 is given below: Liabilities Amount Assets Amount Rs. Rs. Share Capital: Land & Buildings 1,50,000 3,000 6% Pref. Shares of Plant & Machinery 3,75,000 Rs. 100 each fully paid 3,00,000 Patents 60,000 1,500 Equity Shares of Stock 82,500 Rs. 100 each, Rs. 75

paid 1,12,500 Sundry Debtors 1,65,000 4,500 Equity Shares of Cash at Bank 45,000

**63% MATCHING BLOCK 216/516**

**SA**

ACA Unit 3 (1).docx (D145689842)

Rs. 100 each, Rs. 60 paid 2,70,000 Profit & Loss Account 1,80,000 5% Debentures (having a floating charge on all assets) 1,50,000 Interest Due on Debentures 7,500

Creditors 2,17,500 10,57,500 10,57,500

[104] [ 104 ] The preference dividends were in arrear for two years. Creditors include a loan of Rs. 75,000 on the mortgage of Land & Buildings. The assets were

**81%**

**MATCHING BLOCK 217/516**

**SA**

ACA Unit 3 (1).docx (D145689842)

realised as follows: Land & Buildings Rs. 1,80,000; Plant & Machinery Rs. 3,00,000; Patents Rs. 46,000; Stock Rs. 89,000 and Sundry Debtors Rs. 1,20,000. The expenses of liquidation amounted to Rs. 16,350. The liquidator is entitled to a commission of 3% on all assets realised except Cash at Bank and a commission of 2% on amounts distributed among unsecured creditors. Preferential creditors amount to Rs. 22,500. All payments were made on September 30, 2021. Prepare the Liquidator's Statement of Account. Solution : Liquidator's Statement of Account

from 1.4.2021 to 30.9.2021 Receipts Amount Payments

Amount

Rs. Rs. To

Realisation of Assets : By Liquidator's Remuneration 24,900 Bank 45,000 (Note 3) Sundry Debtors 1,20,000 Liquidation Expenses 16,350 Stock 89,000 Preferential Creditors 22,500 Plant & Machinery 3,00,000 Debenture-holders (having Patents 46,000 a floating charge): Surplus from Land and 5% Debentures 1,50,000 Buildings (Note 1) 1,05,000 Interest (Note 2) 11,250 1,61,250 Unsecured 'Creditors 1,20,000 Pref. Shareholders: Pref. Sh. Capital 3,00,000 Arrear Dividend 36,000 3,36,000 Eq. Shareholders (Note 6): Rs. 75 paid (1,500 x 15.25) 22,875 Rs. 60 paid. (4,500 x 0.25) 1,125 7,05,000 7,05,000

[105] [ 105 ] Working Notes : 1. Surplus from Land & Buildings Amount realized 1,80,000 Less : Mortgage Loan 75,000 1,05,000 2. Interest on Debentures As per last Balance Sheet 7,500 Add : Interest from 1.4.19 to 3.9.19, i.e. for 6 months @ 5% on Rs. 1,50,000 (lag period interest) 3,750 11,250 3. Liquidator's remuneration Realisation of assets except Cash at Bank 7,35,000 (1,20,000 + 89,000 + 3,00,000 + 46,000 + 1,80,000) 3% on assets realised (7,35,000 x 3%) 22,050 2% on payment to Unsecured Creditors including Preferential Creditors [(2,17,500 + 75,000) x 2%] 2,850 24,900 4. Amount available for Equity Shareholders Amount available for payments. 7,05,000 Less: Payments for: Liquidator's remuneration 24,900 Liquidation expenses 16,350 Preferential Creditors 22,500 Debenture-holders including interest 1,61,250 Unsecured Creditors 1,20,000 3,45,000 Amount available for Shareholders 3,60,000 Less : Amount to be returned to Pref. Shareholders: Paid up Pref. Capital 3,00,000 Arrear dividend for 2 years 36,000 3,36,000 Amount Available 24,000 [106] [ 106 ] 5. Deficiency for Equity Shareholders Paid up Equity Share Capital (1,12,500 + 2,70,000) 3,82,500 Less : Amount available (Note 4) 24,000 Total Deficiency 3,58,500 % Deficiency = (Total deficiency / 100) / (Nominal value of shares) x 100 = (Rs. 3,58,500 / 100) / 6,00,000 x 100 = 59.75% 6. Payment to Equity Shareholders I II Rs. Rs. Net amount returnable per share: Paid up value per share 75.00 60.00 Less : Deficiency per share @ 59.75% of nominal 59.75 59.75 value (Note 5) 15.25 0.25 Illustration 5 : Iron Ltd. went into voluntary liquidation on December 31, 2021. On that day the details relating to the liquidation are as follows: Share Capital : Rs. 4,00,000 6%

**70%**

**MATCHING BLOCK 218/516**

**SA**

ACA-MCOS 34 MAIN.docx (D147306261)

Preference Shares of Rs. 100 each fully paid 4,00,000 Class 'A' 4,000 Equity Shares of Rs. 100 each, Rs. 75 paid 3,00,000 Class 'B' 3,200 Equity Shares of Rs. 100 each, Rs. 60 paid 1,92,000 Class 'C' 2,800 Equity Shares of Rs. 100 each, Rs. 50 paid 1,40,000 Assets excluding Machinery realised Rs. 6,79,000. Liquidation expenses (including liquidator's remuneration Rs. 21,000) amount to Rs. 30,000. Iron Ltd. has taken a loan of Rs. 1,00,000 from

State Bank of India

**71%**

**MATCHING BLOCK 219/516**

**SA**

ACA-MCOS 34 MAIN.docx (D147306261)

against the mortgage of Machinery which realised Rs. 1,61,000. In the books of the company salaries of 8 Clerks for 4 months @ Rs. 300 per month and salaries of 8 Peons for 3 months @ Rs. 150 per month, are

due for payment. In addition to this, the books of the company show the Creditors worth Rs. 1,74,800.

**66%**

**MATCHING BLOCK 220/516**

**SA**

ACA Unit 3 (1).docx (D145689842)

Prepare Liquidator's Statement of Account. [107] [ 107 ] Solution : Liquidator's Final Statement of Account for period ended 31.12.2021 Receipts Amount Payments Amount Rs.

Rs. To Assets realized 6,79,000 By

Liquidator's remuneration 21,000 Surplus from Machinery 61,000 Liquidation expenses 9,000 (1,61,000 ? 1,00,000) Preferential Creditors 11,600 Eq. Shareholders (Note): (Note 1) Proceeds of Call @ Unsecured Creditors 1,76,400 Re. 1 per share on class C 2,800 Pref. Shareholders 4,00,000 (1 ? 2800) Equity Shareholders (Note 4) 4000 on class A shares (24 ? 4000) 96,000 3200 on class B shares (9 ? 3200) 28,800 7,42,800 7,42,800 Working Notes : 1. Payment to Preferential Creditors Rs. Salary of clerks : For 8 Clerks for 4 months at Rs. 1,200 each. limited to Rs. 1,000 each (Rs. 1,000 ? 8) 8,000 Salary of Peons: For 8 Peons for 3 months at Rs. 450 (450 ? 8) 3,600 11,600 2. Amount available to equity shareholders : Rs. Assets realised (679000 + 161000) 8,40,000 Less : Payment up to unsecured creditors (21000 + 9000 + 100000 + 11600 + 174800 + 200 ? 8 salary of clerks) 3,18,000 Amount available to shareholders 5,22,000 Less : Preference shareholders' claim 4,00,000 Amount available for equity shareholders 1,22,000 [108] [ 108 ] 3. Deficiency for Equity Shareholders Rs. Paid up Equity Capital 6,32,000 Less : Amount available (Note 2) 1,22,000 Total deficiency 5,10,000 % Deficiency ? (Total deficiency ? 100)/Nominal value of shares ? (Rs. 5,10,000 ? 100)/10,00,000 ? 51% 4. Amount Receivable or Payable to

**58%**

**MATCHING BLOCK 221/516**

**SA**

ACA-MCOS 34 MAIN.docx (D147306261)

Equity Shareholders 'A' shares 'B' shares 'C' shares Rs. Rs. Rs. Paid up value per share 75.00 60.00 50.00 Less: 51%

deficiency of nominal value per shares 51.00 51.00 51.00 Per share net payable/receivable (?) 24.00 9.00 (?) 1.00 3.8 Summary The legal process to bring an end of the corporate life of any company is known as liquidation of company. The Statement of Affairs and Deficiency Account are prepared by the company while the Liquidator's Statement of Account is prepared by the liquidator. For accounting purposes, the preparation of these statements, requires knowledge over the legal provisions regarding liquidation of company in particular and accounting knowledge in general. Actually, they are pro-forma based accounting which must comply with the legal requirements. 3.9

**75%**

**MATCHING BLOCK 222/516**

**SA**

new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)

Exercises ? Theoretical Questions 1. What do you mean by liquidation of companies? What are the

effects of liquidation? What are the different modes of liquidation? 2. What is Statement of Affairs? How is such statement prepared? Why is it prepared? 3. What is Deficiency Account? What are its objectives? 4. What is meant by preferential creditors? What are the items that are to be included in preferential creditors?

[109] [ 109 ] 5. What do you mean by Liquidators Final Statement of Account? Can it be called a cash book? State the order of payment followed in preparation of this statement. ? Practical Problems Problem 1 Mention the correct answer: (i)

**47%**

**MATCHING BLOCK 223/516**

**SA**

ACA-MCOS 34 MAIN.docx (D147306261)

A contributory is — (a) a creditor; (b) a shareholder; (c) a debenture-holder (ii) The wages for 3 workers for a period of 5 months prior to the date of liquidation was in arrear. If the wages of each worker is Rs.1,400 per month, the amount to be included in preferential creditors will be — (a) Rs.21,000; (b) 16,800; (c) Rs.3,000. (

iii) Mr X is

**54% MATCHING BLOCK 228/516**

SA

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the liquidator of a company. He is entitled to a commission @ 2% on assets realised and 3% on the amount distributed to shareholders. The

assets realised Rs.2,00,000

including cash balance of Rs.6,000. The amount available for distribution to shareholders before his commission was Rs.92,700. The commission of Mr. X will be (a) Rs.6,200; (b)Rs.6,800; (c) Rs.6,580. Problem 2

**100% MATCHING BLOCK 224/516**

W

The Capital of a company consisted of: (a) 20,000 Equity Shares of Rs. 10 each fully paid (b) 20,000 Equity Shares of Rs. 10 each, Rs. 5 paid Funds available for Equity shareholders after liquidation and after making payments to all other parties is Rs. 60,000.

Calculate the loss per share and amount receivable from or refundable to shareholders. Answer : Loss per share Rs. 6; Refundable to fully paid shareholders Rs. 4 per share and receivable from partly paid shareholders Rs.1 per share.

**87% MATCHING BLOCK 225/516**

W

Problem 3 The following particulars were extracted from the books of Alpha Limited as on March 31, 2021 on which date a winding up order was made: [110] [ 110 ] Equity Share Capital

R S . 4,000

Shares of Rs. 100 each, Rs. 50 called up 2,00,000 Calls in arrear (estimated to produce Rs. 10,000) 12,000 6%

**68% MATCHING BLOCK 226/516**

W

Preference Share Capital: 4,000 shares of Rs.100 each, fully called up 4,00,000 5% Debentures secured by first floating charge 3,00,000

Bank Overdraft secured by second floating charge 30,000 Fully Secured Creditors (secured on investments) 60,000 Partly Secured Creditors (secured on investments) 40,000 Investments with fully secured creditors (estimated 80,000 to produce Rs. 70,000) 80,000 Investments with partly secured creditors (estimated to produce Rs. 20,000) 50,000 Rate & Taxes 2,000 Wages & Salaries 4,000 Bills Payables 1,80,000 Sundry Creditors 1,60,000 Bills Receivable in hand 24,000 Sundry Debtors ( estimated to produce Rs. 33,000) 52,000

**95% MATCHING BLOCK 227/516**

W

Land & Building (estimated to produce Rs. 2,00,000) 2,80,000 Stock-in-trade (estimated to produce Rs. 80,000) 1,20,000 Machinery (estimated to produce Rs. 4,000) 6,000 Cash in hand 400

Bills Discounted

Rs. 60,000, likely to be dishonoured 20,000 Contingent Liability Rs. 20,000, likely to be paid 14,000 You are asked to prepare (i) Statement of Affairs and, (ii) Deficiency Account assuming that no journal entry was made for outstanding rent Rs. 5,000. Hints: Trial Balance is not given. It is necessary to prepare the Trial Balance. The difference between and credit should be considered as either accumulated loss or profit which will be taken to Deficiency Account. Answer : Total deficiency Rs. 9,73,600

[111] [ 111 ] Problem 4 The Surprise Ltd. went into voluntary liquidation in January 1, 2017. The liquidator is entitled to a commission of 3% on realisation of all assets and 2% on distribution to shareholders. The following was the position of the company as on December 31, 2021. Rs. Cash on realisation of assets 5,00,000 Expenses on liquidation 9,000 Unsecured Creditors (including salaries and wages for one month prior to liquidation, Rs. 6,000) 68,000 15,000 6%

**68%      MATCHING BLOCK 231/516      SA      original.doc (D34943452)**

Preference Shares of Rs. 10 each (dividend paid up to December 31, 2002) 1,50,000 1,000 Equity Shares of Rs. 100 each, Rs. 90 per share called

and paid up 90,000

Under the

Articles of Association of the company the Preference Shareholders have the right to receive third of the surplus remaining after repaying Equity Share Capital. Answer : Liquidator's remuneration Rs.23,000; Payment to shareholders: Preference Shareholders Rs. 2,09,333;

**94%      MATCHING BLOCK 229/516      W**

Equity Shareholders Rs. 1,90,667. Problem 5 : XYZ Ltd. went into voluntary liquidation on 31.03.2021. On that date the Trial Balance of the Company was as follows: Trial Balance as on 31.03.2021 Debit Balances

Amount Credit Balances Amount Rs.

**98%      MATCHING BLOCK 230/516      W**

Rs. Good will 20,000 10000, 6% Preference Shares 10,00,000 of Rs. 100 fully paid Land and Building 6,00,000 5000 Equity shares of Rs.100 3,75,000 each, Rs.75 paid up Plant & Machinery 11,50,000 15,000 Equity Shares of 9,00,000 Rs. 100 each, Rs. 60 paid up [112] [ 112 ] Stock 2,75,000 5% Debentures of Rs. 100 each 5,00,000 (Secured by floating charge on all assets of the company) Sundry Debtors 5,50,000 Interest due on Debentures 25,000 Cash at Bank 1,50,000 Bank Overdraft (secured on Land 2,00,000 and Building) Profit and Loss (Dr.) 8,00,000 Taxes due to Govt. 25,000 Outstanding Salaries and wages 1,50,000 Trade Creditors 3,70,000 35,45,000 35,45,000 The liquidator is entitled to a remuneration of 5% on all assets realized and 1% on amount distributed among unsecured creditors other than preferential creditors. The assets realized as follows: Rs. Land and Building 600000 Plant and Machinery 1000000 Stock 300000 Sundry Debtors 400000 Outstanding salaries and wages include salaries payable to the Managing Director of the company Rs.30000. Expenses of liquidation amounted to Rs.54750. Dividend on Preference Shares are in arrear for two years and to be paid in priority to the claims of equity shareholders as per the terms of issue. All payments were made on 1.7.2021, excepting bank overdraft and taxes due to the Govt. were paid immediately after liquidation. You are required to prepare Liquidator's Final Statement of accounts

Answer : Loss per share Rs.69.75;

[113] [ 113 ] Unit 4 Accounting for Financial Instruments Structure 4.1 Objective 4.2 Introduction 4.3 Meaning of Some Important Terms (As per Ind AS) 4.4 Financial Liability and Equity Instruments: Principles of Classification 4.5 Classification of Financial Assets 4.6 Classification of Financial Liability 4.7 Recognition of Financial Assets and Liabilities 4.8 Measurement of Financial Instruments 4.8.1 Initial Recognition 4.8.2 Subsequent Measurement 4.9 De-recognition of Financial Instruments 4.9.1 De-recognition of Financial Assets 4.9.2 De-recognition of Financial Liabilities 4.10 Compound Financial Instruments 4.10.1 Accounting for Compound Financial Instruments 4.11 Hedge Accounting 4.11.1 Qualifying Criteria for Hedge Accounting 4.11.2 Classification of Hedging Relationship 4.12 Disclosure Requirements for Financial Instruments 4.13 Summary 4.14 Exercise 4.1 Objective

After going through



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**MATCHING BLOCK 237/516**

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this unit you will be able to understand: ? The meaning of

financial instruments ? The process of identification of financial instruments ? How are financial instruments recognized in the financial statements? ? How are financial statements measured? ? What are the minimum disclosure requirements with respect to financial instruments?

[114] [ 114 ] 4.2 Introduction The term 'Financial Instrument' refers to a document which has some monetary value. For example, draft, cheques, bills of exchange and promissory notes. However, for the purpose of Indian Accounting Standards (Ind AS), financial instruments include a wide spectrum of assets and liabilities of entities. Contrary to the popular impression, it is not limited to investments or merely the capital market instruments and negotiable instruments mentioned above, rather, it includes, within its ambit, receivables, loans, cash deposits, investments, payables, debentures bonds etc. Every company, in its normal course of business or in process of investing its surplus funds deal with financial instruments. Because of this widespread use and typical character, accounting for financial instruments demands a detail discussion. This chapter will try to provide the students a basic understanding on identification, recognition, measurement and disclosure of financial instruments. Accordingly, the chapter will cover some important aspects (and not all) of three Indian Accounting Standards (Ind Ass) namely – (a) Ind AS 32 Financial Instruments: Presentation; (b) Ind AS 107 Financial Instruments: Disclosures (c) Ind AS 109 Financial Instruments. 4.3 Meaning of Some Important Terms (As per Ind AS) 1. Financial Instrument: As explained earlier,

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**MATCHING BLOCK 232/516**

**W**

a financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

For example, while draft, cheques, bills of exchange and promissory notes are financial liability from the viewpoint of the issuer, they are, at the same time, financial assets from the viewpoint of the holder. Similarly, while debentures and equity shares are financial liability from the viewpoint of the issuer, they are, indeed, financial assets from the viewpoint of the investor. In general, they are financial instruments. 2. Financial Asset:

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**MATCHING BLOCK 233/516**

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A financial asset is any asset that is: a) cash; b) an equity instrument of another entity; c) a contractual right: (i) to receive cash or another financial asset from another entity; or [115] [ 115 ] (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or (d) A contract that will or may be settled in the entity's own equity instruments

that

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**MATCHING BLOCK 234/516**

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is: (i) A non-derivative for which the entity is or may be obliged to receive a variable number of entity's own equity instruments; or (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Some common examples of financial assets include (a) trade receivables, (b) notes receivables, (c) loans receivables, and (b) bonds receivals etc. However, physical assets (such as inventories, landed property), leased assets, intangible assets (such as copyright, patent), prepaid expenses or income tax refunds are not financial assets. Examples of some typical financial assets are given below: ? Suppose, A Ltd. Has invested in the equity shares of B Ltd. The investment in equity instruments of B Ltd. is a financial asset to A Ltd. ? Trade receivable is a contractual right to receive cash from another party and hence is a financial asset. ? Suppose X Ltd. has bought a call option on shares of Y Ltd. When the option will be in the money X Ltd. can exercise the same. It is a financial asset to X Ltd. 3. Financial Liability:

**95% MATCHING BLOCK 235/516**

**W**

A financial liability is any liability that is a contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or

For example, trade payables, bank loans, debentures and bond payables etc. Basically, whatever is a financial asset to an entity (the holder) is a financial liability to the issuer. However, income tax payable, excise duty payable, GST payable etc. are not financial liability.

[116] [ 116 ] 4.

**100% MATCHING BLOCK 236/516**

**W**

Equity Instruments: An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

For example, ordinary shares issued by X Ltd. is an equity instruments from the viewpoint of X Ltd. 4.4 Financial Liability and Equity Instruments: Principles of Classification A financial instrument or its component parts should be classified by the issuer upon initial recognition as a financial liability or an equity instrument according to

**65% MATCHING BLOCK 239/516**

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Assignment 1.pdf (D134275548)

the substance of the contractual arrangement, rather than its legal form, and the definitions of a financial liability and an equity instrument.

Hence, for some financial instruments, although their legal form may be equity, the substance of the arrangements is that they are liabilities. The appropriate classification as a financial liability, equity or a combination of both is determined by the entity when the financial instrument is initially recognized and that classification is not generally changed subsequently unless the terms of the instrument change. Nevertheless, the following principles will be considered for classifying a financial instrument under financial liability or equity instrument. 1. Mandatory redemption and/or mandatory interest payments 2. Contractual obligation that is not explicit 3. Contingent settlement provisions The following examples will clarify the contention further. ? Contrary to its legal form, redeemable preference shares carrying fixed rate of dividend is classified as a financial liability because of its mandatory principal and dividend payment clause. Only non-redeemable preference shares with dividend payable at the discretion of the issuer can be treated as equity instruments. ? Perpetual loans carrying fixed rate of interest payable periodically are financial liability for its mandatory interest payment clause, though the principal payment is not mandatory. ? Similarly, preference shares redeemable after 5 years but not mandatorily in cash but may be through transfer of any landed property with equal value [117] [ 117 ] is also a financial liability as the contractual obligation is implicit and not explicit. ? Again, financial instruments without any dividend or interest obligation and even not redeemable in the normal course of business must be treated as financial liability if the same becomes redeemable upon the occurrence of any contingent event. 4.5 Classification of Financial Assets As per Ind AS 109, financial assets are classified as follows: Financial Assets Financial Assets at Fair Value

**73% MATCHING BLOCK 238/516**

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Financial Assets at Fair Value through profit or loss Financial Assets at Amortized Cost Financial Assets at Fair Value through other comprehensive income

The above classification is based on the following two criteria – (i)

**79% MATCHING BLOCK 246/516**

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Assignment 1.pdf (D134275548)

the entity's Business Model (BM) for managing the financial assets; and (ii) The Contractual Cash Flow Characteristics (CCFC) of the financial

assets. ? Business Model (BM) An entity's business model may be to hold a portfolio of investments that it manages in order to collect contractual cash flows and another portfolio of investments that it manages in order to trade to realize fair value changes. Similarly, in some other cases, the entity originates or purchases a portfolio of mortgage loans and manages some of the loans with an objective of collecting contractual cash flows and manages the other loans with an objective of selling them. For example, a company may buy debentures to receive the contractual cash flow (i.e. regular periodical interest as well as principal amount at the maturity) or may buy ordinary shares with the objective to make profit as the share price increases.

[118] [ 118 ] ? Contractual Cash Flow Characteristics: Ind AS-109 requires an entity to classify a financial asset on the basis of its contractual cash flow characteristics

**76% MATCHING BLOCK 240/516**

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if the financial asset is held within a business model whose objective is

to hold assets to collect contractual cash flows or

**88% MATCHING BLOCK 241/516**

**W**

within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

To do so, an entity has to determine whether the asset's contractual

**96% MATCHING BLOCK 242/516**

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cash flows are solely payments of principal and interest on the principal amount outstanding. ?

Example of contractual

**100% MATCHING BLOCK 243/516**

**W**

cash flows that are solely payments of principal and interest

is a bond with a stated maturity date and when payments are linked with an inflation index. ? Example of contractual cash flows that are not solely payments of principal and interest is a bond that is convertible into a fixed number of equity instruments. Financial assets should be classified into the three broad categories (namely, Financial Assets carried at Amortized Cost,

**59% MATCHING BLOCK 244/516**

**W**

Financial assets carried at Fair Value Through Profit or Loss and Financial assets carried at Fair Value Through Other Comprehensive Income)

based on Business Model (BM) test and Contractual Cash Flow Characteristics (CCFC) as under:  
[119] [ 119 ] Financial Assets Financial Assets at Fair Value

**73% MATCHING BLOCK 245/516**

**W**

Financial Assets at Fair Value through profit or loss Financial Assets at Amortized Cost Financial Assets at Fair Value through other comprehensive income [120] [ 120 ]

The following diagram will clarify the process of classifying a debt instrument. The following diagram will clarify the process of classifying an equity instrument.

[121] [ 121 ] Note : Derivative classified as financial assets would be measured at fair value through profit or loss (FVTPL) only. 4.6 Classification of Financial Liability An entity shall classify all financial liabilities as - (i) Financial liabilities measured at amortized cost (ii) Financial liabilities at fair value through profit or loss (FVTPL) 4.7 Recognition of Financial Assets and Liabilities

**79% MATCHING BLOCK 247/516**

**W**

An entity shall recognise a financial asset or financial liability in its balance sheet when, and only when, the entity becomes party to the contractual provisions of the instrument.

This principle will be applied on the following: (a) Receivables and Payables Unconditional receivables and payables are recognised as financial assets or financial liabilities when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash. (b) Firm Commitment to Purchase or Sell Goods or Services Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognised until at least one of the parties has performed under the agreement. For example, an entity that receives a firm order does not generally recognise an asset (and the entity that places the order does not recognise a liability) at the time of the commitment but, instead, delays recognition until the ordered goods or services have been shipped, delivered or rendered. (c) Forward Contract A forward contract that is within the scope of this Standard is recognised as a financial asset or a financial liability on the commitment date, instead of on the date on which settlement takes place. When an entity becomes a party to a forward contract, the fair values of the right and obligation are often equal, so that the net fair value of the forward is zero. If the net fair value of the right and obligation is not zero, the contract is recognised as an asset or liability. (d) Option Contracts Option contracts that are within 'the scope of this Standard' are recognised as assets or liabilities when the holder or writer becomes a party to the contract. [122] [ 122 ] 4.8 Measurement of Financial Instruments 4.8.1 Initial Recognition ? Financial Assets: An entity shall measure a financial asset except trade receivable

**87% MATCHING BLOCK 248/516**

**W**

at its fair value plus in the case of a financial asset that is not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the transaction price as per Ind AS 115. In case of financial asset that is at FVTPL, transaction cost is written off in profit and loss statement. ? Financial Liability: An entity shall measure a financial liability

**64% MATCHING BLOCK 249/516**

**W**

at its fair value minus in the case of a financial liability that is not at fair value through profit or loss, transaction costs that are directly attributable to issuing of the financial liability. In case of financial

liability that is at FVTPL, transaction cost is charged to profit and loss statement (SPL). 4.8.2 Subsequent Measurement Financial Assets At Amortised Cost Initial recognition value minus repayment plus interest using effective interest\* method At FVOCI ? Fair value changes credited to OCI ? On derecognition, cumulative gain/ loss transferred to SPL ? Dividend/Interest credited to SPL At FVTPL ? Fair value changes credited to SPL ? Dividend/Interest credited to SPL Financial Liabilities At Amortised Cost ? At effective interest rate method At FVTPL ? Fair value changes relating to changes in own credit risk are presented through OCI (own credit risk is measured as the amount of fair value change not attributable to changes in market risk such as changes in benchmark interest rate) ? All other fair value changes are presented in SPL \*Effective interest rate is the rate of discount at which the sum total of the present value of future cash flow is equal the initial payments. It is basically the internal rate of return (IRR) of the instrument.

[123] [ 123 ] 4.9 De-recognition of Financial Instruments De-recognition of financial instruments means removal of an asset or a liability from the books as a result of sale, repayment, re-negotiation or default by the counter party. It is the end of the life cycle of an asset or a liability that begins with its recognition. 4.9.1 De-recognition of Financial Assets An entity de-recognises a financial asset only when: (a)

**71% MATCHING BLOCK 250/516**

**W**

The contractual rights to the cash flows from the financial asset expires (b) It transfers the

financial asset and the transfer qualifies de-recognition For a financial asset carried at amortised cost, de-recognition takes place at the final carrying amount which is itself the maturity value (as the carrying amount is calculated at effective interest rate method). For financial asset carried as FVTOCI, cumulative gain/ loss is transferred to SPL on the date of sale or transfer. For financial asset carried as FVTPL, the gain or loss on the date of sale is charged to SPL. 4.9.2 De-recognition of Financial Liabilities A financial liability (or a part thereof) is de-recognised only when the liability

**80% MATCHING BLOCK 251/516**

**W**

is extinguished. That is obligation under the contract is discharged or cancelled or expired.

The obligation is discharged by paying the creditor in cash, other financial assets or goods or services, or obligation is legally released. If a new debt instruments is issued with a different terms and conditions in exchange of the existing debt instrument then the debtor should recognise new financial liability and de-recognise the existing one with the difference being charged to SPL. Similarly, when a business transfers a financial asset to settle a financial liability, it should de-recognise the asset at fair value and de-recognise the financial liability with the difference being changed to SPL.

Consider the following illustrations.

[124] [ 124 ] Illustration 1 : Debt instrument carried at amortised cost, de-recognition On 01.01.2021, X Ltd. purchased Rs.2,00,000 face value, 3 year, 8% bonds of M Ltd. for Rs.1,89,848 which provides an effective interest rate of 10%. The bonds pay semi-annual interest on June 30 and December 31. Show how the bond will be accounted for in the books of X Ltd. Date Effective Cash Interest Excess of (2) over Carrying Interest 5% semi (3) to be added to amount annually carrying amount (1) (2) (3) (4) (5) 01.01.2021 — — — 189848 30.06.2021 9492 8000 1492 191340 (189848 ? 5%) (200000 ? 8%x1/2) 31.12.2021 9568(191340?5%) 8000 1568 192908 30.06.2022 9646 8000 1646 194554 31.12.2022 9728 8000 1728 196282 30.06.2023 9814 8000 1814 198096 31.12.2023 9904 8000 1904 200000 The journal entries in the books of X Ltd. will be as under. Journal Entries Date Particulars Dr. Cr. 01.01.21 Investment in 8% Bonds

A/

c.....Dr. 189848 189848 To

Bank

A/c 30.06.21  
Bank  
A/c .....Dr. 8000 Investment in 8% Bonds  
A/c .....Dr. 1492

<b>36%</b>	<b>MATCHING BLOCK 252/516</b>	<b>SA</b>	M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)
<p>To Interest A/c 9492 31.12.21 Bank A/c .....Dr. 8000 Investment in 8% Bonds A/c.....Dr. 1568 To Interest A/c 9568 31.12.21 Interest A/c.....Dr. 19060 To Profit and Loss A/c 19060 30.06.22 Bank A/c .....Dr. 8000 Investment in 8% Bonds A/c.....Dr. 1646 To Interest A/c 9646 [125] [ 125 ] 31.12.22 Bank A/c .....Dr. 8000 Investment in 8% Bonds A/c.....Dr. 1728 To Interest A/c 9728 31.12.22 Interest A/c.....Dr. 19374 To Profit and Loss A/c 19374 30.06.23 Bank A/c .....Dr. 8000 Investment in 8% Bonds A/c.....Dr. 1814 To Interest A/c 9814 31.12.23 Bank A/c .....Dr. 8000 Investment in 8% Bonds A/c.....Dr. 1904 To Interest A/c 9904 31.12.23 Interest A/c.....Dr. 19718 To Profit and Loss A/c 19718 31.12.23 Bank A/c.....Dr 200000 To Investment in 8% Bonds A/c 200000 Note : In the books of M Ltd.</p>			

The above instrument will be treated as a financial liability and interest will be a periodic obligation only. The values at which they are to be recorded will be exactly the same as shown above. Illustration 2 : Financial asset at FVTOCI, transaction cost given A company invested in equity shares of another company on 12.03.2021 for Rs. 20,000. Transaction cost is Rs. 400 (not included in Rs. 20,000). Fair value on Balance Sheet date i.e. 31.03.2019 is Rs. 24,000. Assume that the asset has been classified as FVTOCI. Show how the financial asset is recorded in the balance sheet. Solution : In the books of the Investor Journal Entries Date Particulars Dr. Cr. 12.03.2021 Investment in Shares

<b>41%</b>	<b>MATCHING BLOCK 254/516</b>	<b>SA</b>	original.doc (D34943452)
<p>A/c.....Dr. 20400 To Bank A/c 20400 31.03.2021 Investment in Shares A/c.....Dr. 3600 To Fair Value Gain A/c 3600 31.03.2021 Fair Value Gain A/c.....Dr. 3600 To OCI A/c 3600 31.03.2021 OCI A/c.....Dr. 3600 To Fair Value Reserve A/c 3600 [126] [ 126 ]</p>			

Note : When the above shares will be sold, the cumulative gain or loss previously recognised in OCI is transferred to SPL. For example, if the shares are sold on 10.04.2021 at Rs. 23,000, the following entry should be passed. Bank

<b>50%</b>	<b>MATCHING BLOCK 253/516</b>	<b>W</b>	
<p>A/c.....Dr 23000 Fair Value Reserve A/c.....Dr 3600 To Investment in Shares A/c 24000 To Profit and Loss A/c 2600</p>			

Illustration 3 : Financial asset at FVTPL, transaction cost given A company invested in equity shares of another company on 12.03.2021 for Rs. 20,000. Transaction cost is Rs. 400 (not included in Rs. 20,000). Fair value on Balance Sheet date i.e. 31.03.2021 is Rs. 24,000. Assume that the asset has been classified as FVTPL. Show how the financial asset is recorded in the balance sheet. Solution : In the books of the Investor Journal Entries Date Particulars Dr. Cr. 12.03.2021 Investment in Shares

<b>43%</b>	<b>MATCHING BLOCK 255/516</b>	<b>SA</b>	original.doc (D34943452)
<p>A/c.....Dr. 20000 Transaction Cost A/c.....Dr. 400 20400 To Bank A/c 31.03.2021 Investment in Shares A/c.....Dr. 4000 To Fair Value Gain A/c 4000 31.03.2021 Fair Value Gain A/c.....Dr. 4000 To P&amp;L A/c 4000 31.03.2021 P &amp; L A/c.....Dr. 400 To Transaction Cost A/c 400</p>			

Note: When the above shares will be sold, any further gain or loss should be adjusted through SPL. For example, if the shares are sold on 10.04.2021 at Rs. 26,000, the following entry should be passed. Bank

<b>70%</b>	<b>MATCHING BLOCK 257/516</b>	<b>SA</b>	ACA-MCOS 34 MAIN.docx (D147306261)
A/c.....Dr 26000 To Investment in Shares A/c 24000 To Profit and Loss A/c 2000 [127] [ 127 ] 4.10			

Compound Financial Instruments Not all financial instruments are either debt or equity. There may be some instruments which contain characteristics of both. These financial instruments are known as compound financial instruments. Examples of such instruments are convertible bonds which are convertible into equity shares whether mandatorily or at the option of the holder. 4.10.1 Accounting for Compound Financial Instruments A financial instrument that contains the characteristics of both liability and equity should be accounted for based on their substance rather than the legal form of the instrument. Accordingly, both the component parts should be separately identified and accounted for. Ind ASs emphasizes application of split accounting for compound instruments. The component parts maybe separated into liability and equity as per the following steps: Step 1 : Determine the carrying amount

<b>63%</b>	<b>MATCHING BLOCK 256/516</b>	<b>W</b>
of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The fair value of the liability component is the		

sum total of the present value of all future cash flows associated with the instrument. Step 2 : The value of the liability component should then be deducted from the initial issue proceeds of the instrument to get the carrying amount of the equity component as a residual figure. The allocation of the instrument into its component parts should be performed on initial recognition of the compound instrument such that no gain or loss is recognised. On conversion of a convertible instrument at maturity, the entity de-recognise the liability component and recognises it as equity. The original equity component remains as equity (although it may be transferred from one line item to another within equity to another). There is no gain or loss on conversion at maturity. Illustration 4 : Y Ltd. has issued 10,000 convertible debentures with a face value of Rs. 100 per debenture. The interest rate on the debentures is 5%.

<b>64%</b>	<b>MATCHING BLOCK 258/516</b>	<b>W</b>
The debenture holders have the option of converting these debentures into ordinary shares at the end of		

four years. The prevailing market rate for a similar debt which does not have a conversion right is 7%. Determine the carrying amount of liability and equity components. Also pass the journal entry on initial recognition. [128] [ 128 ] If 10 convertible debentures are to be converted into 2 equity shares of the company of Rs.10 each, show the journal entry on conversion. Solution : Carrying amount of the liability portion Particulars Rs. Present value of interest ? 10,00,000??5%??PVIFA (7%, 4 years) ? 50,000??3.387 1,69,350 Present value of principal amount ? 10,00,000??PVIF (7%, 4 years) ? 10,00,000??0.763 7,63,000 Carrying amount of the liability portion 9,32,350 Carrying amount of the equity portion Particulars Rs. Proceeds of the issue (10,000??100) 10,00,000 Less: Carrying amount of the liability portion 9,32,350 Carrying amount of the equity portion 67,650 The journal entry on initial recognition will be as follows: Bank A/c.....Dr 10,00,000 To 5% Convertible Debentures (Liability component) A/c 9,32,350 To 5% Convertible Debentures (Equity component) A/c 67,650 Note : The equity component will be shown under 'Equity' section of the Balance Sheet and the liability component will be carried as per the Effective Interest Method (refer to illustration 1) with the effective interest rate of 7%. The equity component may also be named as 'conversion option'. The journal entries on conversion will be as follows : (a) 5% Convertible Debentures (Liability Component)

**39%**

**MATCHING BLOCK 261/516**

**SA**

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A/c.....Dr 10,00,000 To Equity Share Capital A/c 20,000 To Securities Premium A/c 9,80,000 (Issue of 2000 equity shares of Rs. 10 each at a premium of Rs.490) [129] [ 129 ] (b) 5% Convertible Debentures (Equity Component)  
A/c.....Dr. 67,650 To Securities Premium A/c 67,650 (Equity portion of the convertible debentures transferred to Securities Premium A/c)

Note : Alternatively, the equity portion may be transferred to Capital Reserve. 4.11 Hedge Accounting Companies are often exposed to various types of financial risks such as interest rate risk and exchange risk. In order to minimise the loss due to such risks, entities use a risk management strategy known as hedging. Under hedging, companies resort to various derivative and non-derivative instruments to protect itself from the possible loss. Derivative instruments such as forward contracts, future contracts, option contracts and swaps are used to hedge. The basic principle in Ind AS 32 is that all derivatives are carried at fair value with gains and losses in the profit and loss account. However, derivatives are commonly used to hedge recognised assets and liabilities that are measured at cost, amortised cost or at fair value with gains and losses recognised in equity etc. This creates a mismatch in the timing of gain and loss recognition. Hedge accounting seeks to correct this mismatch by changing the timing of recognition of gains and losses on either the hedged item or the hedging instrument. This avoid much of the volatility that may arise if the derivative gains and losses were recognised in the profit and loss account, as required by the normal accounting principles. 4.11.1 Qualifying Criteria for Hedge Accounting An entity is allowed to apply hedge accounting if it meets the specified qualifying criteria, which are as below: ? There has to be eligible hedged item – it is an asset, liability or transaction that exposes an entity to risks regarding changes in the fair value or future cash flows. For example, suppose, X Ltd. has imported a machinery at \$50000 payable in 3 months from now. Here the liability of \$50000 is a hedged item. ? There has to be eligible hedging instrument – it is a

**87%**

**MATCHING BLOCK 259/516**

**W**

financial instrument, whose fair value or cash flows are expected to offset

the

**100%**

**MATCHING BLOCK 260/516**

**W**

changes in the fair value or cash flows of a designated hedged item.

In the above example, suppose the company has entered into a future contract to buy \$50000 after



[130] [ 130 ] 3 months. The future contract will be a hedging instrument. ? There has to be a relationship between the hedged item and the hedging instrument with formal designation and documentation. ? The hedge relationship meets the hedge effectiveness – it is the degree to which a hedging instrument offsets the changes in fair value or cash flow of the hedged item. 4.11.2 Classification of Hedging Relationship As per Ind AS 109, hedging relationships can be of three categories. (a) A fair value hedge, which hedges the exposure to changes in the fair value of an item or transaction. (b) A cash flow hedge, which hedges the exposure to changes in the expected cash flows. (c) Hedges of a net investment in an overseas operation, which reduce the exposure of an entity to foreign operations. ? Fair Value Hedge As mentioned earlier, in case of a fair value hedge the fair value changes of the hedged instrument is offset by the gain or loss on the hedging instrument. For example: (i) A potato grower may fix the value of the potato inventory by entering into a future contract. (ii) An entity may buy a put option to protect the fall in the value of its equity securities. Accounting for fair value hedge involves the following. (i) The gain or loss on the hedging instruments shall be recognised in profit or loss (or other comprehensive income if the hedging instrument hedges an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income). (ii) The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item (if applicable) and be recognised in profit or loss. (iii) If the hedged item is a financial asset (or a component thereof) that is measured at the fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income.

[131] [ 131 ] Illustration 5 : Fair value hedge on cardamom X Ltd. owns inventories of cardamom of 5 kg which was purchased at Rs.5000 per kg three months ago. Management is concerned that the price may fall and hence the firm will have to incur losses on sale. The firm, therefore entered into a futures contract to sell the cardamom at Rs.5500 on 31.03.2020. At the year-end on 31.12.2019, X Ltd finds that the fair value of the cardamom has fallen to Rs.4800 per kg and the future price for delivery on 31.03.2020 is now Rs.5300 per kg. Management has designated the cardamom as a hedged item and the future contract as the hedging instrument. The hedge is deemed to be effective. Pass necessary accounting entries if (a) hedge accounting is not used, and (b) if hedge accounting is used. Solution : (a) The future contract will be recognised as a derivative asset at a value of Rs. (5500 ? 5300) ? 5 ? Rs.1000 and the inventory will still be measured at cost of Rs. 25000. The accounting entries will be: Derivative Asset A/c.....Dr 1,000 To Profit & Loss A/c 1,000 The gain on the futures contract is recognised immediately in profit or loss but no loss would be recognised on the value of inventory, causing a mismatch. (b) The future contract will be recognised as a derivative asset at a value of Rs. (5500 ? 5300) ? 5 ? Rs.1000 and the inventory will now be measured at Rs.4800 ? 5 ? Rs. 24000, so matching the gain and loss in profit or loss in the same period. The accounting entries will be as follows: Derivative Asset

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A/c.....Dr 1,000 To Profit & Loss A/c 1,000 Profit & Loss A/c.....Dr 1000 To Inventory A/c 1,000			

This time both the gain and the loss affect profit or loss in the same period; hedge accounting has made it possible. ? Cash Flow Hedge Future cash flows might relate to existing assets and liabilities such as future interest payment or receipts and floating rate debt. Future cash flows can also relate

[132] [ 132 ] to forecasting sales or purchases in a foreign currency. Volatility in future cash flows will result from changes in the interest rates, exchange rates, equity prices or commodity prices. Cash flow hedge attempts to hedge this exposure to changes in the expected cash flows. Some examples of common cash flow hedges are: (a) an interest rate swap converting a floating rate loan to a fixed rate. (b) a forward foreign exchange contract hedging forecast future sale of inventory in a foreign currency or a forecast future purchase of inventory or equipment in a foreign currency. Accounting for cash flow hedge involves the following. (i) Provided the hedge is effective, changes in the fair value of the hedging instruments are initially recorded in OCI and taken to a separate component of equity. (ii) The amount recognised in OCI should be lower of a. the cumulative gain or loss on the hedging instruments from the inception of the hedge; and b. the cumulative change in fair value (that is present value) of the expected future cash flows on the hedged items from the inception of the hedge. (iii) If the cumulative change in the hedging instrument exceeds the changes in the hedged item (referred to as over-hedge) ineffectiveness will be recognised for the excess in P&L. If the cumulative change in the instrument is less than the change in the hedged item (sometimes referred to as under-hedge) no ineffectiveness will be recognised. (iv) For cash flow hedges

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of a forecast transaction which subsequently results in the recognition of a non-financial

item such as fixed asset inventory or where a hedged forecast transaction for a non-financial asset or liability becomes a firm commitment for which fair value hedge accounting is applied, the carrying value of the item must be adjusted for the accumulated gain or losses recognise directly in equity (often referred to as basis adjustment). (v) For other cash flow hedge the accumulated game and losses recorded in equity should be reclassified to profit and loss in the same period or periods during which the hedged expected future cash flow affects P&L (for example, where interest income or expense is recognised or a forecast sale occurs). Where there is a cumulative loss on the hedging instrument and it is no longer expected that the loss will be recovered it must be immediately recognised in P&L. Illustration 6 : Cash Flow Hedge P Ltd. has items of inventory whose selling price is based upon the fair value of their commodity content. P Ltd. is concerned that the fair value of the committee will fall and so reduce the cash flow on the sale of the inventory. The company enters into a forward contract to sell the inventory at a fixed price in future. The cash flow from forecast sale of inventory is designated hedge item and the forward contract is designated as the hedging instruments. The heading is effective and qualified as a cash flow hedge. Suppose, the fair value of the commodity falls by Rs. 600, and due to a perfect hedge, the fair value of the forward contract increases exactly by Rs. 600. Pass necessary accounting entries if (a) hedge accounting is not used and (b) if hedge accounting is used. Solution : (a) Hedge accounting is not used The accounting entries, if hedge accounting is not used would be: Derivative Asset A/c.....Dr 600 To Profit & Loss A/c 600 The sale proceeds will be Rs.600 lower (or more) when the inventory is sold, presumed to be in the following period in this example. Therefore, there is a mismatch in profit. (b) Hedge accounting is used The accounting entries, if hedge accounting is used would be: Derivative Asset A/c.....Dr 600 To Other Comprehensive Income (then equity) A/c 600 The Rs. 600 gain, which was included as other comprehensive income, will be reclassified through profit or loss when the cash flow impact of the inventory affects profit or loss (i.e. when the inventory is sold). Using hedge accounting has allowed the gain to be matched with the loss.

[134] [ 134 ] ? Hedge of a Net Investment in Foreign Operation An entity may have overseas subsidiaries, associates, joint ventures or branches. It may hedge the currency risk associated with the translation of the net assets of these foreign operations into the group's presentation currency. Hedge of net investment in foreign operation shall be accounted for in the same way as cash flow hedge, i.e. the effective portion should be recognised in other comprehensive income and the ineffective element should be recognised directly in the profit or loss. The gain or loss on the instrument relating to the effective portion of The Hedge that has been recognised directly in the equity account,

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should be recognised in the statement of profit and loss on

disposal of the foreign operation. 4.12 Disclosure Requirements for Financial Instruments Ind AS 107 prescribes the disclosures requirements for: (a) Different categories of financial assets (b) Different categories of financial liabilities (c) Re-classification of financial liabilities (d) De-recognition of financial assets and liabilities (e) Financial assets pledged as collateral (f) Allowances for credit losses (g) Compound financial instruments with multiple embedded derivatives (h) Defaults and breaches for loan payables (i) Income, expense, gains or losses recognized in profit and loss (j) Accounting policies followed (k) Hedge accounting (l) Fair value determination for financial assets and liabilities (m) Risk disclosures

Some important points of the above disclosure requirements are discussed below: ? Disclosure for Financial Assets (i) The entity should disclose the carrying amounts of each of the following categories of financial assets: - Financial assets at fair value through profit or loss [135] [ 135 ] - Held to maturity investments - Loan and receivable - Available for sale financial assets (ii) For loans and receivable at fair value through profit and loss account. Entity should disclose: - the maximum exposure to credit risk - impact of related credit derivative on credit exposures - change in fair value of loans and receivables for during the period and cumulative - change in fair value of any related credit derivative for during the year and cumulative ?

Disclosure for Financial Liabilities Entity should disclose the following financial liabilities at fair value through profit and loss account: (i) Change in fair value of a financial liability, during the period and cumulatively, attributable to changes that give rise to market risk. (ii)

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Changes in market conditions that give to market risk include changes in benchmark interest rate, the price of another entity's financial instrument, a commodity price,

Forex rate etc. The entity should also disclose the carrying amount of the financial liabilities measured at amortize cost. ? Disclosure for Re-classification

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If the entity has reclassified a financial asset as one measured at cost or amortized cost, rather than at fair value; or at fair value, rather than at cost or amortized cost, it should disclose the amount re-classified into and out of each category and the reason for that

re-classification. ? Disclosure for De-recognition An entity may have transferred financial assets in such a way that part or all of them do not qualify for de-recognition. If the entity either continues to recognize all of the assets or continues to recognize the assets to the extent of its continuing involvement, the entity should disclose: (i) The nature of the financial asset (ii) The extent of the entity's continuing involvement and any associated liabilities.

[136] [ 136 ] ? Disclosure for Compound Financial Instruments with Embedded Derivatives If the entity has issued an instrument that contains both a liability and an equity component and the instrument has multiple embedded derivatives whose values are independent (such as a callable convertible debt instrument), it should disclose the existence of those features. ? Disclosure for Income, Expense, Gains or Losses Recognized in Profit and Loss Account The profit and loss account disclosures requirements include the following: (i) Net gains or losses for each category of financial assets and liabilities. (ii) Available for sale gains or losses recognised in equity, in addition to those amounts re-classified from equity to profit or loss. (iii) Total interest income and total interest expense from

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financial assets and financial liabilities that are not measured at fair value through profit or loss. (

iv) Fee income and expense (other than the one considered for effective interest rate purposes)

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for financial assets and financial liabilities not measured at fair value

through profit or loss. (

v) Fee income and expense from trust and other fiduciary activities. (vi) Interest accrued on impaired financial assets. (vii) Impairment losses for each category of financial asset. ? Disclosure for Accounting policies Ind AS- 1 requires disclosure of an entity's significant accounting policies but Ind AS- 107 prescribes specific disclosure of certain policies relating to financial instruments such as: (i) The criteria for designating

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financial assets and financial liabilities as at fair value through profit or loss (

ii) The criteria for designated financial assets as available for sale (iii) The criteria for use of an allowance account (i.e. bad debt reserve), including writing off amount charges to such an account (iv) Whether trade date or settlement date accounting is used for regular way purchase or sale of financial assets (v) Accounting policy for financial assets that are subject to re-negotiation terms.

[137] [ 137 ] ? Disclosure for Hedge Accounting Ind AS 107 requires the following disclosures for each of the three types of hedge: (i) Description of the hedging instrument and their fair values at reporting date and nature of risk hedged (ii) When cash flows are expected to occur and when they are expected to affect P&L. (iii) Forecast transactions no longer expected to occur. (iv) Amount recognised in equity and re-classification to P&L (v) Gains and losses from hedging instruments and hedged risk (vi) Ineffectiveness recognised in P&L ? Risk Disclosure (a) Qualitative Risk Disclosure – for each of the three type of risks (i.e., credit risk, liquidity risk and market risk), the entity should disclose the following: (i) The exposure to the risk and how they arise (ii) The entity's objective, policies and processes for managing the risk and the methods used to measure the risk (iii) Any changes to these disclosures from the previous reporting period (b) Quantitative Risk Disclosure – the specific disclosure requirements for the three types of risks are as follows: (i) Credit Risk – The maximum credit exposure, description of collateral, credit quality of financial assets etc. (ii) Liquidity Risk – financial liabilities must be disclosed by contractual maturity based on undiscounted cashflows. (iii) Market Risk – disclosure of market risk sensitivity analysis 4.13 Summary Financial instruments are contracts that are either financial assets or financial liabilities or equity instruments. The same instrument is an asset to its holder while financial liability or equity instruments to its issuer. The identification of financial instrument as a liability or equity instrument is very crucial and determine the accounting for such instruments. The accounting also depends on the categorisation of financial assets and liabilities. All items of financial instruments are carried at fair value though the concept of such fair value differs a lot for liabilities and assets

[138] [ 138 ] based on their classification. The instruments are often found to be used as hedging instruments and hence their accounting as hedging instruments is equally important. 4.14 Exercises ? Theoretical Questions 1. What do you mean by financial instruments? 2. What is a financial asset? 3. State the principles that are applied in differentiating a financial liability from equity instruments. 4. How will you classify financial assets and liabilities? 5. Discuss about the accounting treatment of different categories of financial assets. 6. What is a compound financial instrument? How is it accounted for? 7. In what way a compound financial instrument is different from a financial liability instrument? 8. When and how a financial asset and liability de-recognised? 9. What is hedge accounting? Why is it important? 10. What are the different types of hedging relationships? 11. Define a fair value hedge. How is it different from cash flow hedge? 12. State the disclosure requirements with respect to the following: (a) Different categories of financial assets (b) Different categories of financial liabilities (c) Re-classification of financial liabilities (d) De-recognition of financial assets and liabilities (e) Compound financial instruments with multiple embedded derivatives (f) Income, expense, gains or losses recognized in profit and loss (g) Accounting policies followed (h) Hedge accounting (i) Risk disclosures ? Practical Problems Problem 1: Identify whether the following instruments are financial liabilities or equity instruments.

[139] [ 139 ] (a) Redeemable preference shares with discretionary dividend payment (b) Perpetual debt instrument with discretionary interest payment (c) A debt instruments whose principal amount may be repaid by transferring a non-current asset having at least equal value (d) A compulsorily convertible preference share [Ans. (a) Financial Liability (b) Equity Instrument (c) Financial Liability (d) Financial Liability] Practical 2: On 01.01.2021, Y Ltd. purchased Rs.1,00,000 face value, 3 year, 8% bonds of R Ltd. for Rs.94,924 which provides an effective interest rate of 10%. The bonds pay semi-annual interest on June 30 and December 31. Show how the bond will be accounted for in the books of Y Ltd and R Ltd. Practical 3: A company invested in equity shares of another company on 20.03.2021 for Rs. 10,000. Transaction cost is Rs. 200 (not included in Rs. 10,000). Fair value on Balance Sheet date i.e., 31.03.2021 is Rs. 12000. Assume that the asset has been classified as FVTOCI. Show how the financial asset is recorded in the balance sheet. If the asset is sold on 10.04.2021, how the same would be recorded. Practical 4: Z Ltd. has issued 20,000 convertible debentures with a face value of Rs.100 per debentures. The interest rate on the debentures is 5%.

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The debenture holders have the option of converting these debentures into ordinary shares at the end of

four years. The prevailing market rate for a similar debt which does not have a conversion right is 7%. Determine the carrying amount of liability and equity components. Also pass the journal entry on initial recognition. If 10 convertible debentures are to be converted into 2 equity shares of the company of Rs.10 each, show the journal entry on conversion. Practical 5: P Ltd. owns inventories of mustard of 500 kg which was purchased at Rs.100 per kg three months ago. Management is concerned that the price may fall and hence the firm will have to incur losses on sale. The firm, therefore entered into a futures contract to sell the mustard at Rs.110 on 31.03.2020. At the year-end on 31.12.2021, P Ltd finds that the fair value of the mustard has fallen to Rs.96 per kg and the future price for delivery on 31.03.2022 is now Rs.106 per kg. Management has designated the cardamom as a hedged item and the future contract as the hedging instrument. The hedge is deemed to be effective. Pass necessary accounting entries if (a) hedge accounting is not used and (b) if hedge accounting is used.

[140] [ 140 ] Practical 6: K Ltd. has items of inventory whose selling price is based upon the fair value of their commodity content. K Ltd. is concerned that the fair value of the committee will fall and so reduce the cash flow on the sale of the inventory. The company enters into a forward contract to sell the inventory at a fixed price in future. The cash flow from forecast sale of inventory is designated hedge item and the forward contract is designated as the hedging instruments. The heading is effective and qualified as a cash flow hedge. Suppose, the fair value of the commodity falls by Rs.1200, and due to a perfect hedge, the fair value of the forward contract increases exactly by Rs.1200. Pass necessary accounting entries if (a) hedge accounting is not used and (b) if hedge accounting is used.

[141] [ 141 ] Unit 5 Consolidated Accounts Structure 5.1 Objective 5.2 Introduction 5.3 Benefits of Consolidated Financial Statements 5.4 Regulatory Framework of Consolidation in India 5.5 Consolidation as per Ind AS 110 5.5.1 Objective of Ind AS 110 5.5.2 Scope of Ind AS 110 5.5.3 Meaning and Evaluation of Control 5.5.4 Consolidation Procedure for Subsidiaries 5.6 Summary 5.7 Exercises 5.1 Objective After going through this unit, you will be able to: ? Understand when consolidation is to be done as per Ind AS 110; ? Prepare Consolidated Financial Statements on the date of acquisition; ? Prepare Consolidated Financial Statements on subsequent reporting dates. ? How are financial statements measured? ? The minimum disclosure requirements with respect to financial instruments? 5.2 Introduction In today's business scenario, companies are often found to do business by creating group companies in order to garner benefits like tax savings, higher efficiency in operation etc. As a result, separate financial statements prepared by companies under a group fails to provide a complete picture of how the group, as a whole, performs. This is why preparation of consolidated financial statements is considered to be of immense benefit for the users of financial information. In addition, the same is a legal requirement as well.

[142] [ 142 ] 5.3 Benefits of Consolidated Financial Statements The major benefits of preparation of consolidated financial statements include the following: a. Consolidated financial statements provide a complete overview of the parent and all its other group companies. b. Consolidated financial statements are easy to comprehend by the investors as otherwise they are to deal with numerous separate financial statements of group companies to evaluate the parent before making any decision. c. Since group companies may indulge in transactions between themselves, separate financial statements fail to present the net impact of these transactions on the consolidated entity. 5.3 Regulatory Framework of Consolidation in India In India, consolidation is regulated by – (a) The Companies Act 2013; and (b) Accounting Standards (presently Indian Accounting Standards i.e., Ind ASs) Major provisions of these two are discussed below. (a) The Companies Act, 2013: As per Section 129(3),

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where a company has one or more subsidiaries, it shall, in addition to standalone financial statements, prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards.

However, the company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries and associate company or companies in such form as may be prescribed. As per Section 2(6) “associate company”, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. Explanation—For the purposes of this clause - (a) the expression “significant influence” means control of at least twenty per [143] [ 143 ] cent of total voting power, or control of or participation in business decisions under an agreement; and (b) the expression “

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joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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as per Section 2(87) “subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company— (i) controls the composition of the Board of Directors; or (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies: Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed. Explanation—For the purposes of this clause – (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company; (b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors.

Thus, according to the Companies Act, 2013, consolidation is a legal requirement for companies having subsidiaries, associates or investment in joint venture. (b) Accounting Standards (i.e., Indian Accounting Standards): Companies (Indian Accounting Standards) Rules, 2015 prescribes the following Ind ASs that deal with preparation of Consolidated Financial Statements and Separate Financial Statements of group entities. ?

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Ind AS 103: Business Combinations ? Ind AS 110: Consolidated Financial Statements ? Ind AS 111: Joint Arrangements ?  
Ind AS 112: Disclosures of Interest in Other Entities ? Ind AS 27:

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Separate Financial Statements ? Ind AS 28: Investments in Associates and Joint Ventures [144] [ 144 ]

The consolidation requirements as per the above Ind ASs can be summarized as follows: Sole Control Subsidiary Consolidation as per Ind AS 103 (on the date of acquisition) and as per Ind AS 110 on subsequent reporting date Consolidation as per Ind AS 28 using Equity Method Joint Operation Follow Ind AS 111 Joint Venture Follow Ind AS 28/111 Identify the type of Joint Arrangement Associate Company Obtained Joint control Have Significant Influence Financial Assets Follow Ind AS 109 No Yes Yes Yes No No As per the above diagram, consolidation is required for subsidiaries, associates as well as for joint arrangements (joint operation or joint control). Disclosures in these cases are made as per Ind AS 112. However, for all other type of investments in another entity, the same is treated as a financial asset and accounted as per Ind AS 109. Disclosures for this situation is done following Ind AS 107 (follow Unit 4). It is to be noted in this context that, even if the consolidated financial statements are prepared in the above cases,

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separate financial statements shall also be prepared (Ind AS 27) by the investor company and investments are valued at cost or as per Ind AS 109.

Though consolidation is required for subsidiaries, associates as well as joint arrangements, in this chapter our focus will be only on the first category of relationships i.e., on a parent-subsidiary relationship. For other two type of relationships (i.e., associates and joint arrangements) students may follow the respective Ind ASs.

[145] [ 145 ] 5.5 Consolidation as per Ind AS 110 5.5.1 Objective of Ind AS 110 The objective of Ind AS 110 is to provide principles of when and how an entity should prepare consolidated financial statements. 5.5.2 Scope of Ind AS 110 Ind AS 110 requires that only a parent should prepare consolidated financial statements (i.e., Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement along with Notes to Accounts). There are, however, certain exemptions regarding application of Ind AS 110. As per Ind AS 110, a parent that meets all of the following conditions is exempt from the compulsion of preparing consolidated financial statements: a)

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it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements; b) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); c) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and d) its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with Ind ASs.

Similar provisions have been included in Rule 6 of Companies (Accounts) Rules 2014. 5.5.3 Meaning and Evaluation of Control

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An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the

investee.

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An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. [146] [ 146 ]

Thus,

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an investor controls an investee if and only if the investor has all the following: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

Hence, absence of any one of the above elements will lead to absence of control. In such cases, the investor will not be treated as a parent and consolidation requirement will not arise. In order to avoid intricacies, control through acquisition of majority shareholding has been considered in this study materials. However, students must note that it is possible that an investor obtains control through means other than majority shareholding. In those cases, the investor will be a parent and consolidation as per Ind AS 110 cannot be avoided. Note : An

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investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control

stated above. 5.5.4 Consolidation Procedure for Subsidiaries

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Consolidation of an investee i.e., subsidiary shall start from the date the investor i.e., parent obtains control of the subsidiary and will cease when the parent loses control of the

subsidiary. Thus, accounting for consolidation will start on the date of acquisition itself and the parent will need to prepare consolidated financial statements for each of the following reporting date. I. Accounting on the Date of Acquisition Since the acquiree company (i.e., subsidiary company) does not cease to exist after acquisition of its control by the acquirer, there will be no entry in the books of the subsidiary on the date of acquisition. However, the acquirer i.e., holding company shall have to measure the identifiable net assets acquired from A Non-Controlling Interest (NCI) is an ownership of less than 50% in a Company, where the equity state gives the investors a little influence NCI is also known as minority interest. NCI do not account for potential voting rights.

[147] [ 147 ] subsidiary at fair value, measure the NCI and goodwill or gain on bargain purchase on the date of acquisition and prepare a consolidated balance sheet (CBS) as on the date of acquisition after incorporating the same. The holding company shall pass the following entry in its consolidated accounts on the date of acquisition:

Journal Particulars Dr. (Rs.) Cr. (Rs.)

Assets



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A/c (at fair value) ..... Dr. Goodwill A/c.....Dr. To Liabilities (at fair value) A/c To  
Consideration A/c To NCI A/c To Gain on Bargain Purchase A/c Consideration A/c..... Dr. To Cash  
A/c (if consideration is paid in cash) To Equity Share Capital A/c (

if  
shares are issued) To Securities Premium A/c (if shares are issued at  
premium) Accordingly, the fair value of assets and liabilities of subsidiary company will be merged to the corresponding  
assets and liabilities of the holding company in the CBS. The NCI will appear under 'Equity' separately and Goodwill will  
appear under Non-Current Assets while the Gain from Bargain Purchase will be credited to Capital Reserve and appear  
under 'Other Equity' separately. NCI may be measured at proportionate fair value of net identifiable assets or at fair value  
(calculated at per share basis or at market price). Goodwill or Gain from Bargain Purchase will be calculated as follows: (i)  
Ascertain the fair value of identifiable net assets on the date of acquisition (DOA). Fair value of identifiable net assets FV ?  
? Assets FV ? ? of Liabilites. or, Fair value of identifiable net assets = Share capital + Other Equity (± difference in fair value)  
(ii) Ascertain the purchase consideration paid by the holding company. (iii) Ascertain the value of NCI either as  
proportionate fair value of identifiable net assets or at fair value of proportionate shareholding. This depends on the  
policy of the parent.

[148] [ 148 ] Now, if [(ii) + (iii)] is higher than (i) above, the result is Goodwill and if [(ii) + (iii)] is lower than (i) above, the  
result is Gain on Bargain Purchase. In case NCI is measured at fair value, the result Goodwill is known as Full Goodwill as  
it includes the share of both NCI and Parent but if NCI is measured at proportionate fair value of identifiable net assets,  
the resultant Goodwill is Partial Goodwill representing parent's portion only. In case of wholly owned subsidiary, there  
will be no NCI. Illustration 1: NCI is measured at proportionate fair value of identifiable net assets. P Ltd. acquires 70% of S  
Ltd. for Rs.8,50,000 and issued equity shares at par. Fair value of S Ltd.'s identifiable net assets amount to Rs.9,00,000.  
Calculate NCI and Goodwill and show the treatment in the books of P Ltd. Assume that P Ltd. measures NCI at  
proportionate fair value of net identifiable assets. Solution : Fair value of net assets = Rs.9,00,000. Purchase  
Consideration = Rs.8,50,000 NCI (at proportionate fair value of net assets) = 30% of Rs.9,00,000 = Rs.2,70,000. Goodwill  
= Purchase consideration + NCI – Fair value of net assets = Rs.8,50,000 + Rs.2,70,000 – Rs.9,00,000 = Rs.2,20,000 P  
Ltd.

Journal Entry Particulars Dr. (Rs.)

**95%**

**MATCHING BLOCK 283/516**

**W**

Cr. (Rs.) Net Assets A/c..... Dr. 9,00,000 Goodwill A/c.....Dr. 2,20,000 To  
Consideration A/c 8,50,000 To NCI A/c 2,70,000 Consideration A/c..... Dr. 8,50,000 To Equity Share  
Capital A/c 8,50,000 [149] [ 149 ] In the

standalone accounts of H Ltd., the journal entry will be: P Ltd. (in Standalone Accounts)  
Journal

**66%**

**MATCHING BLOCK 284/516**

**W**

Particulars Dr. (Rs.) Cr. (Rs.) Investment in S Ltd. A/c.....Dr. 8,50,000 To Equity Share Capital A/c 8,50,000

Note : Students may note that since NCI has been valued at proportionate fair value of identifiable net assets, Goodwill represents partial goodwill i.e., parent's share only. Parent's share in Goodwill = P.C – Parent's share in net assets = 8,50,000- 70% of 9,00,000 = Rs.2,20,000 NCI's share in Goodwill = 2,70,000 – 30% of 9,00,000 = Nil Illustration 2 : Gain on bargain purchase Refer to Illustration 1. What will be your answer if purchase consideration is only Rs.6,00,000? Solution : Fair value of net assets = Rs.9,00,000. Purchase Consideration = Rs.6,00,000 NCI (at proportionate fair value of net assets) = 30% of Rs.9,00,000 = Rs.2,70,000. Gain on bargain purchase = Fair value of net assets – (Purchase consideration + NCI) = Rs.6,00,000 + Rs.2,70,000 – Rs.9,00,000 = Rs.30,000 P Ltd.

Journal Entry

Particulars Dr. (Rs.)

<b>58%</b>	<b>MATCHING BLOCK 285/516</b>	<b>W</b>
Cr. (Rs.) Net Assets A/c..... Dr. 9,00,000 To Consideration A/c 6,00,000 To NCI A/c 2,70,000 To Gain on Bargain Purchase A/c 30,000 Consideration A/c..... Dr. 6,00,000 To Equity Share Capital A/c 6,00,000 [150] [ 150 ] In the		

standalone accounts of H Ltd., the journal entry will be: P Ltd. (in Standalone Accounts)

Journal

<b>66%</b>	<b>MATCHING BLOCK 286/516</b>	<b>W</b>
Particulars Dr. (Rs.) Cr. (Rs.) Investment in S Ltd. A/c.....Dr. 6,00,000 To Equity Share Capital A/c 6,00,000		

Illustration 3:

Non-controlling interest is measured at fair value but separate fair value of NCI is not given X Ltd. acquires 70% of Y Ltd. for Rs. 8,40,000 and issued equity shares at Rs. 12 per share (including Rs.2 as premium). Fair value of Y Ltd.'s identifiable net assets amount to Rs. 9,60,000. Calculate NCI and Goodwill and show the treatment in the books of X Ltd. Assume that X Ltd. measures NCI at fair value. Solution : Since, no separate fair value is given for NCI, we measure the fair value of NCI at per share basis (i.e., taking purchase consideration as base). Fair value of net assets = Rs.9,60,000. Purchase Consideration = Rs.8,40,000 (for 70%) NCI (at fair value) = Rs.8,40,000 ? 30% 70% = Rs.3,60,000 (considering PC as base) Goodwill = Purchase consideration + NCI – Fair value of net assets = Rs.8,40,000 + Rs.3,60,000 – Rs.9,60,000 = Rs.2,40,000 Number of equity shares issued = Rs.8,40,000 ÷ Rs.12 = 70,000 X Ltd.

<b>70%</b>	<b>MATCHING BLOCK 287/516</b>	<b>W</b>
Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Net Assets A/c..... Dr. 9,60,000 Goodwill A/c.....Dr. 2,40,000 To Consideration A/c 8,40,000 To NCI A/c 3,60,000 Consideration A/c..... Dr. 8,40,000 To Equity Share Capital A/c (70,000 ? Rs.10) 7,00,000 To Securities Premium A/c (70,000 ?		

Rs.2) 1,40,000

X Ltd. requires to pass the following entry in its books for preparation of separate financial statements.

[151] [ 151 ] X Ltd.

Journal Entry

Particulars

Dr. (Rs.) Cr. (Rs.)

Investment

A/c.....Dr. 8,40,000

**69% MATCHING BLOCK 288/516**

**W**

To Equity Share Capital A/c 7,00,000 ` To Securities Premium A/c 1,40,000 Investment A/c.....  
Dr.To Equity Share Capital A/c To Securities Premium A/c 8,40,000 7,00,000 1,40,000

Illustration 4 : Non-controlling interest is measured at fair value but separate fair value of NCI is given P Ltd. acquires 70% of Q Ltd. for Rs. 8,40,000 payable in cash. Fair value of Y Ltd.'s identifiable net assets amount to Rs. 9,60,000. NCI measured at fair value of Rs. 4,00,000. Calculate NCI and Goodwill and show the treatment in the books of P Ltd. Assume that P Ltd. measures NCI at fair value. Solution : Fair value of net assets = Rs.9,60,000. Purchase Consideration = Rs.8,00,000 NCI (at fair value) = Rs.3,00,000 (given) Goodwill = Purchase consideration + NCI – Fair value of net assets = Rs.8,00,000 + Rs.3,00,000 – Rs.9,60,000 = Rs.1,40,000 P

Ltd.

Journal Entry Particulars Dr. (Rs.)

**85% MATCHING BLOCK 289/516**

**W**

Cr. (Rs.) Net Assets A/c..... Dr. 9,60,000 Goodwill A/c.....Dr. 1,40,000 To  
Consideration A/c 8,00,000 To NCI A/c 3,00,000 Consideration A/c..... Dr. 8,00,000 To Bank A/c  
8,00,000

P Ltd. requires to pass the following entry in its books for preparation of separate financial statements.

[152] [ 152 ] P Ltd. Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Investment A/c.....Dr. 8,00,000 To  
Bank A/c 8,00,000 Note : Students may note that since NCI has been valued at fair value, Goodwill represents full goodwill i.e., parent's share as well as NCI's share. Parent's share in Goodwill = P.C – Parent's share in net assets = 8,00,000- 70% of 9,60,000 = Rs.1,28,000 NCI's share in Goodwill = 3,00,000 – 30% of 9,60,000 = Rs.12,000 Total Goodwill = 1,28,000 + 12,000 = Rs.1,40,000. Illustration 5 : Preparation of CBS on the date of acquisition, NCI at proportionate net assets On 31.03.2021, H Ltd. acquired 70% equity shares of S Ltd. at Rs. 6,300 in cash and obtained control. The balance sheets of the companies along with the fair value of assets and liabilities of S Ltd. on the date of acquisition were as follows: Particulars H Ltd. S Ltd. Carrying Carrying Fair Value Amount Amount (Rs.in lakh) (Rs.in lakh) (Rs.in lakh) Assets Non-current Assets PPE 10,500 4,500 4,950 Investment in S Ltd. 6,300 — —

**62% MATCHING BLOCK 290/516**

**W**

Current Assets Inventories 1,050 750 900 Trade receivables 450 375 375 Cash and Cash Equivalent 4,950 1,050 1,050  
Total 23,250 6,675 Equity and Liabilities Equity Share Capital (Rs. 10) 7,500 3,000 Other Equity 15,300 3,450 Non-  
current Liabilities — — Current Liabilities Trade

Payables 450 225 225 Total 23,250 6,675

[153] [ 153 ]

Prepare the consolidated Balance Sheet as on 31.03.2021 of the group entities i.e., H Ltd. and S Ltd. Assume NCI is measured at proportionate fair value of net identifiable assets. Solution : (Rs. in lakh) Since, H Ltd. acquired 70% of S Ltd., remaining 30% shares represents NCI. Fair value of Identifiable Net assets = 4,950 + 900 + 375 + 1050 – 225 = Rs.7,050 or, Fair value of Identifiable Net assets = Share capital + Other equity +/- fair value changes = 3,000 + 3,450 + (4,950 – 4,500) + (900 – 750) = Rs.7,050 NCI (at proportionate fair value of net identifiable assets) = 30% of 7,050 = Rs. 2,115 Goodwill = Purchase Consideration + NCI – Fair value of Identifiable Net assets = Rs.6,300 + 2,115 – 7,050 = Rs.1,365 Note : Since, NCI is measured at proportionate fair value of net identifiable assets, computed value of Goodwill represents only the holding company's portion. Now, the CBS will be as follows :

**87% MATCHING BLOCK 291/516**

**W**

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2021 Particulars Amount (Rs.

in lakh)

**48% MATCHING BLOCK 294/516**

**SA**

201311822 AFE 3782 ASIGMENT 2B 2021.pdf  
(D113025922)

Assets Non-current Assets PPE (10,500 + 4,950) 15,450 Goodwill 1,365 Current Assets Inventories (1,050 + 900) 1,950  
Trade receivables (450 + 375) 825 Cash and Cash Equivalent (4,950 + 1,050) 6,000 Total 25,590 Equity and Liabilities  
Equity Share Capital (Rs. 10) 7,500 Other Equity 15,300 NCI 2,115 Non-current Liabilities – Current Liabilities Trade  
Payables (450 +225) 675

Total 25,590  
[154] [ 154 ]

Illustration 6 : Preparation of CBS on the date of acquisition, NCI at fair value Refer to Illustration 5, how will your answer change if NCI is measured based on current market price of Rs. 28 per share. Solution: (Rs. in lakh) When NCI is measured at fair value based on market price of Rs. 28 per share. NCI = 300 shares x 30% x 28 = Rs.2,520 Goodwill = Rs.6,300 + 2,520 – 7,050 = Rs.1,770 Note : Here, Goodwill represents the full value of Goodwill (i.e., the portion of both H Ltd. and NCI).

**87% MATCHING BLOCK 293/516**

**W**

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2021 Particulars Amount (Rs.

in lakh)

**48% MATCHING BLOCK 299/516**

**SA**

201311822 AFE 3782 ASIGMENT 2B 2021.pdf  
(D113025922)

Assets Non-current Assets PPE (10,500 + 4,950) 15,450 Goodwill 1,770 Current Assets Inventories (1,050 + 900) 1,950  
Trade receivables (450 + 375) 825 Cash and Cash Equivalent (4,950 + 1,050) 6,000 Total 25,995 Equity and Liabilities  
Equity Share Capital (Rs. 10) 7,500 Other Equity 15,300 NCI 2,520 Non-current Liabilities – Current Liabilities Trade  
Payables (450 +225) 675

Total 25,995

II. Accounting on Any Subsequent Reporting Date After the date of acquisition, on all subsequent reporting dates the holding company shall continue to prepare the consolidated balance sheet (CBS) until its [155] [ 155 ] control over the subsidiary is lost. The following points must be considered in preparing a CBS on subsequent reporting date. 1. The Goodwill should be measured at the value computed on the date of acquisition as per Ind AS 103 less impairment loss, if any. Thus, Goodwill will not be amortized. 2.

**98% MATCHING BLOCK 295/516**

**W**

For consolidation on subsequent date the share of NCI in post-acquisition profit or loss of the subsidiary must be added to acquisition date value

of NCI. 3. In the subsequent CBS, the non-current items of the subsidiary are taken

**100% MATCHING BLOCK 296/516**

**W**

acquisition date fair value plus subsequent change in book value

after adjustment of any depreciation or amortization on the fair value gain or loss (i.e., difference between carrying amount and fair value on the date of acquisition). This may be termed as fair value adjustment. 4. In the subsequent CBS, the current items of the subsidiary should be taken at reporting date book value (i.e., they will be merged with parent's current assets item-by-item basis based on the value as per standalone balance sheets on the date of reporting). However, the fair value gain or loss on the date of acquisition on any current item should be reverted to the post acquisition retained earnings on the assumption that the item no longer exists on the reporting date i.e., realized during the year (assuming FIFO movement). 5. Thus, the post-acquisition profit or loss should be calculated as follows : Post-acquisition profit or loss of Subsidiary = Profit/ Loss reported by the subsidiary during the year – fair value changes in respect of current items reverted (see point 4) – fair value adjustment (see point 3) – any other items (such as unrealized profit etc.). The post-acquisition profit or loss, thus arrived will be shared by the parent and NCI in proportion of their shareholding. While parent's share will be credited to its 'other equity', the share of NCI will be added to the value of NCI on the acquisition date (see point no. 2). 6. Adjustment for inter-co transactions such as sale of goods, sale of fixed assets, inter-co debt, bonus issue by the subsidiary and dividend declared by the subsidiary should also have impact on the CBS (will be discussed in due course). 7. Parent's share of impairment loss on goodwill will be deducted from Consolidated Other Equity and NCI's share of impairment loss on goodwill (only in case NCI is measured at fa value) will be deducted from reporting date NCI (refer to point 2).

[156] [ 156 ] Illustration 7 : Preparation of CBS on subsequent reporting date On 31.03.2021, H Ltd. acquired 70% equity shares of S Ltd. at Rs.6,300 in cash and obtained control. After one year, i.e., on 31.03.2022, the balance sheets of the companies were as follows: Particulars H Ltd. S Ltd. Carrying Carrying Amount Amount (Rs. in lakh) (Rs. in lakh) Assets Non-current Assets PPE 9,750 4,125 Investment in S Ltd. 6,300 –

**62% MATCHING BLOCK 297/516**

**W**

Current Assets Inventories 1,200 825 Trade receivables 570 450 Cash and Cash Equivalent 6,705 2,130 Total 24,525 7,530 Equity and Liabilities Equity Share Capital (Rs. 10) 7,500 3,000 Other Equity 16,500 4,275 Non-current Liabilities – – Current Liabilities Trade

Payables 525 255 Total 24,525 7,530

The income statements of the two companies for the year ended on 31.03.2022 are given below:

Statement of Profit and Loss for the year ended on 31.03.2022

Particulars H Ltd. S Ltd. Carrying Carrying Amount Amount (Rs. in lakh) (Rs. in lakh) Assets Revenue 4,500 2,850 Cost of sales (-2,700) (-1,500) Administrative expenses (-600) (-525) Profit for the year 1,200 825

[157] [ 157 ] H Ltd. estimates that goodwill has impaired by Rs.147 lakh. The fair value adjustment to PPE was in respect to a plant having remaining useful life of 20 years with estimated residual value of zero. H Ltd. uses SLM for depreciation on PPE. All the inventory held by S Ltd. on the date of acquisition was sold during 2021-2022. Prepare the Consolidated Balance Sheet as on 31.03.2021 of the group entities i.e., H Ltd. and S Ltd. Solution : (Rs. in lakh) This problem should be considered as a continuation of Illustration no.5. 1. Goodwill = Goodwill on the DOA – Impairment during the year = Rs.1,365 – Rs.147 = Rs.1,218 2. Calculation of post-acquisition profit : Particulars Amount (Rs. in lakh) Profit during the year reported by S Ltd. 825 Less: Fair value changes in respect of current items now reverted Inventory (900-750) (150) Less: Fair value adjustment Depreciation on fair value gain on PPE [(4,950 -4,500)/20] (22.5) 652.5 3. NCI = Acquisition date NCI + share of post-acquisition profit = 2,115 + 30% of 652.5 = 2,310.75 4. Consolidated 'Other Equity' Particulars Amount (Rs. in lakh) Other equity of H Ltd. 16,500.00 Add. Share of post-acquisition profit (70% of 652.5) 456.75 16956.75 Less. Impairment of goodwill (147) 16809.75 Note : Since, NCI was measured at proportionate fair value of identified net assets, goodwill represents partial goodwill i.e., parent's portion only. Hence, impairment adjustment for goodwill should be done against parent only and not against the NCI. When NCI is measured at fair value, goodwill represents full value [158] [ 158 ] of goodwill. Then the impairment of goodwill will be adjusted proportionately against parent as well as NCI. 5. Balance of PPE PPE (Reporting date) = Combined book value of H and S + fair value gain on acquisition – Adjustment on fair value gain = 9,750 + 4,125 +450 – 22.5 = Rs.14302.5 lakh

**87% MATCHING BLOCK 298/516**

**W**

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31.03.2022 Particulars Amount (Rs.

in lakh)

**48% MATCHING BLOCK 300/516**

**SA**

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(D113025922)

Assets Non-current Assets PPE 14,302.50 Goodwill 1,218.00 Current Assets Inventories (1,200 + 825) 2,025.00 Trade receivables (570 +450) 1,020.00 Cash and Cash Equivalent (6,705 + 2,130) 8,835.00 Total 27,400.50 Equity and Liabilities Equity Share Capital (Rs. 10) 7,500.00 Other Equity 16,809.75 NCI 2,310.75 Non-current Liabilities – Current Liabilities Trade Payables (525 + 255) 780

Total 27400.50 Note:

Students may note that if Other Equity may be further classified into Reserves and Retained Earnings (i.e., Profit and Loss balance), then post-acquisition reserves and post-acquisition retained earnings may be separately determined. However, respective share of both of them will be subsequently added to Consolidated Other Equity (may be separately into Reserve and Retained Earnings head). ? Adjustments for Inter-company Transactions ? Inter-company/Mutual debt, Cash-in-transit, Goods-in-transit In the consolidated balance sheet, any inter-company (i.e., mutual debt) should be eliminated in full. In other words, in the CBS, the mutual amount is to be deducted

[159] [ 159 ] from both trade receivables and trade payables. In case the inter-co trade receivable is found to be higher than inter-co trade payables, the difference may be treated as cash-in-transit and goods-in transit and should be adjusted accordingly. While cash- in-transit is to be deducted from inter-company trade receivable, goods-in-transit is to be added to inter-company trade payables. Again cash-in-transit should be included in Cash and Cash Equivalent while goods-in-transit will be included in Inventories. Finally, the mutual indebtedness (now being equal) will be deducted from both trade receivables and trade payables in the CBS. ? Unrealized Profit on Inventory When a parent sold goods to a subsidiary or vice-versa at a price higher than its cost and a portion of such goods still remains unsold on the date of preparation of CBS, the question of adjustment of unrealized profit on inventory arises. The transaction can be of two types – downstream transaction (parent selling goods to subsidiary) and upstream transaction (subsidiary selling goods to parent). On consolidation, this unrealized profit must be eliminated in full. Accordingly, in the CBS inventories must be reduced by the amount of unrealized profit so calculated. In case of a downstream transaction (where the entire profit is included in parent's retained earnings), the full unrealized profit will be deducted from Other Equity of the parent. However, in case of an upstream transaction (where the entire profit is included in subsidiary's retained earnings and hence is to be proportionately shared by parent and NCI), the proportionate unrealized profit should be deducted from the Consolidated Retained Earnings in Other Equity and NCI. Illustration 8 : Preparation of CBS on subsequent reporting date; NCI at fair value calculated on per share value basis  
On 31.03.2022,

**73% MATCHING BLOCK 304/516**

**SA**

2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT  
... (D143464517)

the balance sheets of H Ltd. and S Ltd. were as follows: Particulars H Ltd. S Ltd.

Carrying Amount (Rs. in lakh)	Carrying Amount (Rs. in lakh)	Assets Non-current	Assets PPE	9,200	4,600	Investment in S Ltd.	5,000	—
[160]	[ 160 ]	Current Assets Inventories	5,000	800	Trade receivables (including Rs.80 due from S Ltd.)	1,000	350	

**65% MATCHING BLOCK 301/516**

**W**

Cash and Cash Equivalent	5,800	2,000	Total	26,000	7,750	Equity and Liabilities Equity Share Capital (Rs. 10)	8,000	
3,000	Other Equity	17,500	4,500	Non-current Liabilities	—	—	Current Liabilities Trade	

Payables (including Rs. 60 due to H Ltd.) 500 250 Total 26,000 7,750 PPE – Property, Plant and Equipment On 01.04.2021, S Ltd. had an issued and subscribed capital of 300 lakh shares of Rs.10 each fully paid and a balance of Rs.3000 lakh in its Other Equity. On that date H Ltd. acquired 80% shares of S Ltd. by issuing equity shares at fair value of Rs. 5,000 lakh, paid up value Rs. 2,000 lakh. The aggregate identifiable net assets of S Ltd. as on 01.04.2021 included PPE and inventory standing in the books of S Ltd. at Rs. 3,500 lakh and Rs. 500 lakh having fair value of Rs.3,800 lakh and Rs.200 lakh respectively. The rate of depreciation on PPE is 10% p.a. NCI was valued at fair value calculated at per share value basis (i.e., taking purchase consideration as base). H Ltd. sold goods worth Rs.100 lakh to S Ltd. on credit at a profit of 20% on sales. 50% of the goods were still laying unsold. Ignore tax.  
Prepare

**90% MATCHING BLOCK 302/516**

**W**

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2022. Solution : (Rs.

in lakh) 1. Calculation of NCI and Goodwill on the DOA: Fair value of identifiable net assets on the DOA = Share capital + Other equity +/- Change in fair value = 3,000 + 3,000 +(3,800-3,500) – (500-200) = Rs.6,000 Purchase Consideration = Rs.5,000 NCI (measured at fair value) = Rs.5,000 x = Rs.1,250 Goodwill = Purchase Consideration + NCI – Fair value of Identifiable Net assets = 5,000 + 1,250 – 6,000 = Rs.250

[161] [ 161 ] 2. Goodwill on 31.03.2020 = Rs. 250 (Since there is no impairment) 3. Calculation of post-acquisition profit: Particulars Amount (Rs. in lakh) Profit during the year (cl. balance – op. balance i.e., 4,500 – 3,000) 1,500 Add : Fair value loss in respect of inventory now reverted\* 300 1,800 Less : Fair value adjustment Depreciation on fair value gain on PPE (3,800-3,500) x 10% 30 1,770 \*It is assumed that the corresponding inventory is realized during the year. 4. Unrealized profit on inventory = 50% of Rs.100 x 20% = Rs.10 (downstream transaction) 5. NCI on the reporting date = Acquisition date NCI + share of post-acquisition profit = 1,250 + 20% of 1,770 = Rs.1,604 6. Consolidated 'Other Equity' Particulars Amount (Rs. in lakh) Other equity of H Ltd. 17,500 Add.: Share of post-acquisition profit (80% of 1,770) 1,416 18,916 Less : Unrealized profit on inventory 10 18,906 7. Balance of PPE for CBS PPE (Reporting date) = Combined book value of H and S + fair value gain on acquisition – Adjustment on fair value gain = 13,800 + 300 – 30 = Rs.14,070 8. Balance of Inventories for CBS Inventories (Reporting date) = Combined book value of H and S – unrealized profit = 5,800 – 10 = Rs. 5,790 9. We assume that the difference between inter-company trade receivables and payables i.e., (80 – 60) = Rs.20 represent cash in transit. So, it is added to Cash and Cash Equivalent and deducted from Trade receivable and finally the mutual debt is deducted.  
[162] [ 162 ]

**91% MATCHING BLOCK 303/516**

W

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31.03.2022 Particulars Note Amount (Rs.

in lakh) Other

**48% MATCHING BLOCK 305/516**

SA

201311822 AFE 3782 ASIGMENT 2B 2021.pdf  
(D113025922)

Assets Non-current Assets PPE 8 14,070 Goodwill 1 250 Current Assets Inventories 9 5,790 Trade receivables (1,000+350 – 20 - 60) 1,270 Cash and Cash Equivalent (5,800+2,000 +20) 7,820 Total 29,200 Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 Other Equity 6 18,906 NCI 5 1,604 Non-current Liabilities Current Liabilities Trade Payables (500+250-60) 690

Total 29,200 ?

Unrealized profit on sale of assets Treatment for any unrealized profit on inter-company sale of fixed assets will be similar to that of sale of goods. In addition, as the buyer has charged depreciation on the value at which it acquired the asset from the seller, there arises a question of depreciation being overcharged for consolidation purpose. The depreciation so overcharged must be calculated and deducted from the corresponding asset. The same must be added in full to the Consolidated Retained Earnings in Other Equity in case of a downstream transaction and proportionately to the Consolidated Retained Earnings in Other Equity and NCI in case of an upstream transaction.

[163] [ 163 ] Illustration 9 : Preparation of CBS on subsequent reporting date; NCI at fair value; unrealized profit on inter-company sale of non-current assets.

On 31.03.2022,

**73% MATCHING BLOCK 309/516**

SA

2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT  
... (D143464517)

the balance sheets of H Ltd. and S Ltd. were as follows: Particulars H Ltd. S Ltd.

Carrying Carrying Amount Amount (Rs. in lakh) (Rs. in lakh) Assets Non-current Assets PPE 18,400 9,200 Investment in S Ltd. 10,000 —



**62% MATCHING BLOCK 306/516**

**W**

Current Assets Inventories 10,000 1,600 Trade receivables 2,000 700 Cash and Cash Equivalent 11,600 4,000 Total 52,000 15,500 Equity and Liabilities Equity Share Capital (Rs. 10) 16,000 6,000 Other Equity 35,000 9,000 Non-current Liabilities — — Current Liabilities Trade

Payables 1000 500 Total 52,000 15,500

On 01.04.2021, S Ltd. had an issued and subscribed capital of 600 lakh shares of Rs. 10 each fully paid and a balance of Rs. 6000 lakh in its Other Equity. On that date H Ltd. acquired 80% shares of S Ltd. in cash at a premium of Rs. 400 lakh over market price per share of Rs. 20 each. i.e., at a fair value of Rs. 10,000 lakh. The aggregate identifiable net assets of S Ltd. as on 01.04.2019 included items of PPE and inventory whose fair value was lower than the book value by Rs. 300 lakh and Rs. 50 lakh respectively. NCI was valued at fair value calculated at the market price per share. S Ltd. sold an item of PPE worth Rs. 200 lakh to H Ltd. at a profit of 1 33 % 3 on cost. The rate of depreciation on PPE is 10%. Goodwill has been impaired by Rs. 100 lakh.

Prepare

**90% MATCHING BLOCK 307/516**

**W**

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2022. [164] [ 164 ] Solution : (Rs.

in lakh) 1. Calculation of NCI and Goodwill on the DOA: Fair value of identifiable net assets on the DOA = Share capital + Other equity +/- Change in fair value = 6,000 + 6,000 – 300 – 50 = Rs.11,650 Purchase Consideration = 600???80%???20 +400 = Rs.10,000 NCI (measured at market price) = 600???20%???20 = Rs.2,400 Goodwill = Purchase Consideration + NCI – Fair value of Identifiable Net assets = 10,000 + 2,400 – 11,650 = Rs.750 Share of H Ltd. = (10,000 – 80% of 11,650) = Rs.680 Share of NCI = 2,400 – 20% of 11,650 = 70 2. Goodwill on 31.03.2020 = Rs.750 – Rs.100 (impairment loss) = Rs.650 3. Calculation of post-acquisition profit: Particulars Amount (Rs. in lakh) Profit during the year (cl. balance – op. balance i.e., 9,000 – 6,000) 3,000 Add : Fair value loss in respect of inventory now reverted\* 50 Add : Fair value adjustment 30 Depreciation on fair value loss on PPE (300 x 10%) 3,080 \*It is assumed that the corresponding inventory is realized during the year. 4. Unrealized profit on sale of PPE = 200???25% = Rs.50 ( 1 33 % 3 on cost i.e., 25% on sales) Depreciation on the above = 50???10% = Rs. 5 5. NCI on the reporting date = Acquisition date NCI + share of post-acquisition profit – share of unrealized profit -share of impairment of goodwill = 2,400 + 20% of 3,080 – 20% of 50 – (100???70/750) = Rs. 2996.67 6. Consolidated 'Other Equity' Particulars Amount (Rs. in lakh) Other equity of H Ltd. 35,000 Add.: Share of post-acquisition profit (80% of 3,080) 2,464 37,464 Less.: Unrealized profit on inventory (80% of 50) 40 Add.: Depreciation overcharged on unrealized profit 5 Less.: Share of impairment loss on goodwill (100 x 680/750) 90.67 37,338.33 [165] [ 165 ] 7. Balance of PPE for CBS PPE (Reporting date) = Combined book value of H and S – fair value loss on acquisition + Adjustment on fair value loss – unrealized profit + depreciation on unrealized profit = 27,600 – 300 + 30 – 50 + 5 = Rs.27,285

**71% MATCHING BLOCK 308/516**

**W**

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31.03.2022 Particulars H Ltd. Carrying Amount (Rs.

in lakh)

**48% MATCHING BLOCK 310/516**

**SA**

201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)

Assets Non-current Assets PPE 27,285.00 Goodwill 650.50 Current Assets Inventories 11,600.00 Trade receivables 2,700.00 Cash and Cash Equivalent 15,600.00 Total 57,835.00 Equity and Liabilities Equity Share Capital (Rs. 10) 16,000.00 Other Equity 37,338.33 NCI 2,996.67 Non-current Liabilities — Current Liabilities Trade Payables 1,500.00

Total 57,835.00 ?

Adjustment for Dividend from Subsidiary Company According to Ind AS 109, dividends are recognized

**55%**

**MATCHING BLOCK 312/516**

**SA**

Assignment 1.pdf (D134275548)

in profit or loss by an investor entity when: ? The entity's right to receive dividend is established, ?

**47%**

**MATCHING BLOCK 311/516**

**W**

It is probable that the economic benefits associated with dividend will flow to the entity, and [166] [ 166 ] ? the amount of dividend can be reliably

measured. Again, as per

Ind AS 27,

**84%**

**MATCHING BLOCK 313/516**

**SA**

Assignment 1.pdf (D134275548)

an entity shall recognize a dividend from a subsidiary in its separate financial statements when its right to receive the dividend is established.

Based on the above provisions, the following treatments regarding dividend from subsidiary company can be suggested:

a. Proposed Dividend : Since the same is not approved, it won't have any adjustment in the separate or consolidated balance accounts of the subsidiary and parent. The subsidiary will only mention it in the foot note of its balance sheet as a contingent liability. Thus, in the CBS, the net liability towards the NCI should be reported in the footnote.

b. Dividend Payable : In some cases, subsidiary company may be found to have declared dividend and adjusted the same in its accounts, though not yet made the payment. In such a case, in the standalone balance sheet of the subsidiary company Other Equity will be shown net of dividend and a Dividend Payable account will appear in the Current Liability section. So, no further adjustment will be required in the standalone balance sheet of subsidiary company. However, in the standalone balance sheet of the holding company the following adjustment must be performed: (i) If the dividend is declared out of pre-acquisition profit: Holding company will make the following entry – Dividend Receivable A/c.....Dr To Investment in Subsidiary Company A/c Thus, if the holding company has wrongly included the above profit in its Profit and Loss A/c, the following rectification entry should be passed – Profit and Loss A/c.....Dr To Investment in Subsidiary Company A/c Accordingly, the amount (i.e., holding company's share of dividend) will be deducted from Other Equity and also from Investment in the standalone balance sheet of the holding company. (ii) If the dividend is declared out of post-acquisition profit: Holding company will make the following entry – Dividend Receivable A/c.....Dr To Profit and Loss A/c

[167] [ 167 ] (iii) If the dividend is declared partly out of pre-acquisition profit and partly out of post-acquisition profit: Holding company will make the following entry– Dividend Receivable A/c.....Dr To Investment in Subsidiary Company A/c (portion from pre-acquisition profit) To Profit and Loss A/c (portion out of post-acquisition profit) Now, the adjustment in the CBS will be as follows: In situation (i), no adjustment will be required for Goodwill and NCI as the same is calculated considering the pre-acquisition profit on DOA. The Dividend Receivable by holding company will be set off against the Dividend Payable by subsidiary in the CBS. Thus, in the CBS, only NCI's portion of dividend receivable will appear in the Current Liability section. In situation (ii), once the adjustment is done in the standalone balance sheet of the holding company, the post-acquisition profit should be calculated ignoring such dividend and should be shared accordingly. The Dividend Receivable by holding company will be set off against the Dividend Payable by subsidiary in the CBS. In situation (iii), if dividend is declared from both pre and post-acquisition profits, then for respective parts the adjustments will be done as stated above. Finally, Dividend Receivable by holding company will be set off against the Dividend Payable by subsidiary in the CBS. c. Dividend Paid: For dividend paid no adjustment will be required as the accounts have already been settled and nothing is outstanding. However, for dividend out of pre-acquisition profit received by holding company the rectification needs to be done if the share of dividend has been credited by the holding company to its Profit and Loss A/c. ? Inter-company Bills, Contingent Liability for Bills Discounted: Inter-company bills not yet discounted will be deducted from both assets (from Bills Receivable) and liability (Bills Payable). Contingent liability for bills discounted, if any, appears in the footnote of the standalone balance sheet of the holding and/or subsidiary (as applicable). In the footnote of CBS, the same should be shown net of inter-co bills discounted.

[168] [ 168 ] Illustration 10 : Adjustment for pre-acquisition dividend, contingent liability

**81% MATCHING BLOCK 325/516**

**SA**

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... (D143464517)

The balance sheets of H Ltd. and S Ltd. as on 31.03.2021 were as follows: Particulars H Ltd. S Ltd.

Carrying Carrying Amount Amount (Rs. in lakh) (Rs. in lakh) Assets Non-current Assets PPE 7,400 3,000 Investment in S Ltd. 2,900 –

**42% MATCHING BLOCK 314/516**

**W**

Current Assets Inventories 1,300 1,000 Trade Receivables – Sundry debtors 2,000 700 Bills Receivable (including inter-co bills Rs.10) – 300 Total 13,600 5,000 Equity and Liabilities Equity Share Capital (Rs. 10) 5,000 2,000 Other Equity 8,000 2,500 Non-current Liabilities – – Current Liabilities Trade Payables – Sundry creditors 400 300

Bills Payable (including inter-co bills Rs.15) 200 – Dividend Payable 200 Total 13,600 5,000 Note : Contingent liability for bills discounted = Rs.20 lakh On 01.04.2020, S Ltd. had Rs.1,500 in its Other Equity. H Ltd. acquired 80% share of S Ltd. on 01.04.2020 at a consideration of Rs.2,900 payable in cash. The fair values of identifiable assets and liabilities were not different from the book values on the date of acquisition. NCI was to be measured at proportionate fair value of net identifiable assets. Assume that dividends were declared out of pre- acquisition profit. Prepare the Consolidated Balance Sheet of the group and the Separate Balance Sheet of H Ltd. on 31.03.2021. Solution : (Rs. in lakh) While solving the sum, the students must know that calculation of NCI and

[169] [ 169 ] Goodwill on the date of acquisition should be done ignoring the dividend declared out of pre-acquisition profit. 1. Calculation of Goodwill Fair value of identifiable net assets (represented by equity) = 2,000+1,500 = Rs.3,500 NCI = 20% of Rs.3,500 = Rs.700 Goodwill = Purchase Consideration + NCI – Fair value of identifiable net assets = 2,900 + 700 – 3,500 = Rs.100 2. Goodwill on the reporting date = Rs.100 3. Post-acquisition profit = cl. balance – adj. op. balance = 2,500 – (1,500- 200) = Rs.1,200 3. NCI on the reporting date = NCI on DOA + share of post-acquisition profit – share of pre-acquisition dividend included in NCI on DOA = 700 + 20% of 1200 – 20% of 200 = Rs.900 4. Investment to be shown in the separate balance sheet of H Ltd. = 2,900 – 80% of 200 = Rs.2,740. 5. Consolidated Other Equity = H Ltd.'s balance + Share of post-acquisition profit = 8,000 + 80% of 1,200 = Rs.8,960 Balance Sheet as on 31.03.2021 Particulars H Ltd. (Separate H Ltd. (Consolidated B/S) B/S) Carrying Amount (Rs.in lakh) (Rs.in lakh) Assets Non-current Assets PPE 7,400 7,400+3,000 10,400 Goodwill – See note 2 100 Investment in S Ltd. 2,740 Set off – Current Assets Inventories 1,300 1,300+1,000 2,300 Trade Receivables – Sundry debtors 2,000 2,000+700 2,700 Bills Receivable (including inter-co bills Rs.10) – 300-10 290 Dividend receivable 160 Set off –

**50% MATCHING BLOCK 315/516**

**W**

Total 13,600 15,790 Equity and Liabilities Equity 5,000 Share Capital (Rs. 10) 5,000 – 8,960 [170] [ 170 ] Other Equity 8,000 See note 5 900 NCI – See note 3 – Non-current Liabilities – – Current Liabilities 700 Trade Payables – Sundry creditors 400 300 190

Bills Payable (including inter-co bills Rs.15) 200 200-10 40 Dividend Payable – 200-160 15,790 Total 13,600 Note : Contingent liability for bills discounted = Rs.20 – Rs.5 = Rs.15 lakh Illustration 11 : Dividend out of post-acquisition profit, contingent liability Refer to Illustration 10. Assume that the dividend has been paid out of post- acquisition profit. Identify the changes to the answer in Illustration 10. Solution : (Rs. in lakh) 1. Goodwill on the DOA = Rs.100 2. Goodwill on the reporting date = Rs.100 3. NCI on the DOA = Rs.700 4. Post-acquisition profit = 2,500 -1,500 = Rs.1,000 5. NCI on the reporting date = 700 + 20% of 1000 = Rs.900 6. Balance of other equity of H Ltd. in the standalone balance sheet = 8,000 + 80% of 200 (dividend) = Rs.8,160 (Accordingly, Dividend Receivable will appear in the Asset of H Ltd.) 7. Consolidated Other equity = 8,160 + 80% of 1,000 = Rs.8,960 Balance Sheet as on 31.03.2021 Particulars H Ltd. (Separate H Ltd. (Consolidated B/S) B/S) Carrying Amount (Rs.in lakh) (Rs.in lakh) Assets Non-current Assets PPE 7,400 7,400+3,000 10,400 Goodwill – See note 2 100 Investment in S Ltd. 2,900 Set off – [171] [ 171 ] Current Assets Inventories 1,300 1,300+1,000 2,300 Trade Receivables – Sundry debtors 2,000 2,00+700 2,700 Bills Receivable (including inter-co bills Rs.10) – 300-10 290 Dividend receivable 160 Set off –

**50% MATCHING BLOCK 316/516**

**W**

Total 13,600 15,790 Equity and Liabilities Equity 5,000 Share Capital (Rs. 10) 5,000 – 8,960 Other Equity 8,160 See note 5 900 NCI – See note 3 – Non-current Liabilities – – Current Liabilities 700 Trade Payables – Sundry creditors 400 300 190

Bills Payable (including inter-co bills Rs.15) 200 200-10 40 Dividend Payable \_\_\_\_\_ – 200-160 15,790 Total 13,600 Note: Contingent liability for bills discounted = Rs.20 – Rs.5 = Rs.15 lakh ? Consolidation of Multiple Independent Subsidiaries A parent may have multiple independent subsidiaries by acquiring control over each of them separately. The structure looks like as follows: In such a situation, calculation for Goodwill on the DOA, NCI on the DOA, post-acquisition profit, Goodwill on the reporting date (after impairment) and NCI on the reporting date should be done separately. However, Consolidated Other equity must include parent's share of post-acquisition profit from all the subsidiary companies. ? Chain Holding However, parent-subsidiary relationship may be of such type where a parent controls a subsidiary which may control another subsidiary (say, ultimate subsidiary) and thus, the parent eventually gains control over the ultimate subsidiary. This structure is known as Chain Holding.

[172] [ 172 ] It can again be of the following two forms : Though all the steps in preparation of CBS remains the same in case of chain holding also, two important points should be kept in mind here. These are – determination of interest of Group and NCI and calculation of NCI on the reporting date. 1. Determination of interest of the Group and NCI: Situation 1: In the ultimate subsidiary interest will be of Group and NCI (combined) only. S 1 S 2 Interest in S 1 Group (i.e., P) 80% NCI 20% Effective Interest in S 2 Group (i.e., P) = 80% of 75% 60% NCI – Indirect = 20% of 75% 15% - Direct 25% 40% Situation 2: In the ultimate subsidiary interest will be of Group and NCI (combined) only. S 1 S 2 Interest in S 1 Group (i.e., P) 80% NCI 20% Effective Interest in S 2 Group (i.e., P) – Direct 10% - Indirect = 80% of 75% 60% 70% NCI – Indirect = 20% of 75% 15% - Direct (100 – 10-60-15) 15% 30%

[173] [ 173 ] 2. Calculation of NCI on the reporting date: After the usual process of determination of NCI on the reporting date, NCI's share in the investment in S 2 (20% in both the examples above) has to be deducted. Also, Goodwill calculation will consider only parent's portion of cost of investment (here 80%). Note : all other adjustments will be carried out in the usual manner. Consider the following illustration. Illustration 12 : Preparation of CBS under Chain Holding Structure On 31.03.2020, the balance sheets of H Ltd. A Ltd. and B Ltd. were as follows: Particulars Carrying Amount (Rs.in lakh) H Ltd. A Ltd. B Ltd. Assets Non-current Assets PPE 9,200 4,600 800 Investment of 80% shares in A Ltd. 5,000 — — Investment of 75% shares in B Ltd. — 1,200 —

**58% MATCHING BLOCK 317/516**

**W**

Current Assets Inventories 5,000 800 500 Trade receivables 1,000 350 200 Cash and Cash Equivalent 5,800 800 200 Total 26,000 7,750 1,700 Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 3,000 1,000 Other Equity 17,500 4,500 600 Non-current Liabilities — — — Current Liabilities Trade Payables 500 250 100 Total 26,000 7,750 1,700 Additional information :

a) H Ltd. acquired 80% shares in A Ltd. and A Ltd. acquired 75% shares in B Ltd. All the shares were acquired on 30.09.2019. Profits have been earned evenly during the year. b) On 01.04.2019, the balance in Other Equity were Rs.3,000 lakh and Rs.500 respectively. c) The aggregate identifiable net assets of S Ltd. as on 01.04.2019 included [174] [ 174 ] PPE and inventory standing in the books of S Ltd. at Rs.3,500 lakh and Rs.500 lakh having fair value of Rs.3,800 lakh and Rs.200 lakh respectively. The rate of depreciation on PPE is 10% p.a. d) H Ltd. sold goods worth Rs.100 lakh to S Ltd. on credit at a profit of 20% on sales. 50% of the goods were still laying unsold. Ignore tax. e) NCI was valued at fair value calculated at per share value basis (i.e., taking purchase consideration as base). Prepare

**90% MATCHING BLOCK 318/516**

**W**

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2020. Solution : (Rs.

in lakh) 1. Determination of interest of the Group and NCI A B Interest in S 1 Group (i.e., H) 80% NCI 20% Effective Interest in S 2 Group (i.e., H) = 80% of 75% 60% NCI – Indirect = 20% of 75% 15% - Direct 25% 40% 2. Analysis of Other Equity A Ltd. B Ltd. Other Equity on 01.04.2019 3,000 500 Increase during 2019-20 (cl. bal. – op. bal.) 1,500 100 Increase up to 30.09.2019 (i.e., for 6 months) 750 50 Other Equity on 30.09.2019 3,750 550 Post-acquisition profit 750 50 Add: Fair value loss on current item reverted (500-200) 300 Less: Adjustment for fair value gain on NCA 30 (3800-3500) ? 10% 1,020

[175] [ 175 ] 3. Fair value of identifiable net assets A Ltd. B Ltd. Share capital 3,000 1,000 Add. Other Equity on 30.09.19 3,750 550 Add. fair value gain on PPE (3800-3500) 300 Less. fair value loss on inventory (500-200) 300 6,750 1,550 4. Goodwill on the DOA A Ltd. B Ltd. Purchase Consideration 5,000 (80% of 1,200) 960 Add. NCI at fair value (5000???20%/80%) 1,250 (1200???40%/75%) 640 Less. Fair value of identifiable net assets 6,750 1,550 Gain on bargain purchase 500 Goodwill 50 Capital reserve = 500 – 50 = Rs. 450 5. NCI on the reporting date: A Ltd. B Ltd. NCI at fair value on DOA 1,250 640 Add. NCI's share of Post-acquisition profit (20% of 1020)204 (40% of 50)20 Less. NCI's share in investment of B Ltd. (20% of 1,200)240 – 1,214 660 6. Consolidated Other Equity A Ltd. Average Balance of H Ltd. 17,500 Add. Share of Post-acquisition profit from A Ltd. (80%) 816 Add. Share of Post-acquisition profit from B Ltd. (60%) 30 Less. Unrealized profit on inventory (100 x 50% x 20%) 10 18,336 [176] [ 176 ]

**100% MATCHING BLOCK 319/516**

**W**

Consolidated Balance Sheet of H Ltd. and its Subsidiaries as on 31.03.2020

Particulars  
Amount (Rs.)  
Assets  
Non-current Assets  
PPE (14,600 +300-30) 14,870

**58% MATCHING BLOCK 320/516**

**W**

Current Assets Inventories (6,300 – 10) 6,290 Trade receivables 1,550 Cash and Cash Equivalent 6,800 Total 29,510  
Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 Other Equity – Capital Reserve 450 - others 18,336 NCI (1,214+660) 1,874  
Non-current Liabilities – Current Liabilities Trade

Payables 850  
Total 29,510 Illustration 13 : Preparation of CBS, Complex Chain On 31.03.2020, the balance sheets of H Ltd. A Ltd. and B Ltd. were as follows: Particulars Carrying Amount (Rs.in lakh) H Ltd. A Ltd. B Ltd. Assets Non-current Assets PPE 9,200 4,600 800 Investment of 80% shares in A Ltd. 5,000 – – Investment of 75% shares in B Ltd. – 1,200 – Investment of 10% shares in B Ltd. 160 – –

**58% MATCHING BLOCK 321/516**

**W**

Current Assets Inventories 5,000 800 500 Trade receivables 1,000 350 200 Cash and Cash Equivalent 5,640 800 200 Total 26,000 7,750 1,700 [177] [ 177 ] Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 3,000 1,000 Other Equity 17,500 4,500 600 Non-current Liabilities – – – Current Liabilities Trade Payables 500 250 100 Total 26,000 7,750 1,700 Additional information:

a) H Ltd. acquired 80% shares in A Ltd. and A Ltd. acquired 75% shares in B Ltd. All the shares were acquired on 30.09.2019. Profits have been earned evenly during the year. b) On 01.04.2019, the balance in Other Equity were Rs.3,000 lakh and Rs.500 respectively. c) NCI was valued at fair value calculated at per share value basis (i.e., taking purchase consideration as base).  
Prepare

**90% MATCHING BLOCK 322/516**

**W**

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2020. Solution : (Rs.

in lakh) 1. Determination of interest of the Group and NCI S 1 S 2 Interest in S 1 Group (i.e., P) 80% NCI 20% Effective Interest in S 2 Group (i.e., P) – Direct 10% - Indirect = 80% of 75% 60% 70% NCI – Indirect = 20% of 75% 15% - Direct (100 – 10-60-15) 15% 30% 2. Analysis of Other Equity A Ltd. B Ltd. Other Equity on 01.04.2019 3,000 500 Increase during 2019-20 (cl. bal. – op. bal.) 1,500 100 Increase up to 30.09.2019 (i.e., for 6 months) 750 50 Other Equity on 30.09.2019 3,750 550 Post-acquisition profit 750 50 [178] [ 178 ] 3. Fair value of identifiable net assets A Ltd. B Ltd. Share capital 3,000 1,000 Add. Other Equity on 30.09.19 3,750 550 6,750 1,550 4. Goodwill on the DOA A Ltd. B Ltd. Purchase Consideration 5,000 1,120 Add. NCI at fair value (80% of 1,200+160) (5000 ? 20%/80%) 1,250 (1200 ? 30%/75%) 480 Less. Fair value of identifiable net assets 6,750 1,550 Gain on bargain purchase 500 Goodwill 50 5. NCI on the reporting date: A Ltd. B Ltd. NCI at fair value on DOA 1,250 480 Add. NCI's share of Post-acquisition profit (20% of 750)150 (30% of 50)15 Less. NCI's share in investment of B Ltd. (20% of 1,200)240 – 1,160 495 6. Consolidated Other Equity A Ltd. Balance of H Ltd. 17,500 Add. Share of Post-acquisition profit from A Ltd. (80% of 750) 600 Add. Share of Post-acquisition profit from B Ltd. (70% of 50) 35 18,135 [179] [ 179 ]

**100% MATCHING BLOCK 323/516**

**W**

Consolidated Balance Sheet of H Ltd. and its Subsidiaries as on 31.03.2020

Particulars Amount (Rs.)  
Assets  
Non-current Assets  
PPE 14,600

**58% MATCHING BLOCK 324/516**

**W**

Current Assets Inventories 6,300 Trade receivables 1,550 Cash and Cash Equivalent 6,640 Total 29,090 Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 Other Equity – Capital Reserve 450 - others 18,135 NCI (1,160+495) 1,655 Non-current Liabilities – Current Liabilities Trade

Payables 850  
Total 29,090 ? Consolidated Income Statement In addition to CBS, in a holding-subsiary arrangement, the group also needs to report consolidated total comprehensive income i.e., Consolidated Statement of Profit and Loss and Other Comprehensive Income. The process of preparing the same is as follows: 1. Consolidate (i.e., merge) all the items of revenue from operation and other income line by line and eliminate inter-company transactions from the total. Inter-company revenue items may include sales by subsidiary (or by parent) to the parent (or subsidiary), interest received, royalty received, dividend received etc. 2. Consolidate (i.e., merge) all the items of expenditure such as purchase, operating expenses, finance costs etc. line by line and eliminate inter- company transactions from the total. Inter-company transactions may include purchase by subsidiary (or by parent) from the parent (or subsidiary), interest paid, royalty paid etc. 3. Determine the consolidated profit before tax. 4. Deduct consolidated tax expenses to get consolidated profit after tax. 5. Show profit attributable to parent and NCI. [180] [ 180 ] 6. Incorporate items of other comprehensive income and calculate the consolidated other comprehensive income after eliminating any inter- company items. 7. Show other comprehensive income attributable to parent and NCI. Note : Take special care to treat inter-company dividend (out of pre-acquisition and post-acquisition profit). This will however reflect in the Statement of Changes in Equity only. Consider the following Illustration. Illustration 14 : Preparation of Consolidation Statement of Comprehensive Income Following are

**38%**

**MATCHING BLOCK 326/516**

**SA**

Assignment 1.pdf (D134275548)

the Statements of Comprehensive Income and Statement of Changes in Equity prepared by H Ltd. and S Ltd. for the year ended on 31.03.2020: Statement of Comprehensive Income For the year ended

on 31.03.2020 Particulars Note H Ltd. (Rs.) S Ltd. (Rs.) I. Statement of Profit and Loss Sales 1 2,40,000 96,000 Other income 2 3,600 –  
Total revenue 2,43,600 96,000 Expenses: 57,600 Raw materials consumed 3 1,32,000 -3,600 Change in finished stock inventories 4 -6,000 12,000  
Employee benefit expenses 36,000 1,200 Finance costs 5 3,240 4,800 Depreciation and amortization 8,400 7,248 Other expenses 6 12,420 79248 Total expenses 1,86,060 16,752 Profit before tax 57,540  
Tax expenses: 4,800 Current tax 18,000 1,200 Deferred tax 2,400 6,000 20,400 10,752 Profit after tax 37,140  
II. Statement of Other Comprehensive Income Fair value gain on investment in subsidiary 7 1,200 0 Fair value gain on other non-current investments 600 300  
[181] [ 181 ] Statement of Changes in Equity For the year ended on 31.03.2020 (Figures in Rs.) H Ltd. Share General Profit Fair Total Capital Reserve & Loss Value Reserve Balance on 01.04.2019 24,000 1,20,000 24,000 1,68,000 Dividend paid (9,600) (9,600) Dividend received from S Ltd. 2,016 2,016 Profit for the year 37,140 37,140 Fair value gain on investment in subsidiary 1,200 1,200 Fair value gain on other non-current investment 600 600 Transfer to reserve 24,000 (24,000) Balance on 31.03.2020 24,000 1,44,000 29,556 1,800 1,99,356 S Ltd. Balance on 01.04.2019 12,000 36,000 12,000 60,000 Dividend paid (2,880) (2,880) Profit for the year 10,752 10,752 Fair value gain on other 300 300 non-current investment Transfer to reserve 6,000 6,000 Balance on 31.03.2020 12,000 42,000 13,872 300 68,172 Notes: Particulars H Ltd. S Ltd. 1. Sales Sales to S Ltd. 24,000 0 Outside sales 2,16,000 96,000 2,40,000 96,000 2. Other Income Interest from Q Ltd. 1,200 Royalty form Q Ltd. 2,400 3,600 3. Raw materials Consumed Opening stock 12,000 6,000 Purchase from H Ltd. 0 24,000 Outside purchase 1,44,000 36,000 Closing stock 24,000 8,400 1,80,000 57,600  
[182] [ 182 ] 4. Change in inventories of finished stock Opening stock 12,000 6,000 Closing stock 18,000 9,600 6,000 3600 5. Finance cost Interest paid to outsiders 3,240 0 Interest paid to H Ltd. 0 1,200 3,240 1,200 6. Other expenses Long term provisions 120 36 Short term provisions 60 12 Royalty to H Ltd. 0 2,400 Others 12,000 4,800 Acquisition expenses 240 0 12,420 7,248 7. Fair value of non-current investments Investment in subsidiaries 44,400 0 Other investments 6,600 1500 51,000 1,500 The group has paid dividend for the year 2019-20 and transferred to reserve out of profit for the year as follows: (Figures in Rs.) H Ltd. S Ltd. Share of H Share of NCI Total Rs. Rs. Rs. Rs. Dividend paid 9,600 2,016 864 2,880 Transfer to reserve out of profit 24,000 NCI was calculated at Rs.16,500. Prepare Consolidated Statements of

**58%**

**MATCHING BLOCK 328/516**

**SA**

Assignment 1.pdf (D134275548)

Comprehensive Income and Statement of Changes in Equity for the year ended on 31.03.2020. [183] [ 183 ] Solution : Consolidated Statement of

Comprehensive Income For the year ended on 31.03.2020 (Figures in Rs.) Particulars H Ltd. S Ltd. Adjustment Group I. Consolidated Statement of Profit and Loss Sales 2,40,000 96,000 -24,000 3,12,000 Other income 3,600 – -3,600 0  
Total revenue 2,43,600 96,000 3,12,000 Expenses: 1,65,600 Raw materials consumed 1,32,000 57,600 -24,000 -9,600  
Change in finished stock inventories -6,000 -3,600 48,000  
Employee benefit expenses 36,000 12,000 3,240 Finance costs 3,240 1,200 -1,200 13,200 Depreciation and amortization 8,400 4,800 17,268 Other expenses 12,420 7,248 -2,400 2,37,708 Total expenses 1,86,060 79248 74,292 Profit before tax 57,540 16,752  
Tax expenses: 22,800 Current tax 18,000 4,800 3,600 Deferred tax 2,400 1,200 26,400 20,400 6,000 47,892 Profit after tax 37,140 10,752  
Profit attributable to: H Ltd. 44,666 NCI 3,226 II. Statement of Other Comprehensive Income Fair value gain on investment in subsidiary Fair value gain on other non-current investments 1,200 0 -1,200 0 600 300 900 1,800 300 900  
Profit attributable to: H Ltd. 810 NCI 90



[184] [ 184 ] Statement of Changes in Equity For the year ended on 31.03.2020 (Figures in Rs.) H Ltd. Share General Profit & Fair Total NCI Group Capital Reserve Loss Value Rs. Rs. Total Rs. Rs. Rs. Reserve Rs. Rs. Balance on 01.04.2019 24,000 1,20,000 24,000 1,68,000 19,800 1,87,800 (9,600) (9,600) (9,600) Dividend paid Dividend received 2,016 2,016 2,016 from S Ltd. 44,666 44,666 3,226 47,892 Profit for the year Fair value gain on investment in subsidiary 810 810 90 900 Fair value gain on other non-current investment 24,000 (24,000) 0 0 Transfer to reserve (2,016) (2,016) (864) (2,880) Dividend from S Ltd. Balance on 31.03.2020 24,000 1,44,000 35,066 810 2,03,876 22,252 2,26,128

5.6 Summary Preparation of consolidated financial statements is a legal compulsion in India as per the Companies Act 2013 as well as Ind AS 110, except for a few specific situations. The format and the process of consolidation have also been defined in the regulations. Consolidated financial statements help to provide a complete overview of the performance of the group as a whole and thereby help investors in making informed judgement before taking the decisions.

5.7 Exercises ? Theoretical Questions 1. State the advantages of preparing consolidated financial statements. 2. State the provisions of the Companies Act, 2013 regarding consolidation of accounts. 3. State the provisions of Indian Accounting Standards regarding consolidation of accounts.

[185] [ 185 ] 4. State the conditions to be satisfied by a parent in order to be exempted from preparing consolidated financial statements. 5. How will you evaluate 'control' by a parent in a subsidiary? ? Practical Problems 1. A Ltd. acquires 80% of B Ltd. by paying cash consideration of Rs.240 crore. The fair value of non-controlling interest on the date of acquisition is Rs.60 crore. The value of subsidiary's identifiable net assets as per Ind AS 103 is Rs. 260 crore. Determine the value of goodwill and pass the journal entry when (i) NCI is measured at fair value, and (ii) NCI is measured proportionate fair value of identifiable net assets. [Answer: (i) Goodwill Rs.40 crore (ii) Goodwill Rs.32 crore] 2. X Ltd. acquires 60% of Y Ltd. by paying cash consideration of Rs.1,500 lakh. The fair value of non-controlling interest on the date of acquisition is Rs.960 lakh. The value of subsidiary's identifiable net assets as per Ind AS 103 is Rs. 2,000 lakh. Determine the value of goodwill and pass the journal entry when (i) NCI is measured at fair value, and (ii) NCI is measured proportionate fair value of identifiable net assets. [Answer: (i) Goodwill Rs.460 lakh, (ii) 300 lakh] 3. A Ltd. acquires 80% of B Ltd. by paying cash consideration of Rs.800 lakh. The fair value of non-controlling interest on the date of acquisition is Rs.200 lakh. The value of subsidiary's identifiable net assets as per Ind AS 103 is Rs. 1,040 lakh. Determine the gain on bargain purchase and pass the journal entry when (i) NCI is measured at fair value, and (ii) NCI is measured proportionate fair value of identifiable net assets. [Answer: Gain on bargain purchase (i) Rs.40 lakh (ii) 32 lakh. 4. On 31.03.2021, H Ltd. acquired 70% equity shares of S Ltd. at Rs.12,600 in cash and obtained control. The balance sheets of the companies along with the fair value of assets and liabilities of S Ltd. on the date of acquisition were as follows:

[186] [ 186 ] Particulars H Ltd. S Ltd. Carrying Carrying Fair Value Amount Amount (Rs.in lakh) (Rs.in lakh) (Rs.in lakh)

<b>62%</b>	<b>MATCHING BLOCK 327/516</b>	<b>W</b>
Current Assets Inventories 2,100 1,500 1,800 Trade receivables 900 750 750 Cash and Cash Equivalent 9,900 2,100 2,100 Total 46,500 13,350 Equity and Liabilities Equity Share Capital (Rs. 10) 15,000 6,000 Other Equity 30,600 6,900 Non-current Liabilities — — Current Liabilities Trade		

Payables 900 450 450 Total 46,500 13,350

Prepare the consolidated Balance Sheet as on 31.03.2021 of the group entities i.e., H Ltd. and S Ltd. Assume NCI is measured at proportionate fair value of net identifiable assets. [Answer: NCI Rs.4,230 lakh, Goodwill Rs.2,730 lakh,

<b>73%</b>	<b>MATCHING BLOCK 331/516</b>	<b>SA</b>	2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNT ... (D143464517)
CBS total Rs.51,180] [187] [ 187 ] 5. On 31.03.2022, the balance sheets of H Ltd. and S Ltd. were as follows: Particulars H Ltd. S Ltd.			

Carrying Carrying Amount Amount (Rs. in lakh) (Rs. in lakh) Assets Non-current Assets PPE 18,400 9,200 Investment in S Ltd. 10,000 — Current Assets Inventories 10,000 1,600 Trade receivables (including Rs.160 due from S Ltd.) 2,000 700

**65% MATCHING BLOCK 329/516**

**W**

Cash and Cash Equivalent 11,600 4,000 Total 52,000 15,500 Equity and Liabilities Equity Share Capital (Rs. 10) 16,000 6,000 Other Equity 35,000 9,000 Non-current Liabilities — — Current Liabilities Trade

Payables (

including Rs. 120 due to H Ltd.) 1,000 500 Total 52,000 15,500 On 01.04.2021, S Ltd. had an issued and subscribed capital of 600 lakh shares of Rs. 10 each fully paid and a balance of Rs. 6000 lakh in its Other Equity. On that date H Ltd. acquired 80% shares of S Ltd. by issuing equity shares at fair value of Rs. 6,000 lakh, paid up value Rs. 4,000 lakh. The aggregate identifiable net assets of S Ltd. as on 01.04.2019 included PPE and inventory standing in the books of S Ltd. at Rs. 7,000 lakh and Rs. 1,000 lakh having fair value of Rs. 7,600 lakh and Rs. 400 lakh respectively. The rate of depreciation on PPE is 10% p.a. NCI was valued at fair value calculated at per share value basis (i.e., taking purchase consideration as base). H Ltd. sold goods worth Rs. 200 lakh to S Ltd. on credit at a profit of 20% on sales. 50% of the goods were still laying unsold. Ignore tax.

Prepare

**100% MATCHING BLOCK 330/516**

**W**

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2022. [

Answer: NCI Rs. 3,208 lakh, Goodwill Rs. 500 lakh, CBS total Rs. 58,400] [188] [ 188 ] 6.

**81% MATCHING BLOCK 335/516**

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2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT ... (D143464517)

The balance sheets of H Ltd. and S Ltd. as on 31.03.2021 were as follows: Particulars H Ltd. S Ltd.

Carrying Carrying Amount Amount (Rs. in lakh) (Rs. in

lakh) Assets Non-current Assets PPE 14,800 6,000 Investment in S Ltd. 5,800 —

**42% MATCHING BLOCK 332/516**

**W**

Current Assets Inventories 2,600 2,000 Trade Receivables – Sundry debtors 4,000 1,400 Bills Receivable (including inter-co bills Rs.20) – 600 Total 27,200 10,000 Equity and Liabilities Equity Share Capital (Rs. 10) 10,000 4,000 Other Equity 16,000 5,000 Non-current Liabilities — — Current Liabilities Trade Payables – Sundry creditors 800 600

Bills Payable (including inter-co bills Rs.30) 400 — Dividend Payable — 400 Total 27,200 10,000 Note: Contingent liability for bills discounted = Rs.40 lakh On 01.04.2020, S Ltd. had Rs.3,000 in its Other Equity. H Ltd. acquired 80% share of S Ltd. on 01.04.2020 at a consideration of Rs.5,800 payable in cash. The fair values of identifiable assets and liabilities were not different from the book values on the date of acquisition. NCI was to be measured at proportionate fair value of net identifiable assets. Assume that dividends were declared out of pre- acquisition profit. Prepare the Consolidated Balance Sheet of the group and the Separate Balance Sheet of H Ltd. on 31.03.2021. [Answer: NCI Rs.900 lakh, Goodwill Rs.100 lakh, CBS total Rs.31,580] 7. On 31.03.2022, the balance sheets of H Ltd. A Ltd. and B Ltd. were as follows: [189] [ 189 ] Particulars Carrying Amount (Rs.in lakh) H Ltd. A Ltd. B Ltd. Assets / Non-current Assets PPE 18,400 9,200 1,600 Investment of 80% shares in A Ltd. 10,000 — — Investment of 75% shares in B Ltd. — 2,400 —

**62% MATCHING BLOCK 333/516**

**W**

Current Assets Inventories 10,000 1,600 1,000 Trade receivables 2,000 700 400 Cash and Cash Equivalent 11,600 1,600 400 Total 52,000 15,500 3,400 Equity and Liabilities Equity Share Capital (Rs. 10) 16,000 6,000 2,000 Other Equity 35,000 9,000 1,200 Non-current Liabilities — — — Current Liabilities Trade

Payables 1,000 500 200 Total 52,000 15,500 3,400

a) H Ltd. acquired 80% shares in A Ltd. and A Ltd. acquired 75% shares in B Ltd. All the shares were acquired on 30.09.2021. Profits have been earned evenly during the year. b) On 01.04.2021, the balance in Other Equity were Rs.6,000 lakh and Rs.1,000 respectively. c) The aggregate identifiable net assets of S Ltd. as on 01.04.2021 included PPE and inventory standing in the books of S Ltd. at Rs.7,000 lakh and Rs.1,000 lakh having fair value of Rs.7,600 lakh and Rs.400 lakh respectively. The rate of depreciation on PPE is 10% p.a. d) H Ltd. sold goods worth Rs. 200 lakh to S Ltd. on credit at a profit of 20% on sales. 50% of the goods were still laying unsold. Ignore tax. e) NCI was valued at fair value calculated at per share value basis (i.e., taking purchase consideration as base).

Prepare

**100% MATCHING BLOCK 334/516**

**W**

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2022. [

Answer: NCI Rs.3,748 lakh, Gain from bargain purchase (net of goodwill) Rs. 900, CBS total Rs. 59,020  
[190] [ 190 ] Unit 6 Scheme for Corporate Restructuring Structure 6.1 Objective 6.2 Introduction 6.3 Corporate Restructuring; Concept and Types 6.4 External Restructuring – Mergers and Acquisition 6.5 Ind AS 103: Business Combination 6.6 Scheme for Internal Reconstruction 6.6.1 Circumstances of Internal Reconstruction 6.6.2 Steps for Internal Reconstruction 6.7 Summary 6.8

**70% MATCHING BLOCK 338/516**

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new Sec B Corporate Accounting (1)-8-84.pdf  
(D142427798)

Exercises 6.1 Objective After going through this unit, you will be able to: ? Know the meaning

of corporate restructuring, mergers and acquisitions and internal reconstruction ? Understand the types of scheme, its accounting aspects and formalities ? Have guidelines for preparation of different schemes ? Get in touch with the drafted schemes 6.2 Introduction In today's business world mergers and acquisitions, also known as business combination is the most popular means of expansion within and beyond the geographical territories of a country. However, the success of a business combination largely depends on how well the scheme for such merger and acquisitions is designed. Since accountants have the clear idea about the possible impact of business combination on the future course of action of the amalgamating companies, they are the best one to design such schemes. Also, companies suffering from severe financial crisis and accumulated losses may try to revive them through the process of internal reconstruction. Since many stakeholders are to compromise their interest in such an

[191] [ 191 ] event, only a properly designed internal reconstruction scheme can get acceptance from all parties. This also requires active involvement on the part of the accountants in designing such a scheme. The following sections of this chapter discuss in detail the process of designing the schemes. Also, the chapter discusses about the accounting treatment of merger and acquisition in the context of the newly introduced Ind AS 103, Business Combination. 6.3 Corporate Restructuring; Concept and Types Corporate restructuring is a process to modify the capital structure or operations of a corporate organization significantly. Corporate restructuring can be driven by a need for change in the organizational structure or business model of a company, or it can be driven by the necessity to make financial adjustments to its assets and liabilities. Frequently, it involves both. Companies may need to restructure either to expand itself in new products, new markets, to ensure uninterrupted supply of raw materials or to increase control over the distribution channels or to revive itself from extreme financial crisis. Accordingly, corporate restructuring can broadly be classified into two types – (a) External Restructuring (or Reconstruction), and (b) Internal Restructuring (or Reconstruction). 6.4 External Restructuring – Mergers and Acquisition The term ‘external corporate restructuring’ essentially means modifying the capital structure or operations of a corporate organization significantly by the intervention of any external party. External restructuring can be further segregated into mergers and acquisitions.

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Merger is a process in which two or more existing companies unifies into another existing company or a new company is formed to take over the business of two or more existing companies.

As a result, the shareholders of the old companies become the shareholders of the new company. Mergers can be either congeneric (i.e., taking place between firms belonging to the same industry) or conglomerate (i.e., taking place between firms belonging to different industries). Again, congeneric merger can be either a horizontal integration (i.e., between two firms at the same level of operations, e.g., both are manufacturer of the same products in same or different markets) or vertical integration (i.e., between firms

[192] [ 192 ] located at different level of the value chain). Vertical integration can again be subdivided into forward integration (i.e., a manufacturer combining with a distributor) or backward integration (a manufacturer combining with a supplier of raw materials). On the other hand, an acquisition is a process where an existing company purchases another company and as a result the acquired companies goes into liquidation while the acquirer company continues the business of acquired company under its own name. Both the above two types of corporate restructuring are currently governed by Indian Accounting Standard (Ind AS) 103. Practically, Ind AS 103 covers all forms of business combinations. 6.5 Ind AS 103: Business Combination ?? Definition

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of Business Combination: According to Ind AS 103, a business combination is a transaction or other event in which an acquirer obtains control of one or more businesses.

Accordingly, ? A

business combination is strictly different from merely an ‘asset acquisition’ where the acquirer acquires only one asset or a group of assets which can never amount to a business. ? For business combination, the control by one entity of another is sufficient and both the entity may continue to exist. In other words, business combination will certainly include all mergers and acquisition and also will include acquisition of less than 100% shares of the acquired company. ? In business combination, the acquired companies may cease to exist or may exist (even 100% subsidiary is possible). ?

Accounting for Business Combination A business combination is accounted for applying acquisition method. Application of acquisition method has the following steps:

a)

**65% MATCHING BLOCK 346/516**

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new Sec B Corporate Accounting (1)-8-84.pdf  
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Identifying the acquirer b) Determining the acquisition date c) Recognizing and measuring the identifiable assets acquired and liabilities assumed and any non-controlling interest in the acquire. d) Recognizing and

measurement of goodwill or gain from bargain purchase e) Disclosures

[193] [ 193 ] The steps are discussed below: a) Identifying the acquirer : Most of the time, the acquirer is usually the investor who acquires an investment or a subsidiary. The acquiree is

**83% MATCHING BLOCK 339/516**

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the business that the acquirer obtains control of in business combination. The

following factors as described in Ind AS-103 shall be taken into consideration in deciding who is the acquirer: ?

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In a business combination effected primarily by transferring cash or other assets or by

in-curring

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liabilities, the acquirer is usually the entity that transfers the cash or other assets or incurs the liabilities. ? In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. ?

**96% MATCHING BLOCK 342/516**

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The acquirer is usually the combining entity whose relative size (measured in, for example, assets, revenues or profit) is significantly greater than that of the other combining entity or entities. ? In a business combination involving more than two entities, determining the acquirer shall include a consideration of, among other things, which of the combining entities initiated the combination, as well as the relative size of the combining entities. ? A new entity formed to effect a business combination is not necessarily the acquirer. If a new entity is formed to issue equity interests to effect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer. In contrast, a new entity that transfers cash or other assets or incurs liabilities as consideration may be the acquirer.

Note : In case of

**98% MATCHING BLOCK 343/516**

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a reverse acquisition, the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. For example, reverse acquisitions sometimes occur when a private operating entity wants to become a public entity but does not want to register its equity shares. To accomplish that, the private entity will arrange for a public entity to acquire its equity interests in exchange for the equity interests of the public entity. In this example, the public entity is the legal acquirer because it issued its equity interests, and the private entity is the legal acquire because its equity interests were acquired. However,

the private entity will be the accounting acquirer and the public entity will be the accounting acquiree.

[194] [ 194 ] b) Determine

the acquisition date :

The acquisition date is

**72% MATCHING BLOCK 344/516**

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the date on which the acquirer obtains control of the acquiree. It is generally the date on which the acquirer legally transfers the consideration (the payment for the investment), acquires the assets and assumes the liabilities of the acquiree -the closing date. However,

it can be earlier or later than the closing date, too. It depends on the contractual arrangements in the written agreements, if something like that exists.

**76% MATCHING BLOCK 345/516**

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c) Recognize and measure the identifiable assets acquired, the liabilities assumed and the non-controlling interest in the acquiree:

An acquirer or investor shall recognize all

**63% MATCHING BLOCK 360/516**

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Assignment 1.pdf (D134275548)

identifiable assets acquired, liabilities assumed and non-controlling interests in the acquiree separately from goodwill. The acquirer shall

recognize even those assets and liabilities that have so far not been recognized by the acquiree. All assets and liabilities must be measured at acquisition-date fair value. In case the acquirer acquires less than 100% of shares in the acquiree, it shall also recognize non-controlling interest (NCI). Non-controlling interest may be measured using the (i) Fair value method; or (ii) Proportionate share method. d) Recognizing and Measurement Goodwill: Goodwill is measured at the acquisition date as the excess of 1 over 2 below: 1.

**87% MATCHING BLOCK 347/516**

**W**

The aggregate of ? The fair value of consideration transferred ? The amount of any non-controlling interest recognized ? In a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree 2. The

assets and liabilities recognized in accordance with Ind AS-103. Goodwill may arise in the acquiring group's consolidated financial statements when a new subsidiary is acquired. Goodwill can also arise in the separate financial statements of an acquiring entity where it purchases the business and assets of another company. If the goodwill is negative as explained above, then it is a gain on a bargain purchase. That negative goodwill (excess) is recognized as gain on bargain purchase directly in equity as capital reserve. e) Disclosures:

**97% MATCHING BLOCK 348/516**

**W**

The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination that occurs either: ? during the current reporting period; or ? after the end of the reporting period but before the financial statements are approved for issue. [195] [ 195 ]

Note :

**100% MATCHING BLOCK 349/516 W**

When Acquiree Company ceases to exist due to business combination the accounting will be reflected on the stand-alone balance sheet of the acquirer company. But when Acquiree Company exists (i.e., Non-Controlling Interest exists) after business combination, accounting for business combination will reflect on consolidated balance sheet. In such cases reference to both Ind AS 103 and Ind AS 110 (

Consolidated Financial Statements) is made for consolidation. ? Illustrations on Accounting for Business Combination Situation 1 : Acquiring company acquires less than 100% shares in acquiree company. Illustration 1 : Non-controlling interest is measured at proportionate net assets value; Goodwill X Ltd. acquires 70% of Y Ltd. for Rs.8,40,000 and issued equity shares at par. Fair value of Y Ltd.'s identifiable net assets amount to Rs.9,00,000. Calculate NCI and Goodwill and show the treatment in the books of both X Ltd. and Y Ltd. Assume that X Ltd. measures NCI at proportionate fair value of net identifiable assets. Solution : Fair value of net assets = Rs.9,00,000. Purchase Consideration = Rs.8,40,000 NCI (at proportionate fair value of net assets) = 30% of Rs.9,00,000 = Rs.2,70,000. Goodwill = Purchase consideration + NCI – Fair value of net assets = Rs.8,40,000 + Rs.2,70,000 – Rs.9,00,000 = Rs.2,10,000 X Ltd.  
Journal Entry Particulars Dr. (Rs.)

**94% MATCHING BLOCK 350/516 W**

Cr. (Rs.) Net Assets A/c..... Dr. 9,00,000 Goodwill A/c.....Dr. 2,10,000 To  
Consideration A/c 8,40,000 To NCI A/c 2,70,000 Consideration A/c..... Dr. 8,40,000 To Equity Share  
Capital A/c 8,40,000

Since Y Ltd.  
exists,

**58% MATCHING BLOCK 351/516 W**

the above entries are passed in the consolidated accounts of X Ltd. However, X Ltd. requires to pass

the following entry in its books for preparation of separate financial statements.  
[196] [ 196 ] X Ltd.  
Journal Entry

**80% MATCHING BLOCK 352/516 W**

Particulars Dr. (Rs.) Cr. (Rs.) Investment A/c..... Dr. 8,40,000 To Equity Share Capital A/c 8,40,000

Note : Since Y Ltd. exists, no entry is required in the books of Y Ltd. Illustration 2 : Non-controlling interest is measured at proportionate net assets value; Gain on bargain purchase P Ltd. acquires 80% of Q Ltd. for Rs.8,64,000 payable in cash. Fair value of Q Ltd.'s identifiable assets amount to Rs.14,00,000 and that of identifiable liabilities Rs.200,000. Calculate NCI and Goodwill and show the treatment in the books of both P Ltd. and Q Ltd. Assume that P Ltd. measures NCI at proportionate fair value of net identifiable assets. Solution : Fair value of net identifiable assets = Rs.14,00,000 – Rs.2,00,000 = Rs.12,00,000 Purchase Consideration = Rs.8,64,000 NCI (at proportionate fair value of net assets) = 20% of Rs.12,00,000 = Rs.2,40,000. Gain on bargain purchase = Fair value of net assets – (Purchase consideration + NCI) = Rs.12,00,000 - (Rs.8,64,000 + Rs.2,40,000) = Rs.96,000 P Ltd.

**51% MATCHING BLOCK 353/516**

**W**

Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Assets A/c..... Dr. 14,00,000 To Liabilities A/c 2,00,000 To Consideration A/c 8,64,000 To NCI A/c 2,40,000 To Gain on Bargain Purchase A/c 96,000 Consideration A/c..... Dr. 8,64,000 To Cash A/c 8,64,000

Since Q Ltd. exists,

**58% MATCHING BLOCK 354/516**

**W**

the above entries are passed in the consolidated accounts of P Ltd. However, P Ltd. requires to pass

the following entry in its books for preparation of separate financial statements.  
[197] [ 197 ] P Ltd.

**66% MATCHING BLOCK 355/516**

**W**

Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Assets A/c..... Dr. 8,64,000 To Cash A/c 8,64,000

Note: Since Q Ltd. exists, no entry is required in the books of Q Ltd. Illustration 3 : Non-controlling interest is measured at fair value; Goodwill X Ltd. acquires 70% of Y Ltd. for Rs. 8,40,000 and issued equity shares at Rs. 12 per share (including Rs. 2 as premium). Fair value of Y Ltd.'s identifiable net assets amount to Rs. 9,00,000. Calculate NCI and Goodwill and show the treatment in the books of both X Ltd. and Y Ltd. Assume that X Ltd. measures NCI at fair value. Solution : Fair value of net assets = Rs. 9,00,000. Purchase Consideration = Rs. 8,40,000 NCI (at fair value) = Rs. 30% 8,40,000 70% ? = Rs. 3,60,000 (considering PC as base) Goodwill = Purchase consideration + NCI – Fair value of net assets = Rs. 8,40,000 + Rs. 3,60,000 – Rs. 9,00,000 = Rs. 3,00,000 Number of equity shares issued = Rs.8,40,000 ÷ Rs.12 = 70,000 X Ltd.

**70% MATCHING BLOCK 356/516**

**W**

Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Net Assets A/c..... Dr. 9,00,000 Goodwill A/c.....Dr. 3,00,000 To Consideration A/c 8,40,000 To NCI A/c 3,60,000 Consideration A/c..... Dr. 8,40,000 To Equity Share Capital A/c (70,000 ? Rs.10) 7,00,000 To Securities Premium A/c (70,000 ?

Rs.2) 1,40,000

Since Y Ltd. exists,

**58% MATCHING BLOCK 357/516**

**W**

the above entries are passed in the consolidated accounts of X Ltd. However, X Ltd. requires to pass

the following entry in its books for preparation of separate financial statements.  
[198] [ 198 ] X Ltd. Journal Entry

Particulars

Dr. (Rs.) Cr. (Rs.) Investment

**100% MATCHING BLOCK 358/516**

**W**

A/c..... Dr. 8,40,000 To Equity Share Capital A/c 7,00,000 To Securities Premium A/c 1,40,000



Note: Since Y Ltd. exists, no entry is required in the books of Y Ltd. Situation 2 : Acquiring company acquires 100% shares in acquiree company and acquiree company ceases to exist Illustration 4 : M Ltd. acquired all shares of N Ltd. M Ltd. issued 1,20,000 equity shares (face value Rs.10), the market value of which was Rs.240 per share. The fair value of identifiable net assets of N Ltd. was Rs.2,70,00,000. Show the treatment in the books of M Ltd. Assume that after the business combination N Ltd. ceased to exist Solution : Since M Ltd. acquired all shares of N Ltd. there is no NCI. So, Goodwill = Purchase consideration – Fair value of identifiable net assets = Rs. (120000 x 240) – Rs.2,70,00,000 = Rs.18,00,000 M Ltd.

**83%      MATCHING BLOCK 359/516      W**

Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Inves Net Assets A/c..... Dr. 2,70,00,000 Goodwill A/c.....Dr. 18,00,000 To Consideration A/c 2,88,00,000 Consideration A/c..... Dr. 2,88,00,000 To Equity Share Capital A/c (1,20,000 ? Rs.10) 12,00,000 To Securities Premium A/c (1,20,000 ?

Rs.230) 2,76,00,000 Since N Ltd. ceased to exists, the above entries are reflected in the stand-alone balance sheet of M Ltd. Note: N Ltd. will pass entries

**100%      MATCHING BLOCK 361/516      W**

for closing all the accounts through Realisation A/C and Equity Shareholders A/c [199] [ 199 ]

Situation 3 : Acquiring company acquires 100% shares in acquiree company and acquiree company does not cease to exist. Refer to Illustration 4. How will your answer change if N Ltd. does not cease to exist? Solution : In this case, the entries prepared by M Ltd. will be passed only in the consolidated accounts as N Ltd. exists. However, in the stand-alone accounts of M Ltd. the acquisition will be recorded as follows: M Ltd. Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Investment

**100%      MATCHING BLOCK 362/516      W**

A/c..... Dr. 2,88,00,000 To Equity Share Capital A/c 12,00,000 To Securities Premium A/c 2,76,00,000

Note : Since N Ltd. exists, no entry is required in the books of N Ltd. ? Accounting for Merger and Acquisition Our previous discussion on accounting for business combination clearly suggests that Ind AS 103 covers all forms of business combinations including mergers and acquisitions where the acquired entity compulsorily goes into liquidation (Situation 2 only). While the accounting entries in the books of acquirer has been already discussed, the same for acquiree entity need to be discussed with more detail. ? Entries to close the books of Acquiree Company in case of merger and acquisition: For transfer the assets: With book value

**35%      MATCHING BLOCK 363/516      W**

of assets Realisation A/c ..... Dr. To All Assets A/c For transfer external liabilities: With book value of external All External Liabilities A/c.....Dr. liabilities To Realisation A/c For purchase consideration due: With the amount of total Acquirer Company A/c

**84% MATCHING BLOCK 364/516**

**W**

purchase consideration To Realisation A/c [200] [ 200 ] For transfer of equity: Equity Share Capital A/c.....Dr.  
Other Equity A/c.....Dr. To Equity Shareholders A/c

For transfer of accumulated loss, if any  
Equity Shareholders

**73% MATCHING BLOCK 365/516**

**W**

A/c.....Dr. To Profit and Loss A/c For amount payable to Preference Shareholders Preference Share Capital  
A/c..... Dr. Realisation A/c.....Dr. Excess

payment To Preference Shareholders

**44% MATCHING BLOCK 366/516**

**W**

A/c To Realisation A/c Deficit amount For receiving purchase consideration Equity Shares in Acquirer Company  
A/c.....Dr Preference Shares in Acquirer Company A/c.....Dr Debentures in Acquirer Company A/c.....Dr Cash  
or Other Assets A/c.....Dr. To Acquirer Company A/c For payment to preference shareholders Preference  
Shareholders A/c.....Dr. To Equity Shares in Acquirer Company A/c To Preference Shares in Acquirer Company A/c  
To Debentures in Acquirer Company A/c To Cash A/c For realisation of assets not taken over Bank A/c .....Dr To  
Realisation a/c For settlement of liabilities not taken over Realisation A/c.....Dr To Bank A/c For payment of  
Liquidation expenses Realisation A/c.....Dr To Bank A/c [201] [ 201 ] For transfer of realisation profit Realisation  
A/c.....Dr To Equity Shareholders A/c For settlement of equity shareholders Equity Shareholders  
A/c.....Dr To Equity Shares in Acquirer Company A/c To Preference Shares in Acquirer Company A/c To

Debentures in Acquirer Company A/c To Cash A/c ?  
Entries  
in the books of  
Acquirer Company (  
Also refer to Situation 2 earlier) For acquisition of identifiable  
net assets

**58% MATCHING BLOCK 368/516**

**SA**

2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT  
... (D143464517)

Assets A/c.....Dr. At fair value Goodwill A/c.....Dr. To Liabilities A/c At fair value To  
Consideration A/c To

Gain on Bargain Purchase A/c  
For discharge of purchase consideration Consideration

**44% MATCHING BLOCK 367/516**

**W**

A/c .....Dr To Equity Shares in Acquirer Company A/c To Preference Shares in Acquirer Company A/c To  
Debentures in Acquirer Company A/c To Cash A/c For payment of Liquidation expenses Goodwill A/c .....Dr To  
Bank A/c

Note : After acquisition, the acquirer company share make adjustment for inter- company items such as inter-company  
owing, inter-company bills, unrealised profit on inter-company purchases of assets or goods.

[202] [ 202 ] ? Illustration on Accounting for Mergers and Acquisitions Illustration 5 : Merger of companies Particulars  
Note A Ltd. B Ltd. (Rs. in '000) (Rs. in '000) I.

**100% MATCHING BLOCK 370/516**

**SA** new Sec B Corporate Accounting (1)-8-84.pdf  
(D142427798)

Assets (1) Non-current Assets (a) Property, Plant and Equipment (i) Tangible assets:

Land and Buildings 12,000 - Plant and Machinery 31,000 - Motor Vehicles - 800 Furniture - 500 (ii) Intangible

**83% MATCHING BLOCK 369/516**

**W**

Assets – Patent 4,000 1,400 (2) Current Assets (a) Current Investments 2,300 - (b) Inventories 7,000 4,780 (c) Trade  
Receivables – Debtors 1,600 1,240 (d) Cash and Cash Equivalents:

cash at bank 900 340

Total 58,800 9,060

II.

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (1) 40,000 8,000 (b) Other Equity – General reserve 16,000 -

Profit & Loss (Cr.) 1,800 640 (2)

Non-current Liabilities - - (3) Current Liabilities - - (a)

Short term borrowings (b) Trade payables - - 1,000 420

Total 58,800 9,060

**68% MATCHING BLOCK 372/516**

**SA** 2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT  
... (D143464517)

Notes to Accounts : (1) Share Capital Particulars Rs. ('000) Rs. ('000) Issued, subscribed and paid-up capital: 30,00,000  
equity shares of Rs.10 each 30,000 – 1,00,000 Preference shares of Rs.100 each 10,000 – 8,00,000

Equity shares of Rs.10 each 8,000

[203] [ 203 ]

**55% MATCHING BLOCK 371/516**

**W**

A new company, C Ltd., was formed to acquire the business of A Ltd. Abd B Ltd. The

terms of acquisition were as follows:

**89% MATCHING BLOCK 373/516**

**SA** original.doc (D34943452)

a) C Ltd would have an authorised capital of Rs.7,00,00,000 divided into 1,00,000, 13% Preference shares of Rs.100  
each and 60,00,000 equity shares of Rs.10 each. b)

Business of A Ltd. was valued at Rs.6,00,00,000; settlement being Rs.1,20,00,000 cash and balance by issue of fully-paid  
equity shares at Rs.12. c) Business

**52% MATCHING BLOCK 374/516**

**SA** original.doc (D34943452)

of B Ltd. was valued at Rs.48,00,000; to be satisfied by issue of fully-paid equity shares at Rs.12.

d) Preference shares of A Ltd. were redeemed. e)

**75%**

**MATCHING BLOCK 377/516**

**SA**

original.doc (D34943452)

C Ltd. made a public issue of 60,000 preference shares at par and 6,00,000 equity shares at Rs.12. The issue

was underwritten at a commission of Rs.3,30,000 and was fully subscribed. All obligations were met. Pass journal entries in the books of all the parties and prepare a Balance Sheet of C Ltd.

Solution :

In the books of A Ltd. Journal

Date Particulars L.F Dr. Cr.

Rs. ('000) Rs. ('000) 2020

**34%**

**MATCHING BLOCK 375/516**

**W**

Realisation A/c..... Dr. 588,00 March To Patents A/c 40,00 31 To Land and Buildings A/c 120,00 To Plant and Machinery A/c 310,00 To Investment A/c 23,00 To Inventories A/c 70,00 To Debtors A/c 16,00 To Bank A/c 9,00 Creditors A/c..... Dr. 10,00 To Realisation A/c 10,00 C Ltd. A/c..... Dr. 6,00,00 To Realisation A/c 6,00,000 Realisation A/c..... Dr. 22,00 To Equity Shareholders A/c 22,00 [204] [ 204 ] Equity shares in C Ltd. A/c..... Dr. 4,80,00 Bank A/c..... Dr. 1,20,00 To C Ltd. A/c 6,00,00 Preference Share Capital A/c..... Dr. 100,00 To Preference Shareholders A/c 100,00 Preference Shareholders A/c..... Dr. 100,00 To Bank A/c 100,00 Equity Share Capital A/c..... Dr. 300,00 General Reserve A/c ..... Dr. 160,00 Profit and Loss A/c..... Dr. 18,00 To Equity Shareholders A/c 478,00 Equity Shareholders A/c (2200+47800).... Dr. 500,00 To Equity Shares in C Ltd. A/c 480,00 To Bank A/c (120,00 – 100,00) 20,00 In the books of B Ltd. Journal Date Particulars L.F Dr. Cr. Rs. ('000) Rs. ('000) 2020 Realisation A/c..... Dr. 90,60 March To Patents A/c 14,00 31 To Motor Vehicle A/c 8,00 To Furniture A/c 5,00 To Inventories A/c 47,80 To Debtors A/c 12,40 To Bank A/c 3,40 Creditors A/c..... Dr. 4,20 To Realisation A/c 4,20 C Ltd. A/c.....

Dr. 96,00

**46%**

**MATCHING BLOCK 376/516**

**W**

To Realisation A/c 96,00 Realisation A/c..... Dr. 9,60 To Equity Shareholders A/c 9,60 Equity shares in C Ltd. A/c..... Dr. 96,00 To C Ltd. A/c 96,00 [205] [ 205 ] Equity Share Capital A/c 80,00 Profit and Loss A/c 6,40 To Equity Shareholders A/c 86,40 Equity Shareholders A/c ..... Dr. 96,00 To

Equity Shares in C Ltd.

A/c 96,00

**76%**

**MATCHING BLOCK 378/516**

**SA**

MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)

In the books of C Ltd. Journal Date Particulars L.F Dr. Cr.

Rs. ('000) Rs. ('000) 2020 Goodwill A/c (Bal. Fig) .....Dr. 31,60 March Patents

A/c.....Dr. 54,00 31 Land and Buildings

A/c.....Dr. 120,00

Plant and Machinery

**47%**

**MATCHING BLOCK 379/516**

**SA**

2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT ... (D143464517)

A/c .....Dr. 310,00 Motor Vehicle A/c.....Dr. 8,00 Furniture A/c.....Dr. 5,00 Investment  
A/c.....Dr. 23,00 Inventories A/c.....Dr. 117,80 Debtors A/c.....Dr. 28,40 Bank  
A/c.....Dr. 12,40 To Creditors A/c 14,20 To Consideration (A Ltd.) A/c 600,00 To Consideration (A Ltd.) A/c  
96,00 Consideration (A Ltd.) A/c.....Dr. 600,00 Consideration (B Ltd.) A/c.....Dr. 96,00 To Equity Share Capital  
A/c 480,00 To Securities Premium A/c 96,00 To Bank A/c 120,00

Bank A/

c .....

Dr. 132,00 To Equity Share Capital

**50%**

**MATCHING BLOCK 386/516**

**SA**

2 B.Com \_ IV SEM \_ 22DCBGL42 CORPORATE ACCOUNT ... (D143464517)

A/c 60,00 To Securities Premium A/c 12,00 To Preference Share Capital A/c 60,00 Underwriting Commission A/c 3,30  
To Bank A/c 3,30 [206] [ 206 ] Balance Sheet of C Ltd. as on 31.03.2020

Particulars Note A Ltd. (Rs. in '000) I.

Assets (1) Non-current Assets (a) Property, Plant and Equipment (i) Tangible

**42%**

**MATCHING BLOCK 380/516**

**W**

assets: Land and Buildings 120,00 Plant and Machinery 310,00 Motor Vehicles 8,00 Furniture 5,00 (ii) Intangible Assets  
– Goodwill 31,60 – Patent 54,00 (2) Current Assets (a) Current Investments 23,00 (b) Inventories 117,80 (c) Trade  
Receivables – Debtors 28,40 (d) Cash and Cash Equivalents: cash at bank 21,10 (9,00+3,40+132,00-120,00-3,30) Total  
718,90

II.

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital 1 600,00 (b) Other Equity 2 104,70 - (2) Non-current  
Liabilities - (3) Current Liabilities (

a)

Short term borrowings - (b) Trade payables 14,20

Total 718,90

Notes to Accounts : (1) Share Capital

Particulars

Rs. ('000)

Authorised

capital: 60,00,000

Equity

shares of Rs.10 each 6,00,00 1,00,000 13% Preference

shares of Rs. 100 each 1,00,00 7,00,00

[207] [ 207 ]

Issued

and Subscribed Capital: 54,00,000 Equity shares of Rs. 10 each 54,00 60,000, 13%

Preference shares of Rs.100 each 60,00 600,00 (2)

Other Equity Particulars Rs. ('000) Securities Premium 108,00 Underwriting commission (3,30) 104,70 Illustration 6 : One  
of the transferor

company holding shares in the other

**65% MATCHING BLOCK 381/516**

**W**

The balance sheets of P Ltd. and Q Ltd. as on 31.03.2020 were as follows : Particulars P Ltd. Q Ltd. (

Rs.) (

Rs.) I.

Assets (1) Non-current Assets (a) Property, Plant and Equipment (i) Tangible assets: 14,00,000 8,30,000 (

ii) Intangible Assets - - (b) Non-current Investment -5,000 shares in

Q 80,000 - (2) Current Assets 9,60,000 6,50,000 Total 24,40,000 14,80,000

II.

**48% MATCHING BLOCK 382/516**

**W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (Equity shares of Rs.10) 10,00,000 6,00,000 (b) Other Equity – Securities Premium 2,00,000 - - General reserve 2,60,000 2,50,000 - Profit & Loss (Cr.) 1,80,000 1,60,000 (2) Non-current Liabilities – 10% Debentures 5,00,000 - - Secured loan 3,00,000 3,00,000 (3) Current Liabilities (a) Trade payables –

Sundry creditors - 1,70,000 Total 24,40,000 14,80,000 R Ltd. an existing company took over all the assets and liabilities of P and Q except 10% Debentures of P. a) The shares of P and Q are valued at Rs.18 per share and Rs.20

**68% MATCHING BLOCK 383/516**

**W**

per share respectively. [208] [ 208 ] b) A contingent liability of P of Rs.60,000 is to be treated as

a

**48% MATCHING BLOCK 384/516**

**W**

real liability. c) The shareholders of P and Q will be issued sufficient number of equity shares in R Ltd at par. d) The shares of R Ltd. are issued at

par. You are required to

**52% MATCHING BLOCK 385/516**

**W**

show : (i) The calculation of the number of shares to be issued by R Ltd. (ii) Journal entries in the books of R Ltd.

Solution : (i) Calculation of number of shares to be issued Particulars P Ltd. Q Ltd. (Rs.) (Rs.) Existing shares 1,00,000 60,000 Less. Held by P Ltd. - 5,000 1,00,000 55,000 Agreed value per share (Rs.) 18 20 Total value of shares to be issued (Rs.) 18,00,000 11,00,000 No of shares to be issued

at Rs.10 each 1,80,000 1,10,000 Total number of shares to be issued = 2,90,000 (ii)

**63% MATCHING BLOCK 389/516**

**SA**

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(D142209931)

In the books of R Ltd. Journal Date Particulars L.F Dr. Cr. Rs. Rs. 2020 Goodwill A/c (

Bal. Fig) .....Dr. 3,90,000 March Non-

**32% MATCHING BLOCK 387/516**

**W**

current Assets A/c.....Dr. 22,30,000 31 Current Assets A/c.....Dr. 16,10,000 To Secured Loan A/c 6,00,000  
To Trade Payable A/c 1,70,000 To Other Current Liability\* A/c 60,000 To Consideration (P Ltd.) A/c 23,00,000 To  
Consideration (Q Ltd.) A/c 11,00,000 Consideration (P Ltd.) A/c.....Dr. 23,00,000 Consideration (Q Ltd.)  
A/c.....Dr. 11,00,000 To 10% Debentures A/c.....Dr. 5,00,000 To Equity Share Capital A/c 29,00,000 \*

Contingent liability recognised.

[209] [ 209 ] Illustration 7 : Acquirer (transferee) company holding shares in the acquiree (transferor) company

**78% MATCHING BLOCK 388/516**

**W**

The balance sheets of K Ltd. and L Ltd. as on 31.03.2020 were as follows:

Particulars P Ltd. Q Ltd. (Rs.) (Rs.) I.

**91% MATCHING BLOCK 393/516**

**SA**

new Sec B Corporate Accounting (1)-8-84.pdf  
(D142427798)

Assets (1) Non-current Assets (a) Property, Plant and Equipment 10,00,000 3,00,000 (b) Non-current

Investment -15,000 shares in L 1,50,000 - - Loan to L Ltd. 5,00,000 - (2) Current Assets 1,00,00,000 67,00,000 Total  
1,16,50,000 70,00,000 II.

**76% MATCHING BLOCK 390/516**

**W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (Equity shares of Rs.10) 6,00,000 2,50,000 (b)

Other Equity 44,00,000 5,00,000 (2) Non-current Liabilities –  
Loan from K Ltd. - 5,00,000 (3)

**33% MATCHING BLOCK 391/516**

**W**

Current Liabilities 66,50,000 57,50,000 Total 1,16,50,000 70,00,000 On 31.03.2020, K Ltd. absorbed L Ltd. The  
members of L Ltd. are to receive one equity share of K Ltd. issued at a premium of Rs. 2 per share for every five- equity  
share held in L Ltd. The necessary approvals are obtained. You are required to show journal entries in the books of both  
the companies. Solution : In the books of L Ltd Journal Date Particulars L.F Dr. Cr. Rs. Rs. 2020 Realisation  
A/c..... Dr. 70,00,000 March To Non-current Assets A/c 3,00,000 31 To Current Assets A/c 67,00,000  
Loan from K Ltd. A/c..... Dr. 5,00,000 Current Liabilities A/c..... Dr. 57,50,000 To Realisation A/c 62,50,000  
K Ltd. A/c..... Dr. 60,000 To Realisation A/c 60,000 [210] [ 210 ] Equity Shareholders A/c..... Dr.  
6,90,000 To Realisation A/c 6,90,000

Equity

**42% MATCHING BLOCK 392/516**

**W**

shares in K Ltd. A/c..... Dr. 24,000 To K Ltd. A/c 24,000 Equity Shareholders A/c.....Dr. 36,000 To K Ltd. A/c  
36,000 Equity Share Capital A/c..... Dr. 2,50,000 Reserve & Surplus A/c.....Dr. 5,00,000 To Equity  
Shareholders A/c 7,50,000 Equity Shareholders A/c ..... Dr. 24,000 To Equity Shares in C Ltd.

A/c 24,000

**76% MATCHING BLOCK 397/516**

**SA**

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In the books of K Ltd. Journal Date Particulars L.F Dr. Cr.

Rs. ('000) Rs. ('000) 2020 Profit & Loss

A/c.....Dr. 1,14,000 March

To

Investment

A/c (150000 -36000) 1,14,000 31 Non-current

**48% MATCHING BLOCK 394/516**

**W**

Assets A/c.....Dr. 3,00,000 Current Assets A/c.....Dr. 67,00,000 To Loan from K Ltd. A/c 5,00,000 To Current Liabilities A/c 57,50,000 To Consideration A/c 24,000 To Investment A/c 36,000 To Gain from Bargain Purchase A/c 6,90,000 Consideration A/c.....Dr. 24,000 To Equity Share Capital A/c (2000 ? 10) 20,000 To Securities Premium A/c (2000 ? 2) 4,000

Loan from K Ltd. A/c.....Dr. 5,00,000

**41% MATCHING BLOCK 395/516**

**W**

To Loan to L Ltd. A/c 5,00,000 Working Note : Purchase Consideration Particulars Rs. ('000) Purchase consideration (25000 ? 1/5) ? 12 60,000 Equity shares of Rs.12 each belonging to K Ltd. (3/5 ? 60,000) 36,000 Equity shares payable to other shareholders (2/5 ? 60,000) 24,000 Number of shares to be issued

to other shareholders (24,000/12) = 2,000

[211] [ 211 ] Illustration 8 : Acquiree company holds shares in Acquirer company

**60% MATCHING BLOCK 396/516**

**W**

The balance sheets of M Ltd. and N Ltd. as on 31.03.2020 were as follows : Particulars M Ltd. N Ltd. (

Rs.) (

Rs.) l.

**91% MATCHING BLOCK 399/516**

**SA**

new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)

Assets (1) Non-current Assets (a) Property, Plant and Equipment 5,00,000 2,00,000 (b) Non-current

Investment -10,000 shares in M - 1,00,000 (2) Current Assets 2,50,000 1,50,000 Total 7,50,000 4,50,000 II.

**52% MATCHING BLOCK 398/516**

**W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (Equity shares of Rs.10) 5,00,000 300,000 (b) Other Equity 1,00,000 55,000 (3) Non-current Liabilities - - - (4) Current Liabilities (

Sundry creditors) 1,50,000 95,000 Total 7,50,000 4,50,000 On 31.03.2020, M



**89% MATCHING BLOCK 400/516**

**SA**

M.Com.I\_Adv.\_Accountancy\_P.\_I\_\_\_\_III\_all.PDF  
(D142209931)

Ltd. absorbed N Ltd. on the basis of intrinsic value of shares. The purchase consideration is to be discharged

by M Ltd. in form of fully paid shares. A sum of Rs.20,000 is due to M Ltd.

**72% MATCHING BLOCK 403/516**

**SA**

M.Com.I\_Adv.\_Accountancy\_P.\_I\_\_\_\_III\_all.PDF  
(D142209931)

by M Ltd. Included in the stock of M Ltd. Rs.30,000 goods supplied by N Ltd at cost plus 20% basis. Give journal entries in the books of both the

parties.

Solution :

In

the

books of N Ltd

Journal Date Particulars L.F Dr. Cr. Rs. ('000) Rs. ('000) 2020

Realisation

**47% MATCHING BLOCK 401/516**

**W**

A/c..... Dr. 3,50,000 March To Non-current Assets A/c 2,00,000 31 To Current Assets A/c 1,50,000  
Sundry Creditors A/c..... Dr. 95,000 To Realisation A/c 95,000 M Ltd. A/c..... Dr. 2,55,000 To  
Realisation A/c 2,55,000 Equity shares in M Ltd. A/c..... Dr. 2,55,000 To M Ltd. A/c 2,55,000 Equity Share Capital  
A/c..... Dr. 3,00,000 [212] [ 212 ] Reserve & Surplus A/c.....Dr. 55,000 To Equity Shareholders A/c 3,55,000  
Equity Shareholders A/c ..... Dr. 3,55,000 To

Equity

Shares in M Ltd.

A/c 3,55,000

Working Note 1 : Intrinsic value of shares Particulars M Ltd. N Ltd. (Rs.) (Rs.) Non-current Assets 5,00,000 2,00,000

Current Assets 2,50,000 1,50,000 Investment in M Ltd. 10000 shares at rs.12 each - 1,20,000 7,50,000 4,70,000 Less.

Creditors 1,50,000 95,000 Net assets (A) 6,00,000 3,75,000 No. of shares (B) 50,000 30,000

Intrinsic value per share (Rs.) (A + B) 12 12.5 Working Note 2 :

Purchase Consideration

**58% MATCHING BLOCK 402/516**

**W**

No. of shares of N Ltd 30,000 Value of shares @ Rs.12.50 3,75,000 No. of shares of M Ltd to be issued at Rs.12.00  
(375000/12) 31,250 No. of shares already held by N Ltd. 10,000 Net shares to be issued (31,250 – 10000) 21,250 Total  
Consideration (21,250 ?

Rs. 12) 2,55,000

**76% MATCHING BLOCK 410/516**

**SA**

MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx  
(D127906811)

In the books of M Ltd. Journal Date Particulars L.F Dr. Cr.

Rs. ('000) Rs. ('000) 2020 Non-current

Assets

A/c.....Dr. 2,00,000 March Current

**60% MATCHING BLOCK 404/516 W**

Assets A/c.....Dr. 1,50,000 31 To Sundry Creditors A/c 95,000 To Consideration A/c 2,55,000 Consideration A/c.....Dr. 2,55,000 To Equity Share Capital A/c (21250 ? 10) 2,12,500 To Securities Premium A/c (21250 ? 2) 42,500 Sundry Creditors .....Dr. 20,000 To Sundry Debtors (in Current Assets) A/c 20,000

Goodwill A/c.....  
Dr. (30000 ? 20/120) 5,000 To  
Inventory (in Current Assets)\* A/c 5,000 \*  
adjustment for unrealised profit on stock.  
[213] [ 213 ] Illustration 9 : Cross Holding

**77% MATCHING BLOCK 405/516 W**

The balance sheets of X Ltd. and Y Ltd. as on 31.03.2020 were as follows: Particulars X Ltd. Y Ltd. (Rs.) (Rs.) I. Assets (1)

Non-current Assets (a) Property, Plant and Equipment 30,00,000 1,50,000 (b) Non-current Investment - 3,000 shares in Y 4,50,000 - - 9,000 shares in X - 15,00,000 (2) Current Assets 27,84,000 13,50,000 Total 62,34,000 30,00,000 II.

**50% MATCHING BLOCK 406/516 W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (Equity shares of Rs.100) 45,00,000 15,00,000 (b) Other Equity 11,34,000 3,30,000 (3) Non-current Liabilities - 14% Debentures - 9,00,000 (4) Current Liabilities (

Sundry creditors) 6,00,000 2,70,000 Total 62,34,000 30,00,000

**45% MATCHING BLOCK 407/516 W**

On 31.03.2020 X Ltd absorbs Y ltd on the basis of intrinsic value of the shares of both companies. The fair value of shares of X Ltd. is Rs.120 You are required to calculate

the number of shares to be issued to Y Ltd., the purchase consideration and show the final balance sheet after absorption.

**78% MATCHING BLOCK 408/516 W**

Solution : 1. Computation of net assets excluding inter-company investments Particulars X Ltd. Y Ltd.

Non-current Assets 57,84,000 15,00,000 Less : 14% Debentures - (9,00,000) Less : Current Liabilities (6,00,000) (2,70,000) 51,84,000 3,30,000 2.

**80% MATCHING BLOCK 409/516**

**W**

Intrinsic value of Equity Shares Let 'a' as the intrinsic value (Net Assets including Inter Company Investments) of Equity Shares of X Ltd. and 'b' as the intrinsic value of Equity Shares of Y Ltd. [214] [ 214 ]  $a = 51,84,000 + 1/5b$ ..... (1)  $b = 3,30,000 + 1/5a$ ..... (2) or,  $b = 3,30,000 + 1/5(51,84,000 + 1/5b)$  or,  $b = 3,30,000 + 10,36,800 + b/25$  or,  $b - (b/25) = 13,66,800$  or,  $b = 13,66,800 \times 25/24 = 14,23,750$  Putting the value of b in equation (1), we get,  $a = 51,84,000 + 1/5 \times 14,23,750 = 54,68,750$  Intrinsic value of shares of X Ltd. =  $54,68,750/45,000 = 121.53$  Intrinsic value of shares of Y Ltd. =  $14,23,750/15,000 = 94.92$  (approximately) 3. Calculation of Purchase Consideration Value of shares held by outsiders in Y Ltd. =  $12000 \times 94.92 = 11,39,000$  Shares to be issued by X Ltd =  $11,39,000/121.53 = 9,372$  shares Less. Shares held by Y Ltd = 9,000 shares No. of shares to be issued = 372 shares Purchase consideration =  $372 \times 120 = \text{Rs. } 44,640$  4. Calculation of Gain on Bargain Purchase or Goodwill Particulars Rs. Assets taken over 15,00,000 Less. Liabilities taken over 11,70,000 Net Assets 3,30,000 Less. Purchase Consideration 44,640 Gain on Bargain Purchase 2,85,360

**84% MATCHING BLOCK 412/516**

**SA**

M.Com.I\_Adv.\_Accountancy\_P.\_I\_\_\_\_III\_all.PDF  
(D142209931)

In the books of X Ltd. Journal Date Particulars L.F Dr. Cr.

Rs. Rs. 2020  
Profit & Loss  
A/c.....Dr. 90,000 March To Investment  
A/c (450000 -360000) 90,000 31 Non-current

**59% MATCHING BLOCK 411/516**

**W**

Assets A/c.....Dr. 1,50,000 Current Assets A/c.....Dr. 13,50,000 [215] [ 215 ] Goodwill A/c.....Dr. (bal. fig) 74,640 To 14% Debentures A/c 9,00,000 To Current Liabilities A/c 2,70,000 To Consideration A/c 44,640 To Investment A/c (3000  $\times$  120) 3,60,000 Consideration A/c.....Dr. 24,000 To Equity Share Capital A/c (2000  $\times$  10) 20,000 To Securities Premium A/c (2000  $\times$  2) 4,000

Loan from K Ltd. A/c.....Dr. 5,00,000  
To  
Loan to L Ltd. A/c 5,00,000  
Balance Sheet of X Ltd. as on 31.03.2020  
Particulars (Rs.)  
I.

**58% MATCHING BLOCK 416/516**

**SA**

Assignment 1.pdf (D134275548)

Assets (1) Non-current Assets (a) Property, Plant and Equipment 31,50,000 (b) Goodwill 74,640 (2) Current Assets 41,34,000 Total 73,58,640 II. Equity and Liabilities (1)

Shareholders' Fund (a) Share Capital (Equity shares of Rs.100) \* 45,37,200 (b) Other Equity - securities premium\* 7,440 - others (11,34,000 - 90,000) 10,44,000 (3) Non-current Liabilities – 14% Debentures 9,00,000 (4) Current Liabilities (Sundry creditors) 8,70,000 Total 73,58,640  $*(45000 + 372) \times 100 = 45,37,200$   $** (372 \times 20) = 7,440$  ? Designing Merger and Acquisition Schemes Mergers and acquisitions need to be approved by the shareholders. Thus, schemes are to be prepared beforehand with all possible implications shown on accounts and financial statements and placed before the shareholders. Acceptance of any merger and acquisition proposal largely depend on how clearly the schemes are drawn. The task of drawing the scheme may be given to some experts like a chartered accountants' firm.

[216] [ 216 ] In order to draft the scheme of merger and acquisition, the following aspects should be carefully looked into:  
a) All assets including goodwill and liabilities of both the transferor company and the transferee company should be valued for the purpose of valuation of shares. b) Instead of taking full value of goodwill, differential goodwill may be taken in determining the value of shares. c) A convenient exchange ratio is to be ascertained. d) Some cash payment may be made in order to avoid fractional value of shares. e) Provision for liquidation expenses of the two or more companies to be amalgamated should be made. Again, provision for formation expenses should be made. In the case of insufficiency of cash in the hands of amalgamated company, arrangement of cash should be made with bank or shares may be sold, to the promoters or people for cash. Illustration 10 : A Ltd. is a public company having a paid-up

**87% MATCHING BLOCK 413/516**

**W**

share capital of Rs. 10 lakh consisting of 1,00,000 equity shares of Rs. 10 each.

Its net-worth as per last Balance Sheet as on 31.3.2020 is Rs. 15 lakh. The fixed assets of this company, the book value of which is Rs. 5 lakh, have a market value of Rs. 10 lakh. It was declaring dividend @ 10% p.a. for the last 3 years. B Ltd. is a public company having a paid up share capital of Rs. 1 crore consisting of 1,00,000 shares of Rs. 100 each. Its net-worth as per last Balance Sheet as on 31.3.2020 is Rs. 5 crore. Fixed assets of this company, the book value of which is Rs. 1.50 crore, have a market value of Rs. 2.50 crore. It was declaring dividend @ 20% p.a. for the last 3 years. The management of both the companies have agreed that A Ltd. should merge with B Ltd. Draft a scheme of merger of A Ltd. with B Ltd.

Solution : A & Co. The Board of Directors Chartered Accountants ..... Kolkata 700 073 Kolkata-700 001 Date : March.24, 2004 Sub : Scheme of merger of A Ltd. with B Ltd. Dear Sirs As requested, we have the pleasure in submitting hereunder the scheme of merger of A Ltd. with B Ltd. for your consideration:

[217] [ 217 ] 1. Valuation of Shares : Particulars A Ltd. B Ltd. Rs. Rs. A. Assets-backing value : (a) Net-worth : As per last balance sheet 15,00,000 5,00,00,000 Add : Increase in fixed assets 5,00,000 1,00,00,000 20,00,000 6,00,00,00 (b) Number of paid up share 1,00,000 1,00,000 (c) Value per share [(a)/(b)] Rs. 20 Rs. 600 B. Yield value : (a) Company rate of dividend 10% 20% (b) Market rate of dividend (assumed) 10% 10% (c) Paid up value per share Rs. 10 Rs. 100 (d) Value per share  $\{[(a)/(b)] \times (c)\}$  Rs. 10 Rs. 200 C. fair value per share :  $[(\text{Asset-backing value}) + (\text{Yield value})]/2$  Rs. 15 Rs. 400 II. Exchange Ratio : Let fair value per share of A Ltd. is A and that of B Ltd. is B. Now, exchange ratio is A : B = 15 : 400 or,  $A/B = (15)/(400)$  or,  $400A = 15B$  or  $80A = 3B$  Therefore, B Ltd. will issue 3 shares for every 80 shares in A Ltd. Total

**62% MATCHING BLOCK 414/516**

**W**

number of shares to be issued by B Ltd. to A Ltd. is  $[(1,00,000) \times 3 / (80)] = 3,750$  III. Purchase Consideration,

Gain on Bargain Purchase and Revaluation Reserve : (a) Purchase consideration at nominal value is Rs. 100 x 3,750 = Rs. 3,75,000 (b) Gain on bargain purchase on merger is as follows: (i) Net assets acquired from A Ltd. at market value Rs.20,00,000 (ii) Issue of shares at nominal value Rs.3,75,000 (iii) Gain on bargain purchase [(i)–(ii)] Rs.16,25,000 (c) Revaluation Reserve of B Ltd. is as follows: (i) Market value of fixed assets Rs.2,50,00,000 (ii) Book value of fixed assets Rs.1,50,00,000 (iii) Revaluation reserve [(i)–(ii)] Rs.1,00,00,000

[218] [ 218 ] IV. If our scheme is accepted, the proposed Balance Sheet of B Ltd. will be: Before preparation of the proposed Balance Sheet of B Ltd. (after merger), it is required to find out the missing figures. Net worth of B Ltd. = Rs.5,00,00,000 Book value of fixed assets = Rs.1,50,00,000 So, Book value of current assets = Rs.3,50,00,000 Share Capital = Rs.1,00,00,000 So, Other Equity = Rs. (5,00,00,000 – 1,00,00,000) = Rs.4,00,00,000 Net worth of A Ltd. = Rs.15,00,00,000 Book value of fixed assets = Rs.5,00,00,000 So, Book value of current assets = Rs.10,00,00,000 Share Capital = Rs.10,00,00,000 So, Other Equity = Rs.5,00,00,000

**35% MATCHING BLOCK 415/516**

**W**

Balance Sheet of B Ltd. as on 31.03.2020 (after merger) Particulars (Rs.) I. Assets (1) Non-current Assets (a) Property, Plant and Equipment (2,50,00,000 + 10,00,000) 2,60,00,000 (2) Current Assets (3,50,00,000 + 10,00,000) 3,60,00,000 Total 6,20,00,000 II. Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (1,03,750

Equity shares of Rs.100) \* 1,03,75,000 (b)

Other Equity – Capital Reserve (Gain on bargain purchase) 16,25,000 - Revaluation Reserve -Others 1,00,00,000 (2)

Non-current Liabilities – 4,00,00,000 (3) Current Liabilities – – Total 6,20,00,000 We shall be glad to furnish you with any further information as you may require. Thanking you, Yours faithfully (Signature of the partner with seal) Chartered Accountants

[219] [ 219 ] Illustration 11 : X Ltd. and Y Ltd. propose to merge. Their proposed Balance Sheets as on March 31, 2020 were (Rs. in thousand): Particulars X Ltd. Y Ltd. (Rs.) (Rs.) I.

**92% MATCHING BLOCK 418/516**

**SA**

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Assets (1) Non-current Assets (a) Property, Plant and Equipment 4,95,000 1,50,000 (b) Non-current Investments: 4%

Tax free bonds 1,08,000 - (F.V Rs.120000) (2) Current Assets 5,13,750 1,68,750 Total 11,16,750 3,18,750 II.

Equity and Liabilities (1) Shareholders' Fund (a)

**70% MATCHING BLOCK 417/516**

**W**

Share Capital (Equity shares of Rs.10) 6,00,000 2,00,000 (b) Other Equity – General reserve 2,70,000 47,500 - Profit and Loss (Cr.) 90,000 34,500 (2) Non-current Liabilities - - (3) Current Liabilities (

Sundry creditors) 1,56,750 36,750

Total 11,16,750 3,18,750

Net profit after taxation: X Ltd. Y Ltd. (Rs.) (Rs.) For the year ended 31.3.2018 1,48,750 40,500 For the year ended 31.3.2019 1,64,250 47,100 For the year ended 31.3.2020 1,84,500 62,250 Goodwill may be valued at 4 years' purchase of average super profit from trading on the basis of 10% normal trading profit on closing capital employed. Z Ltd. is formed for the purpose of amalgamation of both the companies. Advise upon capitalization of Z Ltd. and suggest a scheme of exchange of shares for that purpose (consider only break-up value). Also draft the Balance Sheet of Z Ltd.

[220] [ 220 ] Solution : B & Co The Board of Directors Chartered Accountants . . . . . Kolkata 700 001

Kolkata-700 001 Date: March 25, 2020 Sub : Scheme of merger of X Ltd. with Y Ltd. Dear Sirs As requested, we have the pleasure in submitting hereunder the scheme of merger of X Ltd. with Y Ltd. for your consideration: I. Valuation of Shares including Goodwill: While formulating the scheme of merger of X Ltd. and Y Ltd., importance is to be given to evaluate the special advantage attached to the companies. In other words, value of goodwill of the companies is to be determined. This will determine the shareholders' equity and the amount they can claim in the amalgamated company. The valuation of goodwill is as follows: (i) Closing Trading Capital Employed: X Ltd. Y Ltd. (Rs.) (Rs.) PPE 4,95,000 1,50,000 Current Assets 5,13,750 1,68,750 Total Assets 10,08,750 3,18,750 Less. Creditors 1,56,750 36,750 Capital employed 8,52,000 2,82,000 (ii) Average Maintainable Profits: Since the profits are showing an upward trend, it would be appropriate to use weighted average method for determining average profits. This is calculated as follows:

[221] [ 221 ] Weight Average Profits and Average maintainable profits Year X Ltd Y Ltd Profits Weights Product Profits Weights Product Rs. Rs. Rs. Rs. 2001-02 1,48,500 1 1,48,500 40,500 1 40,500 2002-03 1,64,250 2 3,28,500 47,100 2 94,200 2003-04 1,84,500 3 5,53,500 62,250 3 1,86,750 6 10,30,500 6 3,21,450 Weighted Average profits\*1,71,750 53,575 Less. Income from investment(120000 ? 4%) 4,800 – Average maintainable profits1,66,950 53,575 \*Weighted average Profits of X Ltd. [(10,30,500)/6]; Y Ltd. [(3,21,450)/6] (iii) Super Profits and Value of Goodwill: X Ltd. Y Ltd. (Rs.) (Rs.) Average maintainable profits 1,66,950 53,575 Less. Normal return on capital employed @10% 85,200 28,200 Super Profit 81,750 25,375 No of years' purchase 4 4 Goodwill at 4 years' purchase of super profits 3,27,000 1,01,500 (iv) Valuation of Shares: X Ltd. Y Ltd. (Rs.) (Rs.) Closing trading capital employed 8,52,000 2,82,000 Add. Goodwill 3,27,000 1,01,500 Add. Tax free bonds (non-trading) 1,08,000 - Net assets 12,87,000 3,83,500 No of shares 60,000 20,000 Intrinsic value per share 21.45 19.175

[222] [ 222 ] II. Exchange Ratio of Shares, Number of Shares to be issued and cash Requirement: It is difficult to find out a suitable exchange ratio of shares having regard to value of shares arrived at. It would be better to make some cash payment (as there is sufficient cash at bank) in order to find out a convenient exchange ratio. This can be achieved as follows: The

**58%      MATCHING BLOCK 425/516      SA      ACA-MCOS 34 MAIN.docx (D147306261)**

value of 10 shares of X Ltd. is Rs. 21.45 ? 10 = Rs. 214.50 The value of 10 shares of Y Ltd. is Rs. 19.175 ? 10 =

Rs. 191.75 Therefore, Z Ltd. will make payment to the shareholders of vendor companies as follows: (1) Z Ltd. will issue 21 shares of Rs. 10 each and pay Rs. 4.50 in cash every 10 shares in X. Ltd. (2) Z Ltd. will issue 19 shares of Rs. 10 each and pay Rs. 1.75 in cash every 10 shares in Y Ltd. As a result, the total number of shares to be issued by Z Ltd. will be as follows: (1) Shareholders of X Ltd. [(60,000) ? (21)/(10)] 1,26,000 shares (2) Shareholders of Y Ltd. [(20,000) ? (19)/(10)] 38,000 shares 1,64,000 shares Requirement of cash of Z Ltd. will be as follows: Rs. To pay shareholders of X Ltd. [(60,000) ? (4.50)/(10)] 27,000 To pay shareholders of Y Ltd. [(20,000) ? (1.75)/(10)] 3,500 Liquidation expenses of X Ltd. (assumed) 4,000 Liquidation expenses of Y Ltd. (assumed) 4,000 38,500

[223] [ 223 ] III. If our scheme is accepted, the Balance Sheet of Z Ltd. will be: Balance Sheet of Z Ltd. as on 31.03.2020 Particulars (Rs.) I. Assets (1) Non-current Assets (a) Property, Plant and Equipment (4,95,000 + 1,50,000) 6,45,000 (b) Goodwill (327000+101500+4000+4000) 4,36,500 (b) Non-current Investments: 4% Tax free bonds (F.V Rs.120000) 1,08,000 (2) Current Assets (513750+168750-38,500) 6,44,000 Total 18,33,500 II.

**52%      MATCHING BLOCK 419/516      W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (1,64,000 Equity shares of Rs.10) 16,40,000 (b) Other Equity - (2) Non-current Liabilities - (3) Current Liabilities (

Sundry creditors) 1,93,500 Total 18,33,500 We shall be glad to furnish you with any further information as you may require. Thanking you, Yours faithfully (Signature of the partner with seal) Chartered Accountants 6.6 Scheme for

**88%      MATCHING BLOCK 420/516      W**

Internal Reconstruction The need for reconstruction arises when a company has accumulated huge losses or when a company finds itself over-capitalized, which means either that the value placed on assets is very high compared to their earning capacity or that the profits

generated by the company is not sufficient to pay a proper dividend. Considering these aspects, a company is required to be reorganized to inject fresh blood to save the company from its unwanted liquidation. In order to reorganize a company, the Board of Directors place a scheme before all the interested parties for their consent and get it approved by the Court for its implementation. When this is done without altering the name of the existing company, it is known as internal reconstruction. In other words, implementation of a scheme after it is consented to by all the interested parties, viz., shareholders, debenture-holders, creditors, etc., having the approval of the court with a view to bringing equilibrium between assets

[224] [ 224 ] and liabilities for better future without liquidation and change in the name of the existing company is known as scheme of internal reconstruction. 6.6.1 Circumstances of Internal Reconstruction Internal reconstruction is advisable or preferable under the circumstances noted below: (1) The present position of the company is bad but good days are ahead. (2) The shareholders, debenture-holders and creditors, specifically bankers have not only agreed to sacrifice but are also ready to subscribe to further capital. (3) The company is interested to carry forward its past losses or is interested to get the benefit of set off of past losses against future profits. This will ultimately minimize the tax burden for a few years, (4) The proposal for internal construction is consented to by all the interested groups of the company without any delaying tactics such as legal objections and dissensions. (5) The company is not willing to lose its present legal entity or the company is likely to have a fresh chance of avoiding liquidation. 6.6.2 Steps for Internal Reconstruction The fundamental basis of any reconstruction proposal

**45% MATCHING BLOCK 421/516**

**W**

is the earning capacity of the company. Even the payment of debenture interest is not possible unless the activities of the company are profitable. A very careful estimate should, therefore, be made

as to the future anticipated profits of

**71% MATCHING BLOCK 422/516**

**W**

the company. Unless profits are sufficient to meet all expenses including adequate depreciation, interest

on borrowed; capital, preference dividend and a reasonable return on equity capital, reconstruction would be useless because the need for another reconstruction will arise soon again. Thus, internal reconstruction should be made very carefully because when a company is once reconstructed, it must survive potentially for an indefinite long period. The essence of internal reconstruction is that the reconstructed company has the potentiality to generate sufficient profits in future. The equity shareholders will have to bear a higher proportion of losses because they are the real owners of the company. In course of distribution of losses to be written off among the various interested groups of the company, the

**76% MATCHING BLOCK 423/516**

**W**

control over the affairs of the company by the equity shareholders must not

be overlooked.

**50% MATCHING BLOCK 424/516**

**W**

The requirement of working capital should not be ignored. Cash may be required to pay off some dissenting creditors or even to pay arrear preference dividend.

The

[225] [ 225 ] willingness by the shareholders, debenture-holders, etc. to provide required cash fund is, thus, a basic requirement for the success of a reconstruction scheme. In order to implement the scheme of internal reconstruction, the following steps may be advocated: Statement of Estimated Total Loss Particulars (Rs.) Fictitious Assets like debit balance in the profit and loss account, xxx

**95%**

**MATCHING BLOCK 432/516**

**SA**

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preliminary expenses, discount on issue of shares and debentures, underwriting commission,

reconstruction expenses, etc. Add: Intangible Assets like goodwill, patents and trademarks to the extent they lost their values. xxx Add: Contingent liabilities like cumulative arrear preference dividend, etc. xxx Add: Loss on revaluation of assets and liabilities xxx xxx Less: Profit on revaluation of assets and liabilities xxx Net loss to be written off xxx (2) Estimation of realizable value of assets (in case of forced liquidation) and its likely distribution: Estimated realizable value of assets can be obtained by summing up all assets after valuation on the basis of forced sales (or, going concern value basis). Likely distribution of assets may be shown as follows: Particulars (Rs.) (Rs.) Estimated realizable value of all assets xxx Less :Preferential Creditors: Tax liability xxx Workers' dues xxx xxx Surplus assets available for secured creditors, unsecured xxx Creditors and shareholders Less : Secured Creditors: Debenture-holders (secured against assets) xxx Other secured creditors xxx xxx Surplus assets available for unsecured creditors xxx and shareholders [226] [ 226 ] Less :Unsecured Creditors Trade creditors, bills payable, etc. xxx xxx Surplus/Deficiency for shareholders xxx Less :Preference Shareholders' Claim: Preference share capital xxx Arrear preference dividend xxx xxx Surplus/Deficiency for equity shareholders xxx Less :Equity share capital xxx Deficiency as regards equity shareholders xxx (3) Writing off loss: This is a very crucial aspect of the scheme of internal reconstruction. If preferential creditors, secured creditors (i.e., debenture-holders) and Unsecured creditors are fully covered by the realizable value of assets, naturally they will not bear any loss. They are affected only if the realizable value of assets is insufficient to cover even their liabilities. In such an eventuality, they will have to make sacrifice. The order of their sacrifice will be (a) preferential creditors (no sacrifice), (b) secured creditors (sacrifice depending on the value of securities), and (c) unsecured creditors (heaviest sacrifice). The same principle is applicable to preference shareholders as to refund of their capital. They may be persuaded to share loss in a situation when the refund of preference capital is uncertain by the availability or otherwise of the realizable value of assets after its likely distribution to preferential creditors, secured creditors and unsecured creditors. In that situation, they will naturally forego arrear preference dividend and bear loss which will be relatively higher than that of the creditors. But the sharing of loss by the preference shareholders will be much lower than that of the equity shareholders. (4) Compensation to debenture-holders, other creditors and preference shareholders for bearing loss: The debenture-holders may be compensated by means of increase in the rate of interest in such a manner so that their total earnings on account of interest will remain the same as before. The same principle may be applied to preference shareholders. In case of need, non-participating preference shares may be converted into participating preference shares without disturbing the control of equity shares over the affairs of the company or, participating preference shares may be converted into equity shares if the existing control of the equity shares is not changed.

**66%**

**MATCHING BLOCK 426/516**

**W**

Payment of arrears of dividend to cumulative preference shareholders in cash may immediately invite difficulties. In such a case, a good method is to issue deposit certificates

to them to avoid immediate burden on liquid resources. But arrears of dividend on non-cumulative



[227] [ 227 ] preference shares are usually cancelled. As a part of compensation, some portion of unsecured creditors may be paid in cash through the arrangement of liquid funds. (5) Arrangement of working capital: Working capital is the life-blood of the business. Therefore, it is necessary that the reconstructed company should have adequate working capital at its disposal. It can be raised by further call on existing reduced shares sale of investments, issuance of new debentures and shares, arrangement of overdraft and the like. (6) Estimation and disposal of expected future profits: This is the last step but not the least in importance in the scheme of internal reconstruction. Under this section, due care should be given in estimating future profits and its disposal so that return on equity capital is fair.

**84% MATCHING BLOCK 427/516 W**

Illustration 12 : The following is the Balance Sheet of Unfortunate Ltd. as on March 31, 2020:

Particulars (Rs.) I.

**61% MATCHING BLOCK 428/516 W**

Assets (1) Non-current Assets (a) Property, Plant and Equipment (Plant and Machinery) 5,40,000 (b) Goodwill 1,80,000 (2) Current Assets Stock 1,74,000 Debtors 1,20,000 Cash at Bank 6,000 Total 10,20,000

II.

**66% MATCHING BLOCK 429/516 W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 60,000 Equity shares of Rs.10 6,00,000 - 1,200, 6% Cumulative Preference shares

of

Rs.100 1,20,000 (b) Other Equity – Profit and Loss (Dr.) (3,00,000) (2) Non-current Liabilities - (3) Current Liabilities 6,00,000 Total 10,20,000 Preference share dividends are in arrear for 3 years. Draft a suitable scheme of internal reconstruction which would help the company to reorganize in the following lines: (a) To write off the profit and loss account and goodwill.

[228] [ 228 ] (b) To depreciate plant and machinery by 10%. (c) To satisfy the arrears of preference dividends. (d) To provide Rs. 60,000 as liquid resources. Solution : Y & Co. The Board of Directors Chartered Accountants Unfortunate Ltd. Kolkata-700012 Kolkata-700 001 Date: March 29, 2020 Ref: Scheme of Internal Reconstruction of Unfortunate Ltd. Dear Sirs, With reference to your letter dated 10.03.2020, we are submitting the scheme of internal reconstruction hereunder: (1) Total loss to be written off: Particulars (Rs.) Debit balance in the profit and loss account 3,00,000 Goodwill 1,80,000 Depreciation on plant and machinery (5,40,000 ? 10%) 54,000 Arrear preference dividends (1,20,000 x 6% ? 3) 21,600 5,55,600 (2) Estimated realizable value of assets (in case of forced liquidation) and its likely distribution: Particulars Rs. Realizable value of assets: Plant and Machinery (5,40,000 x 90%) 4,86,000 Stock 1,74,000 Debtors 1,20,000 Cash at Bank 6,000 7,86,000 Less: Unsecured Creditors (Current Liabilities) 6,00,000 Surplus available for Shareholders 1,86,000 Less: Preference Shareholders' Claim: 6% Preference Share Capital 1,20,000 Arrear preference dividend 21,600 1,41,600 Surplus available for Equity Shareholders 44,400 Less: Equity Share Capital 6,00,000 Deficiency as regards Equity Shareholders 5,55,600

[229] [ 229 ] (3) Writing off Loss: In the context of the above relative position in liquidation loss to be written off should be shared as follows: (a) Current Liabilities: Since their claim is fully covered in case of force liquidation, naturally they will not sacrifice anything. (b) Preference Shareholders: The claim of preference shareholders is also fully covered even if force liquidation takes place. But in order to smoothen implementation of the scheme, equity shareholders cannot be asked to sacrifice more than 90% of their claim i.e., Rs.9 per share. In this situation, preference shareholders will be asked to sacrifice a bit, only Rs.15600 (i.e., Rs.5,55,600 – Rs.9 x 60,000) which will reduce their value by Rs.13 (i.e., Rs.15600/1,200) per share. The value after sacrifice will be Rs.87 (i.e., Rs.100 – Rs.13) per share. As a part of the compensation the rate of dividend may be increased from 6 % to 7.5%. (c) Equity Shareholders: In case of forced liquidation equity shareholders will get a very negligible amount considering time and expense on account of liquidation. In view of maintaining control over the affairs of the company equity shareholders will be asked to sacrifice lion's share, Rs.9 per share (i.e., Rs.10 x 90%). As a result, paid up value will be Re.1 (i.e., Rs.10 – Rs.9) per share. (4) Arrangement of Liquid Funds: Particulars Rs. Rs. Payment of arrears of preference dividend 21,600 Add: Requirement of liquid resources 60,000 81,600 Less: Cash at bank 6,000 Additional requirement of liquid resources 75,600 The above amount may be arranged as loan from bank at 10% p.a. (assumed) by the mortgage of plant and machinery by means of floating charge. (5) If your scheme is accepted, the Balance Sheet of Unfortunate Ltd. will be as below: Balance Sheet of Unfortunate Ltd. as on 31.03.2020 (and reduced)

[230] [ 230 ] Particulars (Rs.) I.

<b>72%</b>	<b>MATCHING BLOCK 430/516</b>	<b>W</b>
Assets (1) Non-current Assets (a) Property, Plant and Equipment (Plant and Machinery) 4,86,000 (2) Current Assets Stock 1,74,000 Debtors 1,20,000 Cash at Bank 60,000 Total 8,40,000		

II.

<b>64%</b>	<b>MATCHING BLOCK 431/516</b>	<b>W</b>
Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 60,000 Equity shares of Re.1 each 60,000 - 1,200, 7.5% Cumulative Preference shares of		

Rs.87 1,04,400 (2) Non-current Liabilities – 10% Bank Loan on Mortgage 75,600 (3) Current Liabilities 6,00,000 Total 8,40,000 (6) Estimation and disposal of expected future profits: In estimating future expected profits, it is required to ascertain the capital employed. Capital employed after reconstruction of the company will be Rs. 2,40,000, which consists of equity capital, preference capital and loan from bank, (i.e., Rs. 60,000 + Rs. 1,04,400 + Rs. 75,600). The company will not have to pay tax for the coming few years because of the tax benefit due to set off of past losses. Therefore, a reasonable rate of return before interest @ 12% on Rs. 2,40,000, capital employed is expected to meet the claims for interest on bank loan, dividends and others as follows: Rs. (i) For interest on bank loan (75,600 ? 10%) 7,560 (ii) For preference dividend (1,200 ? 87 ? 7.50%) 7,830 (iii) For equity dividend (60,000 ? 1 ? 12%) 7,200 (iv) For transfer to reserve (assumed) 5,760 (v) For balance carried forward in the profit and loss account 450 (vi) Estimated future expected profits [(i) + (ii) + (iii) +(iv) + (v)] 28,800 We shall be glad to furnish you with any further information that you may require. Thanking you, Yours faithfully, (Signature of the partner with seal) Chartered Accountants

[231] [ 231 ]

<b>84%</b>	<b>MATCHING BLOCK 437/516</b>	<b>SA</b>	MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)
Illustration 13 : The Balance Sheet of Progressive Ltd. as on March 31, 2020 is as follows:			

Particulars (Rs.) (1) Non-current Assets (a) Property, Plant and Equipment – Building 90,000 - Plant and Machinery 40,000 (b) Goodwill 50,000 (c) Investment (Market value Rs.25,000) 20,000 (2) Current Assets Stock (Market value Rs.12,000) 15,000 Debtors 30,000 Total 2,45,000 II.

**44% MATCHING BLOCK 433/516**

**W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 15,000 Equity shares of Rs.10 each 1,50,000 - 10,000, 7% Preference shares of Rs.10 1,00,000 (b) Other Equity – Profit and Loss (Dr.) (1,01,500) (2) Non-current Liabilities – 10% Debentures (Secured

against Plant) 30,000 (3) Current Liabilities – Workmen accidental compensation fund 10,000 -Profit sharing fund 10,000 -Staff welfare fund 5,500 -Creditors 41,000 Total 2,45,000 Prepare an internal reconstruction scheme and redraft the Balance Sheet after incorporating your proposal for submission to the Board of Directors. The following are certain relevant facts that may be considered in formulating the scheme: (a) Estimated liability on account of workmen's accident compensation fund is Rs. 9,000. (b) Preference Shares are cumulative and preferential as regards dividend as well as capital. The preference dividends are in arrears for two years. (c) The company needs to have liquid resources of Rs. 25,000 for working capital purposes. (d) Bad debts are estimated at Rs. 1,500.

[232] [ 232 ] (e) Current year's interest on debenture is outstanding. (f) Sundry Creditors include tax liability of Rs. 5,000.

Solution : The Board of Directors Z & Co. Progressive Ltd, Chartered Accountants Kolkata-700 012 Kolkata-700 001 Date: April 2, 2020 Ref: Scheme of Capital Reduction of Progressive Ltd. Dear Gentlemen With reference to your letter dated 14. 03. 04, we have the pleasure in submitting a scheme for capital reduction of your company for your consideration in the following lines: (1) Total loss to be written off: Particulars Rs. Rs. Debit balance in the profit and loss account 1,01,500 Goodwill 50,000 Plant and machinery 2,000 Stock 3,000 Debtors 5,000 Arrear preference dividends (1,00,000 x 7% x 2) 14,000 Outstanding interest on debentures 3,000 1,78,500 Less: Increase in the value of investment 5,000 Decrease in WACF 1,000 6,000 1,72,500 (2) Estimated realizable value of assets (in case of forced liquidation) and its likely distribution: Particulars Rs. Rs. Building 90,000 Plant and Machinery (40,000 - 2,000) 38,000 Investments 25,000 Stock 12,000 Debtors (30,000 - 5,000) 25,000

[233] [ 233 ] Assets available for distribution 1,90,000 Less: Preferential Creditors: Tax liability 5,000 Workmen's accident compensation fund 9,000 14,000 Surplus assets available for secured creditors, unsecured 1,76,000 creditors and shareholders Less: Secured Creditors (10% Debenture with interest due) 33,000 Surplus assets available for unsecured creditors and 1,43,000 Shareholders Less: Unsecured Creditors Staff welfare fund 5,500 Profit sharing fund 10,000 Sundry Creditors (41,000 - 5,000) 36,000 51,500 Surplus assets available for preference and equity shareholders 91,500 Less: Preference shareholders' claim: 7% Preference share capital 1,00,000 Arrear preference dividend 14,000 1,14,000 Deficiency as regards preference shareholders 22,500 Less: Equity share capital 1,50,000 Deficiency as regards equity shareholders 1,72,500 (3) Writing off Loss In view of the above relative position in liquidation, the loss may be written off as below: (a) Preferential Creditors—As they are sufficiently covered, they will not sacrifice anything. (b) Secured Creditors (Debenture-holders) - They are also covered. Therefore, they cannot be asked to sacrifice anything. (c) Preference and Equity Shareholders - Since the preference shareholders have got the priority as to the return of capital as well as dividend at the time of liquidation, they usually cannot be asked to sacrifice anything. But the available surplus assets are not sufficient to pay their claims in full. Naturally, they may be persuaded to sacrifice something, and the equity shareholders' claim cannot be completely wiped of which means liquidation of the company. In these situations, the equity share value may be reduced to a token value of Re. 1 per share. Therefore, balance of loss of Rs. 37,500 [i.e., Rs. 1,72,500 - (Rs. 1,50,000 - Re. 1 x 15,000)] should be sacrificed by the preference shareholders. As a result, preference shares of Rs. 10 each fully paid will be reduced by Rs. 3.75 [i.e., Rs. 37,500/ 10,000] per share.

[234] [ 234 ] In view of making compensation to preference shareholders, the rate of dividend may be raised from 7% to 9%. (4) Arrangement of Working capital: In order to provide Rs. 25,000 for working capital, the company may be advised to sell the investments at the market value rather than collection of liquid funds from borrowing which is now difficult. This will not impose any burden of interest on operation of the company for taking loan. For paying arrears of preference dividend, Deposit Certificate may be issued in lieu of cash payment.

**68% MATCHING BLOCK 434/516**

**W**

This is preferable because it will not give any voting right and the certificate can be redeemed as soon as opportunity arises. (5)

If your scheme is accepted, the Balance Sheet of Progressive Ltd. will be as below: Balance Sheet of Progressive Ltd. as on 31.03.2020 (and reduced) Particulars (Rs.) I. Assets (1) Non-current Assets (a) Property, Plant and Equipment –

<b>100%</b>	<b>MATCHING BLOCK 435/516</b>	<b>W</b>
Building 90,000 - Plant and Machinery 38,000 (2) Current Assets Stock 12,000 Debtors 25,000 Cash at Bank 25,000 Total 1,90,000		

II.

<b>66%</b>	<b>MATCHING BLOCK 436/516</b>	<b>W</b>
Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 15,000 Equity shares of Re.1 each 15,000 - 10,000, 9% Preference shares of Rs.6.25 each 62,500 (2)		

Non-current Liabilities – 10% Debentures (Secured against Plant) 30,000 - Outstanding debenture interest 3,000 - Deposit Certificates 14,000 (3) Current Liabilities – Workmen accidental compensation fund 9,000 -Profit sharing fund 10,000 -Staff welfare fund 5,500 -Creditors 41,000 Total 1,90,000

[235] [ 235 ] (6) Disposal of expected future profits: In order to determine the expected future profits, it is required to ascertain the amount of capital employed. The capital employed after reconstruction of the company will be Rs. 1,07,500 consisting of equity share capital, 9% preference share capital and 10% debentures. Since tax liability will not arise for the coming few years because of the set off of past losses, earnings before interest may be taken to be, at a conservative estimate, at about 12% on capital employed, which will generate Rs. 13,000 per annum. The likely disposal will be: Rs. (i) For debenture interest (30,000 x 10%) 3,000 (ii) For preference dividend (62,500 x 9%) 5,625 (iii) For transfer to reserve (assumed) 2,580 (iv) For balance carried forward in the profit and loss account 1,795 (v) Estimated future profits before tax [(i) + (ii) + (iii) + (iv)] 13,000 We shall be glad to furnish you with, any further clarification that you may require. Thanking you, Yours faithfully, (Signature of the partner with seal) Chartered Accounts

<b>71%</b>	<b>MATCHING BLOCK 439/516</b>	<b>SA</b>	new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)
Illustration 14 : The Balance Sheet of Paradise India Ltd. as on March 31, 2020 is as follows:			

Particulars (Rs.) I. Assets (1) Non-current Assets (a) Property, Plant and Equipment – Building at cost 1,56,000 - Plant and Machinery at cost 3,09,600 (b) Goodwill 72,000 (c) Patent (estimated value Rs.36,000) 96,000 (2) Current Assets Stock (Market value) 76,000 Debtors (considered good) 68,000 Total 7,77,600

[236] [ 236 ] II.

<b>38%</b>	<b>MATCHING BLOCK 438/516</b>	<b>W</b>
Equity and Liabilities (1) Shareholders' Fund (a) Share Capital – 2,400 Equity shares of Rs.100 each 2,40,000 - 6% Cumulative preference shares of Rs.100 each 3,60,000 (b) Other Equity – Profit and Loss (Dr.) (1,05,600) (2) Non-current Liabilities – 10% Debentures (Secured by floating charges) 1,20,000 - Outstanding interest on debentures 14,400 (3) Current Liabilities – Sundry creditors 1,20,000 -		

Bank overdraft (Limit Rs.30,000) 28,800 Total 7,77,600 Dividends

<b>75%</b>	<b>MATCHING BLOCK 441/516</b>	<b>SA</b>	2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNT ... (D143464517)
on preference shares are in arrear for two years. The directors of the company			

are of the opinion that if an additional plant is installed at a cost of Rs.1,20,000 and working capital needs are fully met, the company will earn enough profit to pay equity dividend @10% subject to a suitable scheme of internal reconstruction being put through. The existing buildings and plant & machinery are considered being worth Rs. 1,82,400 and Rs. 2,40,000 on a going concern basis. Debenture-holders are anxious to be paid the interest due to them but are willing to provide half of the additional capital required on suitable basis. Preference shareholders are willing to accept a reasonable sacrifice provided they are given berth in the equity capital. Suggest a suitable scheme of internal reconstruction. Solution : The Board of directors T & Co. Paradise India Ltd, Chartered Accountants 16, Gokhele Road Kalyani-741 235 Kolkata-700 022 Date: April 5, 2020 Sub : Internal Reconstruction of your Company Dear Sirs, As requested, we have given below our suggestions for a scheme of internal reconstruction for your consideration and for placing them before the different-classes of creditors and shareholders.

[237] [ 237 ] (1) Accumulated and expected loss to be written off: Particulars Rs. Rs. Debit balance in the profit and loss account 1,05,600 Goodwill 72,000 Patent (96,000 – 36,000) 60,000 Plant and machinery (3,09,600 – 2,40,000) 69,600 Arrear preference dividends (3,60,000 ? 6% ? 2) 43,200 3,50,400 Less: Increase in the value of building (1,80,000 – 1,56,000) 24,000 3,26,400 (2) Estimated realizable value of assets (in case of forced liquidation) and its likely distribution: Particulars Rs. Rs. Patent 36,000 Building 1,80,000 Plant and Machinery 2,40,000 Stock 76,000 Debtors (30,000 - 5,000) 68,000 Total Assets available for distribution 6,00,000 Less: Creditors having floating charges 6% Debenture holders 1,20,000 Interest due on above 14,400 1,34,400 Surplus assets available for unsecured creditors and 4,65,600 Shareholders Less: Unsecured Creditors Sundry Creditors 1,20,000 Bank overdraft 28,800 1,48,800 Surplus assets available for preference and equity shareholders 3,16,800 Less: Preference shareholders' claim: 6% Cumulative Preference share capital 3,60,000 Arrear preference dividend 43,200 4,03,200 Deficiency as regards preference shareholders 86,400 Less: Equity share capital 2,40,000 Deficiency as regards equity shareholders 3,26,400 (3) Writing off Losses: In the context of the above relative position, the loss of Rs.3,26,400 is suggested to be shared by different interested groups as below:

[238] [ 238 ] (a) Creditors having floating charge - Debentures having floating charge are fully covered, Thus, they cannot be asked to bear any loss. (b) Unsecured Creditors - Since they are sufficiently covered, they also will not bear any loss. (c) Preference Shareholders - The claim to preference shareholders is not fully covered. Surplus assets available for likely distribution between preference and equity shareholders is Rs.3,16,800 out of which the claim of preference shareholders including arrears of dividend is Rs. 4,03,200. In this situation, they will not only lose Rs. 86,400 but will also lose even more, considering time and expense in liquidation: Hence, they will find no alternative but to make an inevitable sacrifice. Since they are interested in getting berth in the equity capital, their sacrifice will naturally be commensurate to their aspiration and must be acceptable to the existing equity shareholders. It will be reasonable for them to forgo the arrears of preference dividend in full and to accept Rs. 2,40,000 9% cumulative preference shares of Rs. 100 each of the existing preference shares. This will mean that in future they will continue to receive Rs. 21,600 dividend which was earned by them previously and, therefore, their sacrifice will not be as heavy as it appears. In view of the higher rate of dividend, the market value of preference shares will rise and the greater likelihood of the dividend being paid regularly. (d) Equity Shareholders - The equity shareholders will be prepared to bear the balance of loss of Rs. 1,63,200 [i.e., Rs. 3,26,400 - (Rs. 4,03,200 - Rs. 2,40,000)]. The loss will be Rs. 68 [i.e., Rs.1,63,200/2,400] per share. As a result, paid up value per share should be reduced from Rs.100 to Rs.32. (4) Arrangement of working capital: It is required to calculate the working capital need of the proposed reconstructed company in order to make the scheme viable before the arrangement of working capital. The working capital need is calculated as follows Particulars Rs. Rs. To install a new plant 1,20,000 To pay outstanding debenture interest 14,400 To introduce further working capital so as to make current assets double the current liabilities: Current liabilities [(1,20,000 + 28,800) ? 2] Less: Existing current assets (76,000 + 68,000) 2,97,600 1,44,000 1,53,600 2,88,000

[239] [ 239 ] It is assumed that existing debenture-holders will provide half of the working capital need, Rs. 1,44,000 (i.e., Rs. 2,88,000???)1/2) by taking up additional debentures at an increased rate of 10%. The remaining amount may be raised from the existing equity shareholders because there is little scope for bank assistance in the form of loan. But the existing preference shareholders are desirous of an interest in the equity capital. However, it is not likely that equity shareholders would like to lose their control over the affairs of the company and they must retain the majority of shares. Under these situations, in order to retain control and to honour desire of the existing preference shareholders, remaining funds of Rs. 1,44,000 may be provided by two classes of shareholders equally, i.e., Rs. 72,000 each by equity and preference holders in the form of total 4,500 equity shares of Rs. 32 each fully paid. (5) Capital Structure after proposed reconstruction: The capital structure of the company will be as follows: Rs. (i) 2,400, 9% Cumulative

<b>90%</b>	<b>MATCHING BLOCK 440/516</b>	<b>W</b>
preference shares of 2,40,000 Rs.100 each fully paid (ii) 6,900 Equity shares of Rs.32 each fully paid		

Rs.2,20,800 (iii) 6% Debentures Rs.1,20,000 (iv) 10% Debentures Rs.1,44,000 (v) Total [(i)+(ii)+(iii)+(iv)] Rs.7,24,800 The authorized capital may be suggested at Rs.8,00,000 consisting of 4,000, 9%

<b>100%</b>	<b>MATCHING BLOCK 447/516</b>	<b>SA</b>	original.doc (D34943452)
cumulative preference shares of Rs.100 each and 12,500 equity shares of Rs.32 each. (6)			

If the scheme is implemented, the Balance Sheet of the company will be as follows: Balance Sheet of Paradise India Ltd. as on March 31, 2020 (and reduced) Particulars (Rs.) (1) Non-current Assets (a) Property, Plant and Equipment – Building at cost 1,80,000 - Plant and Machinery (2,40,000+1,20,000) 3,60,000 (b) Patent 36,000 (2) Current Assets Stock (Market value) 76,000 Debtors (considered good) 68,000 Cash at bank (2,80,000 – 1,20,000 – 14,400) 1,53,600 Total 8,73,600 [240] [ 240 ] II.

Equity and Liabilities (1) Shareholders' Fund (a)

<b>53%</b>	<b>MATCHING BLOCK 442/516</b>	<b>W</b>
Share Capital – 6,900 Equity shares of Rs.32 each 2,20,800 -2,400, 9% Cumulative preference shares of Rs.100 each 2,40,000 (2) Non-current Liabilities – 6% Debentures (Secured by floating charges) 1,20,000 - 10% Debentures 1,44,000 (3) Current Liabilities – Sundry creditors 1,20,000 -		

Bank overdraft (Limit Rs.30,000) 28,800 Total 8,73,600 (7) Expected future profit and its likely disposal: Unless the company, after internal reconstruction, is not sure of earning a profit of about 16% of its capital employed, i.e., Rs. 1,12,600 before interest and taxes, it will not be worthwhile to go ahead with the scheme. The likely disposal of expected profit will be: Rs. (i) For debenture interest (7,200 + 14,400) 21,600 (ii) For preference dividend (2,40,000 ? 9%) 21,600 (iii) For equity dividend (2,20,800 ? 10%) 22,080 (iv) For transfer to reserve (assumed) 10,920 (v) For paying taxes (may arise after 2 or 3 years because of set off of past losses), say at 40% {(ii) + (iii) + (iv)} ? {(40%)/(60%)} 36,400 (vi) Total profits before interest and taxes [(i)+ (ii) + (iii) + (iv) + (v)] 1,12,600 We shall be glad to furnish any further information that you may require. Thanking you, Yours faithfully, (Signature of the partner with seal) Chartered Accountants 6.7 Summary With the compulsion of the compliance of Ind AS-103, significant changes in accounting for mergers and acquisitions were noticed. In order to draft schemes on mergers and acquisitions, valuation of shares including goodwill, exchange ratio of shares, cash payment to avoid fraction, adequate provision for liquidation and formation expenses, etc. are required to be examined seriously.

[241] [ 241 ] While drafting schemes on internal reconstruction, it is required to follow the ‘steps for internal reconstruction’ in which different aspects, viz., losses to be written off, estimation of realizable value of assets in case of forced liquidation, writing off losses, compensation to those who will sacrifice, arrangement of adequate working capital, and estimation of expected future profits and its likely disposal, are to be discussed and demand careful and serious attention. However, consent of all interested groups of the concerned companies is the primary need in case of merger and acquisition scheme. But in the case of internal reconstruction scheme, approval of the court in addition to the consent of all interested parties of the company being reconstructed is a must. Nevertheless, an in-depth accounting knowledge is exclusively required for drafting any scheme, be it on amalgamation or on internal reconstruction. Schemes on amalgamations and mergers are drafted keeping in view the recommendation of Ind AS-103. 6.8 Exercises ? Theoretical Questions: 1. What do you mean by the terms ‘mergers’ and ‘acquisition’? What are the different forms of mergers? 2. What are the various steps for designing the scheme for mergers? 3. What are the prerequisites of internal reconstruction? 4. How can you draw a scheme of internal reconstruction which will be accepted to all the interested groups of the company being reconstructed? ? Practical Problems Problem 1 :

**63% MATCHING BLOCK 443/516**

**W**

Following are the assets and liabilities of P Ltd. and Q Ltd. as on 31.03.2022 Particulars P Ltd. Q Ltd.

Rs. Rs. I.

**47% MATCHING BLOCK 444/516**

**W**

Assets (1) Non-current Assets (a) Property, Plant and Equipment–Plant and Machinery 85,000 1,65,000 - Furniture 34,000 22,000 (2) Current Assets Inventories 81,000 45,000 Trade receivables 40,000 46,000 Cash at bank 25,000 22,000 Total 2,65,000 3,00,000 [242] [ 242 ]

II.

**70% MATCHING BLOCK 445/516**

**W**

Equity and Liabilities (1) Shareholders’ Fund (a) Share Capital -Equity shares of Rs.10 1,00,000 1,50,000 - 9% Preference shares of

Rs. 100 50,000 70,000 (b)

**84% MATCHING BLOCK 446/516**

**W**

Other Equity – General reserve 40,000 22,000 - Profit and Loss (Cr.) 23,000 13,000 (2) Non-current Liabilities - - (3) Current Liabilities (Sundry creditors) 52,000 45,000 Total 2,65,000 3,00,000

On 01.04.2022, P Ltd. decided to absorb Q

**90% MATCHING BLOCK 449/516**

**SA**

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Ltd. on the following terms: a) P Ltd. will issue 6 equity shares of Rs.10 each

fully paid against 5 equity shares of

Q Ltd. b) Preference shareholders of Q Ltd. are to get Rs.60,000 preference shares of P Ltd. c) Shares of P Ltd. are to be issued at Rs.14 per share. d) Plant and Machinery of P Ltd. to be valued at Rs.1,60,000. Prepare necessary accounts in the books of Q Ltd. to close its books.

**82% MATCHING BLOCK 448/516**

**W**

Problem 2 : Following are the Balance Sheets of K Ltd. and D Ltd. as at 31.12.2022.

Particulars K Ltd. D Ltd.

Rs. Rs.

I.

**83% MATCHING BLOCK 452/516**

**SA**

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Assets (1) Non-current Assets (a) Property, Plant and Equipment (tangible assets) 9,00,000 5,00,000 (b) Non-current Investment 1,00,000 1,00,000 (2) Current Assets Inventories 3,00,000 1,00,000 Trade receivables 3,50,000 1,50,000 Cash

at bank 50,000 - Total 17,00,000 8,50,000 II.

Equity and Liabilities (1)

Shareholders' Fund (a)

**61% MATCHING BLOCK 450/516**

**W**

Share Capital -Equity shares of Rs.10 10,00,000 5,00,000 (b) Other Equity – Profit and Loss (Cr.) 2,50,000 1,50,000 (2) Non-current Liabilities - - (3) Current Liabilities (

Sundry creditors) 4,50,000 2,00,000 Total 17,00,000 8,50,000

[243] [ 243 ]

**88% MATCHING BLOCK 451/516**

**W**

A new company KD Ltd. was formed to take over the business of

K Ltd

and D Ltd. The purchase consideration were Rs.14,00,000 for K Ltd and Rs.7,00,000 for D Ltd payable in equity shares of Rs.10 each in KD Ltd. Sundry debtors of K Ltd included Rs.50,000 due from D

Ltd.

Show

the journal

**83% MATCHING BLOCK 453/516**

**SA**

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entries in the books of K Ltd. Also prepare the opening Balance Sheet of KD Ltd as on 01.01.2022.

Problem 3 : Azad Ltd, and Hind Ltd. propose to amalgamate. Their Balance Sheets as on March 31, 2022 were as below:

Balance Sheets as on March 31, 2020 (Rs. in crore) Azad Ltd. and Hind Ltd. propose to merge. Their proposed Balance Sheets as on March 31, 2022 were as below: Particulars Azad Ltd. Hind Ltd. Rs. Rs. I.

**92% MATCHING BLOCK 461/516**

**SA**

new Sec B Corporate Accounting (1)-8-84.pdf  
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Assets (1) Non-current Assets (a) Property, Plant and Equipment 8.00 2.00 (b) Non-current Investments: 4%

Tax free bonds 2.00 - (F.V Rs.2.00 Cr) (2) Current Assets 8.00 4.00 Total 18.00 6.00 II.



Equity and Liabilities (1) Shareholders' Fund (a)

**70%      MATCHING BLOCK 454/516      W**

Share Capital (Equity shares of Rs.10) 10.00 4.00 (b) Other Equity – General reserve 4.00 0.40 - Profit and Loss (Cr.) 2.00 0.60 (2) Non-current Liabilities - - (3) Current Liabilities (

Sundry creditors) 2.00 1.00

Total 18.00 6.00

Net profit after taxation (Rs. In crore): Particulars Azad Ltd. Hind Ltd. Rs. Rs. I. Assets For the year ended 31.3.2020 2.60 0.90 For the year ended 31.3.2021 2.50 0.80 For the year ended 31.3.2022 3.00 1.12

[244] [ 244 ] Goodwill may be valued at 4 years' purchase of average super profit from trading on the basis of 15% normal trading profit on closing capital employed. The stock (included in current assets)

**71%      MATCHING BLOCK 455/516      W**

of Azad Ltd. and Hind Ltd. are to be taken at Rs.4.08 and Rs.2.84 crore respectively.

Azad-Hind Ltd. is formed for the purpose of amalgamation of both the companies. Advise upon capitalization of Azad-Hind Ltd. and suggest a scheme of exchange of shares for that purpose (consider only break-up value). Also draft the Balance Sheet of Azad-Hind Ltd. Problem 4 : Two companies A Ltd. and B Ltd. are to be merged. Their Balance Sheets are as follows: Particulars A Ltd. B Ltd. Rs. Rs. I.

**47%      MATCHING BLOCK 456/516      W**

Assets (1) Non-current Assets (a) Property, Plant and Equipment 2,50,000 2,40,000 (2) Current Assets 2,20,000 2,30,000 Total 4,70,000 4,70,000 II. Equity and Liabilities (1) Shareholders' Fund (a) Share Capital -

Equity shares of Rs.10 3,20,000 2,00,000 - 6% Preference

**69%      MATCHING BLOCK 457/516      W**

shares of Rs. 100 - 80,000 (b) Other Equity – General reserve 32,000 32,000 - Profit and Loss (Cr.) 70,000 70,000 (2) Non-current Liabilities – 8% Debentures - 40,000 (3) Current Liabilities (

Sundry creditors) 48,000 48,000

Total 4,70,000 4,70,000

Profit and Loss Account balances are made up as follows: Particulars A Ltd. B Ltd. Rs. Rs. Balance as on 01.04.2019

14,000 14,000 Add: Profit before debenture interest during 2019-20 56,000 56,000 70,000 70,000 Draft a scheme of merger.

[245] [ 245 ] Problem 5 : The following is the abridged balance sheet of Dark Ltd. as on 31.03.2020: Particulars (Rs.) I.

Assets (1) Non-current Assets (a) Property, Plant and Equipment (Plant and Machinery) 2,00,000 (b) Goodwill 60,000 (2)

Current Assets 1,04,000 Total 3,64,000 II.

**66%      MATCHING BLOCK 458/516      W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 3,000 Equity shares of Rs.100 3,00,000 - 2,000, 6% Cumulative Preference shares

of

Rs.100 2,00,000 (b) Other Equity – Profit and Loss (Dr.) (1,36,000) (2) Non-current Liabilities - (3) Current Liabilities - Total 3,64,000 Preference dividend is in arrear for 3 years. Plant and machinery are estimated to worth Rs.1,80,000 and current assets is estimated at Rs.92,000. Annual expected profit will be Rs.30,000. Draft a scheme for internal reconstruction to be submitted to the Board of Directors. Problem 6 : Udayachal Limited which suffered heavy losses in the past considers that the worst is over and that, on a sound reorganization, it will be able to carry on business successfully. Profit in future been expected to be between Rs. 1,00,000 and Rs. 1,36,000 before providing for interest but after charging adequate depreciation.

**76% MATCHING BLOCK 459/516**

**W**

The balance sheet of the company as on 31st March 2020 is as follows:

Particulars (Rs.) I. Assets (1) Non-current Assets (a) Property, Plant and Equipment – Sundry fixed assets 16,00,000 (2) Current Assets Stock 8,16,000 Cash at bank 96,000 Total 25,12,000 [246] [ 246 ] II.

**37% MATCHING BLOCK 460/516**

**W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital – 8,000 Equity shares of Rs.100 each 8,00,000 - 6% Cumulative preference shares of Rs.100 each 4,80,000 (b) Other Equity – Profit and Loss (Dr.) (17,12,000) (2) Non-current Liabilities – 5% Debentures (Secured by floating charges) 21,44,000 - Outstanding interest on debentures 64,000 (3) Current Liabilities – Sundry creditors 7,20,000 -Tax liability 16,000 Total 25,12,000

Preference dividend is an arrear for two years. Debentures carry a floating charge on all assets of the company. Sundry fixed assets are worth Rs. 8,00,000 and stock is worth Rs. 6,40,000. The board of directors of the company request you to draft scheme of the internal structure which would be acceptable to all the interested groups. Problem 7 : North-East India Ltd. has experienced difficulties. It is decided to reconstruct the company internally. The following is the Balance Sheet as on 31.03.2020: Particulars (Rs.) I. Assets (1) Non-current Assets (a) Property, Plant and Equipment –

**67% MATCHING BLOCK 463/516**

**SA**

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Land and building 2,25,000 - Plant and Machinery 4,50,000 (b) Patent 60,000 (2) Current Assets: Stock 2,25,000 Debtors 90,000 Cash at bank 7,500 Total 10,57,500 II.

**47% MATCHING BLOCK 462/516**

**W**

Equity and Liabilities (1) Shareholders' Fund (a) Share Capital – 4,500 Equity shares of Rs.100 each 4,50,000 - 7.5% Cumulative preference shares of Rs.100 each 6,00,000 (b) Other Equity – Profit and Loss (Dr.) (8,17,500) (2) Non-current Liabilities – 6% Debentures (Secured by floating

charges) 3,00,000 (3) Current Liabilities – Sundry creditors 5,25,000 Total 25,12,000

[247] [ 247 ] An analysis of causes leading to losses in the past reveals that processes are outdated and that sufficient credit is not allowed. Modernization of plant will cost Rs. 300000; Rs.150000 worth of present plant being retired and sold for Rs. 30000. Two months' credit has to be allowed for sales to be maintained at their proper level of Rs.1800000 leading to a profit before interest Rs. 90,000. Trade creditors include Rs.30000 payable to preferential creditors. Land and building are valued at Rs. 270000 and Patents are worth only Rs.15000. Preference dividend is in arrear for four years. You may assume that the company has to pay nothing for income tax for coming few years. Submit your proposal for the reconstruction of the company.

[248] [ 248 ] Unit 7 Segment Reporting Structure 7.1 Objective 7.2 Introduction 7.3 General Meaning of Segment 7.4 Meaning of Segment Reporting 7.5 Need for Segment Reporting 7.6 Benefits of Segment Reporting 7.6.1 Benefits of Segment Reporting from the point of view of Users 7.6.2 Benefits of Segment Reporting from the point of view of Companies 7.7 Segment Reporting as per Ind AS 108 'Operating Segment' 7.7.1 Definition of Segment Information 7.7.2 Scope of the Standard 7.7.3 Concept of Operating Segments 7.7.4 Aggregation Criteria 7.7.5 Identification of Reportable Segments 7.7.6 Disclosure Requirements of Segment Reporting as per Ind AS 108 7.8 Summary 7.9

**70%**

**MATCHING BLOCK 470/516**

**SA**

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Exercises 7.1 Objective After going through this unit, you will be able to: ? know the meaning

of segments ? know the classification and process of identification of segments; ? know the benefits of segment reporting; ? know the segment accounting policies; and ? know the disclosure requirements of segment reporting as per Ind AS 108.

[249] [ 249 ] 7.2 Introduction Presently, we are passing through the age of change where everything tends to change. Those who cannot adapt to the change loses their position and eventually gets wiped out. Keeping pace with the changes, different professional accounting bodies, viz.,

**95%**

**MATCHING BLOCK 464/516**

**W**

Institute of Chartered Accountants of India, Institute of Cost Accountants of India,

etc. and other educational institutions like universities and IIMs have been changing their course curricula on a regular basis. Financial reporting, a part of accounting, is not an exception to this change. Users of financial information are not satisfied with the consolidated form of information. In addition, they require specific information for individual parts of the business. Considering this information need, ICAI issued 'AS-17: Segment Reporting' for compliance in maintaining accounts and reporting thereof by Indian companies which was mandatory for selected class of companies from accounting year 2001 onwards. With the recent introduction of the converged set of accounting standards namely Ind AS (Indian Accounting Standards), AS-17 has been replaced by Ind AS 108: Operating Segment. 7.3 General Meaning of Segment Generally, the term, 'segment' refers to a part cut off or a portion or a section of the totality. Likewise, in business, it means sectionalisation or categorisation of products or services and business zones of the company on the basis of dominance. In other words, dominating products or services and business zones of an enterprise are known as segments. Identification of various segments is needed for providing useful information to the users. 7.4 Meaning of Segment Reporting Segment reporting refers to the process of providing the relevant information about the dominant segments of the organization to the users of information in a formal well organised structure. The structure is uniform to all organizations to which the regulation applies, however, the segments to be identified is decided by certain rules. 7.5 Need for Segment Reporting Many large companies are engaged in the production and distribution of different products or services not only to serve the home market but also to serve the global market. Moreover, currently there has been a trend toward diversification by the line of business also. Keeping this in view, large companies operate either in a number of industries or in a number of locations within the country, or both. Again,

[250] [ 250 ] many companies are so diversified that domestic operations account for a minority of total revenues and no single business sector predominates. Thus, business locations of companies are not confined to any country's territory; even it extends to any place of the world. This phenomenon has gained importance with the emergence of globalization and liberalization all over the world. A business enterprise has to perform many functions including financial reporting for the users. In order to discharge financial reporting function, usually consolidated financial information is provided without disaggregating information on the basis of products or services and business locations. Providing this type of information will serve only the purpose of general assessment of the business while users may be directly affected by only one part of the company's business. Hence, the information need of the users is more than general information. They are rather interested in getting segment information with a view to measuring the efficacy or otherwise of the segments so that they can evaluate the overall performance of a business enterprise in a better manner.

**7.6 Benefits of Segment Reporting** As mentioned earlier, the area of financial reporting where segment-wise financial reporting practices are followed may be considered as Segment Reporting. Many large companies may have diversified product lines or plant and customer locations and these segments may differ from each other in respect of profitability, growth potential and risk. In this context, they essentially make segment reporting for highlighting different issues which are of immense help to the users of segment information in particular and consolidated information in general for measuring overall performance of companies. Segment reporting is surely beneficial to the users of financial information but it is also beneficial to the companies themselves in many respects. The benefits of segment reporting may be discussed from the point of view of companies and users as well, in the sub-heads that follow.

**7.6.1 Benefits of Segment Reporting from the point of view of users** Users of information are benefited in a number of ways as below: (1) It helps in providing a complete picture of information as required by the users, (2) It helps the users in evaluating the efficiency or otherwise of each segment. (3) It helps to assess the safety and security of the funds invested by the investors, (4) It helps to create confidence or otherwise in the minds of the existing and prospective investors. As a result, they may invest their funds accordingly.

[251] [ 251 ] (5) It helps in feeling good or otherwise in the matter of social security of the employees. (6) It helps the existing and prospective investors to understand the stock market reaction.

**7.6.2 Benefits of Segment Reporting from the point of view of companies** Every company derives the following benefits from segment reporting: (1) The main benefit of segment reporting is that it enables prediction of future cash flows and the risk thereof. (2) It provides a complete picture of the affairs of each segment. The result of each segment may be suitably compared with those of similar other segment over a number of years. This will facilitate management control over the working of each segment. (3) It not only helps in explaining segment-wise performance but it also helps in exhibiting financial position which are required in framing policy-making exercise. Based on it, the management can take decision for business expansion or otherwise.

**7.7 Segment Reporting as per Ind AS 108 'Operating Segment'** **7.7.1 Definition of Segment Information**

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An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.		

Such information may be termed as 'Segment Information'. **7.7.2 Scope of the Standard** (i)

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This Accounting Standard applies to companies to which Indian Accounting Standards (Ind ASs), notified under the Companies Act, apply. (ii) If any entity,		

which

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is not required to apply this Ind AS, chooses to disclose information about segments that does not comply with this Ind AS, it shall not describe the information as segment information. (iii) If any financial report contains both the consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements. [252] [ 252 ] 7.7.3

Concept of

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Operating Segments An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. An operating segment may engage in business activities for which it is yet to earn revenues. For example,

a start-up operation initiated by an organization may be treated as an operating segment before earning revenues. 7.7.4 Aggregation Criteria An organization may have two or more operating segments that exhibit similar long-term financial performance as they have similar economic characteristics. For example, if segments have similar economic characteristics, their long-term average gross margins would be expected to be similar. In such cases,

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two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the

core principle of this Ind AS, i.e., the segments have similar economic characteristics, and the segments are similar in each of the

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following respects: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services.

Such aggregation naturally reduces the number of segments within a practical limit. 7.7.5 Identification of Reportable Segments Once the operating segments are identified, the management needs to identify the segments for which segment information will be disclosed. Such segments are called the reportable segments.

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An entity shall report separately information about an operating segment that meets any of the following quantitative thresholds: (a) Its reported revenue, including

both sales to external customers and [253] [ 253 ] intersegment sales or transfers, is 10 per cent

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or more of the combined revenue, internal and external, of all operating segments. (b) The absolute amount of its reported profit or loss is 10

per cent

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or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss. (c) Its assets are 10 per cent or more of the combined assets of all operating segments.

In addition to above, additional

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operating segments that do not meet any of the quantitative thresholds may still be considered reportable,

if the

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management believes that information about the segment would be useful to users of the financial statements.

If the total external revenue reported by operating segments identified based on the quantitative thresholds plus those selected by the management voluntarily

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constitutes less than 75 per cent of the entity's total external revenue, then, additional operating segments shall be identified as reportable segments (even if they do not meet the criteria stated above) until at least 75 per cent of

the entity's total external revenue is included in reportable segments.

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Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an 'all other segments' category.

Note 1: An entity may combine information about two or more operating segments that do not meet the quantitative thresholds to produce a reportable segment only if the operating segments have similar economic characteristics and share a majority of the aggregation criteria stated in section 8.6.4. Note 2: If management judges that an operating

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segment identified as a reportable segment in the immediately preceding period

is of continuing significance, it may continue to report the information about that segment even if it no longer meets the criteria for reportability. Note 3: If an operating

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segment is identified as a reportable segment in the current period		

in accordance with the quantitative thresholds, segment data for the prior period shall also be disclosed even if that segment did not satisfy the criteria for reportability in that prior period,

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unless the necessary information is not available and the cost to develop it would be excessive.		

Note 4: There should always be a practical limit to the number of reportable segments that an entity separately discloses as beyond that segment information will be too detailed to comprehend. Thus, the Standard provides that in case the number exceeds ten,

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the entity should consider whether a practical limit has been reached. [254] [ 254 ] ?		

A Practical Problem on Identification of Reportable Segments: An enterprise operates through eight segments, namely, A, B, C, D, E, F, G and H. The relevant information about these segments is given in the following table (amounts in Rs.'000):

A	B	C	D	E	F	G	H	Total (segment)
1	2	3	4	5	6	7	8	9
255	15	10	15	50	20	35	400	1000
100	60	30	5	-	-	5	-	200
5	-90	15	-5	8	-5	5	7	40
15	47	5	11	3	5	5	9	100

Identify the reportable segments as per Ind AS 108. Solution : Calculation for identification of reportable segments as per Ind AS 108 (Operating Segments) The reportable segments are identified as follows – Particulars A B C D E F G H Total

Particulars	A	B	C	D	E	F	G	H	Total
1. Segment Revenue (a) External Sales	255	15	10	15	50	20	35	400	1000
(b) Inter Segment Sales	100	60	30	5	-	-	5	-	200
Total Revenue	100	315	45	15	15	50	25	35	600
% of segment revenue to total revenue of all segments taken together	16.7	52.5	7.5	2.5	2.5	8.3	4.17	5.83	100
2. Segment Results Profit/ (Loss)	5	15	8	5	7	40	-90	-5	-100
% of segment profit/loss to the higher of total profit or total loss in absolute figure	5	90	15	5	8	5	7	40	100
3. Segment Assets	15	47	5	11	3	5	5	9	100
% of segment assets to the total assets of all segments taken together	15	47	5	11	3	5	5	9	100

[255] [ 255 ] 1. As per the Segment Revenue criterion Segments A and B with segment revenue of more than 10% of the total revenue of all segments taken together, are identified as Reportable Segments. 2. As per the Segment Result criterion Segments B and C with segment profit or loss of more than 10% of the higher of total profit of all profit-making segments and total loss of all loss-making segments -in absolute figure- are identified as Reportable Segments. 3. As per the Segment Asset criterion Segments A, B and D with segment assets of more than 10% of the total assets of all segments taken together, are identified as Reportable Segments. Further, we assume that the management has not identified any other segments voluntarily at their discretion for reporting purpose. So primarily the reportable segments are A, B, C and D. Now total external sales of the above four segments = Nil +255+15+10 = 280 However, the threshold external sales = 75% of total external sales = 75% of 400 = 300. Thus, in order to achieve the threshold one or more segments are to be identified as reportable. Let us consider segment F with highest external sales for this purpose. So, finally, the reportable segments are – A, B, C, D, F and all other segments are to be reported on a consolidated basis under the head 'All Other Segments'. 7.7.6 Disclosure Requirements of Segment reporting as per Ind AS 108 ? General information

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An entity shall disclose the following general information: (i) factors used to identify the entity's reportable segments. (ii) the

judgements made by management in applying the aggregation criteria. (iii)

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types of products and services from which each reportable segment derives its revenues. ?

Information about profit or loss, assets and liabilities For each reportable segment the entity shall have to disclose the following main points: (a) revenues from external customers; (b)

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revenues from transactions with other operating segments of the same entity; (

c) interest revenue; (d) interest expense;

[256] [ 256 ] (e) depreciation and amortization; (f) material items of income and expense disclosed in accordance with Ind AS 1, Presentation of Financial Statements; (g)

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the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method; (h) income tax expense or income;

and (i) material non-cash items other than depreciation and amortization. ? Measurement An entity shall provide an explanation of the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment. ? Reconciliations An entity shall provide reconciliations of all of the following: (a) the total of the reportable segments' revenues to the entity's revenue. (b)

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the total of the reportable segments' measures of profit or loss to the entity's profit or loss before

tax expense (tax income) and discontinued operations. (c) the total of the reportable segments' assets to the entity's assets. (d) the total of the reportable segments' liabilities to the entity's liabilities. (e) the total of the reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the entity. ?

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Restatement of previously reported information If an entity changes its internal organizational structure

in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier periods, including interim periods, should be restated



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unless the information is not available and the cost to develop would be excessive. ?

Entity-wide disclosures The following information

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shall be provided only if it is not provided as part of the reportable segment information required by this

Ind AS. I.

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Information about products and services An entity shall report the revenues from external customers for each product and service, or each group of similar products and services. The

amounts of revenues reported shall be based on the financial information used to produce the entity's financial statements.

[257] [ 257 ] II. Information about geographical areas An entity shall report the following geographical information: (

a)

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revenues from external customers (i) attributed to the entity's country of domicile, and (ii) attributed to all foreign countries in total from which the entity derives revenues. (

b)

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non-current assets other than financial instruments, deferred tax assets, post- employment benefit assets, and rights arising under insurance contracts (

i) located in the entity's country of domicile, and (ii) located in all foreign countries in total in which the entity holds assets. III.

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Information about major customers An entity shall provide information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, the entity shall disclose that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues. 7.8

Summary Segment reporting is made for both the internal and external purposes. It plays an important role in disseminating disaggregated information to the users. Users of information may feel good in evaluating segment performance and overall performance of the company. This might encourage them. Stock market might show its reaction. Segment reporting also helps the management in framing policy decisions and in measuring growth potential, risks and returns. When segment reporting is used for internal purposes, it provides an opportunity to the management to keep constant watch over the bad and good performing segments. As a result, they can take corrective measures for the badly performing segment. They can also think about expansion for segment performing better than others with a view to enhancing overall profitability of the company.

7.9 Exercises ? Theoretical Questions: 1. What do you mean by the term 'segment' as used in business? 2. What is segment reporting? Why is segment reporting needed? What are the benefits of segment reporting? 3. State the conditions for identifying the reportable segments as per Ind AS 108. 4. State the disclosures that are to be made for each reportable segment.

[258] [ 258 ] ? Practical Problems: Problem 1 : An enterprise operates through eight segments, namely, A, B, C, D, E, F, G and H. The relevant information about these segments is given in the following table (amounts in Rs.'000):

Particulars	A	B	C	D	E	F	G	H
1. Segment Revenue (a) External Sales	5035	285	190	95	950	380	722	
(b) Inter Segment Sales	190	1140	570	95	-	-	95	-
2. Segment Results	95	-1710	285	-95	152	-95	95	133
Profit/ (Loss)								
3. Segment Assets	285	95	95	1140	57	95	95	38

Identify the reportable segments as per Ind AS 108. [Ans. Reportable Segments are A, B, C, D, F and other segments]

Problem 2 : An enterprise operates through eight segments, namely, A, B, C, D, E, F, G and H. The relevant information about these segments is given in the following table (amounts in Rs.'000) :

Particulars	A	B	C	D	E	F	G	H	Total (segment)
1. Segment Revenue (a) External Sales	663	37	25	13	125	50	87	1000	
(d) Inter Segment Sales	250	150	75	13	-	-	12	-	500
2. Segment Results	15	(270)	45	(15)	24	(15)	21		
Profit/ (Loss)									
3. Segment Assets	15	5	5	60	3	5	5	2	100

Identify the reportable segments as per Ind AS108. [Ans. Reportable Segments are A, B, C, D, F and other segments]

[259] [ 259 ] Problem 3 : An enterprise operates through eight segments, namely, A, B, C, D, E, F, G and H. The relevant information about these segments is given in the following table (amounts in Rs.'000):

Particulars	A	B	C	D	E	F	G	H
1. Segment Revenue (a) External Sales	6600	-	250	400	1200	500	180	870
(e) Inter Segment Sales	500	2000	1130	800	-	570	-	-
2. Segment Results	2700	150	(150)	(450)	150	(550)	(210)	(240)
Profit/ (Loss)								
3. Segment Assets	800	250	500	80	100	50	50	170

Identify the reportable segments as per Ind AS 108. [Ans. Reportable Segments are A, B, C, D, F and other segments]

Problem 4 : Determine the reportable segments from the following information of X Ltd for 2020:

Particulars	India	Brazil	Canada	Russia	USA	UK	Total (segment)
1. Segment Revenue (a) External Sales	750	20	250	400	160	100	1680
(f) Inter Segment Sales	150	60	80	220	390	10	910
2. Segment Results	170	(20)	(30)	270	150	(50)	
Profit/(Loss)							
3. Segment Assets	810	510	160	160	270	50	1960

Identify the reportable segments as per Ind AS108. [Ans. Reportable Segments are India, Brazil, Canada, Russia, USA and other segments]

[260] [ 260 ] Unit 8 Contemporary Issues in Corporate Reporting Structure 8.1 Objective 8.2 Introduction 8.3 Business Responsibility Report 8.3.1 Applicability of BRR 8.3.2 Format for Business Responsibility Report 8.3.3 Availability of BRR 8.4 Corporate Social Responsibility Reporting 8.4.1 Concept of Corporate Social Responsibility 8.4.2 Benefits of CSR 8.4.3 Justification of CSR Policy 8.4.4 Present Legislation on CSR in India 8.4.5 Format for the Annual Report on CSR Activities to be Included in the Board's Report 8.4.6 Availability of CSR Report 8.5 Sustainability Reporting and Global Reporting Initiatives 8.5.1 Sustainability Reporting 8.5.2 Global Reporting Initiatives 8.6 Integrated Report 8.6.1 History of Integrated Reporting 8.6.2 Concept and Definition of Integrated Reporting (IR) 8.6.3 Objectives of Integrated Reporting 8.6.4 Integrated Reporting (IR) Framework 8.6.5 Integrated Report: Guiding Principles 8.6.6 Integrated Reporting: the International Scenario 8.6.7 Integrating Reporting in India 8.7 Summary 8.8 Exercises

[261] [ 261 ] 8.1 Objective After going through this unit, you will be able to: ? Understand the importance of recent developments in corporate financial accounting and reporting ? Know the importance and contents of Business Responsibility Report (BRR) ? Know the regulatory framework of CSR in India ? Know the importance of Integrated Reporting and contents of &gt;IR&lt; Framework 8.2 Introduction Accounting and reporting are dynamic in nature. While the changes in accounting are driven by the need to exhibit a true and fair view of the financial performance and financial state of affairs through financial statements, the same in reporting are driven by the ever-increasing need for information by the shareholders in particular and the stakeholders at large. In the past one decade or so, accounting and reporting across the world have seen many pertinent developments. Along with a fundamental knowledge of various accounting techniques, an accounting practitioner need to have a clear understanding of all these developments. 8.3 Business Responsibility Report

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Adoption of responsible business practices in the interest of the social set-up and the environment are as vital as their financial and operational performance. This is all the more relevant for listed entities which, considering the fact that they have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive continuous disclosures on a regular basis.

Keeping this in mind, in July 2011, the

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Ministry of Corporate Affairs, Government of India, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contained comprehensive principles to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the said principles. [262] [ 262 ]

In line with the above Guidelines and considering the larger interest of public disclosure regarding steps taken by listed entities from Environmental, Social and Governance ("ESG") perspective, it was decided by SEBI to mandate inclusion of Business Responsibility Reports ("BR reports") as part of the Annual Reports for listed entities. Consequently, certain listing conditions are specified by way of inserting Clause 55 in the equity Listing Agreement. (Reference: SEBI Circular CIR/CFD /DIL/8/2012 dated August 13, 2012). As per the latest amendment of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, preparation of BRR is mandatory for top 1000 market capitalization companies. 8.3.1 Applicability of BRR a. The requirement to include BR Reports as part of the Annual Reports shall be mandatory for top 1000 listed entities based on market capitalization at BSE and NSE. BSE and NSE shall independently draw up a list of listed entities who are required to prepare BR Report based on the said criteria and disseminate the same in their websites respectively. Other listed entities may voluntarily disclose BR Reports as part of their Annual Reports.

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Those listed entities which have been submitting sustainability reports to overseas regulatory agencies/stakeholders based on internationally accepted reporting frameworks need not prepare a separate report for the purpose of these guidelines but only furnish the same to their stakeholders along with

the details of the framework under which their BR Report has been prepared and

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a mapping of the principles contained in these guidelines to the disclosures made in their sustainability reports. 8.3.2 Format for Business Responsibility Report [

Regulation 34(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015] The general format of BRR is composed of five segments as follows: Section A : General information about the Company 1. Corporate Identity Number (CIN) of the Company 2. Name of the Company 3. Registered address 4. Website 5. E-mail id [263] [ 263 ] 6. Financial Year reported 7. Sector(s) that the Company is engaged in (industrial activity code-wise) 8. List three key products/services that the Company manufactures/provides (as in balance sheet) 9. Total number of locations where business activity is undertaken by the Company (a) Number of International Locations (Provide details of major 5) (b) Number of National Locations 10. Markets served by the Company – Local/State/National/International

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Section B : Financial Details of the Company 1. Paid up Capital (INR) 2. Total Turnover (INR) 3. Total profit after taxes (INR) 4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) 5. List of activities in which expenditure in 4 above has been incurred. Section C : Other Details 1. Does the Company have any Subsidiary Company/ Companies? 2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s) 3. Do any other entity/entities (e.g., suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] Section D : BR Information 1. Details of Director/Directors responsible for BR

a) Details of the Director/Director responsible for implementation of the BR policy/policies ? DIN Number ? Name ? Designation

[264] [ 264 ] b) Details of the BR head Serial No. Particulars Details 1. DIN Number (if applicable) 2. Name 3. Designation 4. Telephone no. 5. Email Id 2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N) Sl. Questions P P P P P P P P P P No. 1 2 3 4 5 6 7 8 9 1. Do you have policy/policies for.... 2. Has the policy being formulated in consultation with the relevant stakeholders? 3. Does the policy conform to any national / international standards? If yes, specify? (50 words) 4. Has the policy being approved by the Board? Is yes, has it been signed by MD/owner/CEO/ appropriate Board Director? 5. Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy? 6. Indicate the link for the policy to be viewed online? 7. Has the policy been formally communicated to all relevant internal and external stakeholders? 8. Does the company have in-house structure to implement the policy/policies? 9. Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies? 10. Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?

[265] [ 265 ] 2a. If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options) Sl. Questions P P P P P P P P P P No. 1 2 3 4 5 6 7 8 9 1. The company has not understood the Principles 2. The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles 3. The company does not have financial or manpower resources available for the task 4. It is planned to be done within next 6 months 5. It is planned to be done within the next 1 year 6. Any other reason (please specify) 3. Governance related to BR ? Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company (Within 3 months, 3- 6 months, Annually, More than 1 year). ? Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? Section E: Principle-wise performance Principle 1 - Business

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should conduct and govern themselves with ethics, transparency and accountability. 1.

Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs /Others? 2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? (If so, provide details thereof, in about 50 words or so). Principle 2 - Business

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should provide goods and services that are safe and contribute to

the sustainability throughout their life cycle. 1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

[266] [ 266 ] i. ii. iii. 2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional): i. Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain? ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year? 3. Does the company have procedures in place for sustainable sourcing (including transportation)? i. If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so. 4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors? 5. Does the company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as >5%, 5- 10%, <10%). Also, provide details thereof, in about 50 words or so. Principle 3 - Business should promote the wellbeing of all employees. 1. Please indicate the Total number of employees. 2. Please indicate the Total number of employees hired on temporary/ contractual/casual basis. 3. Please indicate the Number of permanent women employees. 4. Please indicate the Number of permanent employees with disabilities 5. Do you have an employee association that is recognized by management? 6. What percentage of your permanent employees is members of this recognized employee association? 7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

[267] [ 267 ] 8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year? ? Permanent Employees ? Permanent Women Employees ? Casual/Temporary/Contractual Employees ? Employees with Disabilities Principle 4 - Business

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should respect the interest of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. 1.

Has the company mapped its internal and external stakeholders? Yes/No 2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders? 3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so. Principle 5 - Business should respect and promote human rights. 1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others? 2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

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Principle 6 - Business should respect, protect and make efforts to restore the environment. 1.

Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers /Contractors/NGOs/others. 2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc. 3. Does the company identify and assess potential environmental risks? Y/N 4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

[268] [ 268 ] 5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc? Y/N. If yes, please give hyperlink for web page etc. 6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported? 7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

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Principle 7 - Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner.  
1.

Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with: a. b. c. d. 2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others). Principle 8 - Business should support inclusive growth and equitable development. 1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof. 2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization? 3. Have you done any impact assessment of your initiative? 4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken? 5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.  
[269] [ 269 ] Principle 9 Business

**92%**

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should engage with and provide value to their customers in a responsible manner. 1.

What percentage of customer complaints/consumer cases are pending as on the end of financial year. 2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information) 3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so. 4. Did your company carry out any consumer survey/ consumer satisfaction trends? 8.3.3 Availability of BRR BRR of an eligible company can be found as a part of the Annual Report of the company. Most of the companies also post a separate link in their Annual Report to access the soft copy of the report. 8.4 Corporate Social Responsibility Reporting 8.4.1 Concept of Corporate Social Responsibility A business cannot exist in isolation. In the process of its existence and growth it consumes various resources of the society and hence, in turn, must have an obligation towards the society. In the context of corporate organisations, recognising and discharging this obligation may be interpreted as Corporate Social Responsibility (CSR). The term 'corporate social responsibility' has hardly been defined in any legislation. Philip Kotler and Nancy Lee (2005) defined CSR as a "commitment to improve community well-being through discretionary business practices and contributions of corporate resources". Thus, CSR may be understood to be a philosophy imposing an obligation on the corporates to contribute to the society (whether towards any economic, social or ecological cause) along with the reinforced duty to conduct the business operations in an ethical manner. It should be viewed as a form of self-regulation, rather than merely a compliance towards a given regulation, that should be integrated into the business model.

[270] [ 270 ] 8.4.2 Benefits of CSR CSR practises bring in many benefits for society, the people within and the corporate itself. ? CSR enhanced corporate image and builds reputational capital. ? It often strengthens brand positioning. ? It gives the company a sense of satisfaction of economic and social contribution. ? CSR increases the acceptability of the company among the investors. ? Local economy as well as selective external stakeholders are directly benefited 8.4.3 Justification of CSR Policy CSR should not be viewed as a mere compliance requirement to any given legislation. Existence of a well-defined CSR policy is a must in today's business context. ? A well-defined CSR policy may help in building reputational capital which may help a company to maintain the investor confidence in turbulent times. It may even be helpful in bringing down the cost of capital. ? Good CSR policies shift the orientation of the company from short term profit generation to long term value addition. ? CSR policies towards maintaining ecological balances may contribute to conserve the continually depleting non-renewable resources. ? With growing globalization, when businesses are being viewed as expositors rather than saviours in the society, good CSR policy and execution of the same may work to counter this perception. 8.4.4 Present Legislation on CSR in India Keeping the immense importance of CSR in the society, regulators in different countries initiate well-defined regulatory mechanism to guide and monitor the corporate social responsibility (CSR) activities undertaken by corporate firms. Unfortunately, Indian regulators had largely overlooked such a requirement. There was no corresponding provision in the Companies Act 1956 on CSR. The Ministry of Corporate Affairs, Govt. of India had only issued a guideline namely 'Corporate Social Responsibility Voluntary Guidelines, 2009' which required companies to formulate a CSR policy to guide its strategic planning and provide a roadmap for its

[271] [ 271 ] CSR initiatives. Quite understandably, the effort was never taken seriously by the Indian corporate sector. However, with the introduction of the new Companies Act 2013, which has introduced a well-defined framework in this respect, the situation seems changing significantly and in a positive direction. The present legal framework on CSR in India comprises of – (a) Section 135 of Companies Act 2013 [Notified on 01.04.2014]; (b) Schedule VII of Companies Act 2013; and (c) Companies (Corporate Social Responsibility Policy) Rules 2014 [Notified on 01.04.2014]. The salient features of these regulations are given below. 1. Formation and Composition of CSR Committee : Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year (amendment effective from 19.09.2018) shall

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constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

However, companies, which are not required to appoint an independent director u/s 149(4), shall have in its Corporate Social Responsibility Committee two or more directors [Section 135(1)]. 2. Board's Report and CSR Committee : The Board's report u/s 134(3) shall disclose the composition of the Corporate Social Responsibility Committee. [Section 135(2)]. 3. Functions of CSR Committee : The Corporate Social Responsibility Committee shall – (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII. (b) recommend the amount of expenditure to be incurred on the above activities; and (c) monitor the Corporate Social Responsibility Policy of the company from time to time. [Section 135(3)]

[272] [ 272 ] 4. Board's Responsibility : The Board shall— (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and (b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company. [Section 135(4)] 5. CSR Spending : The Board of every company shall ensure that the company spends, in every financial year, at least two per cent

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of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities. If the company fails to spend such amount, the Board shall specify the reasons for not spending the amount and unless the unspent amount relates to any ongoing project referred to in sub-section (6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year. If the company spends an amount in excess of the requirements provided under this sub-section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed. Any amount remaining unspent under sub-section (5), pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year. If a company is in default in complying with the provisions of sub-section (5) or sub-section (6), the company shall be liable to a penalty of twice the amount

[273] [ 273 ] required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less. [Section 135(5)] 6. Modalities of Undertaking CSR Activities [Rule 4] : a) The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business. b) The Board of a company may decide to undertake its CSR activities approved by the CSR Committee, through ? a company established under section 8 of the Act or a registered trust or a registered society, established by the company, either singly or along with any other company; or ? a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government or any entity established under an Act of Parliament or a State legislature. c) A company may also collaborate with other companies for undertaking projects or programs or CSR activities. d) The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act. e) Companies may build CSR capacities of their own personnel as well as those of their Implementing agencies through Institutions with established track records of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of the company in one financial year. f) Contribution of any amount directly or indirectly to any political party shall not be considered as CSR activity. 7. CSR Policy [Rule 6] The CSR Policy of the company shall, inter-alia, include the following namely:



[274] [ 274 ] (a) a list of CSR projects or programs which a company plans to undertake in areas or subjects specified in of the Schedule VII of the Act, specifying modalities of execution of such project or programs and implementation schedules for the same; and (b) monitoring process of such projects or programs. The CSR Policy of the company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company. 8. CSR Report [Rule 8] The Board’s Report shall include an annual report on CSR containing particulars specified in Annexure. 9. Areas of CSR Activities [Schedule VII] : The broad areas are: (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water. (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects. (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups. (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga. (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts; (vi) measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows (vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

[275] [ 275 ] (viii)

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contribution to the Prime Minister’s National Relief Fund or		

Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES

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Fund) or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women; (		

ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organization (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs). (x) rural development projects (xi) slum area development (xii) Disaster management, including relief, rehabilitation and reconstruction activities. 8.4.5 Format for the Annual Report on CSR Activities to be Included in the Board’s Report A

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CSR report shall include - 1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs. 2. The composition of the CSR Committee. 3. Average net profit of the company for last three financial years 4. Prescribed CSR Expenditure (two percent of the amount as in the Item 3 above) [276] [ 276 ] 5. Details of CSR spent during the financial year. (

a) Total amount to be spent for the financial year; (b) Amount unspent, if any; (c) Manner in which the amount spent during the financial year is detailed below. (1) (2) (3) (4) (5) (6) (7) (8) S. No. CSR Project or Activity Identified Sector in which the project is covered Project or Programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken Amount outlay (budget) project or programs wise Amount spent on the project or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads: Cumulative expenditure up to the reporting period Amount spent: Direct or through implementing agency 6. In case the company has failed to spend the two percent

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of the average net profit of the last three financial

years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report. 7.

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A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

Sd/- Sd/- Sd/- (Chief Executive Officer (Chairman CSR (Person specified under clause (d) or Managing Director Committee) of sub-section (1) of section 380 or Director) of the Act) (wherever applicable) 8.4.6 Availability of CSR Report In India, CSR report of an eligible company may be found as an annexure to the Board's Report included in the Annual Report of the company.

[277] [ 277 ] 8.5 Sustainability Reporting and Global Reporting Initiatives 8.5.1 Sustainability Reporting Today's business organisation is often found to be committed towards sustainable business practices to ensure its participation in sustainable economic development. A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. It also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy. Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance, and accordingly set goals, and manage change more effectively. It is the key platform for communicating sustainability performance and impacts – whether positive or negative. It is often considered as synonymous with other terms for non-financial reporting like triple bottom line reporting, corporate social responsibility (CSR) reporting, and more. It is also an intrinsic element of integrated reporting; a more recent development that combines the analysis of financial and non-financial performance. ? Benefits of Sustainability Reporting Sustainability reporting can have a wide range of business benefits. (a) Driver of innovation and learning Sustainability reporting often highlights inefficiencies and risk. It helps to identify opportunities for the business arising out of the changes in the business environment. (b) Building reputational capital Sustainability reporting increases the reputational capital of the business. It is highly accepted by the investors and other stakeholders. Higher acceptability many a times reduces the cost of capital in the long run. It also improves employee retention as employees are more inclined to be associated with a responsible company. (d) Raising corporate transparency Sustainability reporting raises corporate transparency. This improves the brand value of the company. It also helps stakeholders to assess the management quality.

[278] [ 278 ] (e) Balanced assessment by stakeholders Sustainability reporting requires disclosure of both positive and negative impact of business operations. As a result, stakeholders can have a balanced assessment of an organisation's activities. (f) Holistic assessment of emerging risks and opportunities Today, success of a business largely depends on how well it can manage the non-financial risks. Sustainability reporting provides adequate information in this respect and in the process highlights emerging markets and opportunities. It also improves business resilience and reassures investors that company is managing non- financial risk well. (g) Promotes stakeholder engagement and communications Sustainability reporting is stakeholder oriented rather than being merely shareholder oriented. This eventually ensure better stakeholder engagement and communications. (h) Aligned with objectives of annual reporting of financial information. Sustainability reporting is not totally separated from financial reporting rather it is aligned with objectives of annual reporting and discloses a holistic picture of the company. (h) Important source of information to the regulators and others Sustainability reporting is often an important source of information to the regulators and social activists. ? Contents of Sustainability Report As mentioned at the outset, sustainability reporting enables organizations to report on environmental and social performance. Accordingly, sustainability report includes all such information that depicts the impact, both positive and negative, of an organisation's business practices. It includes organisation's economic performance, impact of its activities on ecology (such as carbon footprint, waste management, conservation of non-renewable resources), its efforts to ensure occupational health and safety, upholding human rights, safe and sustainable product delivery and last but not the least organisation's efforts towards community development. ? Providers of Sustainability Reporting Guidelines Major providers of sustainability reporting guidance include:

[279] [ 279 ] ? GRI (GRI's Sustainability Reporting Standards) ? The Organisation for Economic Co-operation and Development (OECD Guidelines for Multinational Enterprises) ? The United Nations Global Compact (the Communication on Progress) ? The International Organization for Standardization (ISO 26000, International Standard for social responsibility) 8.5.2 Global Reporting Initiatives ? The History of GRI The Global Reporting Initiative (known as GRI) is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI was founded in Boston in 1997 following the public outcry over the environmental damage of the Exxon Valdez oil spill. It was formed by the United States-based non-profits CERES (formerly the Coalition for Environmentally Responsible Economies) and Tellus Institute, with the support of the United Nations Environment Programme (UNEP). The objective was to introduce an accountability mechanism to ensure companies adhere to responsible environmental conduct which later on widened further to include social, economic and governance issues. In 2000, the organisation issued its first guidelines (G1) on sustainability reporting. In 2001, GRI was established as an international independent organisation. In 2002 GRI moved its secretariat to Amsterdam, Netherlands and also issued the first update of its guidelines (G2) which was further modified in 2006 (G3) and 2013 (G4). Although the GRI is independent, it remains a collaborating centre of UNEP and works in cooperation with the United Nations Global Compact. ? Standards Issued by GRI The following is the list of standards issued by GRI: Universal Standards Effective date GRI 101: Foundation 2016 1 July 2018 GRI 102: General Disclosures 2016 1 July 2018 GRI 103: Management Approach 2016 1 July 2018 Topic-specific Standards [280] [ 280 ] Universal Standards Effective date GRI 200: Economic GRI 201: Economic Performance 2016 1 July 2018 GRI 202: Market Presence 2016 1 July 2018 GRI 203: Indirect Economic Impacts 2016 1 July 2018 GRI 204: Procurement Practices 2016 1 July 2018 GRI 205: Anti-corruption 2016 1 July 2018 GRI 206: Anti-competitive Behavior 2016 1 July 2018 GRI 207: Tax 2019 1 January 2021 GRI 300: Environmental GRI 301: Materials 2016 1 July 2018 GRI 302: Energy 2016 1 July 2018 GRI 303: Water and Effluents 2018 1 January 2021 GRI 304: Biodiversity 2016 1 July 2018 GRI 305: Emissions 2016 1 July 2018 GRI 306: Waste 2020 1 January 2022 GRI 307: Environmental Compliance 2016 1 July 2018 GRI 308: Supplier Environmental Assessment 2016 1 July 2018 GRI 400: Social GRI 401: Employment 2016 1 July 2018 GRI 402: Labor/Management Relations 2016 1 July 2018 GRI 403: Occupational Health and Safety 2018 1 January 2021 GRI 404: Training and Education 2016 1 July 2018 GRI 405: Diversity and Equal Opportunity 2016 1 July 2018 GRI 406: Non-discrimination 2016 1 July 2018 GRI 407: Freedom of Association and Collective Bargaining 2016 1 July 2018 GRI 408: Child Labor 2016 1 July 2018 GRI 409: Forced or Compulsory Labor 2016 1 July 2018 GRI 410: Security Practices 2016 1 July 2018 GRI 411: Rights of Indigenous Peoples 2016 1 July 2018

[281] [ 281 ] Universal Standards Effective date GRI 412: Human Rights Assessment 2016 1 July 2018 GRI 413: Local Communities 2016 1 July 2018 GRI 414: Supplier Social Assessment 2016 1 July 2018 GRI 415: Public Policy 2016 1 July 2018 GRI 416: Customer Health and Safety 2016 1 July 2018 GRI 417: Marketing and Labeling 2016 1 July 2018 GRI 418: Customer Privacy 2016 1 July 2018 GRI 419: Socioeconomic Compliance 2016 1 July 2018 ? Acceptability of GRI Sustainability Reporting Standards Though sustainability reporting standards are provided by many organisations, GRI Sustainability Reporting Standards are the most widely accepted. Like all other standards, GRI Sustainability Reporting Standards (GRI Standards) also help businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues. Some of the distinctive elements of the GRI Standards that have increased its wide acceptance, include: a) Multi-stakeholder input : GRI's approach is based on multi-stakeholder engagement, representing the best combination of technical expertise and diversity of experience to address the needs of all report makers and users. This approach enables to produce universally-applicable reporting guidance. All elements of the Reporting Framework are created and improved using a consensus-seeking approach, and considering the widest possible range of stakeholder interests which includes business, civil society, labour, accounting, investors, academics, governments and sustainability reporting practitioners. b) A record of use and endorsement : Of the world's largest 250 corporations, 92% report on their sustainability performance and 74% of these use GRI's Standards to do so. With over 23,000 GRI Reports recorded in GRI database, sustainability reporting using the GRI Standards is significant. c) Governmental references and activities : Enabling policy is a key aspect of GRI's overall strategy and they work with governments, international organizations and capital markets to further this agenda. As a result, 35 countries use GRI in their sustainability policies. In addition, GRI has long- standing collaborations with over 20 international organizations such as the UNGC, OECD and the UN Working Group on Business & Human Rights.

[282] [ 282 ] d) Independence : The creation of the Global Sustainability Standards Board in 2014, and related governance structure changes, have strengthened the independence of the standards aspect of our work. Its funding approach also ensures independence. GRI is a non-profit foundation with a business model that aims for a degree of self-sufficiency. Funding is secured from diverse sources; governments, companies, foundations, partner organizations and supporters. e) Shared development costs : The expense of developing GRI's reporting guidance is shared among many users and contributors. For companies and organizations, this negates the cost of developing in-house or sector-based reporting frameworks.

## 8.6 Integrated Report

The present corporate reporting framework across many nations requires companies to prepare multiple reports to meet the growing information needs of corporate stakeholders such as management discussion and analysis, auditor's report, directors' report etc. As a result, the information set appears to be disintegrated and fails to explain how an organisation, through a coordinated effort, has been able to create value. In this context, Integrated Reporting & IR < is increasingly gaining popularity by explaining how the interaction among organization's varied efforts to meet stakeholders' expectations can create value for the organization.

### 8.6.1 History of Integrated Reporting

In 2009, the Prince of Wales convened a high-level meeting of investors, standard setters, companies, accounting bodies and UN representatives including The Prince's Accounting for Sustainability Project, International Federation of Accountants (IFAC), and the Global Reporting Initiative (GRI), to establish the International Integrated Reporting Committee (IIRC), a body to oversee the creation of a globally accepted Integrated Reporting framework. In November 2011, the Committee was renamed the International Integrated Reporting Council. On 17 and 18 October 2011, the first Integrated Reporting Pilot Programme conference was convened in Rotterdam. The Pilot Programme is made up of a Business Network and Investor Network that are both feeding back to the IIRC with their progression towards Integrated Reporting. There are over 80 Businesses and over 25 Investors participating in the Pilot Programme. The Discussion Paper Towards Integrated Reporting – Communicating Value in the 21st Century was launched Monday 12 September 2011. It considered the rationale for Integrated Reporting, offering initial proposals for the development of an International Integrated Reporting Framework

[283] [ 283 ] and outlining the next steps towards its creation and adoption. Its purpose was to prompt input from all those with a stake in improved reporting, including producers and users of reports. On 26 November 2012 the IIRC released a Prototype of the International IR Framework, a significant further step towards publication of the Framework in 2013. This was an interim step intended to demonstrate progress towards defining key concepts and principles that underpin IR, and support organizations' ability to produce an integrated report. Finally, on 16 April 2013 the IIRC released the Consultation Draft of the International IR Framework.

### 8.6.2 Concept and Definition of Integrated Reporting

Integrated Reporting (&gt;IR&lt;) promotes a more cohesive and efficient approach to corporate reporting and aims to improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital. The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. An integrated report benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers. According to IIRC, an integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

### 8.6.3 Objectives of Integrated Reporting

The objectives of Integrated Reporting (&gt;IR&lt;) are:

- ? To improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital
- ? To promote a more cohesive and efficient approach to corporate reporting that can explain how an organisation creates value through a coordinated approach.
- ? To enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies
- ? Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

[284] [ 284 ]

### 8.6.4 Integrated Reporting (&gt;IR&lt;) Framework

Integrated Reporting (&gt;IR&lt;) Framework is a detailed suggestive guidance on preparation of an integrated report. The framework has been issued by the International Integrated Reporting Council (IIRC). The objective of this framework is to provide the guidelines and the content element that will be the basis for preparation of an integrated report. Though the framework is primarily meant for private corporates, the same may be suitably adapted by public sector organizations and even not for profit undertakings. The framework only identifies the information to be included in an integrated report to enable the users to appropriately assess the organization's ability to create value. It does not provide any benchmark. Moreover, the framework is principles-based in order to strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations and yet provide a decent degree of comparability. The framework details the value creation process as follows:

A. Value Creation; Meaning: An organisation creates value over time which gets manifested in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs. The value is created by the organisation for itself, which enables financial returns to the providers of financial capital and also for others (i.e., stakeholders and society at large).

B. The Components of Value Creation Process:

1. Different Forms of Capital: All organizations depend on various forms of capital for their success. In this Framework, the capitals comprise financial (fund available from shareholders, loan providers), manufactured (building, plant etc.), intellectual (i.e., knowledge-based intangibles), human (people's competencies, capabilities and experience, and their motivations to innovate), social and relationship (the institutions and the relationships within and between communities, groups of stakeholders and other networks), and natural (All renewable and non-renewable environmental resources and processes that provide goods or services). All these forms of capital may not be equally relevant or applicable to all organisations. While most of the organisation do interact with all forms of capital, at times the interactions may be so minor to report some capitals in the integrated report.
2. External Environment: This includes economic conditions, technological change, societal issues and environmental challenges, sets the context within which the organization operates.

[285] [ 285 ] 3. Mission and Vision : It encompass the whole organization, identifying its purpose and intention in clear, concise terms. 4. Governance : Those charged with governance are responsible for creating an appropriate oversight structure to support the ability of the organization to create value. 5. Risk and opportunities : Continuous monitoring and analysis of the external environment in the context of the organization's mission and vision identifies risks and opportunities relevant to the organization, its strategy and its business model. 6. Strategy and Resource Allocation : The organization's strategy identifies how it intends to mitigate or manage risks and maximize opportunities. It sets out strategic objectives and strategies to achieve them, which are implemented through resource allocation plans. 7. Performance : The organization needs information about its performance, which involves setting up measurement and monitoring systems to provide information for decision-making. 8. Outlook : The value creation process is not static; regular review of each component and its interactions with other components, and a focus on the organization's outlook, lead to revision and refinement to improve all the components. 9. Business Model : At the core of the organization is its business model, which draws on various capitals as inputs and, through its business activities, converts them to outputs (products, services, by-products and waste). The organization's activities and its outputs lead to outcomes in terms of effects on the capitals. The capacity of the business model to adapt to changes (e.g., in the availability, quality and affordability of inputs) can affect the organization's longer-term viability. C. The Value Creation Process : In its attempt to create value for internal and external stakeholders, an organisation selects an appropriate business model based on its assessment of external environmental forces, its own vision and mission, assessment of risk and opportunities due to external changes and its attitude towards handling risks (or strategies). Then, based on a minutely designed resource allocation plan the organisation employs various capitals as inputs and converts them into output through a number of business activities. This results in augmentation in the capitals introduced in both quantitative and qualitative terms (like profits improves financial capital, remuneration, career advancement programmes and training improve human capital etc.) and thus value [286] [ 286 ] is created. This process, is however, not static. Thus, through a constant monitoring based on performance related information, the organisation assesses the changes required in all the components and relationships and accordingly brings in necessary and timely changes to further improve the value creation process. The following figure describes vividly this value creation process. 8.6.5 Integrated Report: Guiding Principles As proposed in the Integrated Reporting &IR framework, the guiding principles while preparing an integrated report are the following: ? Strategic focus and future orientation: An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals ? Connectivity of information: An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time ? Stakeholder relationships: An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands,

[287] [ 287 ] takes into account and responds to their legitimate needs and interests ? Materiality: An integrated report should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium and long term ? Conciseness: An integrated report should be concise ? Reliability and completeness: An integrated report should include all material matters, both positive and negative, in a balanced way and without material error ? Consistency and comparability: The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations to the extent it is material to the organization’s own ability to create value over time. 8.6.6 Integrated Reporting: the International Scenario There is an increasing interest over Integrated Reporting worldwide. IIRC, the parent body of &gt;IR&lt; movement, with its council members and ambassadors, is constantly working for its global acceptance. So far 750 organisations have participated in the &gt;IR&lt; Network worldwide. 150 companies are practicing &gt;IR&lt; in Japan alone. Worldwide more than 1000 companies are using &gt;IR&lt; to communicate with their stakeholders. International bodies like B20 and IOSCO are taking serious interest in &gt;IR&lt; to use it as a tool to combat market challenges worldwide. Regulators in countries like Japan and UK are also in the process to recommend it as a route towards achieving a comprehensive reporting and financial stability with European Commission labelling it as ‘a step ahead’. 8.6.7 Integrating Reporting in India In India, integrated reporting is still at its nascent stage. In 2017 the Securities and Exchange Board of India (SEBI) endorsed the voluntary adoption of integrated reporting. The Regulator’s circular invited top 500 companies which prepare Business Responsibility Report (BRR) to voluntarily adopt integrated reporting with effect from 2017-18 financial year. The increased awareness, investor expectations and perceived benefits have resulted in more than 30 companies adopting integrated reporting in India through the last financial year. The list includes Tata Steel, Infosys, Mahindra and Mahindra, Wipro, Yes Bank and Reliance Industries. However, the regulators are still examining its mandatory adoption in India and any promulgation is yet to be confirmed.

[288] [ 288 ] 8.7 Summary During last few years corporate reporting in India and worldwide has changed a lot. Increased pressure of stakeholders including regulators has forced large companies to disclose information about the impact of their activities on economy, ecology and the society and also on their ethical conduct. In many cases corporates themselves are resorting to various innovative reporting means to make them more visible. Reporting such as BRR and CSR have been disclosing valuable information in this respect. Globally, GRI are issuing standards to be followed to prepare sustainability reporting. Multiple reporting practices will soon be merged into a single reporting exercise known as Integrated Report. All these reporting has become a integral part of a company’s regular exercises. 8.8 Exercises 1. Discuss the applicability of BRR in India. What are the components of a BRR? .2. Mention the nine principles of BRR. 3. What do you mean by corporate social responsibility? What are its benefits? 4. How will you justify preparation of a CSR policy? 5. Discuss the present regulation relating to CSR in India with respect to the following points: (a) applicability or eligible companies, (b) CSR spending (c) CSR committee (d) CSR policy (e) Areas of CSR activities. 6. What do you mean by Sustainability Report? What are its benefits? 7. Name a few organizations that provide sustainability standards. 8. Why and How was GRI formed? What is its major aim? Name the four broad areas where GRI standards have been issued. 9. What is Integrated Report? Which organization provides the Integrated Reporting Framework? 10. What is the aim of Integrated Report? 11. What are the different forms of capital as per the Integrated Reporting Framework? How is value created in an organization? 12. What is the present status of integrated reporting in India?

[289] [ 289 ] References Unit 1 : 1. The Companies Act, 2013 and Company Rules, 2014. 2. Indian Accounting Standards notified by Ministry of Corporate Affairs. 3. SEBI (LODR) Regulations, 2015 Unit 2 : 1. Chakraborty, H: Advanced Accountancy, Oxford University Press. 2.

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Ltd. 3. Maheshwari, S. N.: Advanced Accountancy, Vikas Publishing House Pvt. Ltd. 4.			

Hanif & Mukherjee, Corporate Accounting, McGraw Hill. Unit 3 : 1. The Companies Act, 2013 and Companies Rules, 2014  
2. Insolvency and Bankruptcy Code, 2016 3. Shukla, M. C., Grewal, T. S., Advanced Accounts, S Chand & Co. (Pvt.) Ltd.  
Unit 4 : 1. Ind AS 32, 107, 109 2. Rawat, D.S., Students' Guide to Financial Reporting, Taxmann (4 th Edition) Unit 5 : 1.  
Companies Act, 2013 along with Companies (Accounts) Rules 2014. 2. Ind AS 110, 111, 112, 28 3. Rawat, D. S., Student's  
Guide to Financial Reporting, Taxmann Publication Unit 6 : 1. Chakraborty, H: Advanced Accountancy, Oxford University  
Press. 2.

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Hanif & Mukherjee, Corporate Accounting, McGraw Hill.

[290] [ 290 ] Unit 7 : 1. Ind AS 103: Operating Segments 2. Sen, S.: Segment Reporting – An Overview” in Banerjee, B. and  
Basu, A.K. (ed.), Corporate Financial Reporting, DSA in Commerce, Calcutta University, 2001. Unit 8 : 1. Securities and  
Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 2. Circulars on Business  
Responsibility Report issued by SEBI 3. Companies Act 2013 and Companies (CSR) Rules 2014 with amendments 4.  
Integrated Reporting Framework issued by IIRC 5. Internet resources available at [www.globalreorting.org](http://www.globalreorting.org)

[291] [ 291 ] NOTE

[292] [ 292 ] NOTE

### Hit and source - focused comparison, Side by Side

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accrual basis and according to the double entry system of accounting.				
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<b>3/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>give a true and fair view of the state of the affairs of the company,</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				
<b>4/516</b>	<b>SUBMITTED TEXT</b>	69 WORDS	<b>93% MATCHING TEXT</b>	69 WORDS
<p>At every annual general meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year. (3) Where a company has one or more subsidiaries or associate companies, it shall additionally prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards.</p> <p>At every annual general meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year. (3) Where a company has one or more subsidiaries or associate companies, it shall, in addition to financial provided under sub-prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards,</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>5/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>shall also be laid before the annual general meeting of the company.</p> <p>shall also be laid before the annual general meeting of the company</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>6/516</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>93% MATCHING TEXT</b>	48 WORDS
<p>The financial statements shall give a true and fair view of the state of affairs of the company or companies, complying with the accounting standards notified under section133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III: (2)</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				
<b>7/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>the deviation from the accounting standards, the reasons for such deviation</p> <p><b>SA</b> original.doc (D34943452)</p>				

<b>8/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>97% MATCHING TEXT</b>	20 WORDS
<p>shall be in the form or forms as may be provided for different class or classes of companies. Schedule III</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				
<b>9/516</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>95% MATCHING TEXT</b>	32 WORDS
<p>The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in</p> <p>the Central Government may prescribed the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under Section 3 of the Chartered Accountants Act, 1949, in</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>10/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>91% MATCHING TEXT</b>	16 WORDS
<p>consultation with and after examination of the recommendations made by the National Financial Reporting Authority. Accordingly, the</p> <p>Consultation with and after examination of the recommendations made by the National Financial Reporting Authority. The</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>11/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>preparation of balance sheet and statement of profit and loss</p> <p><b>SA</b> COMBINE Corporate Accounting(1).pdf (D61319284)</p>				
<b>12/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>a) in the preparation of the annual accounts, the applicable</p> <p><b>SA</b> original.doc (D34943452)</p>				

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selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period; (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; (d) the directors had prepared the annual accounts on a going concern basis;

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of average net profits of the company made during three immediately preceding financial years shall be spent

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Indian Accounting Standard (Ind AS) 101 First-time Adoption of Indian Accounting Standards Indian Accounting Standard (Ind AS) 102 Share-based Payment Indian Accounting Standard (Ind AS) 103 Business Combinations Indian Accounting Standard (Ind AS) 104 Insurance Contracts Indian Accounting Standard (Ind AS) 105 Non-current Assets Held for Sale and Discontinued Operations Indian Accounting Standard (Ind AS) 106 Exploration for and Evaluation of Mineral Resources corporate financial reporting 119 Indian Accounting Standard (Ind AS) 107 Financial Instruments: Disclosures Indian Accounting Standard (Ind AS) 108 Operating Segments Indian Accounting Standard (Ind AS) 109 Financial Instruments Indian Accounting Standard (Ind AS) 110 Consolidated Financial Statements Indian Accounting Standard (Ind AS) 111 Joint Arrangements Indian Accounting Standard (Ind AS) 112 Disclosure of Interests in Other Entities Indian Accounting Standard (Ind AS) 113 Fair Value Measurement Indian Accounting Standard (Ind AS) 114 Regulatory Deferral Accounts Indian Accounting Standard (Ind AS) 115 Revenue from Contracts with Customers Indian Accounting Standard (Ind AS) 1 Presentation of Financial Statements Indian Accounting Standard (Ind AS) 2 Inventories Indian Accounting Standard (Ind AS) 7 Statement of Cash Flows Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting Estimates and Errors Indian Accounting Standard (Ind AS) 10 Events after the Reporting Period Indian Accounting Standard (Ind AS) 12 Income Taxes Indian Accounting Standard (Ind AS) 16 Property, Plant and Equipment Indian Accounting Standard (Ind AS) 17 Leases Indian Accounting Standard (Ind AS) 19 Employee Benefits Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance

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	<p>Indian Accounting Standard (Ind AS) 21 The Effects of Changes in Foreign Exchange Rates Indian Accounting Standard (Ind AS) 23 Borrowing Costs Indian Accounting Standard (Ind AS) 24 Related Party Disclosures Indian Accounting Standard (Ind AS) 27 Separate Financial Statements Indian Accounting Standard (Ind AS) 28 Investments in Associates and Joint Ventures Indian Accounting Standard (Ind AS) 29 Financial Reporting in Hyperinflationary Economies Indian Accounting Standard (Ind AS) 32 Financial Instruments : Presentation Indian Accounting Standard (Ind AS) 33 Earnings per Share Indian Accounting Standard (Ind AS) 34 Interim Financial Reporting Indian Accounting Standard (Ind AS) 36 Impairment of Assets Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets Indian Accounting Standard (Ind AS) 38 Intangible Assets Indian Accounting Standard (Ind AS) 40 Investment Property Indian Accounting Standard (Ind AS) 41 Agriculture</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>Indian Accounting Standard (Ind AS) 21 The Effects of Changes in Foreign Exchange Rates Indian Accounting Standard (Ind AS) 23 Borrowing Costs Indian Accounting Standard (Ind AS) 24 Related Party Disclosures Indian Accounting Standard (Ind AS) 27 Separate Financial Statements Indian Accounting Standard (Ind AS) 28 Investments in Associates and Joint Ventures Indian Accounting Standard (Ind AS) 29 Financial Reporting in Hyperinflationary Economies Indian Accounting Standard (Ind AS) 32 Financial Instruments: Presentation Indian Accounting Standard (Ind AS) 33 Earnings per Share Indian Accounting Standard (Ind AS) 34 Interim Financial Reporting Indian Accounting Standard (Ind AS) 36 Impairment of Assets Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets Indian Accounting Standard (Ind AS) 38 Intangible Assets Indian Accounting Standard (Ind AS) 40 Investment Property Indian Accounting Standard (Ind AS) 41 Agriculture</p>	
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	<p>In India, accounting standards were traditionally issued by the Institute of Chartered Accountants of India</p> <p><b>SA</b> M.Com.I_Adv._Accountancy_P._I___III_all.PDF (D142209931)</p>			
18/516	SUBMITTED TEXT	59 WORDS	75% MATCHING TEXT	59 WORDS
	<p>A balance sheet at the end of the period; ? A statement of profit and loss (including other comprehensive income) for the period; ? A statement of changes in equity for the period; ? A statement of cash flows for the period; ? Notes, comprising a summary of significant accounting policies and other explanatory information; and ? Comparative information in respect of the preceding period;</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>		<p>a balance sheet at the end of the period; (b) a statement of profit and loss for the period; (c) statement of changes in equity for the period; ( d) statement of cash flows for the period; (e) notes, comprising a summary of significant accounting policies and other explanatory information; f) comparative information in respect of the preceding period; (</p>	

<b>19/516</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>100% MATCHING TEXT</b>	36 WORDS
<p>A balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.</p>		<p>a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>20/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>61% MATCHING TEXT</b>	18 WORDS
<p>of financial statements (especially for Balance Sheet, Statement of Profit and Loss and Statement of Changes in Equity)</p>		<p>of Financial Statements (a) A Balance Sheet (b) Statement of Profit and Loss (c) Cash Flow Statement (d) Statement of Changes in Equity (</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<b>21/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>93% MATCHING TEXT</b>	22 WORDS
<p>that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial</p>		<p>that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>22/516</b>	<b>SUBMITTED TEXT</b>	56 WORDS	<b>94% MATCHING TEXT</b>	56 WORDS
<p>As per Section 129 of the Companies Act 2013, the financial statements shall give a true and fair view of the state of affairs of the company or companies, complying with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III.</p>				
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<b>23/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>52% MATCHING TEXT</b>	16 WORDS
<p>non-current assets Current assets (a) Inventories (b) Financial Assets (i) Investments [20] [ 20 ] (ii) Trade receivables (iii) Cash and cash equivalents (</p>		<p>Non-current investments 7 170,000 - 19,70,000 - 2 Current assets (a) Inventories 8 200,000 - (b) Trade receivables 9 340,000 - (c) Cash and cash equivalents 10 150,000 - 690,000 -</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

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<p>Other current assets Total Assets EQUITY AND LIABILITIES EQUITY (a) Equity Share capital (b) Other Equity LIABILITIES Non-current liabilities (a) Financial Liabilities (i) Borrowings (ii) Trade Payables: (A) total</p>		<p>Other current assets 5 60,000.00 TOTAL (4+5) 105,000.00 A EQUITY AND LIABILITIES 1 Equity (a) Equity Share capital 20,000.00 (b) Other Equity 1 35,000.00 (c) NCI 5,000.00 4 Non-current liabilities (a) term borrowings (10% debentures) 2 30,000.00 5 Current liabilities (a) Trade payables 3 15,000.00 B TOTAL (1+2+3) 105,000.00</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<p><b>25/516</b></p>	<p><b>SUBMITTED TEXT</b></p>	<p>89 WORDS</p>	<p><b>99% MATCHING TEXT</b></p>	<p>89 WORDS</p>
<p>An entity shall classify an asset as current when - (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realise the asset within twelve months after the reporting period; or (d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. An entity shall classify all other assets as non-current. 2. The</p>		<p>An entity shall classify an asset as current when: (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realise the asset within twelve months after the reporting period; or (d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. An entity shall classify all other assets as non-current. The</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<p><b>26/516</b></p>	<p><b>SUBMITTED TEXT</b></p>	<p>100 WORDS</p>	<p><b>99% MATCHING TEXT</b></p>	<p>100 WORDS</p>
<p>An entity shall classify a liability as current when - (a) it expects to settle the liability in its normal operating cycle; (b) it holds the liability primarily for the purpose of trading; (c) the liability is due to be settled within twelve months after the reporting period; or (d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in settlement by the issue of equity instruments do not affect its classification. An entity shall classify all other liabilities as non-current. 4.</p>		<p>An entity shall classify a liability as current when: (a) it expects to settle the liability in its normal operating cycle; (b) it holds the liability primarily for the purpose of trading; (c) the liability is due to be settled within twelve months after the reporting period; or (d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. An entity shall classify all other liabilities as non-current.</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				

<b>27/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>of assets at the beginning and end of the reporting period showing</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>of goodwill at the beginning and end of the reporting period showing</p>		
<b>28/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>of property at the beginning and end of the reporting period showing</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>of goodwill at the beginning and end of the reporting period showing</p>		
<b>29/516</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>54% MATCHING TEXT</b>	33 WORDS
<p>PART I-BALANCE SHEET Name of the Company..... Balance Sheet as at ..... (Rupees in.....) Particulars Note Figures as at the Figures as at the No. end of current end of previous reporting period</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				
<b>30/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>carrying amount of goodwill at the beginning and end of the reporting period showing</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>carrying amount of goodwill at the beginning and end of the reporting period showing</p>		
<b>31/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>of assets at the beginning and end of the reporting period showing</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>of goodwill at the beginning and end of the reporting period showing</p>		
<b>32/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>of assets at the beginning and end of the reporting period showing</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>of goodwill at the beginning and end of the reporting period showing</p>		



<b>33/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>applies an accounting policy retrospectively or makes a restatement of items in</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>		<p>applies an accounting policy retrospectively or makes a retrospective restatement of items in</p>		
<b>34/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>financial statements or when it reclassifies items in its financial statements,</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>		<p>financial statements, or when it reclassifies items in its financial statements (</p>		
<b>35/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>a "Balance Sheet" as at the beginning of the earliest comparative period</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>A balance sheet as at the beginning of the earliest comparative period</p>		
<b>36/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>40% MATCHING TEXT</b>	25 WORDS
<p>VIII Tax expense:(1) Current tax(2) Deferred tax [36] [ 36 ] IX Profit (Loss) for the period from continuing operations (VII-VIII) X Profit/(loss) from discontinued operations XI Tax expenses</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>VIII) 10,500 Tax expenses: (1) Current Tax 3,097.50 (2) deferred tax 577.50 3,675 PROFIT AFTER TAX FOR THE YEAR FROM CONTINUING OPERATION(IX-X) 6,825 XII Profit (loss) from discontinuing operations XIII Tax expenses</p>		
<b>37/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>58% MATCHING TEXT</b>	12 WORDS
<p>operations XII Profit/(loss) from Discontinued operations (after tax) (X-XI) XIII Profit/(loss) for the period (</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>operations XIV Profit(loss) from discontinuing operations (after tax) (XII-XIII) Nil XV PROFIT (LOSS) FOR THE PERIOD (</p>		

<b>38/516</b>	<b>SUBMITTED TEXT</b>	93 WORDS	<b>52% MATCHING TEXT</b>	93 WORDS
<p>PART II - Statement of Profit and Loss Name of the Company..... Statement of Profit and Loss for the period ended..... Particulars Note Figures as at the Figures as at the No. end of current end of previous reporting period reporting period I Revenue From operations II Other Income III Total Income (I + II) IV Expenses: Cost of materials consumed Purchases of Stock-in-Trade Changes in inventories of finished goods, Stock-in -Trade and work-in-progress Employee benefits expense Finance costs Depreciation and amortization expenses Other expenses Total expenses (IV) V Profit/(</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				
<b>39/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>82% MATCHING TEXT</b>	13 WORDS
<p>Other Comprehensive Income A. (i) Items that will not be reclassified to profit or loss (</p> <p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>40/516</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>100% MATCHING TEXT</b>	9 WORDS
<p>items that will not be reclassified to profit or loss</p> <p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>41/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>70% MATCHING TEXT</b>	14 WORDS
<p>items that will be reclassified to profit or loss XV Total Comprehensive Income for the</p> <p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>42/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>90% MATCHING TEXT</b>	14 WORDS
<p>The effective portion of gains and loss on hedging instruments in a cash flow hedge; (</p> <p>the effective portion of gains and losses on hedging instruments in a cash flow hedge</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				

<b>43/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>58% MATCHING TEXT</b>	18 WORDS
<p>Other Comprehensive Income shall be classified into - (A) Items that will not be reclassified to profit or loss (</p> <p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>44/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>be presented in the Statement of Profit and Loss in accordance with</p> <p>be recognised in the statement of profit and loss in accordance with</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>45/516</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>100% MATCHING TEXT</b>	43 WORDS
<p>assets (a) held for sale in the ordinary course of business, (b) in the process of production for such sale, or (c) in the form of materials or supplies to be consumed in the production process or in the rendering of [39] [ 39 ] services.</p> <p>assets: (a) held for sale in the ordinary course of business; (b) in the process of production for such sale; or (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>46/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>inventories must be done at the lower of cost and net realisable value.</p> <p>inventories to be measured at the lower of cost and net realisable value (</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>47/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>the General Instructions for Preparation of Financial Statements of a Company; (</p> <p><b>SA</b> COMBINE Corporate Accounting(1).pdf (D61319284)</p>				

<b>48/516</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>94% MATCHING TEXT</b>	26 WORDS
<p>the cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition,</p> <p><b>SA</b> original.doc (D34943452)</p>				
<b>49/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>80% MATCHING TEXT</b>	22 WORDS
<p>the net realisable value shall mean the estimated selling price in the ordinary course of business less the estimated costs of completion and</p> <p><b>SA</b> M.Com.I_Adv._Accountancy_P._I___III_all.PDF (D142209931)</p>				
<b>50/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>92% MATCHING TEXT</b>	23 WORDS
<p>the financial statements shall disclose: (a) the accounting policies adopted in measuring inventories, including the cost formula used; (b) the total carrying amount of inventories and</p> <p><b>SA</b> M.Com.I_Adv._Accountancy_P._I___III_all.PDF (D142209931)</p>				
<b>51/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>100% MATCHING TEXT</b>	24 WORDS
<p>to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows.</p> <p>to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>52/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>66% MATCHING TEXT</b>	18 WORDS
<p>statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.</p> <p>statement of cash flows, classifies cash flows during the period according to operating, investing, and financing activities. •</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>53/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>68% MATCHING TEXT</b>	24 WORDS
<p>the carrying amount of inventories carried at fair value less costs to sell; (d) the amount of inventories recognised as an expense during the period; (</p> <p><b>SA</b> Canadian GAAPs.pdf (D917184)</p>				
<b>54/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>77% MATCHING TEXT</b>	20 WORDS
<p>gross cash receipts and gross cash payments are disclosed; or (b) the indirect method, whereby profit or loss is adjusted</p> <p><b>SA</b> Canadian GAAPs.pdf (D917184)</p>				
<b>55/516</b>	<b>SUBMITTED TEXT</b>	73 WORDS	<b>97% MATCHING TEXT</b>	73 WORDS
<p>Ind AS 8: Accounting Policies, Changes in Accounting Estimates and Errors The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.</p> <p>Ind AS – 8: Accounting Policies, Changes in Accounting Estimates and Errors The objective of this Standard is to prescribe: • the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities. •</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>56/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>85% MATCHING TEXT</b>	20 WORDS
<p>the amount of significant cash and cash equivalent balances held by the entity that are not available for use by</p> <p><b>SA</b> original.doc (D34943452)</p>				

<b>57/516</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>74% MATCHING TEXT</b>	41 WORDS
<p>the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable</p>				
<p><b>SA</b> 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)</p>				

<b>58/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
<p>If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.</p>				
<p><b>SA</b> 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)</p>				

<b>59/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>76% MATCHING TEXT</b>	17 WORDS
<p>Ind AS 10: Events after the Reporting Period The objective of Ind AS 10 is to prescribe</p>				
<p>Ind AS – 10: Events after the Reporting Period Objective The objective of this Standard is to prescribe: (</p>				
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>60/516</b>	<b>SUBMITTED TEXT</b>	65 WORDS	<b>96% MATCHING TEXT</b>	65 WORDS
<p>an entity's financial statements for events after the reporting period; and (b) the disclosures that an entity should give about the date when the financial statements were approved for issue and about events after the reporting period. The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.</p>				
<p>an entity should adjust its financial statements for events after the reporting period; and (b) the disclosures that an entity should give about the date when the financial statements were approved for issue and about events after the reporting period. The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.</p>				
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>61/516</b>	<b>SUBMITTED TEXT</b>	55 WORDS	<b>53% MATCHING TEXT</b>	55 WORDS
<p>each prior period presented, to the extent practicable, the amount of the correction (c) the amount of the correction at the beginning of the earliest prior period presented; and (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the</p> <p><b>SA</b> 9702792, AFE3782, Assignment 2.pdf (D112831655)</p>				
<b>62/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>conditions that existed at the end of the reporting period, conditions that existed at the end of the reporting period.</p> <p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>63/516</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>76% MATCHING TEXT</b>	36 WORDS
<p>the date when the financial statements were approved for issue and who gave that approval. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.</p> <p><b>SA</b> Canadian GAAPs.pdf (D917184)</p>				
<b>64/516</b>	<b>SUBMITTED TEXT</b>	71 WORDS	<b>99% MATCHING TEXT</b>	71 WORDS
<p>Ind AS 12: Income Taxes The objective of this Standard is to prescribe the accounting treatment for income taxes. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of (a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in an entity's balance sheet, and (b) transactions and other events of the current period that are recognised in an entity's financial statements.</p> <p>Ind AS – 12: Income Taxes The objective of this Standard is to prescribe the accounting treatment for income taxes. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of: (a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in an entity's balance sheet; and (b) transactions and other events of the current period that are recognised in an entity's financial statements.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>65/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>87% MATCHING TEXT</b>	13 WORDS
<p>The objective of this Standard is to prescribe the accounting treatment for</p> <p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>		<p>The objective of this Statement is to prescribe the accounting treatment for</p>		
<b>66/516</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>85% MATCHING TEXT</b>	35 WORDS
<p>property, plant and equipment. The principal issues in accounting for property, plant and equipment includes recognition of the assets, the determination of their carrying amounts, the depreciation charges and impairment losses to be recognised in relation to them.</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>property, plant and equipment and the changes in such Investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.</p>		
<b>67/516</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>91% MATCHING TEXT</b>	32 WORDS
<p>disclose, for each class of property, plant and equipment (a) the measurement bases used for determining the gross carrying amount; (b) the depreciation methods used; (c) the useful lives or the depreciation rates used; (</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>disclose, for each class of property, plant and equipment: (a) the measurement bases (i.e., cost model or revaluation model) used for determining the gross carrying amount; (b) the depreciation methods used; (c) the useful lives or the depreciation rates used.</p>		
<b>68/516</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>100% MATCHING TEXT</b>	36 WORDS
<p>d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and (e) a reconciliation of the carrying amount at the beginning and end of the period.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>d) the gross carrying amount and the accumulated depreciation(aggregated with accumulated impairment losses) at the beginning and end of the period; and ( a reconciliation of the carrying amount at the beginning and end of the period</p>		
<b>69/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>79% MATCHING TEXT</b>	22 WORDS
<p>the nature of the event, and (b) an estimate of its financial effect, or a statement that such an estimate cannot be</p> <p><b>SA</b> Canadian GAAPs.pdf (D917184)</p>				



<b>70/516</b>	<b>SUBMITTED TEXT</b>	90 WORDS	<b>90% MATCHING TEXT</b>	90 WORDS
	<p>the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities; (b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction; (c) the amount of contractual commitments for the acquisition of property, plant and equipment; and (d) if it is not disclosed separately in the statement of profit and loss, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in</p>		<p>the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities; the amount of expenditure recognised in the carrying amount of an item of property, plant and equipment in the course of its construction; the amount of contractual commitments for the acquisition of property, plant and equipment; if it is not disclosed separately on the face of the statement of profit and loss, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>			
<b>71/516</b>	<b>SUBMITTED TEXT</b>	63 WORDS	<b>77% MATCHING TEXT</b>	63 WORDS
	<p>The objective of Ind AS 19 is to prescribe the accounting and disclosure for employee benefits. As per this standard, an entity shall recognise (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.</p>		<p>The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The requires an entity to recognise: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.</p>	
	<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>			
<b>72/516</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>86% MATCHING TEXT</b>	32 WORDS
	<p>Ind AS 20: Accounting for Government Grants and Disclosure of Government Assistance This Standard deals with accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance.</p>		<p>Ind AS – 20: Accounting for Government Grants and Disclosure of Government Assistance This Standard shall be applied in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance.</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>			
<b>73/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>85% MATCHING TEXT</b>	19 WORDS
	<p>of presentation adopted in the financial statements; (b) the nature and extent of government grants recognised in the financial statements</p>		<p>of presentation in the financial statements. (b) the nature and extent of Govt. grants recognized in the financial statements,</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>			

<b>74/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>Ind AS 21: The Effects of Changes in Foreign Exchange Rates</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>		<p>Ind AS 21 - The Effects of Changes in Foreign Exchange Rates?</p>		
<b>75/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
<p>exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements. •</p>		
<b>76/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>96% MATCHING TEXT</b>	17 WORDS
<p>exchange differences recognised in other comprehensive income and accumulated in a separate component of equity, [43] [ 43 ]</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity.</p>		
<b>77/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>67% MATCHING TEXT</b>	17 WORDS
<p>a reconciliation of the amount of such exchange differences at the beginning and end of the period.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period</p>		
<b>78/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>except for those arising on financial instruments measured at fair value through profit or loss in accordance with</p> <p><b>SA</b> Canadian GAAPs.pdf (D917184)</p>				
<b>79/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
<p>Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.</p>		

<b>80/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.</p>		
<b>81/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.</p>		
<b>82/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>of related party relationships and transactions between a reporting enterprise and related</p> <p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>		<p>of a. Related Party relationships and b. Transactions between a reporting enterprise and its related</p>		
<b>83/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>of a parent or investors with joint control of, or significant influence over, an investee</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>of a subsidiary) or investor with joint control of, or significant influence over, an investee,</p>		
<b>84/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>89% MATCHING TEXT</b>	16 WORDS
<p>in accordance with Ind AS 110, Consolidated Financial Statements, or Ind AS 27, Separate Financial Statements.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>in accordance with Ind AS 110, Consolidated Financial Statements, and Ind AS 27, Separate Financial Statements,</p>		
<b>85/516</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>70% MATCHING TEXT</b>	28 WORDS
<p>the functional currency and the reason for using a separate presentation currency, if so done, reason for change in functional currency of the reporting entity or a significant foreign operation.</p> <p><b>SA</b> Canadian GAAPs.pdf (D917184)</p>				

<b>86/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>61% MATCHING TEXT</b>	17 WORDS
<p>related party transactions during the periods covered by the financial statements, it shall disclose the nature of</p>		<p>related party transactions during the period covered by the financial statements, the enterprise should disclose the volume of</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>87/516</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>98% MATCHING TEXT</b>	31 WORDS
<p>Ind AS 27: Separate Financial Statements The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.</p>		<p>Ind AS – 27: Separate Financial Statements The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>88/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>prepares separate financial statements as its only financial statements, it shall</p>		<p>prepares separate financial statements as its only financial statements, it shall</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>89/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>a parent or an investor with joint control of, or significant influence over an investee,</p>		<p>a subsidiary) or an investor with joint control of, or significant influence over, an investee,</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>90/516</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>98% MATCHING TEXT</b>	42 WORDS
<p>Ind AS 28: Investments in Associates and Joint Ventures The objective of this Standard is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p>		<p>Ind AS – 28: Investments in Associates and Joint Ventures The objective of this Standard is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>91/516</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>100% MATCHING TEXT</b>	27 WORDS
<p>an entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>An entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method.</p>		
<b>92/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>46% MATCHING TEXT</b>	24 WORDS
<p>the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>The carrying amount of the Investment is adjusted to recognise the investor's Share of Profits or Losses of the investee (i.e. the Associate) after the date of acquisition.</p>		
<b>93/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Distributions received from an investee reduce the carrying amount of the investment.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>Distributions received from an Investee reduce the carrying amount of the investment.</p>		
<b>94/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>70% MATCHING TEXT</b>	19 WORDS
<p>Ind AS 32: Financial Instruments- Presentation; Ind AS 107: Financial Instruments – Disclosures and Ind AS 109 – Financial Instruments</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>Ind AS 32, Financial Instruments: Presentation, Ind AS 107 and Ind AS 109, Financial Instruments).</p>		
<b>95/516</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>98% MATCHING TEXT</b>	43 WORDS
<p>Ind AS 33: Earning Per Share The objective of this Standard is to prescribe principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>Ind AS – 33: Earning per Share The objective of this Standard is to prescribe principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity.</p>		

<b>96/516</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>77% MATCHING TEXT</b>	50 WORDS
<p>and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period, (b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other, (c)</p>		<p>and diluted earnings per share, and a reconciliation of those amounts to the net profit or loss for the period; (b) the weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other; and (c)</p>		
<p><b>W</b> <a href="https://www.mca.gov.in/Ministry/notification/pdf/AS_20.pdf">https://www.mca.gov.in/Ministry/notification/pdf/AS_20.pdf</a></p>				
<b>97/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, (</p>		<p>instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future,</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>98/516</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>98% MATCHING TEXT</b>	39 WORDS
<p>Ind AS 34: Interim Financial Reporting The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period.</p>		<p>Ind AS – 34: Interim Financial Reporting The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>99/516</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>87% MATCHING TEXT</b>	28 WORDS
<p>of interim operations (c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence (</p>		<p>of the interim operations the nature and amount of items affecting assets, liability, equity, net income or cash flows that are unusual because of their nature, size or incidence. 2.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>100/516</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>95% MATCHING TEXT</b>	28 WORDS
<p>the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial</p>		<p>The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amount reported in prior financial</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				

<b>101/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>88% MATCHING TEXT</b>	14 WORDS
	effect of changes in the composition of the entity during the interim period, (		Effect of changes in the composition of the enterprise during the interim period (	
	<b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a>			
<b>102/516</b>	<b>SUBMITTED TEXT</b>	88 WORDS	<b>99% MATCHING TEXT</b>	88 WORDS
	Ind AS 36: Impairment of Assets The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognise an impairment loss. The Standard also specifies when an entity should reverse an impairment loss.		Ind AS – 36: Impairment of Assets The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognise an impairment loss. The Standard also specifies when an entity should reverse an impairment loss	
	<b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a>			
<b>103/516</b>	<b>SUBMITTED TEXT</b>	105 WORDS	<b>94% MATCHING TEXT</b>	105 WORDS
	an entity shall disclose, among many things (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit and loss in which those impairment losses are included. (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit [47] [ 47 ] and loss in which those impairment losses are reversed. (c) the amount of impairment losses on revalued assets recognised in other comprehensive income during the period. (d) the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.		An entity shall disclose the following for each class of assets: (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit and loss in which those impairment losses are included. (b)the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit and loss in which those impairment losses are reversed. (c)the amount of impairment losses on revalued assets recognised in other comprehensive income during the period. (d)the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.	
	<b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a>			

<b>104/516</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>99% MATCHING TEXT</b>	61 WORDS
<p>Ind AS 38: Intangible Assets The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.</p>		<p>Ind AS – 38: Intangible Assets The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>105/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>78% MATCHING TEXT</b>	18 WORDS
<p>for each class of intangible assets (distinguishing between internally generated intangible assets and others), (a) whether the useful lives</p>		<p>for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets: (a) the useful lives</p>		
<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>106/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>87% MATCHING TEXT</b>	22 WORDS
<p>c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; (d)</p>		<p>c) the gross carrying amount and the accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period; (d)</p>		
<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>107/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>93% MATCHING TEXT</b>	21 WORDS
<p>repurchases and repayments of debt and equity securities (f) dividends paid (aggregate or per share) separately for ordinary shares and other shares, (</p>				
<p><b>SA</b> Canadian GAAPs.pdf (D917184)</p>				
<b>108/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>e) a reconciliation of the carrying amount at the beginning and end of the period.</p>		<p>e) a reconciliation of the carrying amount at the beginning and end of the period</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				



<b>109/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>86% MATCHING TEXT</b>	21 WORDS
<p>useful life, (b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the</p> <p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>		<p>useful life of the asset; (b) description, the carrying amount and remaining amortization period of any individual intangible asset that is material to the</p>		
<b>110/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>97% MATCHING TEXT</b>	22 WORDS
<p>Ind AS 40: Investment Property The objective of this Standard is to prescribe the accounting treatment for investment property and related disclosure requirements.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>Ind AS – 40: Investment Property The objective of this Standard is to prescribe the accounting treatment for investment property and related disclosure requirements.</p>		
<b>111/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>be recognised as an asset when, and only when: (a) it is probable that</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>be recognised as an asset if, and only if: (a) it is probable that</p>		
<b>112/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>73% MATCHING TEXT</b>	17 WORDS
<p>will flow to the entity; and (b) the cost of the investment property can be measured reliably.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>will flow to the enterprise; and (b) the cost of the item can be measured reliably. •</p>		
<b>113/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>property held for sale in the ordinary course of business</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>property held for sale in the ordinary course of business,</p>		
<b>114/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>71% MATCHING TEXT</b>	16 WORDS
<p>restrictions on the realisability of investment property or the remittance of income and proceeds of disposal,</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>restrictions on the right of ownership, realisability of investments or the remittance of income and proceeds of disposal.</p>		

<b>115/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>84% MATCHING TEXT</b>	13 WORDS
<p>at the beginning and end of the period and a reconciliation between the</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>at the beginning and end of the period; and (e) a reconciliation of the</p>		
<b>116/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>97% MATCHING TEXT</b>	22 WORDS
<p>of investment property. Ind AS 41: Agriculture The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>of investment property. Ind AS – 41: Agriculture The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.</p>		
<b>117/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>90% MATCHING TEXT</b>	12 WORDS
<p>biological assets, agricultural produce at the point of harvest and government</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>biological assets; (b) agricultural produce at the point of harvest; and (c) government</p>		
<b>118/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>83% MATCHING TEXT</b>	29 WORDS
<p>the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities (b) the amount of commitments for the</p> <p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>		<p>the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities; d) the amount of commitments for the</p>		
<b>119/516</b>	<b>SUBMITTED TEXT</b>	59 WORDS	<b>94% MATCHING TEXT</b>	59 WORDS
<p>Ind AS 102: Share Based Payment The objective of this Standard is to specify the financial reporting by an entity when it undertakes a share-based payment transaction. More specifically, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>Ind AS – 102: Share-based Payment Objective The objective of this Standard is to specify the financial reporting by an entity when it undertakes a share-based payment transaction. In particular, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.</p>		

120/516	SUBMITTED TEXT	60 WORDS	100% MATCHING TEXT	60 WORDS
	<p>an entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognise a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>An entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognise a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.</p>	
121/516	SUBMITTED TEXT	25 WORDS	100% MATCHING TEXT	25 WORDS
	<p>when the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognised as expenses.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognised as expenses.</p>	
122/516	SUBMITTED TEXT	71 WORDS	100% MATCHING TEXT	71 WORDS
	<p>equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>equity-settled share-based payment transactions: the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. •</p>	

123/516	SUBMITTED TEXT	60 WORDS	97% MATCHING TEXT	60 WORDS
	<p>how the acquirer recognizes and measures, in its financial statements, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognises and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.</p>		<p>how the acquirer: ( a) and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; (recognises and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>			

124/516	SUBMITTED TEXT	55 WORDS	92% MATCHING TEXT	55 WORDS
	<p>to understand the nature and extent of share-based payment arrangements that existed during the period, how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined and the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position.</p>			
	<p><b>SA</b> Canadian GAAPs.pdf (D917184)</p>			

125/516	SUBMITTED TEXT	54 WORDS	63% MATCHING TEXT	54 WORDS
	<p>the name and description of the acquiree, acquisition date, the percentage of voting equity interests acquired, the primary reason for combination and the process of obtaining control, a qualitative description of the factors that make up the goodwill recognised, the acquisition-date fair value of the total consideration transferred as well as of each major class, contingent consideration</p>		<p>the name and a description of the acquiree. (b) the acquisition date. (c) the percentage of voting equity interests acquired. (d) the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree. (e) a qualitative description of the factors that make up the goodwill recognised. (the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration,</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

126/516	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	<p>for each major class of assets acquired and liabilities assumed,</p>		<p>for each major class of assets acquired and liabilities assumed. (</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>			

<b>127/516</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>98% MATCHING TEXT</b>	35 WORDS
<p>Ind AS 110: Consolidated Financial Statements The objective of this Indian Accounting Standard (Ind AS) is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p>		<p>Ind AS – 110: Consolidated Financial Statements Objective The objective of this Indian Accounting Standard (Ind AS) is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>128/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>A parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.</p>		<p>A parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>129/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>100% MATCHING TEXT</b>	22 WORDS
<p>A parent shall present non-controlling interests in the consolidated balance sheet within equity, separately from the equity of the owners of the parent.</p>		<p>A parent shall present non-controlling interests in the consolidated balance sheet within equity, separately from the equity of the owners of the parent.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>130/516</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>98% MATCHING TEXT</b>	34 WORDS
<p>Ind AS 111: Joint Arrangements The objective of this Indian Accounting Standard (Ind AS) is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e., joint arrangements).</p>		<p>Ind AS – 111: Joint Arrangements Objective The objective of this Indian Accounting Standard (Ind AS) is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e., joint arrangements).</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>131/516</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>98% MATCHING TEXT</b>	42 WORDS
<p>A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.</p>		<p>A joint arrangement is an arrangement of which two or more parties have joint control. (v) Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>132/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>88% MATCHING TEXT</b>	13 WORDS
<p>an entity to account for each business combination by applying the acquisition method. (</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				
<b>133/516</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>89% MATCHING TEXT</b>	36 WORDS
<p>fair value measurements. Fair value as the price that would be received to sell an asset or paid to transfer a liability in [51] [ 51 ] an orderly transaction between market participants at the measurement date. To</p>		<p>Fair value N. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. to</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>134/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>97% MATCHING TEXT</b>	17 WORDS
<p>this Ind AS establishes a fair value hierarchy that categorises into three levels, the inputs to valuation techniques</p>		<p>This Ind AS establishes a fair value hierarchy that categorises into three levels of the inputs to valuation techniques</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>135/516</b>	<b>SUBMITTED TEXT</b>	59 WORDS	<b>98% MATCHING TEXT</b>	59 WORDS
<p>fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The</p>		<p>fair value. (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. (ii) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. (Level 3 inputs are unobservable inputs for the asset or liability. The</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>136/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
disclose information that helps users of its financial statements assess both of the following: (		disclose information that helps users of its financial statements assess both of the following: (		
<b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a>				
<b>137/516</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>100% MATCHING TEXT</b>	31 WORDS
for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheet after initial recognition, the valuation techniques and inputs used to develop those measurements. (		for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheet after initial recognition, the valuation techniques and inputs used to develop those measurements. (		
<b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a>				
<b>138/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>100% MATCHING TEXT</b>	25 WORDS
for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.		for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period. (		
<b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a>				
<b>139/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>69% MATCHING TEXT</b>	23 WORDS
the transfer of goods and services to a customer in an amount that reflects the consideration that the entity expects to be entitled		the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled		
<b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a>				
<b>140/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>76% MATCHING TEXT</b>	18 WORDS
Determine the transaction price Step 4: Allocate the transaction price to the performance obligations Step 5: Recognise revenue when (		Determine the transaction price. 4) Allocate the transaction price to the performance obligations in the contract. 5) Recognise revenue when		
<b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a>				

<b>141/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>the financial position, financial performance and cash flows of an entity.</p> <p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>		<p>the financial position, financial performance and cash flows of an entity -</p>		
<b>142/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>89% MATCHING TEXT</b>	23 WORDS
<p>business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>business responsibility report describing the initiatives taken by the listed entity from an environmental, social and governance perspective, in the format as specified by the Board.</p>		
<b>143/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>78% MATCHING TEXT</b>	16 WORDS
<p>Accounting Policies, Changes in Accounting Estimates and Errors (Ind AS 8) d) Events after the Reporting Period (</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>accounting policies, changes in accounting estimates and corrections of prior period errors. Ind AS – 10: Events after the Reporting Period</p>		
<b>144/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>57% MATCHING TEXT</b>	21 WORDS
<p>contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				
<b>145/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>62% MATCHING TEXT</b>	22 WORDS
<p>The Effects of Changes in Foreign Exchange Rates (Ind AS 21) h) Borrowing Costs (Ind AS 23) i) Related party Disclosures (Ind AS 24)</p> <p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				



<b>146/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>73% MATCHING TEXT</b>	16 WORDS
<p>Valuation of Goodwill 2.7 Methods for Valuation of Goodwill 2.7.1. Super Profit Method 2.7.2 Capitalization Method 2.7.3 Annuity Method 2.8</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				
<b>147/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>66% MATCHING TEXT</b>	19 WORDS
<p>Valuation of Shares 2.9 Methods of Valuation of Shares 2.9.1 Net Asset Method 2.9.2 Yield Method 2.9.3 Preference Shareholders' Claim 2.9.4 Fair Value</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				
<b>148/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>70% MATCHING TEXT</b>	18 WORDS
<p>Exercises [59] [ 59 ] 2.1 Objective After going through this unit, you will be able to: ? know the meaning</p> <p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				
<b>149/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>80% MATCHING TEXT</b>	18 WORDS
<p>Profit ? Future maintainable profit ? (Capital employed ? Normal rate of return) Goodwill ? Super profit ?</p> <p>Profit = Average Future Maintainable Profit – (Average Capital Employed X Normal rate of return) = ` 7,00,000 – ( ` 55,00,000 × 10%) = ` 1,50,000 ∴ Value of goodwill = Super profit ×</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>150/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>93% MATCHING TEXT</b>	29 WORDS
<p>goodwill may be defined as the value of the reputation of a business in respect of profits expected in future over and above the normal level of profit earned by</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				

<b>151/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>72% MATCHING TEXT</b>	23 WORDS
<p>Value of the business ? (Average future maintainable trading profit) / (Normal rate of return) Value of goodwill ? Value of the business ?</p>		<p>Value of the Business = expected average profit 7,000 = Normal Rate of Return 12% ` = ` 6,00,000 ∴ Value of Goodwill = Capitalised Value of the Business</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>152/516</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>77% MATCHING TEXT</b>	28 WORDS
<p>shareholders on the acquisition of their shares, by the government under a nationalisation scheme. (6) Conversion of preference shares into equity shares. (7) Advancing loan on the security of shares. (8)</p>		<p>shareholders on the acquisition of their shares by the government under a scheme of nationalization. 8. For conversion of securities, say preference shares into equity shares. 9. To advance a loan on the security of shares. 10.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>153/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>91% MATCHING TEXT</b>	18 WORDS
<p>employees of the company where the retention of such shares is limited up to the period of their</p>		<p>employees of the company where the retention of such shares is limited to the period of their</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>154/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>63% MATCHING TEXT</b>	29 WORDS
<p>Ltd. as on December 31, 2020 Liabilities Amount Assets Amount Rs. Rs. 20,000 Equity Shares of Rs. 10 each 2,00,000 Fixed Assets 3,50,000 1,000 9% Preference Shares Investments of Rs. 100 each 1,00,000 (6%)</p>				
<p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				
<b>155/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>71% MATCHING TEXT</b>	16 WORDS
<p>ascertain the value of each Equity Share by Net Asset Method on the basis of the</p>		<p>Ascertain the value of each equity share under Fair Value Method on the basis of the</p>		
<p><b>W</b> <a href="https://josephscollege.ac.in/lms/Uploads/pdf/material/Valuation_Of_Shares.pdf">https://josephscollege.ac.in/lms/Uploads/pdf/material/Valuation_Of_Shares.pdf</a></p>				

<b>156/516</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>52% MATCHING TEXT</b>	44 WORDS
<p>The following is the summarized Balance Sheet of X?Ltd. as on March 31 2020: Liabilities Amount Assets Amount Rs. Rs. 2,000 Equity Shares of Rs. 100 Goodwill 10,000 each fully paid 2,00,000 Land &amp; Building 2,10,000 1,000 Preference Shares Plant &amp; Machinery 1,50,000 of Rs. 100 each fully paid 1,00,000</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				
<b>157/516</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>72% MATCHING TEXT</b>	31 WORDS
<p>Preference shares of Rs. 10 each fully paid Rs. 2,00,000 25,000 Equity shares of Rs. 10 each fully paid Rs. 2,50,000 20,000 Equity shares of Rs. 10 each Rs. 7.50 paid up</p> <p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				
<b>158/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>50% MATCHING TEXT</b>	29 WORDS
<p>dividend. Expected rate of dividend ? (14% ? 13% ? 15%) / 3 ? 14% Normal rate of dividend ? 12.50% Yield value per share ? [(Expected rate of dividend)???(Paid up value)]/ (</p> <p>dividend (13,000) 7,20,000 1,28,000 7,78,333 19,458 5,29,000 58,375 2,000 ` 296 (i) Expected Rate of Dividend Profit available for Dividend /Share capital x100 = 58,375/2,00,000x100 = 29.187% (ii) Yield Value of Each Share Expected rate of dividend/Normal Rate of return* Paid up value</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>159/516</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>30% MATCHING TEXT</b>	43 WORDS
<p>Expected rate of return ? [(Profit available for equity shares)??? 100]/ (Paid up equity capital) [74] [ 74 ] ? (Rs. 84,000???)100)/Rs. 4,00,000 ? 21% Normal rate of return on equity capital ? 15% Yield value per share ? [(Expected rate of return)???(Paid up value)]/ (Normal rate</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				

<b>160/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>85% MATCHING TEXT</b>	17 WORDS
<p>The following is the summarized Balance Sheet of Union Ltd. as on March 31, 2020. Liabilities Amount Assets Amount</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				
<b>161/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>75% MATCHING TEXT</b>	23 WORDS
<p>Fixed assets are worth 20% above book value. Depreciation on appreciated value of fixed assets not to be considered for valuation of goodwill.</p>				
<p>Fixed assets are worth 5 per cent more than their actual book value. Depreciation on appreciated value of Fixed assets except machinery is not to be considered for valuation of goodwill. (4)</p>				
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>162/516</b>	<b>SUBMITTED TEXT</b>	66 WORDS	<b>80% MATCHING TEXT</b>	66 WORDS
<p>Of the investments, 70% is non-trading and the balance is trading. All investments are to be valued at 20% above cost. An uniform dividend @ 10% is earned on all investments. (3) For the purpose of valuation of shares, goodwill is to be considered on the basis of 5 years' purchase of super profit based on average profit of last 3 years. Profit (after 40% tax) are as follows: 2018:</p>				
<p>Of the investments, 80%, is non-trading and the Balance is trading. trade investments are to be valued at 20% below cost. A uniform rate of dividend of 10% is earned on all investments. (iii) For the purpose of valuation of shares, Goodwill is to be considered on the basis of 6 year's purchase of the super profits based on simple average profit of the last 3 years. Profits, after tax @ 50%, are as follows:</p>				
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>163/516</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>86% MATCHING TEXT</b>	38 WORDS
<p>In similar business, return on capital employed is 15%. (4) In 2018, new machinery costing Rs. 20,000 was purchased but wrongly charged to revenue. No effect has yet been given for rectifying the same. [79] [ 79 ] Depreciation charged on</p>				
<p>In a similar business, return on capital employed is 20%. In 2013, a new furniture costing ` 10,000 was purchased but wrongly charged to revenue. No effect has yet been given for rectifying the same. is charged on</p>				
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

164/516	SUBMITTED TEXT	22 WORDS	80% MATCHING TEXT	22 WORDS
	Trade Investments (1,60,000??30%??120%) 57,600 Stock-in-trade 3,00,000 Sundry Debtors 5,25,000 Cash at Bank 80,000 Less : Current liabilities 21,02,096 10% Bank loan 1,50,000 Sundry creditors 4,50,000 Trading capital employed		Trade investments ( ` 1,00,000 x 20%) x 80% Stock in trade Sundry Debtors Cash at bank Less: Outside liabilities: Bank Loan Sundry Creditors Capital employed 2,30,000 3,00,000 32,290 60,000 6,22,290 1,24,458 7,46,748 16,000 2,10,000 3,50,000 50,000 1,00,000 2,70.000 13,72,748 (3,70,000) 10,02,748 2.	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>			

165/516	SUBMITTED TEXT	32 WORDS	40% MATCHING TEXT	32 WORDS
	Net assets available for shares 24,69,966 Less : Preference share capital 3,00,000 Net assets available to equity shares (a) 21,69,966 [81] [ 81 ] Number of shares (b) ? 7,500 Value of each fully paid-up share [(		Net assets available to equity and preference shareholders Less : 10% share capital Net Assets available to equity share Value of under assets backing Method: Value of each full paid share =	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>			

166/516	SUBMITTED TEXT	28 WORDS	50% MATCHING TEXT	28 WORDS
	Balance Sheet of Sunflower Ltd, as on December 31, 2020 is as below. Liabilities Amount Assets Amount Rs. Share Capital : Fixed Assets : Equity shares of Rs. 100 each 7,50,000			
	<p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>			

167/516	SUBMITTED TEXT	15 WORDS	76% MATCHING TEXT	15 WORDS
	Preference Share Capital of Rs. 1000000 and Equity Shares of Rs. 10 each fully paid		Preference Share Capital of Rs.100 each fully paid up 1000000 Equity shares of Rs.10 each fully paid	
	<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>			

168/516	SUBMITTED TEXT	21 WORDS	72% MATCHING TEXT	21 WORDS
	included non-recurring profits on an average Rs. 4,000 out of which it was deemed that even non-recurring profits had a tendency		included non-recurring profits on average basics of ` 1000 out of which it was considered that even non-recurring profits had a tendency	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>			

<b>169/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>90% MATCHING TEXT</b>	20 WORDS
<p>Equity Shares of Rs. 100 each fully paid Rs. 15,00,000 9,000 10% Preference Shares of Rs. 100 each fully paid</p> <p><b>W</b> <a href="https://ksacademy.co.in/docs/sap4ipcc.pdf">https://ksacademy.co.in/docs/sap4ipcc.pdf</a></p>		<p>Equity shares of Rs.10 each, fully paid up 6,61,000 400, 15% preference shares of Rs.100 each, Fully Paid-</p>		
<b>170/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>88% MATCHING TEXT</b>	18 WORDS
<p>The Summarized Balance Sheet of Blue Ltd. as on March 31, 2003 was as follows: Liabilities Amount Assets Amount</p> <p><b>W</b> <a href="https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf">https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf</a></p>		<p>The summarized Balance Sheet of Srishti Ltd. as on 31 st March, 2015 was as follows: Liabilities Amount ( ` ) Assets Amount ( ` )</p>		
<b>171/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>78% MATCHING TEXT</b>	19 WORDS
<p>Rs. Rs. Share Capital : Fixed Assets : 1,000 6% Preference Shares 1,00,000 Goodwill 22,000 of Rs. 100 each fully paid</p> <p><b>W</b> <a href="https://ksacademy.co.in/docs/sap4ipcc.pdf">https://ksacademy.co.in/docs/sap4ipcc.pdf</a></p>		<p>Rs. Rs. SHARE CAPITAL: FIXED ASSETS: 10,640 Equity Shares of Rs.50 each fully paid</p>		
<b>172/516</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>46% MATCHING TEXT</b>	31 WORDS
<p>Less : Transfer to General Reserve @ 20% 72,854 Preference dividend (3,00,000???)8%) 24,000 96,854 Profit available for equity shareholders 2,67,414 Expected rate of return ? (Profit available for equity shares)???)100]/Paid up equity capital ? (</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>		<p></p>		
<b>173/516</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>71% MATCHING TEXT</b>	32 WORDS
<p>For the purpose of valuation of shares, goodwill is to be considered on the basis of 4 years' purchase of super profit based on weighted average profit after taxes of last 3 years.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>		<p>For the purpose of valuation of share, goodwill is to be valued on the basis of 3year purchase of super profit based on average profit (after tax) of last 3years (</p>		

<b>174/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>costing Rs. 16,000 was purchased but wrongly charged to revenue. No rectification has yet been made</p>		<p>costing ` 50,000 was purchased, but wrongly charged to revenue (no rectification has yet been made)</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>175/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>87% MATCHING TEXT</b>	13 WORDS
<p>of Liquidation 3.3 The Legal Framework of Liquidation or Winding Up in India 3.4</p>		<p>of Companies. The Legal Framework of Liquidation or Winding Up in India</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<b>176/516</b>	<b>SUBMITTED TEXT</b>	155 WORDS	<b>98% MATCHING TEXT</b>	155 WORDS
<p>The Legal Framework of Liquidation or Winding Up in India Prior to Companies Act 2013, liquidation procedure of companies was guided by Companies Act 1956. The new Companies Act 2013, incorporated in it, Chapter XX, Winding Up for liquidation of companies. The provisions were narrated in Section 270 to 365. However, enforcement of those sections was deferred and the provisions of the 1956 Act were continued even after the implementation of 2013 Act. The same went on until the Insolvency and Bankruptcy Code (IBC) was introduced in May 2016. On 15.11.2016, Section 255 of the IBC was notified and by virtue of Section 255, the 2013 Act stands amended in accordance of schedule XI of the Code. The Code, for the first time, introduced a definition of "winding up" in section 2 (94A) of Companies Act 2013, whereby winding up means winding up under the Act or liquidation under the Code, thus harmonising both statutes. The Code also introduced ancillary changes to the Act. 3.4 Modes of Winding Up/Liquidation</p>		<p>The Legal Framework of Liquidation or Winding Up in India Prior to Companies Act 2013, liquidation procedure of companies was guided by Companies Act 1956. The new Companies Act 2013, incorporated in it, Chapter XX, Winding Up for liquidation of companies. The provisions were narrated in Section 270 to 365. However, enforcement of those sections were deferred and the provisions of the 1956 Act were continued even after the implementation of 2013 Act. The same went on until the Insolvency and Bankruptcy Code (IBC) was introduced in May 2016. On 15.11.2016, Section 255 of the IBC was notified and by virtue of Section 255, the 2013 Act stands amended in accordance of schedule XI of the Code. The Code, for the first time, introduced a definition of "winding up" in section 2 (94A) of Companies Cat 2013, whereby winding up means winding up under the Act or liquidation under the Code, thus harmonising both statutes. The Code also introduced ancillary changes to the Act. Modes of Winding Up/Liquidation •</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<b>177/516</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>100% MATCHING TEXT</b>	33 WORDS
<p>As per Section 270 of the Companies Act 2013, the procedure for winding up of a company can be initiated either: (a) By the tribunal or, (b) Voluntary. However, Section 304 of Companies Act,</p>		<p>As per Section 270of the Companies Act2013, the procedure for winding up of a company can be initiated either: (a) By the tribunal or, (b) Voluntary. However, section 304 of Companies Act</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				

178/516	SUBMITTED TEXT	96 WORDS	94% MATCHING TEXT	96 WORDS
	<p>of companies, has now been omitted and therefore Section 59 of the Insolvency and Bankruptcy Code 2016 is applicable from 1/4/2017 to deal with voluntary winding up cases. Moreover, the distinction between members' voluntary winding up and creditors' voluntary winding up has also been eliminated. As per section 271 of the Companies Act 2013, a company can be wound up by a tribunal in the following circumstances: 1. If the company has by special resolution resolved that the company be wound up by the tribunal. 2. If the company has acted against the interest of the integrity or morality of India, security of the state,</p> <p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>		<p>of Companies Act has now been omitted and therefore Section 59of the Insolvency and Bankruptcy code2016 isapplicable from 1/4/2017 to deal with Voluntary winding up cases. Moreover, the distinction between members' voluntary winding up and creditors' voluntary winding up has been eliminated. As per section 271 of the Companies Act 2013, a company can be wound up by a tribunal in the following circumstances: 1. If the company has by special resolution resolved that the company be wound up by the tribunal. 2. If the company has acted against the interest of the integrity or morality of India, security of the state,</p>	
	<p>spoiled any kind of friendly relations with foreign or neighbouring countries. 3. If the company has not filed its financial statements or annual returns for preceding five consecutive financial years. 4. If the tribunal by any means finds that it is just and equitable that the company should be wound up. 5. If the company in anyway is indulged in fraudulent activities or any other unlawful business, or any person or management connected with the formation of company is found guilty of fraud, or any kind of misconduct.</p> <p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>	80 WORDS	97% MATCHING TEXT	80 WORDS
	<p>Equity Shares of Plant &amp; Machinery 1,00,000 Rs. 100 each fully paid 3,00,000 8% Investments 4,000 Equity Shares of (Nominal value 58,000 Rs. 100 each Rs. 50 per 2,00,000 Rs. 60,000) share paid Stock-in-trade 1,80,000 Sundry Debtors 1,60,000 Reserves and Surplus : Cash at Bank 20,000 General Reserve 50,000 Profit &amp; Loss A/c 80,000</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>	46 WORDS	28% MATCHING TEXT	46 WORDS



<b>181/516</b>	<b>SUBMITTED TEXT</b>	117 WORDS	<b>100% MATCHING TEXT</b>	117 WORDS
<p>Voluntary Winding up Chapter V of Part II of the Insolvency and Bankruptcy Code contains Section 59 that deals with voluntary liquidation. As per Section 59 of the Code, the voluntary liquidation process can only be initiated by a corporate person, which has not committed any default. The company can be wound up voluntarily by the mutual agreement of members of the company, if: (i) The company passes a Special Resolution stating about the winding up of the company. (ii) The company in its general meeting passes a resolution for winding up as a result of expiry of the period of its duration as fixed by its Articles of Association or at the occurrence of any such event where the articles provide for dissolution of company.</p>		<p>Voluntary Winding Up Chapter V of Part II of the Insolvency and Bankruptcy Code contains Section 59 that deals with voluntary liquidation. As per Section 59 of the Code, the voluntary liquidation process can only be initiated by a corporate person, which has not committed any default. The company can be wound up voluntarily by the mutual agreement of members of the company, if: (i) The company passes a special resolution stating about the winding up of the company. (ii) The company in its general meeting passes a resolution for winding up as a result of expiry of the period of its duration as fixed by its Articles of Association or at the occurrence of any such event where the articles provide for dissolution of company.</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				

<b>182/516</b>	<b>SUBMITTED TEXT</b>	96 WORDS	<b>98% MATCHING TEXT</b>	96 WORDS
<p>Liquidator The person appointed for conducting the liquidation proceedings of the company is called 'Liquidator'. Under IBC, "liquidator" means an insolvency professional appointed as a liquidator in accordance with the provisions of Chapter III or Chapter V of this Part, as the case may be. In case of Voluntary winding up by an Insolvency Professional, the company must submit a Statement of Affairs to the liquidator. The general duties of the liquidator are to take into his custody all the property of the company and actionable claims and make the payments as per the order laid down in the Companies Act. 3.6 Statement of Affairs</p>		<p>Liquidator The person appointed for conducting the liquidation proceedings of the company is called 'Liquidator'. Under IBC, "liquidator" means an insolvency professional appointed as a liquidator in accordance with the provisions of Chapter III or Chapter V of this Part, as the case may be. In case of Voluntary winding up an Insolvency Professional, the company must submit a statement of affairs to the liquidator. The general duties of the liquidator are to take into his custody all the property of the company and actionable claims and make the payments as per the order laid down in the Companies Act. 5 Statement of Affairs</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				

183/516	SUBMITTED TEXT	92 WORDS	100% MATCHING TEXT	92 WORDS
<p>When the liquidator officially takes charge of the company from the BODs, the directors are required to communicate the present financial status of the company. Accordingly, apart from the Statement of Profit and Loss for the period ended on the liquidation and a balance sheet with carrying amount of assets and liabilities on the date of liquidation, they are also to prepare and submit a statement showing the estimated realisable value of assets and liabilities of the company under liquidation. The statement must also include the estimated Deficiency, if any. Such a statement is known as Statement of Affairs.</p>		<p>When the liquidator officially takes charge of the company from the BODs, the directors are required to communicate the present financial status of the company. Accordingly, apart from the Statement of Profit and Loss for the period ended on the liquidation and a balance sheet with carrying amount of assets and liabilities on the date of liquidation, they are also to prepare and submit a statement showing the estimated realisable value of assets and liabilities of the company under liquidation. The statement must also include the estimated Deficiency, if any. Such a statement is known as Statement of Affairs.</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				

184/516	SUBMITTED TEXT	72 WORDS	91% MATCHING TEXT	72 WORDS
<p>Section 272 provides that a winding up petition is to be filed in the prescribed form. The petition for compulsory winding up can be presented by the following persons only: ? The company [90] [ 90 ] ? The creditors; or ? Any contributory or contributories ? By the central or state govt. ? By the registrar of any person authorized by central govt., for that purpose The winding up petition has to be accompanied with a Statement of Affairs (</p>				
<p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				

185/516	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS
<p>secured creditors to the extent to which claims are estimated to be covered by assets specifically pledged</p>				
<p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				

186/516	SUBMITTED TEXT	15 WORDS	64% MATCHING TEXT	15 WORDS
<p>Debenture-holders having a floating charge (as per list D); c. Unsecured creditors (as per list E);</p>				
<p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				

<b>187/516</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>95% MATCHING TEXT</b>	61 WORDS
<p>As per List H) The official liquidator will specify a date for period (minimum 3 years) beginning with the date on which information is supplied for preparation of an account to explain the deficiency or surplus. On that date either assets would exceed capital plus liabilities, that is, there would be a reserve or there would be a deficit or debit balance in the Profit</p> <p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				
<b>188/516</b>	<b>SUBMITTED TEXT</b>	88 WORDS	<b>98% MATCHING TEXT</b>	88 WORDS
<p>Loss Account. The Deficiency Account is divided into two parts: [94] [ 94 ] 1. The first part starts with the deficit (on the given date) and contains every item that increases deficiency (or reduces surplus such as losses, dividend etc.) 2. The second part starts with the surplus on the given date and includes all profits. If the total of the first exceeds that of the second, there would be a deficiency to the extent of the difference, and if the total of the second part exceeds that of the first, there would be a surplus. 3.5.3</p> <p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				
<b>189/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>57% MATCHING TEXT</b>	25 WORDS
<p>liquidation on March 31, 2021. The following balances are extracted from the books on that date: Liabilities Amount Assets Amount Rs. Rs. Capital: Buildings 1,50,000 50,000 Equity Shares of</p> <p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				
<b>190/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>88% MATCHING TEXT</b>	17 WORDS
<p>Statement of Affairs as on March 31. 2021 Estimated realisable value (Rs.) Assets not specifically pledged (as per list A) :</p> <p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				

<b>191/516</b>	<b>SUBMITTED TEXT</b>	64 WORDS	<b>57% MATCHING TEXT</b>	64 WORDS
	<p>Assets specifically pledged (as per list B): (a) (b) (c) (d)            Estimated Due to Deficiency Surplus Realisable Secured            ranked as carried to Value Creditors unsecured last            column Building 1,20,000 30,000 – 90,000 Estimated            surplus from assets specifically pledged 90,000 Estimated            total assets available for Preferential Creditors,            Debenture-holders secured by floating and unsecured            creditors 4,90,000 Summary of Gross Assets (e): Gross            realisable value of assets specifically pledged 1,20,000            Other assets 4,00,000 Gross Assets 5,20,000 Gross            Liabilities (f) Rs.</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>			
<b>192/516</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>89% MATCHING TEXT</b>	28 WORDS
	<p>Secured Creditors (as per list B) to the extent to which            claims Rs. 30,000 are estimated to be covered by assets            specifically pledged Preferential Creditors (as per list C):            6,000</p> <p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>			
<b>193/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>93% MATCHING TEXT</b>	24 WORDS
	<p>The following particulars were extracted from the books            of Silver Ltd. as on March 31, 2019 on which date a            winding up order was made:</p> <p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>		<p>The following particulars were extracted from the books            of X Ltd. as on March 31, 2019 on which date a winding            up order was made :</p>	

<b>194/516</b>	<b>SUBMITTED TEXT</b>	142 WORDS	<b>92% MATCHING TEXT</b>	142 WORDS
	<p>Equity Share Capital: 2,000 Shares of Rs. 100 each, Rs. 50 paid up 1,00,000 6% Preference Share Capital: 2,000 Shares of Rs. 100 each fully paid 2,00,000 6% First Mortgage Debentures, secured by a floating charge on the whole 1,50,000 of the assets of the company, exclusive of the uncalled capital Fully Secured Creditors (value of securities, Rs. 35,000) 35,000 Partly Secured Creditors (value of securities, Rs. 10,000) 20,000 Preferential Creditors for rates, taxes, wages etc. 6,000 Unsecured Creditors 70,000 Bills Payable 1,00,000 Bank Overdraft 10,000 Bills Receivable in hand 15,000 Bills Discounted (one bill for Rs. 10,000 known to be bad) 40,000 Book Debts – Good 10,000 – Doubtful (estimated to produce 40%) 7,000 – Bad 6,000 Land &amp; Building (estimated to produce Rs. 1,00,000) 1,50,000 Stock-in-trade (estimated to produce Rs. 40,000) 50,000 Machinery, Tools etc. (estimated to produce Rs. 2,000) 5,000 Cash in hand 2,100 Prepare Statement of Affairs and Deficiency Account. [97] [ 97 ] Solution : In order to find out</p>		<p>Equity Share Capital : 2,000 Shares of Rs.100 each, Rs.50 paid up 1,00,000 6% Preference Share Capital : 2,000 Shares of Rs.100 each fully paid 2,00,000 6% First Mortgage Debentures, secured by a floating charge on the whole of the assets of the company, exclusive of the uncalled capital 1,50,000 Fully Secured Creditors (value of securities, Rs.35,000) 30,000 Partly Secured Creditors (value of securities, Rs.10,00) 20,000 Preferential Creditors 6,000 Unsecured Creditors 70,000 Bills Payable 1,00,000 Bank Overdraft 10,000 Bills Receivable in hand 15,000 Bills Discounted (one bill for Rs.10,000 known to be bad) 40,000 Book Debts: Good 10,000 Doubtful (estimated to produce 40%) 7,000 Bad 6,000 18 Land &amp; Building (estimated to produce Rs.1,00,000) 1,50,000 Stock-in-trade (estimated to produce Rs.40,000) 50,000 Machinery, Tools etc, (estimated to produce Rs.2,000) 5,000 Cash in hand 2,100 Prepare Statement of Affairs and Deficiency Account Solution to No. 3 In order to find out</p>	
	<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>			

<b>195/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>89% MATCHING TEXT</b>	17 WORDS
	<p>Bills Payable 1,00,000 Bank Overdraft 10,000 6,86,000 6,86,000 Silver Ltd. (in liquidation) Statement of Affairs as on March 31, 2019</p>		<p>Bills Payable Bank Overdraft 1,00,000 2,00,000 1,50,000 30,000 20,000 6,000 70,000 1,00,000 10,000 ----- 6,86,000 ..... X Ltd, (in liquidation) Statement of Affairs as on March 31, 2019</p>	
	<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>			

196/516	SUBMITTED TEXT	79 WORDS	64% MATCHING TEXT	79 WORDS
<p>Estimated balance of assets available for Debenture-holders 4,84,000 secured by a floating charge and unsecured creditors 2,00,000 Debenture-holders secured by a floating charge (as per list D) 2,00,000            Estimated surplus as regards Debenture-holders 2,84,000            34,000 Unsecured Creditors (as per list E) 34,000            2,70,000 Estimated surplus as regards creditors [(e) - (f)]            2,50,000 Issued and Called up Capital: Preference Shares (as per list F) Nil 5,000 Equity Shares of Rs. 100 each fully paid (as per list G) 5,00,000 5,00,000 Estimated deficit as regards members 2,50,000 [96] [ 96 ]</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				

197/516	SUBMITTED TEXT	13 WORDS	71% MATCHING TEXT	13 WORDS
<p>to realise Assets not specifically pledged (as per list A): Rs.            Cash in hand 2,100</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				

198/516	SUBMITTED TEXT	88 WORDS	64% MATCHING TEXT	88 WORDS
<p>Assets specifically pledged (as per list B): 1,71,900 (a) (b) (c) (d) Estimated Due to Deficiency Surplus Realisable Secured ranked as carried to Value Creditors unsecured last column Rs. Rs. Rs. Rs. Investments 35,000 30,000 — 5,000 Investments 10,000 20,000 10,000 — 45,000 50,000 10,000 5,000 [98] [ 98 ] Estimated surplus from assets specifically pledged 5,000 Estimated total assets available for preferential creditors, 1,76,900 debenture-holders secured by a floating charge and unsecured creditors Summary of Gross Assets (e) : Gross realisable value of assets specifically pledged 45,000 Other assets 1,71,900 Gross Assets 2,16,900 Gross Liabilities (to be deducted from surplus or be added to</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				

<b>199/516</b>	<b>SUBMITTED TEXT</b>	56 WORDS	<b>99% MATCHING TEXT</b>	56 WORDS
	<p>creditors 1,79,100 Issued and Called up Capital: 2,000 6% Pref. Shares of Rs. 100 each fully paid (as per list F) 2,00,000 2,000 Equity Shares of Rs. 100 each, Rs. 50 paid up (as per list G) 1,00,000 3,00,000 Estimated deficiency as regards members (as per list H) 4,79,100 [99] [ 99 ] List H-Deficiency Account A. Items contributing to deficiency (or reducing surplus):</p>		<p>Creditors 12,800 15,000 1,71,900 5,000 ..... 1,76,900 6,000 ..... 1,70,900 1,50,000 ..... 20,900 20,900 2,00,000 ----- 179,100 and Called up Capital : 2,000 6% Pref. Shares of Rs. 100 each fully paid (as per list F) 2,000 Equity Shares of Rs. 100 each, Rs. 50 paid up (as per list G) Estimated deficiency as regards members ( as list H) 2,00,000 1,00,000 479,100 ----- List Deficiency Account Rs. Items contributing to deficiency (or reducing surplus) : 1.</p>	
	<b>W</b>	<a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a>		
<b>200/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
	<p>Excess of capital and liabilities over assets on 1.4. 2016 (at least 3 years before the date of winding up order)</p>		<p>Excess of capital and liabilities over assets on 1.4.2002 (at least 3 years before the date of winding up order) 2.</p>	
	<b>W</b>	<a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a>		
<b>201/516</b>	<b>SUBMITTED TEXT</b>	63 WORDS	<b>97% MATCHING TEXT</b>	63 WORDS
	<p>Secured Creditors (as per list B) to the extent to which 40,000 claims are estimated to be covered by assets specifically pledged 6,000 Preferential Creditors (as per list C) 6,000 Estimated balance of assets available for Debenture-holders 1,70,900 secured by a floating charge and unsecured creditors 1,50,000 Debenture-holders secured by a floating charge (as per list D) 1,50,000 Estimated surplus as regards Debenture-holders 20,900 Unsecured Creditors (as per list E): 10,000</p>			
	<b>SA</b>	MCOM-AFA - Plagiarism - M.Com - 1st Sem-USH.docx (D127906811)		
<b>202/516</b>	<b>SUBMITTED TEXT</b>	59 WORDS	<b>93% MATCHING TEXT</b>	59 WORDS
	<p>Estimated losses now written off or for which provision has been made for the purpose of preparing the statement. Land &amp; Building (1,50,000 - 1,00,000) 50,000 Machinery, Tools etc. (5,000 - 2,000) 3,000 Stock-in-trade (50,000 - 40,000) 10,000 Book Debts (23,000 - 12,800) 10,200 Bills Discounted 10,000 83,200 6. Other items contributing to deficiency Nil Total (A) 4,79,100 B. Items reducing deficiency (or contributing to surplus)</p>		<p>Estimated losses now written off or for which provision has been made for the purpose of preparing the statement : Land &amp; Building (1,50,000 - 1,00,000) Machinery, Tools etc. (5,000 - 2,000) Stock-in-trade (50,000 - 40,000) Book Debts (23,000 - 12,800) Bills Discounted 6. Other items contributing to deficiency Total (A) B. Items reducing deficiency (or contributing to surplus) : 7.</p>	
	<b>W</b>	<a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a>		

<b>203/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>89% MATCHING TEXT</b>	25 WORDS
<p>Nil 2. Net dividends and bonuses declared during the period from 1.4.2016 to 31. 3.2019 Nil 3. Net trading losses after charging depreciation, taxation, interest on Debentures, etc.</p> <p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				
<b>204/516</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>64% MATCHING TEXT</b>	38 WORDS
<p>the period from 1.4.2016 to 31.3.2019 Nil 9. Profits and income other than trading profits during the same period Nil 10. Other items reducing deficiency Nil Total (B) Deficiency as shown by the Statement of Affairs (A – B) 4,79,100 3.7</p> <p>the period from ...date... to date of Profit and income other than trading profits during the same period (give or annexed Other items reducing deficiency or contributing surplus TOTAL B Deficiency/Surplus (as shown by the statement of affairs) (A-B)</p> <p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>205/516</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>100% MATCHING TEXT</b>	36 WORDS
<p>Liquidator's Final Statement of Account is a statement to be prepared by the liquidator with details regarding the actual realizations of assets and payment to creditors. The same will be submitted to the appointing authority of the liquidator.</p> <p>Liquidator's Final Statement of Account is a statement to be prepared by the liquidator with details regarding the actual realizations of assets and payment to creditors. The same will be submitted to the appointing authority of the liquidator.</p> <p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<b>206/516</b>	<b>SUBMITTED TEXT</b>	84 WORDS	<b>100% MATCHING TEXT</b>	84 WORDS
<p>Priority Chart for Payment towards Various Parties While making payment towards various parties out of the amount realised from the assets of the company under liquidation, the liquidator is to abide by the following payment hierarchy. It is also known as the Priority Chart. 1. Secured creditors up to the amount available from the asset secured. 2. Cost of Liquidation [100] [ 100 ] a) Liquidator's remuneration b) Legal expenses c) Other expenses 3. Preferential Creditors 4. Debenture holders covered by floating charge on all assets 5. Unsecured creditors 6. Preference shareholders 7. Equity shareholders 3.7.2 Priority Chart</p> <p>Priority Chart for Payment towards Various Parties While making payment towards various parties out of the amount realised from the assets of the company under liquidation, the liquidator is to abide by the following payment hierarchy. It is also known as the Priority Chart. 1. Secured creditors up to the amount available from the asset secured. 2. Cost of Liquidation a) Liquidator's remuneration b) Legal expenses c) Other expenses 3. Preferential Creditors 4. Debenture holders covered by floating charge on all assets 5. Unsecured creditors 6. Preference shareholders 7. Equity shareholders 6 Priority Chart</p> <p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				



<b>207/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
	Secured Creditors : Secured creditors refer to the liabilities against which some assets have been kept as pledge.		Secured Creditors: Secured creditors refer to the liabilities against which some assets have been kept as pledge.	
	<b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a>			

<b>208/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>81% MATCHING TEXT</b>	16 WORDS
	lag period interest (i.e. interest from the date of liquidation up to the date of payment).		lag period interest refers to the interest due from the date of liquidation up to the date of payment	
	<b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a>			

**209/516****SUBMITTED TEXT**

291 WORDS

**99% MATCHING TEXT**

291 WORDS

Preferential creditors: These are unsecured creditors who are paid in preference to others. As per Sec. 327 of the Companies Act, 2013, preferential creditors include the following: a) Due to Government: All revenues, taxes, cesses and rates due to the Central, State Government or to a local authority which have become due and payable within twelve months before the date of winding up order. b) Salary and Wages Outstanding: All wages or salary including wages payable for time or piece work and salary earned wholly or in part by way of commission of any employee in respect of services rendered [101] [ 101 ] to the company and due for a period not exceeding four months within the twelve months immediately before the liquidation date, subject to the condition that the amount payable under this clause to any workman shall not exceed Rs. 20000 per claimant. c) All amounts due in respect of contribution payable during the twelve months under the Employees' State Insurance Act, 1948 or any other law. d) Compensation due under Workmen's Compensation Act, 1923 in respect of death or disablement of any employee of the company. e) Any amount due to any employee from provident fund, pension fund, gratuity fund for the welfare of the employees maintained by the company. f) Accrued holiday remuneration becoming payable to the employee or in case of his death, to any other person in his right, on termination of his employment before, or by the effect of the winding up. g) The expenses of any investigation held in pursuance of Sec. 213 or 216 in so far as they are payable by the company. Note : Here, the term 'workmen', in relation to a company, means the employees of the company, being workmen within the meaning of clause (s) of section 2 of the Industrial Disputes Act, 1947 (14 of 1947). Hence, persons working in the managerial capacity are not workmen. 4.

Preferential creditors: These are unsecured creditors who are paid in preference to others. As per Sec. 327 of the Companies Act, 2013, preferential creditors include the following: a) Due to Government: All revenues, taxes, cesses and rates due to the Central, State Government or to a local authority which have become due and payable within twelve months before the date of winding b) Salary and Wages Outstanding: All wages or salary including wages payable for time or piece work and salary earned wholly or in part by way of commission of any employee in respect of services rendered to the company and due for a period not exceeding four months within the twelve months immediately before the liquidation date, subject to the condition that the amount payable under this clause to any workman shall not exceed Rs. 20000 per claimant. c) All amounts due in respect of contribution payable during the twelve months under the Employees' State Insurance Act, 1948 or any other law. d) Compensation due under Workmen's Compensation Act, 1923 in respect of death or disablement of any employee of the company. e) Any amount due to any employee from provident fund, pension fund, gratuity fund for the welfare of the employees maintained by the company. f) Accrued holiday remuneration becoming payable to the employee or in case of his death, to any other person in his right, on termination of his employment before, or by the effect of the winding up. g) The expenses of any investigation held in pursuance of Sec. 213 or 216 in so far as they are payable by the company. 7 Note: Here, the term 'workmen', in relation to a company, means the employees of the company, being workmen within the meaning of clause (s) of section 2 of the Industrial Disputes Act, 1947 (14 of 1947). Hence, persons working in the managerial capacity are not workmen.

**W** <https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf>

<b>210/516</b>	<b>SUBMITTED TEXT</b>	73 WORDS	<b>96% MATCHING TEXT</b>	73 WORDS
<p>Overriding Preferential Payments: As per Section 326 of Companies Act 2013, overriding preferential payments are to be paid in priority to all other debts as per the said Act. They include: [102] [ 102 ] (a) Dues to workmen, and (b) Debts due to secured creditors to the extent such debts rank to the security of every creditor shall be deemed to be subject to pari passu charge in favour of the workmen to the extent of workmen's portion therein. 3.7.4</p>		<p>Overriding Preferential Payments: As per Section 326 of Companies Act 2013, overriding preferential payments are to be paid in priority to all other debts as per the said Act. They include: (a) Dues to workmen, and (b) Debts due to secured creditors to the extent such debts rank to the security of every creditor shall be deemed to be subject to paripassu charge in favour of the workmen to the extent of workmen's portion therein.</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<b>211/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>95% MATCHING TEXT</b>	10 WORDS
<p>You are required to prepare the Liquidator's Statement of Account</p>		<p>You are required to prepare the Liquidator's Final Statement of Account. (1)</p>		
<p><b>W</b> <a href="https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf">https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf</a></p>				
<b>212/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>65% MATCHING TEXT</b>	21 WORDS
<p>Excess of assets over capital and liabilities on 1.4.2016 Nil 8. Net trading profits after charging depreciation, taxation, interest on Debentures, etc.</p>				
<p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				
<b>213/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>65% MATCHING TEXT</b>	25 WORDS
<p>By Liquidation Expenses 1,000 Fixtures &amp; Fittings 1,000 By Preferential Creditors 10,000 By Debenture holders (assume having a floating charge) 10,000 By Unsecured Creditors 17,166 39,700 39,700 [103] [ 103 ]</p>		<p>By Liquidation Expenses By Liquidators' Remuneration By Preferential Creditors By Debenture Holders ( having a floating charge on company) By Creditors</p>		
<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>214/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>75% MATCHING TEXT</b>	16 WORDS
<p>his remuneration @ 3% on the amount realised, and 2% on the amount distributed to unsecured creditors:</p>				
<p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				

<b>215/516</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>32% MATCHING TEXT</b>	50 WORDS
<p>Illustration 4 : The Balance Sheet of Picture Ltd. as on March 31, 2021 is given below: Liabilities Amount Assets Amount Rs. Rs. Share Capital: Land &amp; Buildings 1,50,000 3,000 6% Pref. Shares of Plant &amp; Machinery 3,75,000 Rs. 100 each fully paid 3,00,000 Patents 60,000 1,500 Equity Shares of Stock 82,500 Rs. 100 each, Rs. 75</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				
<b>216/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>63% MATCHING TEXT</b>	24 WORDS
<p>Rs. 100 each, Rs. 60 paid 2,70,000 Profit &amp; Loss Account 1,80,000 5% Debentures (having a floating charge on all assets) 1,50,000 Interest Due on Debentures 7,500</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				
<b>217/516</b>	<b>SUBMITTED TEXT</b>	77 WORDS	<b>81% MATCHING TEXT</b>	77 WORDS
<p>realised as follows: Land &amp; Buildings Rs. 1,80,000; Plant &amp; Machinery Rs. 3,00,000; Patents Rs. 46,000; Stock Rs. 89,000 and Sundry Debtors Rs. 1,20,000. The expenses of liquidation amounted to Rs. 16,350. The liquidator is entitled to a commission of 3% on all assets realised except Cash at Bank and a commission of 2% on amounts distributed among unsecured creditors. Preferential creditors amount to Rs. 22,500. All payments were made on September 30, 2021. Prepare the Liquidator's Statement of Account. Solution : Liquidator's Statement of Account</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				
<b>218/516</b>	<b>SUBMITTED TEXT</b>	70 WORDS	<b>70% MATCHING TEXT</b>	70 WORDS
<p>Preference Shares of Rs. 100 each fully paid 4,00,000 Class 'A' 4,000 Equity Shares of Rs. 100 each, Rs. 75 paid 3,00,000 Class 'B' 3,200 Equity Shares of Rs. 100 each, Rs. 60 paid 1,92,000 Class 'C' 2,800 Equity Shares of Rs. 100 each, Rs. 50 paid 1,40,000 Assets excluding Machinery realised Rs. 6,79,000. Liquidation expenses (including liquidator's remuneration Rs. 21,000) amount to Rs. 30,000. Iron Ltd. has taken a loan of Rs. 1,00,000 from</p> <p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				

<b>219/516</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>71% MATCHING TEXT</b>	39 WORDS
<p>against the mortgage of Machinery which realised Rs. 1,61,000. In the books of the company salaries of 8 Clerks for 4 months @ Rs. 300 per month and salaries of 8 Peons for 3 months @ Rs. 150 per month, are</p> <p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				
<b>220/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>66% MATCHING TEXT</b>	21 WORDS
<p>Prepare Liquidator's Statement of Account. [107] [ 107 ] Solution : Liquidator's Final Statement of Account for period ended 31.12.2021 Receipts Amount Payments Amount Rs.</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				
<b>221/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>58% MATCHING TEXT</b>	18 WORDS
<p>Equity Shareholders 'A' shares 'B' shares 'C' shares Rs. Rs. Rs. Paid up value per share 75.00 60.00 50.00 Less: 51%</p> <p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				
<b>222/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>75% MATCHING TEXT</b>	15 WORDS
<p>Exercises ? Theoretical Questions 1. What do you mean by liquidation of companies? What are the</p> <p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				
<b>223/516</b>	<b>SUBMITTED TEXT</b>	57 WORDS	<b>47% MATCHING TEXT</b>	57 WORDS
<p>A contributory is — (a) a creditor; (b) a shareholder; (c) a debenture-holder (ii) The wages for 3 workers for a period of 5 months prior to the date of liquidation was in arrear. If the wages of each worker is Rs.1,400 per month, the amount to be included in preferential creditors will be — (a) Rs.21,000; (b) 16,800; (c) Rs.3,000. (</p> <p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				

<b>224/516</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>100% MATCHING TEXT</b>	42 WORDS
<p>The Capital of a company consisted of: (a) 20,000 Equity Shares of Rs. 10 each fully paid (b) 20,000 Equity Shares of Rs. 10 each, Rs. 5 paid Funds available for Equity shareholders after liquidation and after making payments to all other parties is Rs. 60,000.</p>		<p>The Capital of a company consisted of : (a) 10,000 Equity Shares of Rs. 10 each fully paid (b) 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid Funds available for Equity shareholders after liquidation and after making payments to all other parties is Rs. 30,000</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<b>225/516</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>87% MATCHING TEXT</b>	31 WORDS
<p>Problem 3 The following particulars were extracted from the books of Alpha Limited as on March 31, 2021 on which date a winding up order was made: [110] [ 110 ] Equity Share Capital</p>		<p>Problem No.3 The following particulars were extracted from the books of X Ltd. as on March 31, 2019 on which date a winding up order was made : Equity Share Capital : 2,000</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<b>226/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>68% MATCHING TEXT</b>	18 WORDS
<p>Preference Share Capital: 4,000 shares of Rs.100 each, fully called up 4,00,000 5% Debentures secured by first floating charge 3,00,000</p>		<p>Preference Share Capital : 2,000 Shares of Rs.100 each fully paid 2,00,000 6% Debentures, secured by a floating charge</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<b>227/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>95% MATCHING TEXT</b>	24 WORDS
<p>Land &amp; Building (estimated to produce Rs. 2,00,000) 2,80,000 Stock-in-trade (estimated to produce Rs. 80,000) 1,20,000 Machinery (estimated to produce Rs. 4,000) 6,000 Cash in hand 400</p>		<p>Land &amp; Building (estimated to produce Rs,1,00,000) 1,50,000 Stock-in-trade (estimated to produce Rs.40,000) 50,000 Machinery, Tools etc, (estimated to produce Rs.2,000) 5,000 Cash in hand 2,100</p>		
<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>				
<b>228/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>54% MATCHING TEXT</b>	24 WORDS
<p>the liquidator of a company. He is entitled to a commission @ 2% on assets realised and 3% on the amount distributed to shareholders. The</p>				
<p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				

<b>229/516</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>94% MATCHING TEXT</b>	30 WORDS
	<p>Equity Shareholders Rs. 1,90,667. Problem 5 : XYZ Ltd. went into voluntary liquidation on 31.03.2021. On that date the Trial Balance of the Company was as follows: Trial Balance as on 31.03.2021 Debit Balances</p>		<p>Equity Shareholders (Rs.4x10,000) 40,000 ----- 40,000 ----- 10 Comprehensive Problem No. 1 XYZ Ltd. went into voluntary liquidation on 31.03.2019. On that date the Trial Balance of the Company was as follows: Trial Balance as on 31.03.2019 Debit Balances</p>	
	<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>			

<b>230/516</b>	<b>SUBMITTED TEXT</b>	201 WORDS	<b>98% MATCHING TEXT</b>	201 WORDS
	<p>Rs. Good will 20,000 10000, 6% Preference Shares 10,00,000 of Rs. 100 fully paid Land and Building 6,00,000 5000 Equity shares of Rs.100 3,75,000 each, Rs.75 paid up Plant &amp; Machinery 11,50,000 15,000 Equity Shares of 9,00,000 Rs. 100 each, Rs. 60 paid up [112] [ 112 ] Stock 2,75,000 5% Debentures of Rs. 100 each 5,00,000 (Secured by floating charge on all assets of the company) Sundry Debtors 5,50,000 Interest due on Debentures 25,000 Cash at Bank 1,50,000 Bank Overdraft (secured on Land 2,00,000 and Building) Profit and Loss (Dr.) 8,00,000 Taxes due to Govt. 25,000 Outstanding Salaries and wages 1,50,000 Trade Creditors 3,70,000 35,45,000 35,45,000 The liquidator is entitled to a remuneration of 5% on all assets realized and 1% on amount distributed among unsecured creditors other than preferential creditors. The assets realized as follows: Rs. Land and Building 600000 Plant and Machinery 1000000 Stock 300000 Sundry Debtors 400000 Outstanding salaries and wages include salaries payable to the Managing Director of the company Rs.30000. Expenses of liquidation amounted to Rs.54750. Dividend on Preference Shares are in arrear for two years and to be paid in priority to the claims of equity shareholders as per the terms of issue. All payments were made on 1.7.2021, excepting bank overdraft and taxes due to the Govt. were paid immediately after liquidation. You are required to prepare Liquidator's Final Statement of accounts</p>		<p>Rs. Good will 20000 10000, 6% Preference Shares of Rs. 100 fully paid 1000000 Land and Building 600000 5000 Equity shares of Rs.100 each, Rs.75 paid up 375000 Plant &amp; Machinery 1150000 15,000 Equity Shares of Rs. 100 each, Rs. 60 paid up 900000 Stock 275000 5% Debentures of Rs. 100 each (Secured by floating charge on all assets of the company) 500000 Sundry Debtors 550000 Interest due on Debentures 25000 Cash at Bank 150000 Bank Overdraft (secured on Land and Building) 200000 Profit and Loss (Dr.) 800000 Taxes due to Govt. 25000 Outstanding Salaries and wages 150000 Trade Creditors 370000 3545000 3545000 The liquidator is entitled to a remuneration of 5% on all assets realized and 1% on amount distributed among unsecured creditors other than preferential creditors. The assets realized as follows: Rs. Land and Building 600000 Plant and Machinery 1000000 Stock 300000 Sundry Debtors 400000 Outstanding salaries and wages include salaries payable to the Managing Director of the company Rs.30000. Expenses of liquidation amounted to Rs.54750. Dividend on Preference Shares are in arrear for two years and to be paid in priority to the claims of equity shareholders as per the terms of issue. All payments were made on 1.7.2016, excepting bank overdraft and taxes due to the Government were paid immediately after liquidation. You are required to prepare Liquidator's Final Statement of accounts. 11</p>	
	<p><b>W</b> <a href="https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf">https://www.caluniv.ac.in/academic/Commerce/Study/DSE305A-CFAR.pdf</a></p>			

<b>231/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>68% MATCHING TEXT</b>	24 WORDS
<p>Preference Shares of Rs. 10 each (dividend paid up to December 31, 2002) 1,50,000 1,000 Equity Shares of Rs. 100 each, Rs. 90 per share called</p> <p><b>SA</b> original.doc (D34943452)</p>				
<b>232/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>100% MATCHING TEXT</b>	24 WORDS
<p>a financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>233/516</b>	<b>SUBMITTED TEXT</b>	65 WORDS	<b>94% MATCHING TEXT</b>	65 WORDS
<p>A financial asset is any asset that is: a) cash; b) an equity instrument of another entity; c) a contractual right: (i) to receive cash or another financial asset from another entity; or [115] [ 115 ] (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or (d) A contract that will or may be settled in the entity's own equity instruments</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>234/516</b>	<b>SUBMITTED TEXT</b>	53 WORDS	<b>99% MATCHING TEXT</b>	53 WORDS
<p>is: (i) A non-derivative for which the entity is or may be obliged to receive a variable number of entity's own equity instruments; or (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				



<b>235/516</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>95% MATCHING TEXT</b>	41 WORDS
<p>A financial liability is any liability that is a contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or</p>		<p>A financial liability is any liability that is: (a) a contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>236/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>Equity Instruments: An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.</p>		<p>equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>237/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>this unit you will be able to understand: ? The meaning of</p>				
<p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				
<b>238/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>73% MATCHING TEXT</b>	18 WORDS
<p>Financial Assets at Fair Value through profit or loss Financial Assets at Amortized Cost Financial Assets at Fair Value through other comprehensive income</p>		<p>financial assets and liabilities measured at fair value through profit or loss, (b) financial assets and liabilities measured at amortised cost. (c) financial assets measured at fair value through other comprehensive income (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>239/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>65% MATCHING TEXT</b>	22 WORDS
<p>the substance of the contractual arrangement, rather than its legal form, and the definitions of a financial liability and an equity instrument.</p>				
<p><b>SA</b> Assignment 1.pdf (D134275548)</p>				

<b>240/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>if the financial asset is held within a business model whose objective is</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>if the debt instrument is held within a business model whose objective is</p>		
<b>241/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>88% MATCHING TEXT</b>	17 WORDS
<p>within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets,</p>		
<b>242/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>96% MATCHING TEXT</b>	14 WORDS
<p>cash flows are solely payments of principal and interest on the principal amount outstanding. ?</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>cash flows that are solely payments of principal and interest on the principal amount outstanding</p>		
<b>243/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>cash flows that are solely payments of principal and interest</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>cash flows that are solely payments of principal and interest</p>		
<b>244/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>59% MATCHING TEXT</b>	20 WORDS
<p>Financial assets carried at Fair Value Through Profit or Loss and Financial assets carried at Fair Value Through Other Comprehensive Income)</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>		<p>financial assets and liabilities measured at fair value through profit or loss, (b) financial assets and liabilities measured at amortised cost. (c) financial assets measured at fair value through other comprehensive income (</p>		

<b>245/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>73% MATCHING TEXT</b>	21 WORDS
<p>Financial Assets at Fair Value through profit or loss            Financial Assets at Amortized Cost Financial Assets at Fair Value through other comprehensive income [120] [ 120 ]</p>		<p>financial assets and liabilities measured at fair value through profit or loss, (b) financial assets and liabilities measured at amortised cost. (c) financial assets measured at fair value through other comprehensive income (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>246/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>79% MATCHING TEXT</b>	21 WORDS
<p>the entity's Business Model (BM) for managing the financial assets; and (ii) The Contractual Cash Flow Characteristics (CCFC) of the financial</p>				
<p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>247/516</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>79% MATCHING TEXT</b>	28 WORDS
<p>An entity shall recognise a financial asset or financial liability in its balance sheet when, and only when, the entity becomes party to the contractual provisions of the instrument.</p>		<p>An entity should recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>248/516</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>87% MATCHING TEXT</b>	34 WORDS
<p>at its fair value plus in the case of a financial asset that is not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.</p>		<p>at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>249/516</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>64% MATCHING TEXT</b>	36 WORDS
<p>at its fair value minus in the case of a financial liability that is not at fair value through profit or loss, transaction costs that are directly attributable to issuing of the financial liability. In case of financial</p>		<p>at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent Measurement of Financial</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>250/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>71% MATCHING TEXT</b>	16 WORDS
<p>The contractual rights to the cash flows from the financial asset expires (b) It transfers the</p>		<p>the contractual rights to the cash flows from the asset expire, or it transfers the</p>		
<p><b>W</b> <a href="https://docplayer.net/64671431-Singer-sri-lanka-plc.html">https://docplayer.net/64671431-Singer-sri-lanka-plc.html</a></p>				

<b>251/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>80% MATCHING TEXT</b>	14 WORDS
<p>is extinguished. That is obligation under the contract is discharged or cancelled or expired.</p>		<p>is extinguished, that is when the obligation specified in the contract is discharged or cancelled or has expired.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>252/516</b>	<b>SUBMITTED TEXT</b>	108 WORDS	<b>36% MATCHING TEXT</b>	108 WORDS
<p>To Interest A/c 9492 31.12.21 Bank A/c          .....Dr. 8000 Investment in 8%          Bonds A/c.....Dr. 1568 To Interest A/c 9568          31.12.21 Interest A/c.....Dr. 19060 To          Profit and Loss A/c 19060 30.06.22 Bank A/c          .....Dr. 8000 Investment in 8%          Bonds A/c.....Dr. 1646 To Interest A/c 9646          [125] [ 125 ] 31.12.22 Bank A/c .....Dr.          8000 Investment in 8% Bonds A/c.....Dr. 1728 To          Interest A/c 9728 31.12.22 Interest          A/c.....Dr. 19374 To Profit and Loss A/c          19374 30.06.23 Bank A/c .....Dr. 8000          Investment in 8% Bonds A/c.....Dr. 1814 To Interest          A/c 9814 31.12.23 Bank A/c .....Dr. 8000          Investment in 8% Bonds A/c.....Dr. 1904 To Interest          A/c 9904 31.12.23 Interest A/c.....Dr.          19718 To Profit and Loss A/c 19718 31.12.23 Bank          A/c.....Dr 200000 To Investment in 8%          Bonds A/c 200000 Note : In the books of M Ltd.</p>		<p>is extinguished, that is when the obligation specified in the contract is discharged or cancelled or has expired.</p>		
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				

<b>253/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>50% MATCHING TEXT</b>	16 WORDS
<p>A/c.....Dr 23000 Fair Value Reserve          A/c.....Dr 3600 To Investment in Shares A/c          24000 To Profit and Loss A/c 2600</p>		<p>A/ c Dr. To A/c To Preliminary Expenses A/c To Profit and          Loss A/c</p>		
<p><b>W</b> <a href="https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf">https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf</a></p>				

<b>254/516</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>41% MATCHING TEXT</b>	34 WORDS
<p>A/c.....Dr. 20400 To Bank A/c 20400 31.03.2021            Investment in Shares A/c.....Dr. 3600 To Fair Value            Gain A/c 3600 31.03.2021 Fair Value Gain            A/c.....Dr. 3600 To OCI A/c 3600 31.03.2021            OCI A/c.....Dr. 3600 To Fair Value            Reserve A/c 3600 [126] [ 126 ]</p>				
<p><b>SA</b> original.doc (D34943452)</p>				

<b>255/516</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>43% MATCHING TEXT</b>	35 WORDS
<p>A/c.....Dr. 20000 Transaction Cost A/c.....Dr.            400 20400 To Bank A/c 31.03.2021 Investment in Shares            A/c.....Dr. 4000 To Fair Value Gain A/c 4000            31.03.2021 Fair Value Gain A/c.....Dr. 4000 To            P&amp;L A/c 4000 31.03.2021 P &amp; L A/c.....Dr.            400 To Transaction Cost A/c 400</p>				
<p><b>SA</b> original.doc (D34943452)</p>				

<b>256/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>63% MATCHING TEXT</b>	29 WORDS
<p>of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The fair value of the liability component is the</p>		<p>of the liability component can be determined at fair value of a similar liability that does NOT have any associated equity conversion feature. E.g. The fair value of the liability component of the</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>257/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>70% MATCHING TEXT</b>	29 WORDS
<p>A/c.....Dr 26000 To Investment in            Shares A/c 24000 To Profit and Loss A/c 2000 [127] [ 127 ]            4.10</p>				
<p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				

<b>258/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>64% MATCHING TEXT</b>	16 WORDS
<p>The debenture holders have the option of converting these debentures into ordinary shares at the end of</p>		<p>The Debenture-holders have the option of converting their holdings into ordinary shares on the basis of 21</p>		
<p><b>W</b> <a href="https://archive.org/stream/in.ernet.dli.2015.237658/2015.237658.The-Calcutta_djvu.txt">https://archive.org/stream/in.ernet.dli.2015.237658/2015.237658.The-Calcutta_djvu.txt</a></p>				

<b>259/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>financial instrument, whose fair value or cash flows are expected to offset</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>financial liability whose fair value or cash flows are expected to offset</p>		
<b>260/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>changes in the fair value or cash flows of a designated hedged item.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>changes in the fair value or cash flows of a designated hedged item.</p>		
<b>261/516</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>39% MATCHING TEXT</b>	47 WORDS
<p>A/c.....Dr 10,00,000 To Equity Share Capital A/c 20,000 To Securities Premium A/c 9,80,000 (Issue of 2000 equity shares of Rs. 10 each at a premium of Rs.490) [129] [ 129 ] (b) 5% Convertible Debentures (Equity Component) A/c.....Dr. 67,650 To Securities Premium A/c 67,650 (Equity portion of the convertible debentures transferred to Securities Premium A/c)</p> <p><b>SA</b> ACA Unit 3 (1).docx (D145689842)</p>				
<b>262/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>78% MATCHING TEXT</b>	13 WORDS
<p>of a forecast transaction which subsequently results in the recognition of a non-financial</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>of a forecast transaction results in the recognition of a non- financial</p>		
<b>263/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>should be recognised in the statement of profit and loss on</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>should be recognised in the statement of profit and loss on</p>		

<b>264/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>96% MATCHING TEXT</b>	24 WORDS
<p>Changes in market conditions that give to market risk include changes in benchmark interest rate, the price of another entity's financial instrument, a commodity price,</p>		<p>Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity's financial instrument, a commodity price,</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>265/516</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>86% MATCHING TEXT</b>	47 WORDS
<p>If the entity has reclassified a financial asset as one measured at cost or amortized cost, rather than at fair value; or at fair value, rather than at cost or amortized cost, it should disclose the amount re-classified into and out of each category and the reason for that</p>		<p>If the entity has reclassified a financial asset as one measured: (a) at cost or amortised cost, rather than at fair value; or (b) at fair value, rather than at cost or amortised cost, it should disclose the amount reclassified into and out of each category and the reason for that</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>266/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>82% MATCHING TEXT</b>	14 WORDS
<p>A/c.....Dr 1,000 To Profit &amp; Loss A/c 1,000 Profit &amp; Loss A/c.....Dr 1000 To Inventory A/c 1,000</p>				
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I___III_all.PDF (D142209931)</p>				
<b>267/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>62% MATCHING TEXT</b>	14 WORDS
<p>financial assets and financial liabilities that are not measured at fair value through profit or loss. (</p>		<p>financial assets and financial liabilities it has designated as at fair value through profit or loss,</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>268/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>for financial assets and financial liabilities not measured at fair value</p>		<p>for financial assets and financial liabilities not measured at fair value</p>		
<p><b>W</b> <a href="https://docplayer.net/64671431-Singer-sri-lanka-plc.html">https://docplayer.net/64671431-Singer-sri-lanka-plc.html</a></p>				

<b>269/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>88% MATCHING TEXT</b>	12 WORDS
<p>financial assets and financial liabilities as at fair value through profit or loss (</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>financial assets and financial liabilities it has designated as at fair value through profit or loss,</p>		
<b>270/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>64% MATCHING TEXT</b>	16 WORDS
<p>The debenture holders have the option of converting these debentures into ordinary shares at the end of</p> <p><b>W</b> <a href="https://archive.org/stream/in.ernet.dli.2015.237658/2015.237658.The-Calcutta_djvu.txt">https://archive.org/stream/in.ernet.dli.2015.237658/2015.237658.The-Calcutta_djvu.txt</a></p>		<p>The Debenture-holders have the option of converting their holdings into ordinary shares on the basis of 21</p>		
<b>271/516</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>86% MATCHING TEXT</b>	46 WORDS
<p>where a company has one or more subsidiaries, it shall, in addition to standalone financial statements, prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>Where a company has one or more subsidiaries or associate companies, it shall, in addition to financial statements provided under sub-prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards,</p>		
<b>272/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>94% MATCHING TEXT</b>	23 WORDS
<p>joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. (</p>		



<b>273/516</b>	<b>SUBMITTED TEXT</b>	163 WORDS	<b>96% MATCHING TEXT</b>	163 WORDS
	<p>as per Section 2(87) "subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company— (i) controls the composition of the Board of Directors; or (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies: Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.</p> <p>Explanation—For the purposes of this clause — (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company; (b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors.</p>			
	<p><b>SA</b> COMBINE Corporate Accounting(1).pdf (D61319284)</p>			
<b>274/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>71% MATCHING TEXT</b>	29 WORDS
	<p>Ind AS 103: Business Combinations ? Ind AS 110: Consolidated Financial Statements ? Ind AS 111: Joint Arrangements ? Ind AS 112: Disclosures of Interest in Other Entities ? Ind AS 27:</p>			
	<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>			
<b>275/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>100% MATCHING TEXT</b>	24 WORDS
	<p>separate financial statements shall also be prepared (Ind AS 27) by the investor company and investments are valued at cost or as per Ind AS 109.</p>		<p>separate financial statements shall also be prepared (Ind AS 27) by the investor company and investments are valued at cost or as per Ind AS 109.</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

<b>276/516</b>	<b>SUBMITTED TEXT</b>	118 WORDS	<b>96% MATCHING TEXT</b>	118 WORDS
<p>it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements; b) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); c) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and d) its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with Ind ASs.</p>		<p>it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements; (ii) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); ( it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and (iv) its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with Ind ASs. (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>277/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>95% MATCHING TEXT</b>	15 WORDS
<p>Separate Financial Statements ? Ind AS 28: Investments in Associates and Joint Ventures [144] [ 144 ]</p>				
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				
<b>278/516</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>100% MATCHING TEXT</b>	27 WORDS
<p>An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the</p>				
<p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>279/516</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>100% MATCHING TEXT</b>	46 WORDS
<p>an investor controls an investee if and only if the investor has all the following: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns.</p>		<p>An investor controls an investee if and only if the investor has all the following: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>280/516</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>100% MATCHING TEXT</b>	26 WORDS
<p>investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control</p>		<p>investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>281/516</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>60% MATCHING TEXT</b>	28 WORDS
<p>Consolidation of an investee i.e., subsidiary shall start from the date the investor i.e., parent obtains control of the subsidiary and will cease when the parent loses control of the</p>		<p>Consolidation of an investee shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>282/516</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>94% MATCHING TEXT</b>	36 WORDS
<p>An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. [146] [ 146 ]</p>				
<p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>283/516</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>95% MATCHING TEXT</b>	27 WORDS
<p>Cr. (Rs.) Net Assets A/c..... Dr. 9,00,000 Goodwill A/c.....Dr. 2,20,000 To Consideration A/c 8,50,000 To NCI A/c 2,70,000 Consideration A/c..... Dr. 8,50,000 To Equity Share Capital A/c 8,50,000 [149] [ 149 ] ] In the</p>		<p>Cr. ( ` ) Net assets A/c Dr. 8,00,000 Goodwill A/c Dr. 3,20,000 To, Consideration A/c 9,60,000 To NCI A/c 1,60,000 Consideration A/c Dr. 9,60,000 To, Equity Share Capital A/c 9,60,000 In the</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>284/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>66% MATCHING TEXT</b>	15 WORDS
<p>Particulars Dr. (Rs.) Cr. (Rs.) Investment in S Ltd. A/c.....Dr. 8,50,000 To Equity Share Capital A/c 8,50,000</p>		<p>PARTICULARS Dr. (Rs.) Cr. (Rs.) i) Equity share call A/c Dr 1,00,000 TO Equity share capital A/c 1,00,000 (</p>		
<p><b>W</b> <a href="https://ksacademy.co.in/docs/sap4ipcc.pdf">https://ksacademy.co.in/docs/sap4ipcc.pdf</a></p>				

285/516	SUBMITTED TEXT	31 WORDS	58% MATCHING TEXT	31 WORDS
	Cr. (Rs.) Net Assets A/c..... Dr. 9,00,000 To Consideration A/c 6,00,000 To NCI A/c 2,70,000 To Gain on Bargain Purchase A/c 30,000 Consideration A/c..... Dr. 6,00,000 To Equity Share Capital A/c 6,00,000 [150] [ 150 ] In the		Cr. ( ` ) Net assets A/c Dr. 8,00,000 Goodwill A/c Dr. 3,20,000 To, Consideration A/c 9,60,000 To NCI A/c 1,60,000 Consideration A/c Dr. 9,60,000 To, Equity Share Capital A/c 9,60,000 In the	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

286/516	SUBMITTED TEXT	15 WORDS	66% MATCHING TEXT	15 WORDS
	Particulars Dr. (Rs.) Cr. (Rs.) Investment in S Ltd. A/c.....Dr. 6,00,000 To Equity Share Capital A/c 6,00,000		PARTICULARS Dr. (Rs.) Cr. (Rs.) i) share final A/c Dr 1,00,000 TO Equity share capital A/c 1,00,000 (	
	<p><b>W</b> <a href="https://ksacademy.co.in/docs/sap4ipcc.pdf">https://ksacademy.co.in/docs/sap4ipcc.pdf</a></p>			

287/516	SUBMITTED TEXT	35 WORDS	70% MATCHING TEXT	35 WORDS
	Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Net Assets A/c..... Dr. 9,60,000 Goodwill A/c.....Dr. 2,40,000 To Consideration A/c 8,40,000 To NCI A/c 3,60,000 Consideration A/c..... Dr. 8,40,000 To Equity Share Capital A/c (70,000 ? Rs.10) 7,00,000 To Securities Premium A/c (70,000 ?		Journal Entry Particulars Dr. ( ` ) Cr. ( ` ) Net assets A/c Dr. 1,35,00,000 Goodwill A/c Dr. 9,00,000 To, Consideration A/c 1,44,00,000 Consideration A/c Dr. 1,44,00,000 To, Equity Share Capital A/c 6,00,000 To, Securities Premium A/c 1,38,00,000	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

288/516	SUBMITTED TEXT	22 WORDS	69% MATCHING TEXT	22 WORDS
	To Equity Share Capital A/c 7,00,000 ` To Securities Premium A/c 1,40,000 Investment A/c..... Dr.To Equity Share Capital A/c To Securities Premium A/c 8,40,000 7,00,000 1,40,000		To Equity Share Capital A/c To Securities Premium A/c To Debentures A/c To Preference Share Capital A/c To A/c	
	<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>			

<b>289/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>85% MATCHING TEXT</b>	20 WORDS
<p>Cr. (Rs.) Net Assets A/c..... Dr. 9,60,000 Goodwill A/c.....Dr. 1,40,000 To Consideration A/c 8,00,000 To NCI A/c 3,00,000 Consideration A/c..... Dr. 8,00,000 To Bank A/c 8,00,000</p>		<p>Cr. ( ` ) Net assets A/c Dr. 8,00,000 Goodwill A/c Dr. 3,20,000 To, Consideration A/c 9,60,000 To NCI A/c 1,60,000 Consideration A/c Dr. 9,60,000 To, Equity Capital A/c 9,60,000</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>290/516</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>62% MATCHING TEXT</b>	32 WORDS
<p>Current Assets Inventories 1,050 750 900 Trade receivables 450 375 375 Cash and Cash Equivalent 4,950 1,050 1,050 Total 23,250 6,675 Equity and Liabilities Equity Share Capital (Rs. 10) 7,500 3,000 Other Equity 15,300 3,450 Non-current Liabilities – – Current Liabilities Trade</p>		<p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash at Bank TOTAL 19,80,000 Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>291/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>87% MATCHING TEXT</b>	15 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2021 Particulars Amount (Rs.)</p>		<p>Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31 st Particulars Note Amount (Rs.)</p>		
<p><b>W</b> <a href="https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf">https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf</a></p>				
<b>292/516</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>29% MATCHING TEXT</b>	36 WORDS
<p>A/c (at fair value) ..... Dr. Goodwill A/c.....Dr. To Liabilities (at fair value) A/c To Consideration A/c To NCI A/c To Gain on Bargain Purchase A/c Consideration A/c..... Dr. To Cash A/c (if consideration is paid in cash) To Equity Share Capital A/c (</p>		<p></p>		
<p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				
<b>293/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>87% MATCHING TEXT</b>	15 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2021 Particulars Amount (Rs.)</p>		<p>Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31 st Particulars Note Amount (Rs.)</p>		
<p><b>W</b> <a href="https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf">https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf</a></p>				

<b>294/516</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>48% MATCHING TEXT</b>	41 WORDS
<p>Assets Non-current Assets PPE (10,500 + 4,950) 15,450            Goodwill 1,365 Current Assets Inventories (1,050 + 900)            1,950 Trade receivables (450 + 375) 825 Cash and Cash            Equivalent (4,950 + 1,050) 6,000 Total 25,590 Equity and            Liabilities Equity Share Capital (Rs. 10) 7,500 Other Equity            15,300 NCI 2,115 Non-current Liabilities – Current            Liabilities Trade Payables (450 +225) 675</p> <p><b>SA</b> 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)</p>				
<b>295/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>98% MATCHING TEXT</b>	24 WORDS
<p>For consolidation on subsequent date the share of NCI in post-acquisition profit or loss of the subsidiary must be added to acquisition date value</p> <p>for consolidation on subsequent date the share of NCI in post acquisition profit or loss of the subsidiary must be added to NCI acquisition date value.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>296/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>acquisition date fair value plus subsequent change in book value</p> <p>acquisition date fair value plus subsequent change in book value.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>297/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>62% MATCHING TEXT</b>	29 WORDS
<p>Current Assets Inventories 1,200 825 Trade receivables 570 450 Cash and Cash Equivalent 6,705 2,130 Total 24,525 7,530 Equity and Liabilities Equity Share Capital (Rs. 10) 7,500 3,000 Other Equity 16,500 4,275 Non-current Liabilities – – Current Liabilities Trade</p> <p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash at Bank TOTAL 19,80,000 Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>298/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>87% MATCHING TEXT</b>	15 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31.03.2022 Particulars Amount (Rs.)</p> <p>Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31 st Particulars Note Amount (Rs.)</p> <p><b>W</b> <a href="https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf">https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf</a></p>				

<b>299/516</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>48% MATCHING TEXT</b>	41 WORDS
<p>Assets Non-current Assets PPE (10,500 + 4,950) 15,450            Goodwill 1,770 Current Assets Inventories (1,050 + 900)            1,950 Trade receivables (450 + 375) 825 Cash and Cash            Equivalent (4,950 + 1,050) 6,000 Total 25,995 Equity and            Liabilities Equity Share Capital (Rs. 10) 7,500 Other Equity            15,300 NCI 2,520 Non-current Liabilities – Current            Liabilities Trade Payables (450 +225) 675</p> <p><b>SA</b> 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)</p>				
<b>300/516</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>48% MATCHING TEXT</b>	38 WORDS
<p>Assets Non-current Assets PPE 14,302.50 Goodwill            1,218.00 Current Assets Inventories (1,200 + 825)            2,025.00 Trade receivables (570 +450) 1,020.00 Cash and            Cash Equivalent (6,705 + 2,130) 8,835.00 Total 27,400.50            Equity and Liabilities Equity Share Capital (Rs. 10) 7,500.00            Other Equity 16,809.75 NCI 2,310.75 Non-current            Liabilities – Current Liabilities Trade Payables (525 + 255)            780</p> <p><b>SA</b> 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)</p>				
<b>301/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>65% MATCHING TEXT</b>	23 WORDS
<p>Cash and Cash Equivalent 5,800 2,000 Total 26,000 7,750            Equity and Liabilities Equity Share Capital (Rs. 10) 8,000            3,000 Other Equity 17,500 4,500 Non-current Liabilities            – – Current Liabilities Trade</p> <p>Cash and Cash Equivalent- Cash at Bank TOTAL            19,80,000 II. Equity And Liabilities (1) Equity: Equity Share            Capital Other Equity – General reserve Profit And Loss            Account 9,00,000 3,30,000 2,50,000 (2) Non-Current            Liabilities - - 5,00,000 (3) Current liabilities Trade</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>302/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S            Ltd. as on 31.03.2022. Solution : (Rs.</p> <p>Consolidated Balance Sheet of H Ltd. and its subsidiary S            Ltd. as on 31.03.2009 Rs.</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				

303/516	SUBMITTED TEXT	16 WORDS	91% MATCHING TEXT	16 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31.03.2022 Particulars Note Amount (Rs.</p>		<p>Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31 Particulars Note No. Rs.)</p>		
<p><b>W</b> <a href="https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf">https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf</a></p>				

304/516	SUBMITTED TEXT	16 WORDS	73% MATCHING TEXT	16 WORDS
<p>the balance sheets of H Ltd. and S Ltd. were as follows: Particulars H Ltd. S Ltd.</p>				
<p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				

305/516	SUBMITTED TEXT	39 WORDS	48% MATCHING TEXT	39 WORDS
<p>Assets Non-current Assets PPE 8 14,070 Goodwill 1 250 Current Assets Inventories 9 5,790 Trade receivables (1,000+350 – 20 - 60) 1,270 Cash and Cash Equivalent (5,800+2,000 +20) 7,820 Total 29,200 Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 Other Equity 6 18,906 NCI 5 1,604 Non-current Liabilities Current Liabilities Trade Payables (500+250-60) 690</p>				
<p><b>SA</b> 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)</p>				

306/516	SUBMITTED TEXT	29 WORDS	62% MATCHING TEXT	29 WORDS
<p>Current Assets Inventories 10,000 1,600 Trade receivables 2,000 700 Cash and Cash Equivalent 11,600 4,000 Total 52,000 15,500 Equity and Liabilities Equity Share Capital (Rs. 10) 16,000 6,000 Other Equity 35,000 9,000 Non-current Liabilities – – Current Liabilities Trade</p>		<p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash at Bank TOTAL 19,80,000 Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				

307/516	SUBMITTED TEXT	19 WORDS	90% MATCHING TEXT	19 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2022. [164] [ 164 ] Solution : (Rs.</p>		<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2009 Rs.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				



<b>308/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>71% MATCHING TEXT</b>	16 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31.03.2022 Particulars H Ltd. Carrying Amount (Rs.</p>		<p>Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31 st December 2014 Particulars No. Amount (Rs.)</p>		
<p><b>W</b> <a href="https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf">https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf</a></p>				
<b>309/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>73% MATCHING TEXT</b>	16 WORDS
<p>the balance sheets of H Ltd. and S Ltd. were as follows: Particulars H Ltd. S Ltd.</p>				
<p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				
<b>310/516</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>48% MATCHING TEXT</b>	27 WORDS
<p>Assets Non-current Assets PPE 27,285.00 Goodwill 650.50 Current Assets Inventories 11,600.00 Trade receivables 2,700.00 Cash and Cash Equivalent 15,600.00 Total 57,835.00 Equity and Liabilities Equity Share Capital (Rs. 10) 16,000.00 Other Equity 37,338.33 NCI 2,996.67 Non-current Liabilities — Current Liabilities Trade Payables 1,500.00</p>				
<p><b>SA</b> 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)</p>				
<b>311/516</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>47% MATCHING TEXT</b>	26 WORDS
<p>It is probable that the economic benefits associated with dividend will flow to the entity, and [166] [ 166 ] ? the amount of dividend can be reliably</p>		<p>it is probable that the economic benefits that are attributable to the asset will flow the enterprise the cost of the asset can be measured reliably. •</p>		
<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>312/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>55% MATCHING TEXT</b>	17 WORDS
<p>in profit or loss by an investor entity when: ? The entity's right to receive dividend is established, ?</p>				
<p><b>SA</b> Assignment 1.pdf (D134275548)</p>				

<b>313/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>84% MATCHING TEXT</b>	22 WORDS
<p>an entity shall recognize a dividend from a subsidiary in its separate financial statements when its right to receive the dividend is established.</p> <p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>314/516</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>42% MATCHING TEXT</b>	47 WORDS
<p>Current Assets Inventories 1,300 1,000 Trade Receivables – Sundry debtors 2,000 700 Bills Receivable (including inter-co bills Rs.10) – 300 Total 13,600 5,000 Equity and Liabilities Equity Share Capital (Rs. 10) 5,000 2,000 Other Equity 8,000 2,500 Non-current Liabilities – – Current Liabilities Trade Payables – Sundry creditors 400 300</p> <p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash at Bank TOTAL 19,80,000 II. Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade Sundry Creditors</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>315/516</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>50% MATCHING TEXT</b>	38 WORDS
<p>Total 13,600 15,790 Equity and Liabilities Equity 5,000 Share Capital (Rs. 10) 5,000 – 8,960 [170] [ 170 ] Other Equity 8,000 See note 5 900 NCI – See note 3 – Non-current Liabilities – – Current Liabilities 700 Trade Payables – Sundry creditors 400 300 190</p> <p>TOTAL 19,80,000 II. Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade Sundry Creditors</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>316/516</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>50% MATCHING TEXT</b>	35 WORDS
<p>Total 13,600 15,790 Equity and Liabilities Equity 5,000 Share Capital (Rs. 10) 5,000 – 8,960 Other Equity 8,160 See note 5 900 NCI – See note 3 – Non-current Liabilities – – Current Liabilities 700 Trade Payables – Sundry creditors 400 300 190</p> <p>TOTAL 19,80,000 II. Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade Sundry Creditors</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				

<b>317/516</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>58% MATCHING TEXT</b>	44 WORDS
<p>Current Assets Inventories 5,000 800 500 Trade receivables 1,000 350 200 Cash and Cash Equivalent 5,800 800 200 Total 26,000 7,750 1,700 Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 3,000 1,000 Other Equity 17,500 4,500 600 Non-current Liabilities – – – Current Liabilities Trade Payables 500 250 100 Total 26,000 7,750 1,700 Additional information :</p>		<p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash at Bank TOTAL 19,80,000 Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade Payable – Sundry Creditors TOTAL 19,80,000 Additional information</p>		
<b>W</b>	<a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a>			
<b>318/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2020. Solution : (Rs.</p>		<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2009 Rs.</p>		
<b>W</b>	<a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a>			
<b>319/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its Subsidiaries as on 31.03.2020</p>		<p>Consolidated Balance Sheet of H Ltd. and its subsidiaries as on</p>		
<b>W</b>	<a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a>			
<b>320/516</b>	<b>SUBMITTED TEXT</b>	53 WORDS	<b>58% MATCHING TEXT</b>	53 WORDS
<p>Current Assets Inventories (6,300 – 10) 6,290 Trade receivables 1,550 Cash and Cash Equivalent 6,800 Total 29,510 Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 Other Equity – Capital Reserve 450 - others 18,336 NCI (1,214+660) 1,874 Non-current Liabilities – Current Liabilities Trade</p>		<p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash Bank TOTAL 19,80,000 Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade</p>		
<b>W</b>	<a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a>			

<b>321/516</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>58% MATCHING TEXT</b>	46 WORDS
<p>Current Assets Inventories 5,000 800 500 Trade receivables 1,000 350 200 Cash and Cash Equivalent 5,640 800 200 Total 26,000 7,750 1,700 [177] [ 177 ] Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 3,000 1,000 Other Equity 17,500 4,500 600 Non-current Liabilities — — — Current Liabilities Trade Payables 500 250 100 Total 26,000 7,750 1,700 Additional information:</p>		<p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash Bank II. Equity Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade Payable – Sundry Creditors TOTAL 19,80,000 Additional information</p>		
<b>W</b>	<a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a>			
<b>322/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2020. Solution : (Rs.</p>		<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2009 Rs.</p>		
<b>W</b>	<a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a>			
<b>323/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its Subsidiaries as on 31.03.2020</p>		<p>Consolidated Balance Sheet of H Ltd. and its subsidiaries as on</p>		
<b>W</b>	<a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a>			
<b>324/516</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>58% MATCHING TEXT</b>	50 WORDS
<p>Current Assets Inventories 6,300 Trade receivables 1,550 Cash and Cash Equivalent 6,640 Total 29,090 Equity and Liabilities Equity Share Capital (Rs. 10) 8,000 Other Equity – Capital Reserve 450 - others 18,135 NCI (1,160+495) 1,655 Non-current Liabilities — Current Liabilities Trade</p>		<p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash Bank TOTAL 19,80,000 Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade</p>		
<b>W</b>	<a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a>			
<b>325/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>81% MATCHING TEXT</b>	19 WORDS
<p>The balance sheets of H Ltd. and S Ltd. as on 31.03.2021 were as follows: Particulars H Ltd. S Ltd.</p>				
<b>SA</b>	<a href="#">2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</a>			

<b>326/516</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>38% MATCHING TEXT</b>	30 WORDS
<p>the Statements of Comprehensive Income and Statement of Changes in Equity prepared by H Ltd. and S Ltd. for the year ended on 31.03.2020: Statement of Comprehensive Income For the year ended</p> <p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>327/516</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>62% MATCHING TEXT</b>	32 WORDS
<p>Current Assets Inventories 2,100 1,500 1,800 Trade receivables 900 750 750 Cash and Cash Equivalent 9,900 2,100 2,100 Total 46,500 13,350 Equity and Liabilities Equity Share Capital (Rs. 10) 15,000 6,000 Other Equity 30,600 6,900 Non-current Liabilities — — Current Liabilities Trade</p> <p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash at Bank TOTAL 19,80,000 II. Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>328/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>58% MATCHING TEXT</b>	20 WORDS
<p>Comprehensive Income and Statement of Changes in Equity for the year ended on 31.03.2020. [183] [ 183 ] Solution : Consolidated Statement of</p> <p><b>SA</b> Assignment 1.pdf (D134275548)</p>				
<b>329/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>65% MATCHING TEXT</b>	23 WORDS
<p>Cash and Cash Equivalent 11,600 4,000 Total 52,000 15,500 Equity and Liabilities Equity Share Capital (Rs. 10) 16,000 6,000 Other Equity 35,000 9,000 Non-current Liabilities — — Current Liabilities Trade</p> <p>Cash and Cash Equivalent- Cash at Bank TOTAL 19,80,000 II. Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>330/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2022. [ Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2009</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				

<b>331/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>73% MATCHING TEXT</b>	24 WORDS
<p>CBS total Rs.51,180] [187] [ 187 ] 5. On 31.03.2022, the balance sheets of H Ltd. and S Ltd. were as follows: Particulars H Ltd. S Ltd.</p> <p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				
<b>332/516</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>42% MATCHING TEXT</b>	39 WORDS
<p>Current Assets Inventories 2,600 2,000 Trade Receivables – Sundry debtors 4,000 1,400 Bills Receivable (including inter-co bills Rs.20) – 600 Total 27,200 10,000 Equity and Liabilities Equity Share Capital (Rs. 10) 10,000 4,000 Other Equity 16,000 5,000 Non-current Liabilities – – Current Liabilities Trade Payables – Sundry creditors 800 600</p> <p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash at Bank TOTAL 19,80,000 II. Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade Sundry Creditors</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>333/516</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>62% MATCHING TEXT</b>	36 WORDS
<p>Current Assets Inventories 10,000 1,600 1,000 Trade receivables 2,000 700 400 Cash and Cash Equivalent 11,600 1,600 400 Total 52,000 15,500 3,400 Equity and Liabilities Equity Share Capital (Rs. 10) 16,000 6,000 2,000 Other Equity 35,000 9,000 1,200 Non-current Liabilities – – – Current Liabilities Trade</p> <p>Current Assets Inventories Trade Receivable- Sundry Debtors Cash and Cash Equivalent- Cash at Bank TOTAL 19,80,000 Equity And Liabilities (1) Equity: Equity Share Capital Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>334/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2022. [ Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2009</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>335/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>81% MATCHING TEXT</b>	19 WORDS
<p>The balance sheets of H Ltd. and S Ltd. as on 31.03.2021 were as follows: Particulars H Ltd. S Ltd.</p> <p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				

<b>336/516</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>74% MATCHING TEXT</b>	32 WORDS
<p>Merger is a process in which two or more existing companies unifies into another existing company or a new company is formed to take over the business of two or more existing companies.</p>		<p>Merger is a process in which two or more companies unifies into another existing company or any one more companies may form a new to take over the business of two or more existing companies.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>337/516</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>85% MATCHING TEXT</b>	27 WORDS
<p>of Business Combination: According to Ind AS 103, a business combination is a transaction or other event in which an acquirer obtains control of one or more businesses.</p>		<p>of Business Combinations &amp; Restructuring 2.4 IND AS: 103 BUSINESS A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. 2.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>338/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>Exercises 6.1 Objective After going through this unit, you will be able to: ? Know the meaning</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				
<b>339/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>83% MATCHING TEXT</b>	12 WORDS
<p>the business that the acquirer obtains control of in business combination. The</p>		<p>The business or businesses that the acquirer obtains control of in a business combination. Acquirer: The</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>340/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>In a business combination effected primarily by transferring cash or other assets or by</p>		<p>In a business combination effected primarily by transferring cash or other assets or by</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>341/516</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>98% MATCHING TEXT</b>	38 WORDS
<p>liabilities, the acquirer is usually the entity that transfers the cash or other assets or incurs the liabilities. ? In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. ?</p>		<p>liabilities, the acquirer is usually the entity that transfers the cash or other assets or incurs the liabilities. B15 In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>342/516</b>	<b>SUBMITTED TEXT</b>	124 WORDS	<b>96% MATCHING TEXT</b>	124 WORDS
<p>The acquirer is usually the combining entity whose relative size (measured in, for example, assets, revenues or profit) is significantly greater than that of the other combining entity or entities. ? In a business combination involving more than two entities, determining the acquirer shall include a consideration of, among other things, which of the combining entities initiated the combination, as well as the relative size of the combining entities. ? A new entity formed to effect a business combination is not necessarily the acquirer. If a new entity is formed to issue equity interests to effect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer. In contrast, a new entity that transfers cash or other assets or incurs liabilities as consideration may be the acquirer.</p>		<p>The acquirer is usually the combining entity whose relative size (measured in, for example, assets, revenues or profit) is significantly greater than that of the other combining entity or entities. B17 In a business combination involving more than two entities, determining the acquirer shall include a consideration of, among other things, which of the combining entities initiated the combination, as well as the relative size of the combining entities. B18 A new entity formed to effect a business combination is not necessarily the acquirer. If a new entity is formed to issue equity interests to effect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer by applying the guidance in paragraphs B13–B17. In contrast, a new entity that transfers cash or other assets or incurs liabilities as consideration may be the acquirer.] 10.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				



<b>343/516</b>	<b>SUBMITTED TEXT</b>	121 WORDS	<b>98% MATCHING TEXT</b>	121 WORDS
<p>a reverse acquisition, the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. For example, reverse acquisitions sometimes occur when a private operating entity wants to become a public entity but does not want to register its equity shares. To accomplish that, the private entity will arrange for a public entity to acquire its equity interests in exchange for the equity interests of the public entity. In this example, the public entity is the legal acquirer because it issued its equity interests, and the private entity is the legal acquiree because its equity interests were acquired. However,</p>		<p>A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. For example, reverse acquisitions sometimes occur when a private operating entity wants to become a public entity but does not want to register its equity shares. To accomplish that, the private entity will arrange for a public entity to acquire its equity interests in exchange for the equity interests of the public entity. In this example, the public entity is the legal acquirer because it issued its equity interests, and the private entity is the legal acquiree because its equity interests were acquired. However,</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>344/516</b>	<b>SUBMITTED TEXT</b>	40 WORDS	<b>72% MATCHING TEXT</b>	40 WORDS
<p>the date on which the acquirer obtains control of the acquiree. It is generally the date on which the acquirer legally transfers the consideration (the payment for the investment), acquires the assets and assumes the liabilities of the acquiree -the closing date. However,</p>		<p>The date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree—the closing date. However,</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>345/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>76% MATCHING TEXT</b>	18 WORDS
<p>c) Recognize and measure the identifiable assets acquired, the liabilities assumed and the non-controlling interest in the acquiree:</p>		<p>c) recognising and the identifiable assets acquired, the liabilities assumed and any non- controlling interest in the acquiree;</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>346/516</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>65% MATCHING TEXT</b>	26 WORDS
<p>Identifying the acquirer b) Determining the acquisition date c) Recognizing and measuring the identifiable assets acquired and liabilities assumed and any non-controlling interest in the acquire. d) Recognizing and</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				

<b>347/516</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>87% MATCHING TEXT</b>	39 WORDS
<p>The aggregate of ? The fair value of consideration transferred ? The amount of any non-controlling interest recognized ? In a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree 2. The</p>		<p>the aggregate of a) the acquisition-date fair value of the consideration transferred; b) the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and • the</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>348/516</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>97% MATCHING TEXT</b>	48 WORDS
<p>The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination that occurs either: ? during the current reporting period; or ? after the end of the reporting period but before the financial statements are approved for issue. [195] [ 195 ]</p>		<p>The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination that occurs either: (during the current reporting period; or (b) after the end of the reporting period but before the financial statements are approved for issue. •</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>349/516</b>	<b>SUBMITTED TEXT</b>	55 WORDS	<b>100% MATCHING TEXT</b>	55 WORDS
<p>When Acquiree Company ceases to exist due to business combination the accounting will be reflected on the stand-alone balance sheet of the acquirer company. But when Acquiree Company exists (i.e., Non-Controlling Interest exists) after business combination, accounting for business combination will reflect on consolidated balance sheet. In such cases reference to both Ind AS 103 and Ind AS 110 (</p>		<p>When Acquiree Company ceases to exist due to business combination the accounting will be reflected on the stand alone balance sheet of the acquirer company. But when Acquiree Company exists (i.e., Non-Controlling Interest exists) after business combination, accounting for business combination will reflect on consolidated balance sheet. In such cases reference to both Ind AS 103 and Ind AS 110</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>350/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>94% MATCHING TEXT</b>	22 WORDS
<p>Cr. (Rs.) Net Assets A/c..... Dr. 9,00,000 Goodwill A/c.....Dr. 2,10,000 To Consideration A/c 8,40,000 To NCI A/c 2,70,000 Consideration A/c..... Dr. 8,40,000 To Equity Share Capital A/c 8,40,000</p>		<p>Cr. ( ` ) Net assets A/c Dr. 8,00,000 Goodwill A/c Dr. 3,20,000 To, Consideration A/c 9,60,000 To NCI A/c 1,60,000 Consideration A/c Dr. 9,60,000 To, Equity Share Capital A/c 9,60,000</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>351/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>58% MATCHING TEXT</b>	18 WORDS
<p>the above entries are passed in the consolidated accounts of X Ltd. However, X Ltd. requires to pass</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>the above entries are passed in the consolidated accounts of A. A requires to pass</p>		
<b>352/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>80% MATCHING TEXT</b>	13 WORDS
<p>Particulars Dr. (Rs.) Cr. (Rs.) Investment A/c..... Dr. 8,40,000 To Equity Share Capital A/c 8,40,000</p> <p><b>W</b> <a href="https://ksacademy.co.in/docs/sap4ipcc.pdf">https://ksacademy.co.in/docs/sap4ipcc.pdf</a></p>		<p>PARTICULARS Dr. (Rs.) Cr. (Rs.) i) share final call A/c Dr 1,00,000 TO Equity share capital A/c 1,00,000 (</p>		
<b>353/516</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>51% MATCHING TEXT</b>	30 WORDS
<p>Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Assets A/c..... Dr. 14,00,000 To Liabilities A/c 2,00,000 To Consideration A/c 8,64,000 To NCI A/c 2,40,000 To Gain on Bargain Purchase A/c 96,000 Consideration A/c..... Dr. 8,64,000 To Cash A/c 8,64,000</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>Journal Entry Particulars Dr. ( ` in Lakhs) Cr. ( ` in Lakhs) assets A/c Dr. 1,800 Goodwill A/c Dr. 180 (2) To, Consideration A/c 720 To Acquired liabilities 900 To Non-controlling NCI) A/c 360 (1) Consideration A/c Dr. 720 To, Cash A/c 720</p>		
<b>354/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>58% MATCHING TEXT</b>	18 WORDS
<p>the above entries are passed in the consolidated accounts of P Ltd. However, P Ltd. requires to pass</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>the above entries are passed in the consolidated accounts of A. A requires to pass</p>		
<b>355/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>66% MATCHING TEXT</b>	12 WORDS
<p>Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Assets A/c..... Dr. 8,64,000 To Cash A/c 8,64,000</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>Journal entry Particulars Dr. ( `) Cr. ( `) Identifiable Assets Acquired A/c Dr. 350 To, Cash A/c 216</p>		

<b>356/516</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>70% MATCHING TEXT</b>	35 WORDS
<p>Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Net Assets  A/c..... Dr. 9,00,000 Goodwill  A/c.....Dr. 3,00,000 To  Consideration A/c 8,40,000 To NCI A/c 3,60,000  Consideration A/c..... Dr. 8,40,000 To  Equity Share Capital A/c (70,000 ? Rs.10) 7,00,000 To  Securities Premium A/c (70,000 ?</p>		<p>Journal Entry Particulars Dr. ( ` ) Cr. ( ` ) Net assets A/c Dr.  1,35,00,000 Goodwill A/c Dr. 9,00,000 To, Consideration  A/c 1,44,00,000 Consideration A/c Dr. 1,44,00,000 To,  Equity Share Capital A/c 6,00,000 To, Securities Premium  A/c 1,38,00,000</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>357/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>58% MATCHING TEXT</b>	18 WORDS
<p>the above entries are passed in the consolidated  accounts of X Ltd. However, X Ltd. requires to pass</p>		<p>the above entries are passed in the consolidated  accounts of A. A requires to pass</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>358/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>A/c..... Dr. 8,40,000 To Equity Share  Capital A/c 7,00,000 To Securities Premium A/c 1,40,000</p>		<p>A/c Dr. To Equity Share Capital A/c To Securities Premium  A/c</p>		
<p><b>W</b> <a href="https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf">https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf</a></p>				
<b>359/516</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>83% MATCHING TEXT</b>	32 WORDS
<p>Journal Entry Particulars Dr. (Rs.) Cr. (Rs.) Inves Net Assets  A/c..... Dr. 2,70,00,000 Goodwill  A/c.....Dr. 18,00,000 To  Consideration A/c 2,88,00,000 Consideration  A/c..... Dr. 2,88,00,000 To Equity Share  Capital A/c (1,20,000 ? Rs.10) 12,00,000 To Securities  Premium A/c (1,20,000 ?</p>		<p>Journal Entry Particulars Dr. ( ` ) Cr. ( ` ) Net assets A/c Dr.  1,35,00,000 Goodwill A/c Dr. 9,00,000 To, Consideration  A/c 1,44,00,000 Consideration A/c Dr. 1,44,00,000 To,  Equity Share Capital A/c 6,00,000 To, Securities Premium  A/c 1,38,00,000</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>360/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>63% MATCHING TEXT</b>	17 WORDS
<p>identifiable assets acquired, liabilities assumed and non-  controlling interests in the acquiree separately from  goodwill. The acquirer shall</p>				
<p><b>SA</b> Assignment 1.pdf (D134275548)</p>				

<b>361/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>for closing all the accounts through Realisation A/C and Equity Shareholders A/c [199] [ 199 ]</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>for closing all the accounts through Realisation A/C and Equity Shareholders A/C.</p>		
<b>362/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>A/c..... Dr. 2,88,00,000 To Equity Share Capital A/c 12,00,000 To Securities Premium A/c 2,76,00,000</p> <p><b>W</b> <a href="https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf">https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf</a></p>		<p>A/c Dr. To Equity Share Capital A/c To Securities Premium A/c</p>		
<b>363/516</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>35% MATCHING TEXT</b>	33 WORDS
<p>of assets Realisation A/c ..... Dr. To All Assets A/c For transfer external liabilities: With book value of external All External Liabilities A/c.....Dr. liabilities To Realisation A/c For purchase consideration due: With the amount of total Acquirer Company A/c</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>		<p>of Assets: Realisation A/c..... Dr. With the book value of assets To All Assets A/c 2. For transfer of External liabilities: All External Liabilities A/c..... Dr. With book value external liabilities To Realisation A/c 3. For the due entry for purchase consideration: Transferee Company A/c ..... With the aggregate amount of purchase To Realisation A/c</p>		
<b>364/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>84% MATCHING TEXT</b>	18 WORDS
<p>purchase consideration To Realisation A/c [200] [ 200 ] For transfer of equity: Equity Share Capital A/c.....Dr. Other Equity A/c.....Dr. To Equity Shareholders A/c</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>purchase consideration To Realisation A/c 4. For transfer of internal Equity Share Capital A/c ..... Dr. Other Equity A/c ..... Dr. To Equity Share Holder A/c</p>		
<b>365/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>73% MATCHING TEXT</b>	17 WORDS
<p>A/c.....Dr. To Profit and Loss A/c For amount payable to Preference Shareholders Preference Share Capital A/c..... Dr. Realisation A/c.....Dr. Excess</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>A/c..... Dr. To Company A/c 7. For amount payable to Preference share Preference Share Capital A/c..... Dr. Realisation A/c..... Dr. [Excess</p>		

<b>366/516</b>	<b>SUBMITTED TEXT</b>	110 WORDS	<b>44% MATCHING TEXT</b>	110 WORDS
	<p>A/c To Realisation A/c Deficit amount For receiving purchase consideration Equity Shares in Acquirer Company A/c.....Dr Preference Shares in Acquirer Company A/c.....Dr Debentures in Acquirer Company A/c.....Dr Cash or Other Assets A/c.....Dr. To Acquirer Company A/c For payment to preference shareholders Preference Shareholders A/c.....Dr. To Equity Shares in Acquirer Company A/c To Preference Shares in Acquirer Company A/c To Debentures in Acquirer Company A/c To Cash A/c For realisation of assets not taken over Bank A/c .....Dr To Realisation a/c For settlement of liabilities not taken over Realisation A/c.....Dr To Bank A/c For payment of Liquidation expenses Realisation A/c.....Dr To Bank A/c [201] [ 201 ] For transfer of realisation profit Realisation A/c.....Dr To Equity Shareholders A/c For settlement of equity shareholders Equity Shareholders A/c.....Dr To Equity Shares in Acquirer Company A/c To Preference Shares in Acquirer Company A/c To</p>			<p>A/c..... Dr. Profit &amp; Loss A/c 6. For of purchase consideration: Equity shares in transferee Company A/c..... Dr. Preference shares in transferee Company A/c..... Dr. Debenture in transferee Company A/c..... Dr. Cash or other Assets A/c..... Dr. To Acquirer Company A/c 7. For the amount to Preference share Holder: Preference Share Capital A/c..... Dr. Realisation A/c..... Excess amount payable] To Pref. Share A/c To Realisation A/c [amount] 8. For payment pref. shareholders: Pref. Share Holder A/c ..... Dr. To Bank A/c To in Acquirer A/c To Debenture in Acquirer Company A/For realisation of assets not taken over: A/c ..... Dr. To Realisation A/c 10. For settlement of Liabilities not taken Realisation A/c..... Dr. To Bank A/c 11. For transfer of realisation profit: Realisation A/c ..... Dr. To Equity Share A/c 12. For settlement of account of share holders: Equity share Holders A/c ..... Dr. To Shares in Acquirer Company A/c To Debenture in Acquirer Company A/c To</p>
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

<b>367/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>44% MATCHING TEXT</b>	29 WORDS
	<p>A/c .....Dr To Equity Shares in Acquirer Company A/c To Preference Shares in Acquirer Company A/c To Debentures in Acquirer Company A/c To Cash A/c For payment of Liquidation expenses Goodwill A/c .....Dr To Bank A/c</p>			<p>A/c ..... Dr. To A/c Shares in Acquirer Company A/c Debenture in Acquirer Company A/c 9. For realisation of assets not taken over: A/c ..... Dr. To Realisation A/c 10. For of Liabilities not taken over Realisation A/c..... Dr. To Bank A/c 11.</p>
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

<b>368/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>58% MATCHING TEXT</b>	14 WORDS
	<p>Assets A/c.....Dr. At fair value Goodwill A/c.....Dr. To Liabilities A/c At fair value To Consideration A/c To</p>			
	<p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>			

<b>369/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>83% MATCHING TEXT</b>	25 WORDS
<p>Assets – Patent 4,000 1,400 (2) Current Assets (a) Current Investments 2,300 - (b) Inventories 7,000 4,780 (c) Trade Receivables – Debtors 1,600 1,240 (d) Cash and Cash Equivalents:</p>		<p>Assets) 5,00,000 2. Current Assets (a) Current Investments 1,50,000 (b) Inventories 1,00,000 (c) Trade Receivables 1,50,000 ( d) Cash and Cash Equivalents 1,00,000</p>		
<p><b>W</b> <a href="https://www.meritnation.com/cbse-class-12-commerce/accountancy/analysis-of-financial-statements-t...">https://www.meritnation.com/cbse-class-12-commerce/accountancy/analysis-of-financial-statements-t...</a></p>				
<b>370/516</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>100% MATCHING TEXT</b>	9 WORDS
<p>Assets (1) Non-current Assets (a) Property, Plant and Equipment (i) Tangible assets:</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				
<b>371/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>55% MATCHING TEXT</b>	18 WORDS
<p>A new company, C Ltd., was formed to acquire the business of A Ltd. Abd B Ltd. The</p>		<p>A new company Z Ltd. is formed to acquire the sundry assets and liabilities of A Ltd. and B Ltd. For the</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>372/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>68% MATCHING TEXT</b>	29 WORDS
<p>Notes to Accounts : (1) Share Capital Particulars Rs. ('000) Rs. ('000) Issued, subscribed and paid-up capital: 30,00,000 equity shares of Rs.10 each 30,000 – 1,00,000 Preference shares of Rs.100 each 10,000 – 8,00,000</p>				
<p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>				
<b>373/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>89% MATCHING TEXT</b>	25 WORDS
<p>a) C Ltd would have an authorised capital of Rs.7,00,00,000 divided into 1,00,000, 13% Preference shares of Rs.100 each and 60,00,000 equity shares of Rs.10 each. b)</p>				
<p><b>SA</b> original.doc (D34943452)</p>				

<b>374/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>52% MATCHING TEXT</b>	17 WORDS
<p>of B Ltd. was valued at Rs.48,00,000; to be satisfied by issue of fully-paid equity shares at Rs.12.</p>				
<p><b>SA</b> original.doc (D34943452)</p>				

<b>375/516</b>	<b>SUBMITTED TEXT</b>	167 WORDS	<b>34% MATCHING TEXT</b>	167 WORDS
<p>Realisation A/c..... Dr. 588,00 March To Patents A/c 40,00 31 To Land and Buildings A/c 120,00 To Plant and Machinery A/c 310,00 To Investment A/c 23,00 To Inventories A/c 70,00 To Debtors A/c 16,00 To Bank A/c 9,00 Creditors A/c..... Dr. 10,00 To Realisation A/c 10,00 C Ltd. A/c..... Dr. 6,00,00 To Realisation A/c 6,00,000 Realisation A/c..... Dr. 22,00 To Equity Shareholders A/c 22,00 [204] [ 204 ] Equity shares in C Ltd. A/c..... Dr. 4,80,00 Bank A/c..... Dr. 1,20,00 To C Ltd. A/c 6,00,00 Preference Share Capital A/c..... Dr. 100,00 To Preference Shareholders A/c 100,00 Preference Shareholders A/c..... Dr. 100,00 To Bank A/c 100,00 Equity Share Capital A/c..... Dr. 300,00 General Reserve A/c ..... Dr. 160,00 Profit and Loss A/c..... Dr. 18,00 To Equity Shareholders A/c 478,00 Equity Shareholders A/c (2200+47800).... Dr. 500,00 To Equity Shares in C Ltd. A/c 480,00 To Bank A/c (120,00 – 100,00) 20,00 In the books of B Ltd. Journal Date Particulars L.F Dr. Cr. Rs. ('000) Rs. ('000) 2020 Realisation A/c..... Dr. 90,60 March To Patents A/c 14,00 31 To Motor Vehicle A/c 8,00 To Furniture A/c 5,00 To Inventories A/c 47,80 To Debtors A/c 12,40 To Bank A/c 3,40 Creditors A/c..... Dr. 4,20 To Realisation A/c 4,20 C Ltd. A/c.....</p>				
<p>Realisation A/c Dr To Land &amp; A/c To Plant &amp; A/c To Stock A/c To Sundry A/c To Bank A/c To A/c (transfer of assets to A/c) Rs. Rs. 1246668 450000 218700 273450 229500 74280 738 Sundry creditors A/c Dr To A/c (transfer of creditors to A/c) 132500 132500 1200000 1200000 B A/ c Dr To Realisation A/c (purchase due from Ltd) 600000 600000 Cash A/c Dr Equity in B Ltd A/c Dr To B Ltd A/c (consideration received) 1200000 720000 360000 Equity share capital A/c Dr reserve A/c P&amp;L A/c Dr To equity shareholders A/c (equity shareholders' funds) Dr 34168 1114168 9000 Realisation A/c To Cash A/c (liquidation paid) Dr 9000 76832 Realisation A/c Dr To Equity A/c (transfer of on realisation) 76832 1191000 600000 11 Equity shareholders A/c Dr To Equity shares in B Ltd A/c To Cash A/c ( distribution of equity and cash received) 591000 Opening entries in books of B Ltd Land &amp; A/c Dr Plant &amp; A/c Dr A/c Dr Sundry A/c Dr A/c Dr Cash A/c Dr A/c ( Bal. Fig) Dr To Sundry Creditors A/c Liquidators of Ltd A/c (</p>				
<p><b>W</b> <a href="https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf">https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf</a></p>				



<b>376/516</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>46% MATCHING TEXT</b>	43 WORDS
<p>To Realisation A/c 96,00 Realisation A/c.....            Dr. 9,60 To Equity Shareholders A/c 9,60 Equity shares in            C Ltd. A/c..... Dr. 96,00 To C Ltd. A/c 96,00 [205] [            205 ] Equity Share Capital A/c 80,00 Profit and Loss A/c            6,40 To Equity Shareholders A/c 86,40 Equity            Shareholders A/c ..... Dr. 96,00 To</p>		<p>to Realisation A/c) 132500 132500 1200000 1200000 B            Ltd A/Dr To Realisation A/c (purchase consideration B Ltd)            600000 600000 Cash A/c Equity Shares in B A/c Dr To B            Ltd A/c (purchase received) 1200000 720000 360000            Equity share capital A/c A/c P&amp;L A/c Dr To equity            shareholders A/c (equity shareholders' funds) Dr 34168            1114168 9000 Realisation A/c To</p>		
<b>W</b>	<a href="https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf">https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf</a>			

<b>377/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>75% MATCHING TEXT</b>	20 WORDS
<p>C Ltd. made a public issue of 60,000 preference shares at            par and 6,00,000 equity shares at Rs.12. The issue</p>				
<b>SA</b>	<a href="#">original.doc (D34943452)</a>			

<b>378/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>76% MATCHING TEXT</b>	10 WORDS
<p>In the books of C Ltd. Journal Date Particulars L.F Dr. Cr.</p>				
<b>SA</b>	<a href="#">MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</a>			

<b>379/516</b>	<b>SUBMITTED TEXT</b>	49 WORDS	<b>47% MATCHING TEXT</b>	49 WORDS
<p>A/c .....Dr. 310,00 Motor Vehicle A/c.....Dr.            8,00 Furniture A/c.....Dr. 5,00 Investment            A/c.....Dr. 23,00 Inventories            A/c.....Dr. 117,80 Debtors A/c.....            Dr. 28,40 Bank A/c.....Dr. 12,40 To Creditors            A/c 14,20 To Consideration (A Ltd.) A/c 600,00 To            Consideration (A Ltd.) A/c 96,00 Consideration (A Ltd.)            A/c.....Dr. 600,00 Consideration (B Ltd.) A/c.....            Dr. 96,00 To Equity Share Capital A/c 480,00 To Securities            Premium A/c 96,00 To Bank A/c 120,00</p>				
<b>SA</b>	<a href="#">2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</a>			

380/516	SUBMITTED TEXT	86 WORDS	42% MATCHING TEXT	86 WORDS
	<p>assets: Land and Buildings 120,00 Plant and Machinery 310,00 Motor Vehicles 8,00 Furniture 5,00 (ii) Intangible Assets – Goodwill 31,60 - Patent 54,00 (2) Current Assets (a) Current Investments 23,00 (b) Inventories 117,80 (c) Trade Receivables – Debtors 28,40 (d) Cash and Cash Equivalents: cash at bank 21,10 (9,00+3,40+132,00-120,00-3,30) Total 718,90</p>		<p>Assets – Tangible (Land and Buildings 2,00,000 6,00,000 (ii) Plant and Machinery 4,00,000 7,00,000 (iii) Furniture and Fittings 40,000 1,00,000 (b) Intangible Assets (i) Goodwill 1,90,000 2,20,000 (ii) and Trade Marks 30,000 – (2) Current Assets (a) Inventories 2,10,000 5,00,000 (b) Trade Receivables (i) Debtors 1,80,000 Less : Provision for Bad Debts 12,000 1,68,000 3,00,000 (c) and Cash Equivalents (Cash at Bank 1,32,000 4,40,000 Total 13,70,000 28,60,000</p>	
	<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>			

381/516	SUBMITTED TEXT	20 WORDS	65% MATCHING TEXT	20 WORDS
	<p>The balance sheets of P Ltd. and Q Ltd. as on 31.03.2020 were as follows : Particulars P Ltd. Q Ltd. (</p>		<p>the summarized Balance Sheets of P Ltd. and Q Ltd. as on 31 st Liabilities P Ltd. Q Ltd.</p>	
	<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>			

382/516	SUBMITTED TEXT	185 WORDS	48% MATCHING TEXT	185 WORDS
	<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (Equity shares of Rs.10) 10,00,000 6,00,000 (b) Other Equity – Securities Premium 2,00,000 - - General reserve 2,60,000 2,50,000 - Profit &amp; Loss (Cr.) 1,80,000 1,60,000 (2) Non-current Liabilities – 10% Debentures 5,00,000 - - Secured loan 3,00,000 3,00,000 (3) Current Liabilities (a) Trade payables –</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds (a) Share Capital Equity shares of ` 10 each 10,00,000 20,00,000 (b) Reserves and Surplus General Reserve 90,000 2,00,000 Workmen's Accident Compensation 50,000 – Profit &amp; Loss Account 70,000 1,00,000 1/2021/CAAP Contd. .... 325 : 10 : (2) Non-Current Liabilities (a) 12% Debentures – 3,50,000 (3) Current Liabilities (a) Trade Payables 1,60,000 2,10,000</p>	
	<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>			

383/516	SUBMITTED TEXT	18 WORDS	68% MATCHING TEXT	18 WORDS
	<p>per share respectively. [208] [ 208 ] b) A contingent liability of P of Rs.60,000 is to be treated as</p>		<p>per share ( b) A contingent liability of A Ltd. of ` 1,20,000 is to be treated as</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

384/516	SUBMITTED TEXT	29 WORDS	48% MATCHING TEXT	29 WORDS
	real liability. c) The shareholders of P and Q will be issued sufficient number of equity shares in R Ltd at par. d) The shares of R Ltd. are issued at		real liability. (c) The shareholders of A Ltd. and B Ltd. are to be paid by issuing sufficient number of shares of Z Ltd. at par. (d) The shares of Z Ltd. are issued at `10	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

385/516	SUBMITTED TEXT	68 WORDS	52% MATCHING TEXT	68 WORDS
	show : (i) The calculation of the number of shares to be issued by R Ltd. (ii) Journal entries in the books of R Ltd. Solution : (i) Calculation of number of shares to be issued Particulars P Ltd. Q Ltd. (Rs.) (Rs.) Existing shares 1,00,000 60,000 Less: Held by P Ltd. - 5,000 1,00,000 55,000 Agreed value per share (Rs.) 18 20 Total value of shares to be issued (Rs.) 18,00,000 11,00,000 No of shares to be issued		Show the of the number of shares Z Ltd. will issue to the shareholders of A Ltd. and Ltd. (ii) Pass the journal entries in the books of Z Ltd. Solution: (i) Calculation of number of shares to be issued A Ltd. ( ` ) B Ltd. ( ` ) Existing Shares 2,00,000 1,20,000 Less: Held by A Ltd. - 10,000 2,00,000 1,10,000 Agreed Value per Share (Considered as Fair Value) 18 20 Total Fair Value of equity shares issued 36,00,000 22,00,000 No of shares to be issued of `10 each 3,60,000 2,20,000 no. of shares to be Issued	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

386/516	SUBMITTED TEXT	27 WORDS	50% MATCHING TEXT	27 WORDS
	A/c 60,00 To Securities Premium A/c 12,00 To Preference Share Capital A/c 60,00 Underwriting Commission A/c 3,30 To Bank A/c 3,30 [206] [ 206 ] Balance Sheet of C Ltd. as on 31.03.2020			
	<p><b>SA</b> 2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</p>			

387/516	SUBMITTED TEXT	48 WORDS	32% MATCHING TEXT	48 WORDS
	current Assets A/c.....Dr. 22,30,000 31 Current Assets A/c.....Dr. 16,10,000 To Secured Loan A/c 6,00,000 To Trade Payable A/c 1,70,000 To Other Current Liability* A/c 60,000 To Consideration (P Ltd.) A/c 23,00,000 To Consideration (Q Ltd.) A/c 11,00,000 Consideration (P Ltd.) A/c.....Dr. 23,00,000 Consideration (Q Ltd.) A/c.....Dr. 11,00,000 To 10% Debentures A/c.....Dr. 5,00,000 To Equity Share Capital A/c 29,00,000 *		Current Assets A/c Dr. Profit and Loss A/c Dr. To Current Liabilities A/c To 12% Debentures A/c To Revaluation Reserve A/c To General Reserve A/c WN # 2 To Pofit and A/c To Business A/c Discharge Purchase Consideration of Selling A/c To Equity Capital A/c To Preference Share Capital A/c	
	<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>			

<b>388/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>78% MATCHING TEXT</b>	15 WORDS
<p>The balance sheets of K Ltd. and L Ltd. as on 31.03.2020 were as follows:</p>		<p>The Balance Sheets of Sweet Ltd. and Salt Ltd. as on 31.03.08 were as follows:</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				

<b>389/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>63% MATCHING TEXT</b>	14 WORDS
<p>In the books of R Ltd. Journal Date Particulars L.F Dr. Cr. Rs. Rs. 2020 Goodwill A/c (</p>				
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				

<b>390/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (Equity shares of Rs.10) 6,00,000 2,50,000 (b)</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds (a) Share Capital Equity shares of ` 10 each 10,00,000 20,00,000 (b)</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				

<b>391/516</b>	<b>SUBMITTED TEXT</b>	115 WORDS	<b>33% MATCHING TEXT</b>	115 WORDS
<p>Current Liabilities 66,50,000 57,50,000 Total 1,16,50,000 70,00,000 On 31.03.2020, K Ltd. absorbed L Ltd. The members of L Ltd. are to receive one equity share of K Ltd. issued at a premium of Rs. 2 per share for every five-equity share held in L Ltd. The necessary approvals are obtained. You are required to show journal entries in the books of both the companies. Solution : In the books of L Ltd Journal Date Particulars L.F Dr. Cr. Rs. Rs. 2020 Realisation A/c..... Dr. 70,00,000 March To Non-current Assets A/c 3,00,000 31 To Current Assets A/c 67,00,000 Loan from K Ltd. A/c..... Dr. 5,00,000 Current Liabilities A/c..... Dr. 57,50,000 To Realisation A/c 62,50,000 K Ltd. A/c..... Dr. 60,000 To Realisation A/c 60,000 [210] [ 210 ] Equity Shareholders A/c..... Dr. 6,90,000 To Realisation A/c 6,90,000</p>		<p>Current Liabilities) 200 (-)133 67 134 (-)115 --- 19 100 25 On that day Ltd. absorbed Bad Ltd. The Members of Bad Ltd. are to get one equity share of Good Ltd. issued at a premium of ` 2 per share for every five equity share held by them in Bad Ltd. The necessary approvals are obtained; You are asked to Journal entries in the books of the two companies to effect to the above. Solution: Books of Bad Ltd. Journal Particulars Dr. ( ` in Crore) Cr. ( ` in Crore) A/c To Fixed c 40.00 To Current Assets A/Being the Assets taken over Good Ltd. transferred to Realization A/c) Provision for A/c Dr. 34.00 Current Liabilities A/c Dr. 115.00 Unsecured Loan from Good A/c Dr. 10.00 To A/c 159.00 (Being the transferred liabilities and to Realization A/c) Good Ltd. A/c Dr. 1.20 To Realization A/c (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>392/516</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>42% MATCHING TEXT</b>	42 WORDS
	<p>shares in K Ltd. A/c..... Dr. 24,000 To K Ltd. A/c 24,000 Equity Shareholders A/c.....Dr. 36,000 To K Ltd. A/c 36,000 Equity Share Capital A/c..... Dr. 2,50,000 Reserve &amp; Surplus A/c.....Dr. 5,00,000 To Equity Shareholders A/c 7,50,000 Equity Shareholders A/c ..... Dr. 24,000 To Equity Shares in C Ltd.</p>		<p>Shares in B Ltd. A/c Dr. 2,12,500 To B Ltd. A/c 2,12,500 [Being of purchase consideration] 5. A/c Dr. 42,500 To c 42,500 [Being realisation transferred to Shareholder A/Share Capital A/c Dr. 3,00,000 c Dr. 55,000 To Shareholders A/c 3,55,000 [ Being Share capital and transferred to Shareholders c] 7. Shareholders A/c Dr. 3,12,500 To Shares in B Ltd. 3,12,500 [</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>			
<b>393/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>91% MATCHING TEXT</b>	19 WORDS
	<p>Assets (1) Non-current Assets (a) Property, Plant and Equipment 10,00,000 3,00,000 (b) Non-current</p>			
	<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>			
<b>394/516</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>48% MATCHING TEXT</b>	44 WORDS
	<p>Assets A/c.....Dr. 3,00,000 Current Assets A/c.....Dr. 67,00,000 To Loan from K Ltd. A/c 5,00,000 To Current Liabilities A/c57,50,000 To Consideration A/c 24,000 To Investment A/c 36,000 To Gain from Bargain Purchase A/c 6,90,000 Consideration A/c.....Dr. 24,000 To Equity Share Capital A/c (2000 ? 10) 20,000 To Securities Premium A/c (2000 ? 2) 4,000</p>		<p>Assets A/c Dr. 200 Current Assets A/c Dr. 1,000 Goodwill A/c (Fig.) Dr. 250 To Current Liability A/c 800 To A/c 600 To Purchase Consideration 500 (Being sundry assets liabilities taken over.) 31.03.2014 Purchase . Consideration A/c Dr. 50 To Equity Share Capital A/c 20 To Securities Premium A/c 30 (</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>			
<b>395/516</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>41% MATCHING TEXT</b>	47 WORDS
	<p>To Loan to L Ltd. A/c 5,00,000 Working Note : Purchase Consideration Particulars Rs. ('000) Purchase consideration (25000 ? 1/5) ? 12 60,000 Equity shares of Rs.12 each belonging to K Ltd. (3/5 ? 60,000) 36,000 Equity shares payable to other shareholders (2/5 ? 60,000) 24,000 Number of shares to be issued</p>		<p>To Loan to Bad Ltd. A/c 10.00 (Being cancellations of unsecured Working Notes ( ` in Purchase Considerations 1.20 (50 lacs/5) x ` 12 = 1.20 Equity Shares of ` 12 each belonging to Good Ltd. 3/5 x 1.20 0.72 Payable to other equity shareholders 0.48 Number of equity shares of ` 10 each to be issued 48</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

<b>396/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>60% MATCHING TEXT</b>	20 WORDS
<p>The balance sheets of M Ltd. and N Ltd. as on 31.03.2020 were as follows : Particulars M Ltd. N Ltd. (</p>		<p>The summarised Balance Sheets of K Ltd., M Ltd., and G Ltd. as on 31.03.2015 were as follows - ( ` 000'Ltd. M Ltd. G Ltd.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>397/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>76% MATCHING TEXT</b>	10 WORDS
<p>In the books of K Ltd. Journal Date Particulars L.F Dr. Cr.</p>				
<p><b>SA</b> MCOM-AFA - Plagiarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				
<b>398/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>52% MATCHING TEXT</b>	25 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (Equity shares of Rs.10) 5,00,000 300,000 (b) Other Equity 1,00,000 55,000 (3) Non-current Liabilities – - - (4) Current Liabilities (</p>		<p>EQUITY AND LIABILITIES 1. Shareholder's Funds (a) Share Capital–Equity Shares of ₹ 10 each Fully paid 5,00,000 (b) and Surplus 4,20,000 2. Non-Current Liabilities 15% Long-term Borrowings 16,00,000 3. Current Liabilities 8,00,000</p>		
<p><b>W</b> <a href="https://www.meritnation.com/cbse-class-12-commerce/accountancy/analysis-of-financial-statements-t...">https://www.meritnation.com/cbse-class-12-commerce/accountancy/analysis-of-financial-statements-t...</a></p>				
<b>399/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>91% MATCHING TEXT</b>	19 WORDS
<p>Assets (1) Non-current Assets (a) Property, Plant and Equipment 5,00,000 2,00,000 (b) Non-current</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				
<b>400/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>89% MATCHING TEXT</b>	19 WORDS
<p>Ltd. absorbed N Ltd. on the basis of intrinsic value of shares. The purchase consideration is to be discharged</p>				
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				

401/516	SUBMITTED TEXT	60 WORDS	47% MATCHING TEXT	60 WORDS
<p>A/c..... Dr. 3,50,000 March To Non-current Assets A/c 2,00,000 31 To Current Assets A/c 1,50,000 Sundry Creditors A/c..... Dr. 95,000 To Realisation A/c 95,000 M Ltd. A/c..... Dr. 2,55,000 To Realisation A/c 2,55,000 Equity shares in M Ltd. A/c..... Dr. 2,55,000 To M Ltd. A/c 2,55,000 Equity Share Capital A/c..... Dr. 3,00,000 [212] [ 212 ] Reserve &amp; Surplus A/c.....Dr. 55,000 To Equity Shareholders A/c 3,55,000 Equity Shareholders A/c ..... Dr. 3,55,000 To</p>		<p>A/c To Cash A/c (various assets to A/c) Rs. Rs. 1246668 450000 218700 273450 229500 74280 738 Sundry creditors Dr To A/c (sundry creditors A/c) 132500 132500 1200000 1200000 B Ltd A/To Realisation A/c (purchase consideration due from B Ltd) 600000 600000 Cash A/c Equity Shares in B A/c Dr To B Ltd A/c (purchase received) 1200000 720000 360000 share capital A/c reserve A/c P&amp;L Dr To equity shareholders A/c (transfer of equity shareholders' funds) Realisation A/To</p>		
<p><b>W</b> <a href="https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf">https://departments.mgcchennai.ac.in/admin/faculty/S_NO_1216.pdf</a></p>				

402/516	SUBMITTED TEXT	44 WORDS	58% MATCHING TEXT	44 WORDS
<p>No. of shares of N Ltd 30,000 Value of shares @ Rs.12.50 3,75,000 No. of shares of M Ltd to be issued at Rs.12.00 (375000/12) 31,250 No. of shares already held by N Ltd. 10,000 Net shares to be issued (31,250 – 10000) 21,250 Total Consideration (21,250 ?</p>		<p>No. of shares of D Ltd. Value of shares @ Rs. 12.50 No. of shares issuable based on intrinsic value of Rs. 12 (3,75,000 ÷ 12) No. of shares held by D Ltd. Net shares to be issued Total consideration</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				

403/516	SUBMITTED TEXT	29 WORDS	72% MATCHING TEXT	29 WORDS
<p>by M Ltd. Included in the stock of M Ltd. Rs.30,000 goods supplied by N Ltd at cost plus 20% basis. Give journal entries in the books of both the</p>				
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I___III_all.PDF (D142209931)</p>				

404/516	SUBMITTED TEXT	38 WORDS	60% MATCHING TEXT	38 WORDS
<p>Assets A/c.....Dr. 1,50,000 31 To Sundry Creditors A/c 95,000 To Consideration A/c 2,55,000 Consideration A/c.....Dr. 2,55,000 To Equity Share Capital A/c (21250 ? 10) 2,12,500 To Securities Premium A/c (21250 ? 2) 42,500 Sundry Creditors .....Dr. 20,000 To Sundry Debtors (in Current Assets) A/c 20,000</p>		<p>Assets A/less unrealised profit*) Dr. 3,45,000 Goodwill Dr. 5000 To A/c 95,000 To Consideration A/c 2,55,000 Discharge of consideration A/c Dr. 2,55,000 To Equity Share Capital A/c 2,12,500 To Securities Premium A/c 42,500 Cancellation of Inter owings Creditors A/Dr. 20,000 To Sundry Assets (acquired) A/c 20,000 *</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>405/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>77% MATCHING TEXT</b>	22 WORDS
<p>The balance sheets of X Ltd. and Y Ltd. as on 31.03.2020 were as follows: Particulars X Ltd. Y Ltd. (Rs.) (Rs.) I. Assets (1)</p>		<p>The Balance Sheet of X Ltd. and Y Ltd. as on 31.03.2003 are as follows: X Ltd. Y Ltd. Rs. Rs. Assets</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>406/516</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>50% MATCHING TEXT</b>	27 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (Equity shares of Rs.100) 45,00,000 15,00,000 (b) Other Equity 11,34,000 3,30,000 (3) Non-current Liabilities – 14% Debentures - 9,00,000 (4) Current Liabilities (</p>		<p>EQUITY AND LIABILITIES 1. Shareholder's Funds (a) Share Capital–Equity Shares of ₹ 10 each Fully paid 5,00,000 (b) and Surplus 4,20,000 2. Non-Current Liabilities 15% Long-term Borrowings 16,00,000 3. Current Liabilities 8,00,000</p>		
<p><b>W</b> <a href="https://www.meritnation.com/cbse-class-12-commerce/accountancy/analysis-of-financial-statements-t...">https://www.meritnation.com/cbse-class-12-commerce/accountancy/analysis-of-financial-statements-t...</a></p>				
<b>407/516</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>45% MATCHING TEXT</b>	33 WORDS
<p>On 31.03.2020 X Ltd absorbs Y ltd on the basis of intrinsic value of the shares of both companies. The fair value of shares of X Ltd. is Rs.120 You are required to calculate</p>		<p>on 31.03.2014, BEE Ltd. absorbs Ltd. on the basis of the intrinsic value of the shares of both companies as Before absorption, BEE Ltd. has declared a dividend of 12%. Dividend tax You are required to calculate: (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>408/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>78% MATCHING TEXT</b>	13 WORDS
<p>Solution : 1. Computation of net assets excluding inter-company investments Particulars X Ltd. Y Ltd.</p>		<p>Solution: Computation of Net Assets excluding Inter-Company Investments Particulars BEE Ltd. ( ` ) DEE Ltd. ( ` )</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				



409/516	SUBMITTED TEXT	185 WORDS	80% MATCHING TEXT	185 WORDS
	<p>Intrinsic value of Equity Shares Let 'a' as the intrinsic value (Net Assets including Inter Company Investments) of Equity Shares of X Ltd. and 'b' as the intrinsic value of Equity Shares of Y Ltd. [214] [ 214 ] a = 51,84,000 +1/5b..... (1) b = 3,30,000 + 1/5a..... (2) or, b = 3,30,000 + 1/5(51,84,000 + 1/5b) or, b = 3,30,000 + 10,36,800 + b/25 or, b-(b/25) = 13,66,800 or, b = 13,66,800 ? 25/24 = 14,23,750 Putting the value of b in equation (1), we get, a = 51,84,000 + 1/5 x 14,23,750 = 54,68,750 Intrinsic value of shares of X Ltd. = 54,68,750/45,000 = 121.53 Intrinsic value of shares of Y Ltd. = 14,23,750/15,000 = 94.92 (approximately) 3. Calculation of Purchase Consideration Value of shares held by outsiders in Y Ltd. = 12000 ? 94.92 = 11,39,000 Shares to be issued by X Ltd = 11,39,000/121.53 = 9,372 shares Less. Shares held by Y Ltd = 9,000 shares No. of shares to be issued = 372 shares Purchase consideration = 372 ? 120 = Rs. 44,640 4. Calculation of Gain on Bargain Purchase or Goodwill Particulars Rs. Assets taken over 15,00,000 Less. Liabilities taken over 11,70,000 Net Assets 3,30,000 Less. Purchase Consideration 44,640 Gain on Bargain Purchase 2,85,360</p>		<p>Intrinsic value of Equity Shares Let 'a' as the intrinsic value (Net Assets including Inter Company Investments) of Equity Shares of BEE Ltd. and 'b' as the intrinsic value of Equity Shares of DEE Ltd. a = 91,80,000 +1/5b..... (1) b = 8,76,000 + 1/5a..... (2) or, b = 8,76,000 + 1/5(91,80,000 + 1/5b) or, b = ` 8,76,000 + 18,36,000 + b/25 or, b-(b/25) = 27,12,000 24 25 b = 27,12,000 or, b = 27,12,000 x 25/24 = ` 28,25,000 Putting the value of b in equation (1), we get, a = 91,80,000 + 1/5 x 28,25,000 = 97,45,000 Intrinsic value of shares of BEE Ltd. = 97,45,000/90,000 = ` 108.28 Intrinsic value of shares of DEE Ltd. = 28,25,000/30,000 = 94.167 approximately 3. Calculation of purchase consideration payable by BEE Ltd. Value of Shares held by Outsiders in DEE Ltd. = 24,000 x 94.167 = 22,60,000 (approx) Shares to be issued by BEE Ltd. based on Intrinsic Value = 22,60000 /108.28 = 20,872 Shares Less: Shares held by DEE Ltd. = 18,000 shares Number of Shares to be issued = 2,872 shares Purchase consideration(2872 x 120) = 3,44,640 4. Calculation of Gain on Bargain Purchase / Goodwill Particulars ` Assets taken over: 32,16,000 Less: Liabilities 23,40,000 Net Assets taken over (considered as Fair Value) 8,76,000 Less: Purchase Consideration 3,44,640 Gain on Bargain Purchase 5,31,360</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>			

410/516	SUBMITTED TEXT	10 WORDS	76% MATCHING TEXT	10 WORDS
	In the books of M Ltd. Journal Date Particulars L.F Dr. Cr.			
	<p><b>SA</b> MCOM-AFA - Plagiarism - M.Com - 1st Sem-USH.docx (D127906811)</p>			

411/516	SUBMITTED TEXT	47 WORDS	59% MATCHING TEXT	47 WORDS
	<p>Assets A/c.....Dr. 1,50,000 Current Assets A/c.....Dr. 13,50,000 [215] [ 215 ] Goodwill A/c.....Dr. (bal. fig) 74,640 To 14% Debentures A/c 9,00,000 To Current Liabilities A/c 2,70,000 To Consideration A/c 44,640 To Investment A/c (3000 ? 120) 3,60,000 Consideration A/c.....Dr. 24,000 To Equity Share Capital A/c (2000 ? 10) 20,000 To Securities Premium A/c (2000 ? 2) 4,000</p>		<p>Assets A/c Dr. 200 Current Assets A/c Dr. 1,000 Goodwill A/c ( Sal. Fig.) Dr. 250 To Current A/c 800 To A/c 600 To Purchase Consideration 500 (Being sundry assets and liabilities over.) 31.03.2014 Purchase .Consideration A/c Dr. 50 To Equity Share Capital A/c 20 To Securities Premium A/c 30 (</p>	
	<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>			

<b>412/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>84% MATCHING TEXT</b>	10 WORDS
<p>In the books of X Ltd. Journal Date Particulars L.F Dr. Cr.</p> <p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				
<b>413/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>87% MATCHING TEXT</b>	15 WORDS
<p>share capital of Rs. 10 lakh consisting of 1,00,000 equity shares of Rs. 10 each.</p> <p>share capital of Rs 25 lakh, consisting of 25,000 shares of Rs 100 each.</p> <p><b>W</b> <a href="https://dokumen.pub/download/theory-and-problems-in-financial-management-2nbsped-0074636839-97800...">https://dokumen.pub/download/theory-and-problems-in-financial-management-2nbsped-0074636839-97800...</a></p>				
<b>414/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>62% MATCHING TEXT</b>	21 WORDS
<p>number of shares to be issued by B Ltd. to A Ltd. is [(1,00,000) ? 3/ (80)] = 3,750 III. Purchase Consideration,</p> <p>Number of Shares to be issued by Arima Ltd. to Rito Ltd. 5,94,000 Total purchase Consideration (</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>415/516</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>35% MATCHING TEXT</b>	42 WORDS
<p>Balance Sheet of B Ltd. as on 31.03.2020 (after merger) Particulars (Rs.) I. Assets (1) Non-current Assets (a) Property, Plant and Equipment (2,50,00,000 + 10,00,000) 2,60,00,000 (2) Current Assets (3,50,00,000 + 10,00,000) 3,60,00,000 Total 6,20,00,000 II. Equity and Liabilities (1) Shareholders' Fund (a) Share Capital (1,03,750</p> <p>Balance Sheet of AB Ltd. as on 31st March, 2017. Ref. No. Particulars Note No. Amount ( ` in Lakhs) II. ASSETS (1) Non-current Assets (a) PPE (500 - Dep. 450) 50 (2) Current Assets 4 400 Total 450 EQUITY AND LIABILITIES (1) Equity (a) Equity Share capital 1 50 (</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>416/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>58% MATCHING TEXT</b>	18 WORDS
<p>Assets (1) Non-current Assets (a) Property, Plant and Equipment 31,50,000 (b) Goodwill 74,640 (2) Current Assets 41,34,000 Total 73,58,640 II. Equity and Liabilities (1)</p> <p><b>SA</b> Assignment 1.pdf (D134275548)</p>				

<b>417/516</b>	<b>SUBMITTED TEXT</b>	56 WORDS	<b>70% MATCHING TEXT</b>	56 WORDS
<p>Share Capital (Equity shares of Rs.10) 6,00,000 2,00,000            (b) Other Equity – General reserve 2,70,000 47,500 -            Profit and Loss (Cr.) 90,000 34,500 (2) Non-current            Liabilities - - (3) Current Liabilities (</p>		<p>Share Capital: Equity shares of 100 each fully Other            Equity: General Reserve 8,00,000 6,00,000 Profit and            Loss A/c 14,68,000 60,000 Non-Current Liabilities: 14%            Debentures – 18,00,000 Current Liabilities:</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>418/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>92% MATCHING TEXT</b>	21 WORDS
<p>Assets (1) Non-current Assets (a) Property, Plant and            Equipment 4,95,000 1,50,000 (b) Non-current            Investments: 4%</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				
<b>419/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>52% MATCHING TEXT</b>	22 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share            Capital (1,64,000 Equity shares of Rs.10) 16,40,000 (b)            Other Equity - (2) Non-current Liabilities - (3) Current            Liabilities (</p>		<p>EQUITY AND LIABILITIES 1. Shareholder's Funds (a) Share            Capital–Equity Shares of ₹ 10 each Fully paid 5,00,000 (b)            and Surplus 4,20,000 2. Non-Current Liabilities 15%            Long-term Borrowings 16,00,000 3. Current Liabilities            8,00,000</p>		
<p><b>W</b> <a href="https://www.meritnation.com/cbse-class-12-commerce/accountancy/analysis-of-financial-statements-t...">https://www.meritnation.com/cbse-class-12-commerce/accountancy/analysis-of-financial-statements-t ...</a></p>				
<b>420/516</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>88% MATCHING TEXT</b>	39 WORDS
<p>Internal Reconstruction The need for reconstruction            arises when a company has accumulated huge losses or            when a company finds itself over-capitalized, which            means either that the value placed on assets is very high            compared to their earning capacity or that the profits</p>		<p>Internal Reconstruction The need for reconstruction            arises when a company has accumulated losses or when            a company finds itself over capitalized which means            either that the value placed on assets is too much as            compared to their earning capacity or that the profits</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>421/516</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>45% MATCHING TEXT</b>	30 WORDS
<p>is the earning capacity of the company. Even the            payment of debenture interest is not possible unless the            activities of the company are profitable. A very careful            estimate should, therefore, be made</p>		<p>is the earning power of the company. Even the interest to            debenture holders cannot be paid unless the s activities            are profitable. A very careful estimate should, therefore,            be made</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				

<b>422/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>71% MATCHING TEXT</b>	14 WORDS
<p>the company. Unless profits are sufficient to meet all expenses including adequate depreciation, interest</p>		<p>the company in the future. Unless the profits are sufficient to meet all the expenses including adequate depreciation, interest</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>423/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>control over the affairs of the company by the equity shareholders must not</p>		<p>control over the affairs of the company. The equity shareholders will not</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>424/516</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>50% MATCHING TEXT</b>	26 WORDS
<p>The requirement of working capital should not be ignored. Cash may be required to pay off some dissenting creditors or even to pay arrear preference dividend.</p>		<p>The requirements of the working capital must not be overlooked. Cash may require to pay certain dissenting creditor or even to pay arrears of preference dividend.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>425/516</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>58% MATCHING TEXT</b>	29 WORDS
<p>value of 10 shares of X Ltd. is Rs. 21.45 ? 10 = Rs. 214.50 The value of 10 shares of Y Ltd. is Rs. 19.175 ? 10 =</p>				
<p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				
<b>426/516</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>66% MATCHING TEXT</b>	26 WORDS
<p>Payment of arrears of dividend to cumulative preference shareholders in cash may immediately invite difficulties. In such a case, a good method is to issue deposit certificates</p>		<p>Payment of arrears of dividend (question arises only in case of cumulative preference shares) in cash immediately may present difficulties. In such a case a good method is to issue deposit certificates.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>427/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>84% MATCHING TEXT</b>	16 WORDS
<p>Illustration 12 : The following is the Balance Sheet of Unfortunate Ltd. as on March 31, 2020:</p>		<p>Illustration 24: The following is the Balance Sheet of K Ltd. as on 31 March, 2016:</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>428/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>61% MATCHING TEXT</b>	21 WORDS
<p>Assets (1) Non-current Assets (a) Property, Plant and Equipment (Plant and Machinery) 5,40,000 (b) Goodwill 1,80,000 (2) Current Assets Stock 1,74,000 Debtors 1,20,000 Cash at Bank 6,000 Total 10,20,000</p>		<p>ASSETS (1) Non-Current Assets : (a) Tangible Fixed Assets : Land and Building 4,00,000 Plant and Machinery 4,40,000 (2) Current Assets Stock 2,00,000 Debtors 2,00,000 Cash at Bank 60,000 Total 13,00,000</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>429/516</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>66% MATCHING TEXT</b>	48 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 60,000 Equity shares of Rs.10 6,00,000 - 1,200, 6% Cumulative Preference shares</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds (a) Share Capital Authorised Issued and Subscribed 440000 Equity Shares of ` 10 each 12000, 7% Cumulative Preference Shares</p>		
<p><b>W</b> <a href="https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf">https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf</a></p>				
<b>430/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>72% MATCHING TEXT</b>	23 WORDS
<p>Assets (1) Non-current Assets (a) Property, Plant and Equipment (Plant and Machinery) 4,86,000 (2) Current Assets Stock 1,74,000 Debtors 1,20,000 Cash at Bank 60,000 Total 8,40,000</p>		<p>ASSETS (1) Non-Current Assets : (a) Tangible Fixed Assets : Land and Building 4,00,000 Plant and Machinery 4,40,000 (2) Current Assets Stock 2,00,000 Debtors 2,00,000 Cash at Bank 60,000 Total 13,00,000</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>431/516</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>64% MATCHING TEXT</b>	48 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 60,000 Equity shares of Re.1 each 60,000 - 1,200, 7.5% Cumulative Preference shares of</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds : (a) Share Capital : Authorised Share Capital : 2,50,000 Equity Shares of ` 10 each 2,500 5,000 Preference Shares of ` 100</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>432/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>preliminary expenses, discount on issue of shares and debentures, underwriting commission,</p>				
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				

<b>433/516</b>	<b>SUBMITTED TEXT</b>	63 WORDS	<b>44% MATCHING TEXT</b>	63 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 15,000 Equity shares of Rs.10 each 1,50,000 - 10,000, 7% Preference shares of Rs.10 1,00,000 (b) Other Equity – Profit and Loss (Dr.) (1,01,500) (2) Non-current Liabilities – 10% Debentures (Secured</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds (a) Share Capital : 2,000, 6% Preference of ` 100 each 2,00,000 4,000 Equity Shares of ` 100 each fully paid 4,00,000 6,000 Equity Shares of ` 100 each ` 50 paid 3,00,000 (Reserves and Surplus Profit &amp; Loss A/c (Dr Balance) (2,00,000) (2) Non-Current Liabilities : 6% Debentures Secured</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>434/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>68% MATCHING TEXT</b>	21 WORDS
<p>This is preferable because it will not give any voting right and the certificate can be redeemed as soon as opportunity arises. (5)</p>		<p>This is preferable to issuing shares because (a) it will not upset the voting power and (b) the certificate can be redeemed as soon as opportunity arises.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>435/516</b>	<b>SUBMITTED TEXT</b>	74 WORDS	<b>100% MATCHING TEXT</b>	74 WORDS
<p>Building 90,000 - Plant and Machinery 38,000 (2) Current Assets Stock 12,000 Debtors 25,000 Cash at Bank 25,000 Total 1,90,000</p>		<p>Building 4,00,000 Plant and Machinery 4,40,000 (2) Current Assets Stock 2,00,000 Debtors 2,00,000 Cash at Bank 60,000 Total 13,00,000</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>436/516</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>66% MATCHING TEXT</b>	50 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 15,000 Equity shares of Re.1 each 15,000 - 10,000, 9% Preference shares of Rs.6.25 each 62,500 (2)</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds : (a) Share Capital : Share Capital : 2,50,000 Equity Shares of ` 10 each 2,500 5,000 Preference Shares of ` 100 each 500 3,000</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>437/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>84% MATCHING TEXT</b>	16 WORDS
<p>Illustration 13 : The Balance Sheet of Progressive Ltd. as on March 31, 2020 is as follows:</p>				
<p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				

<b>438/516</b>	<b>SUBMITTED TEXT</b>	160 WORDS	<b>38% MATCHING TEXT</b>	160 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital – 2,400 Equity shares of Rs.100 each 2,40,000 - 6% Cumulative preference shares of Rs.100 each 3,60,000 (b) Other Equity – Profit and Loss (Dr.) (1,05,600) (2) Non-current Liabilities – 10% Debentures (Secured by floating charges) 1,20,000 - Outstanding interest on debentures 14,400 (3) Current Liabilities – Sundry creditors 1,20,000 -</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds (a) Share Capital : 2,000, 6% Preference of ` 100 each 2,00,000 4,000 Equity Shares of ` 100 each fully paid 4,00,000 6,000 Equity Shares of ` 100 each ` 50 paid 3,00,000 (Reserves and Surplus Profit &amp; Loss A/c (Dr Balance) (2,00,000) (2) Non-Current Liabilities : 6% Debentures Secured by a floating charge on all Assets 2,00,000 Mortgage Loan on Land and Building 2,00,000 (3) Current Liabilities : Sundry Creditors 1,80,000</p>		
<b>W</b>	<a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a>			
<b>439/516</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>71% MATCHING TEXT</b>	17 WORDS
<p>Illustration 14 : The Balance Sheet of Paradise India Ltd. as on March 31, 2020 is as follows:</p>				
<b>SA</b>	<a href="#">new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</a>			
<b>440/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>preference shares of 2,40,000 Rs.100 each fully paid (ii) 6,900 Equity shares of Rs.32 each fully paid</p>		<p>Preference Shares of Rs. 10 each, fully paid up Equity Shares of Rs. 10 each fully paid</p>		
<b>W</b>	<a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a>			
<b>441/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>75% MATCHING TEXT</b>	14 WORDS
<p>on preference shares are in arrear for two years. The directors of the company</p>				
<b>SA</b>	<a href="#">2 B.Com _ IV SEM _ 22DCBGL42 CORPORATE ACCOUNTING - II.pdf (D143464517)</a>			
<b>442/516</b>	<b>SUBMITTED TEXT</b>	138 WORDS	<b>53% MATCHING TEXT</b>	138 WORDS
<p>Share Capital – 6,900 Equity shares of Rs.32 each 2,20,800 -2,400, 9% Cumulative preference shares of Rs.100 each 2,40,000 (2) Non-current Liabilities – 6% Debentures (Secured by floating charges) 1,20,000 - 10% Debentures 1,44,000 (3) Current Liabilities – Sundry creditors 1,20,000 -</p>		<p>Share capital Equity shares of Rs. 10 each 10% Preference shares of Rs. 10 each Reserves surplus Secured loans: 12% Debentures Current liabilities Sundry creditors</p>		
<b>W</b>	<a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a>			

<b>443/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>63% MATCHING TEXT</b>	19 WORDS
<p>Following are the assets and liabilities of P Ltd. and Q Ltd. as on 31.03.2022 Particulars P Ltd. Q Ltd.</p>		<p>following are the summarized Balance Sheets of P Ltd. and Q Ltd. as on 31st March 2011: Liabilities P Ltd. Q Ltd.</p>		
<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>444/516</b>	<b>SUBMITTED TEXT</b>	94 WORDS	<b>47% MATCHING TEXT</b>	94 WORDS
<p>Assets (1) Non-current Assets (a) Property, Plant and Equipment–Plant and Machinery 85,000 1,65,000 - Furniture 34,000 22,000 (2) Current Assets Inventories 81,000 45,000 Trade receivables 40,000 46,000 Cash at bank 25,000 22,000 Total 2,65,000 3,00,000 [242] [ 242 ]</p>		<p>ASSETS (1) Non-Current Assets : (a) Tangible Fixed Assets : Land and Building 4,00,000 Plant and Machinery 4,40,000 (2) Current Assets Stock 2,00,000 Debtors 2,00,000 Cash at Bank 60,000 Total 13,00,000</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>445/516</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>70% MATCHING TEXT</b>	46 WORDS
<p>Equity and Liabilities (1) Shareholders’ Fund (a) Share Capital -Equity shares of Rs.10 1,00,000 1,50,000 - 9% Preference shares of</p>		<p>EQUITY AND LIABILITIES (1) Shareholders’ Funds : (a) Share Capital : Share Capital : 2,50,000 Equity Shares of ` 10 each 2,500 5,000 Preference Shares of ` 100</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>446/516</b>	<b>SUBMITTED TEXT</b>	53 WORDS	<b>84% MATCHING TEXT</b>	53 WORDS
<p>Other Equity – General reserve 40,000 22,000 - Profit and Loss (Cr.) 23,000 13,000 (2) Non-current Liabilities - - (3) Current Liabilities (Sundry creditors) 52,000 45,000 Total 2,65,000 3,00,000</p>		<p>Other Equity – General reserve Profit And Loss Account 9,00,000 3,30,000 2,50,000 (2) Non-Current Liabilities - - 5,00,000 (3) Current liabilities Trade Sundry Creditors TOTAL 19,80,000</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>447/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>cumulative preference shares of Rs.100 each and 12,500 equity shares of Rs.32 each. (6)</p>				
<p><b>SA</b> original.doc (D34943452)</p>				



<b>448/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>82% MATCHING TEXT</b>	16 WORDS
<p>Problem 2 : Following are the Balance Sheets of K Ltd. and D Ltd. as at 31.12.2022.</p>		<p>Problem - 24 Following are the Balance sheets of two companies, B Ltd. and D Ltd. as at</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>449/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>Ltd. on the following terms: a) P Ltd. will issue 6 equity shares of Rs.10 each</p>				
<p><b>SA</b> original.doc (D34943452)</p>				
<b>450/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>61% MATCHING TEXT</b>	24 WORDS
<p>Share Capital -Equity shares of Rs.10 10,00,000 5,00,000 (b) Other Equity – Profit and Loss (Cr.) 2,50,000 1,50,000 (2) Non-current Liabilities - - (3) Current Liabilities (</p>		<p>Share Capital: Equity shares of 100 each fully Other Equity: General Reserve 8,00,000 6,00,000 Profit and Loss A/c 14,68,000 60,000 Non-Current Liabilities: 14% Debentures – 18,00,000 Current Liabilities:</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>451/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>88% MATCHING TEXT</b>	14 WORDS
<p>A new company KD Ltd. was formed to take over the business of</p>		<p>A new company X Ltd. was formed to take over the business of</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>452/516</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>83% MATCHING TEXT</b>	31 WORDS
<p>Assets (1) Non-current Assets (a) Property, Plant and Equipment (tangible assets) 9,00,000 5,00,000 (b) Non-current Investment 1,00,000 1,00,000 (2) Current Assets Inventories 3,00,000 1,00,000 Trade receivables 3,50,000 1,50,000 Cash</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				

453/516	SUBMITTED TEXT	18 WORDS	83% MATCHING TEXT	18 WORDS
	entries in the books of K Ltd. Also prepare the opening Balance Sheet of KD Ltd as on 01.01.2022.			
<b>SA</b>	M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)			
454/516	SUBMITTED TEXT	56 WORDS	70% MATCHING TEXT	56 WORDS
	Share Capital (Equity shares of Rs.10) 10.00 4.00 (b) Other Equity – General reserve 4.00 0.40 - Profit and Loss (Cr.) 2.00 0.60 (2) Non-current Liabilities - - (3) Current Liabilities (		Share Capital: Equity shares of 100 each fully Other Equity: General Reserve 8,00,000 6,00,000 Profit and Loss A/c 14,68,000 60,000 Non-Current Liabilities: 14% Debentures – 18,00,000 Current Liabilities:	
<b>W</b>	<a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a>			
455/516	SUBMITTED TEXT	17 WORDS	71% MATCHING TEXT	17 WORDS
	of Azad Ltd. and Hind Ltd. are to be taken at Rs.4.08 and Rs.2.84 crore respectively.		of Jay Ltd., and Krishna Ltd., are to be taken at Rs. 12,00,000 and Rs. 6,00,000 respectively; 3) 144	
<b>W</b>	<a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a>			
456/516	SUBMITTED TEXT	27 WORDS	47% MATCHING TEXT	27 WORDS
	Assets (1) Non-current Assets (a) Property, Plant and Equipment 2,50,000 2,40,000 (2) Current Assets 2,20,000 2,30,000 Total 4,70,000 4,70,000 II. Equity and Liabilities (1) Shareholders' Fund (a) Share Capital -		ASSETS (1) Non-current Assets (a) PPE (500 - Dep. 450) 50 (2) Current Assets 4 400 Total 450 EQUITY AND LIABILITIES (1) Equity (a) Share capital 1 50 (	
<b>W</b>	<a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a>			
457/516	SUBMITTED TEXT	57 WORDS	69% MATCHING TEXT	57 WORDS
	shares of Rs. 100 - 80,000 (b) Other Equity – General reserve 32,000 32,000 - Profit and Loss (Cr.) 70,000 70,000 (2) Non-current Liabilities – 8% Debentures - 40,000 (3) Current Liabilities (		shares of 100 each fully Other Equity: General Reserve 8,00,000 6,00,000 Profit and Loss c 14,68,000 60,000 Non-Current Liabilities: 14% Debentures – 18,00,000 Current Liabilities:	
<b>W</b>	<a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a>			

<b>458/516</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>66% MATCHING TEXT</b>	20 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 3,000 Equity shares of Rs.100 3,00,000 - 2,000, 6% Cumulative Preference shares</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds (a) Share Capital Authorised Issued and Subscribed 440000 Equity Shares of ` 10 each 12000, 7% Cumulative Preference Shares</p>		
<p><b>W</b> <a href="https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf">https://icmai.in/upload/suggestedanswer/Dec-15/Set-2/P12_Syl2012_Set2.pdf</a></p>				
<b>459/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>The balance sheet of the company as on 31st March 2020 is as follows:</p>		<p>The summarised balance sheet of the company as on March 31, previous year is as follows:</p>		
<p><b>W</b> <a href="https://dokumen.pub/download/theory-and-problems-in-financial-management-2nbsped-0074636839-97800">https://dokumen.pub/download/theory-and-problems-in-financial-management-2nbsped-0074636839-97800</a> ...</p>				
<b>460/516</b>	<b>SUBMITTED TEXT</b>	163 WORDS	<b>37% MATCHING TEXT</b>	163 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital - 8,000 Equity shares of Rs.100 each 8,00,000 - 6% Cumulative preference shares of Rs.100 each 4,80,000 (b) Other Equity - Profit and Loss (Dr.) (17,12,000) (2) Non-current Liabilities - 5% Debentures (Secured by floating charges) 21,44,000 - Outstanding interest on debentures 64,000 (3) Current Liabilities - Sundry creditors 7,20,000 -Tax liability 16,000 Total 25,12,000</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds (a) Share Capital : 2,000, 6% Preference of ` 100 each 2,00,000 4,000 Equity Shares of ` 100 each fully paid 4,00,000 6,000 Equity Shares of ` 100 each ` 50 paid 3,00,000 (Reserves and Surplus Profit &amp; Loss A/c (Dr Balance) (2,00,000) (2) Non-Current Liabilities : 6% Debentures Secured by a floating charge on all Assets 2,00,000 Mortgage Loan on Land and Building 2,00,000 (3) Current Liabilities : Sundry Creditors 1,80,000 Income-Tax 20,000 Total 13,00,000</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>461/516</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>92% MATCHING TEXT</b>	21 WORDS
<p>Assets (1) Non-current Assets (a) Property, Plant and Equipment 8.00 2.00 (b) Non-current Investments: 4%</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				

<b>462/516</b>	<b>SUBMITTED TEXT</b>	66 WORDS	<b>47% MATCHING TEXT</b>	66 WORDS
<p>Equity and Liabilities (1) Shareholders' Fund (a) Share Capital – 4,500 Equity shares of Rs.100 each 4,50,000 - 7.5% Cumulative preference shares of Rs.100 each 6,00,000 (b) Other Equity – Profit and Loss (Dr.) (8,17,500) (2) Non-current Liabilities – 6% Debentures (Secured by floating</p>		<p>EQUITY AND LIABILITIES (1) Shareholders' Funds (a) Share Capital : 2,000, 6% Preference of ` 100 each 2,00,000 4,000 Equity Shares of ` 100 each fully paid 4,00,000 6,000 Equity Shares of ` 100 each ` 50 paid 3,00,000 (Reserves and Surplus Profit &amp; Loss A/c (Dr Balance) (2,00,000) (2) Non-Current Liabilities : 6% Debentures Secured by a floating</p>		
<p><b>W</b> <a href="https://www.icsi.edu/media/webmodules/examination/325.pdf">https://www.icsi.edu/media/webmodules/examination/325.pdf</a></p>				
<b>463/516</b>	<b>SUBMITTED TEXT</b>	93 WORDS	<b>67% MATCHING TEXT</b>	93 WORDS
<p>Land and building 2,25,000 - Plant and Machinery 4,50,000 (b) Patent 60,000 (2) Current Assets: Stock 2,25,000 Debtors 90,000 Cash at bank 7,500 Total 10,57,500 II.</p>				
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				
<b>464/516</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>Institute of Chartered Accountants of India, Institute of Cost Accountants of India,</p>		<p>Institute of Chartered Accountants of India (b) Institute of Cost Accountants of India (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>465/516</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>100% MATCHING TEXT</b>	34 WORDS
<p>An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.</p>		<p>An entity disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>466/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>77% MATCHING TEXT</b>	22 WORDS
<p>This Accounting Standard applies to companies to which Indian Accounting Standards (Ind ASs), notified under the Companies Act, apply. (ii) If any entity,</p>		<p>This Accounting Standard shall apply to companies to which Indian Accounting Standards (Ind ASs) notified under the Companies Act apply. If an entity</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				

<b>467/516</b>	<b>SUBMITTED TEXT</b>	70 WORDS	<b>93% MATCHING TEXT</b>	70 WORDS
<p>is not required to apply this Ind AS, chooses to disclose information about segments that does not comply with this Ind AS, it shall not describe the information as segment information. (iii) If any financial report contains both the consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements. [252] [ 252 ] 7.7.3</p>		<p>is not required to apply this Ind AS chooses to disclose information about segments that does not comply with this Ind AS, it shall not describe the information as segment information. If a financial report contains both the consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>468/516</b>	<b>SUBMITTED TEXT</b>	87 WORDS	<b>95% MATCHING TEXT</b>	87 WORDS
<p>Operating Segments An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. An operating segment may engage in business activities for which it is yet to earn revenues. For example,</p>		<p>Operating Segments An operating segment is a component of an entity: a) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). 339 Segmental Reporting Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and, For which discrete financial information is available. An operating segment may engage in business activities for which it has yet to earn revenues, for example,</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>469/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>97% MATCHING TEXT</b>	18 WORDS
<p>two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the</p>		<p>Two or more operating segments may be aggregated into a single operating segment if the aggregation is consistent with the</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Archive/Final/Paper-17.pdf</a></p>				
<b>470/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>Exercises 7.1 Objective After going through this unit, you will be able to: ? know the meaning</p>				
<p><b>SA</b> new Sec B Corporate Accounting (1)-8-84.pdf (D142427798)</p>				

<b>471/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>94% MATCHING TEXT</b>	25 WORDS
<p>following respects: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services.</p>		<p>following a) The nature of the products and services; b) The nature of the production processes; c) The type or class of customer for their products and services;</p>		
<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>472/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>97% MATCHING TEXT</b>	22 WORDS
<p>An entity shall report separately information about an operating segment that meets any of the following quantitative thresholds: (a) Its reported revenue, including</p>		<p>An entity shall report separately information about an operating segment that meets any of the following quantitative thresholds: a) b) Its reported revenue, including</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>473/516</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>87% MATCHING TEXT</b>	50 WORDS
<p>or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss. (c) Its assets are 10 per cent or more of the combined assets of all operating segments.</p>		<p>or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating systems that reported a loss. 340 Advanced Financial Accounting &amp; c) Its assets are 10% or more of the combined assets of all operating segments.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>474/516</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>operating segments that do not meet any of the quantitative thresholds may still be considered reportable,</p>		<p>Operating segments that do not meet any of the quantitative thresholds may be considered reportable,</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>475/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>90% MATCHING TEXT</b>	14 WORDS
<p>management believes that information about the segment would be useful to users of the financial statements.</p>		<p>management believes that information about the segment would be useful to users of the financial statements. 12.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				

<b>476/516</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>46% MATCHING TEXT</b>	38 WORDS
<p>constitutes less than 75 per cent of the entity's total external revenue, then, additional operating segments shall be identified as reportable segments (even if they do not meet the criteria stated above) until at least 75 per cent of</p>		<p>constitutes less than 75 per cent of the total enterprise revenue, additional segments should be identified as reportable segments, even if they do not meet the 10 per thresholds in paragraph 27, until at least 75 per cent of</p>		
<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>477/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>100% MATCHING TEXT</b>	22 WORDS
<p>Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an 'all other segments' category.</p>		<p>Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an "all other segments" category</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>478/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>segment identified as a reportable segment in the immediately preceding period</p>		<p>segment identified as a reportable segment in the immediately preceding period</p>		
<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>479/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>segment is identified as a reportable segment in the current period</p>		<p>segment is identified as a reportable segment in the current period</p>		
<p><b>W</b> <a href="https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0">https://il-app.s3.ap-south-1.amazonaws.com/resources/52bae09ed0944feda4c457866f8376a0</a></p>				
<b>480/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>unless the necessary information is not available and the cost to develop it would be excessive.</p>		<p>unless the necessary information is not available and the cost to develop it will be excessive:</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>481/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>the entity should consider whether a practical limit has been reached. [254] [ 254 ] ?</p>		<p>The entity should consider whether a practical limit has been reached</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				

<b>482/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>65% MATCHING TEXT</b>	18 WORDS
<p>An entity shall disclose the following general information: (i) factors used to identify the entity's reportable segments. (ii) the</p>		<p>an entity to disclose the following information: a) Factors used to identify the entity's operating segments, including the</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>483/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>75% MATCHING TEXT</b>	24 WORDS
<p>or more of the combined revenue, internal and external, of all operating segments. (b) The absolute amount of its reported profit or loss is 10</p>				
<p><b>SA</b> 201311822 AFE 3782 ASIGMENT 2B 2021.pdf (D113025922)</p>				
<b>484/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>types of products and services from which each reportable segment derives its revenues. ?</p>		<p>Types of products and services from which each reportable segment derives its revenues.</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>485/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>revenues from transactions with other operating segments of the same entity; (</p>		<p>Revenues from transactions with other operating segments of the same entity</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>486/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>94% MATCHING TEXT</b>	24 WORDS
<p>the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method; (h) income tax expense or income;</p>		<p>The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method Income tax expense or income</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				
<b>487/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>76% MATCHING TEXT</b>	13 WORDS
<p>Restatement of previously reported information If an entity changes its internal organizational structure</p>		<p>Restatement of previously reported information: If an entity changes the internal organisational structure</p>		
<p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				



<b>488/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>92% MATCHING TEXT</b>	14 WORDS
<p>unless the information is not available and the cost to develop would be excessive. ?</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>unless the information necessary is not available and the cost to develop it would be excessive,</p>		
<b>489/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>shall be provided only if it is not provided as part of the reportable segment information required by this</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>shall be provided only if it is not provided as part of the reportable segment information required by this</p>		
<b>490/516</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>98% MATCHING TEXT</b>	27 WORDS
<p>Information about products and services An entity shall report the revenues from external customers for each product and service, or each group of similar products and services. The</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>Information about products and services An entity shall report the revenues from external customers for each product and service, or each group of similar products and services, the</p>		
<b>491/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>100% MATCHING TEXT</b>	25 WORDS
<p>revenues from external customers (i) attributed to the entity's country of domicile, and (ii) attributed to all foreign countries in total from which the entity derives revenues. (</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>Revenues from external customers (i) attributed to the entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues.</p>		
<b>492/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>non-current assets other than financial instruments, deferred tax assets, post- employment benefit assets, and rights arising under insurance contracts (</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>		<p>non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.</p>		

<b>493/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>84% MATCHING TEXT</b>	18 WORDS
<p>the total of the reportable segments' measures of profit or loss to the entity's profit or loss before</p> <p><b>SA</b> Canadian GAAPs.pdf (D917184)</p>				

<b>494/516</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>96% MATCHING TEXT</b>	61 WORDS
<p>Information about major customers An entity shall provide information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, the entity shall disclose that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues. 7.8</p> <p>Information about major customers An entity shall provide information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to ten per cent or more of an entity's total revenues, the entity shall disclose the fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues.</p> <p><b>W</b> <a href="https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9">https://dokumen.site/download/icwai-final-financial-accounting-a5b39f0aecc8c9</a></p>				

<b>495/516</b>	<b>SUBMITTED TEXT</b>	60 WORDS	<b>100% MATCHING TEXT</b>	60 WORDS
<p>Adoption of responsible business practices in the interest of the social set-up and the environment are as vital as their financial and operational performance. This is all the more relevant for listed entities which, considering the fact that they have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive continuous disclosures on a regular basis.</p> <p>adoption of responsible business practices in the interest of the social set-up and the environment are as vital as their financial and operational performance. This is all the more relevant for listed entities which, considering the fact that they have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive continuous disclosures on a regular basis.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>496/516</b>	<b>SUBMITTED TEXT</b>	57 WORDS	<b>95% MATCHING TEXT</b>	57 WORDS
<p>Ministry of Corporate Affairs, Government of India, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contained comprehensive principles to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the said principles. [262] [ 262 ]</p> <p>Ministry of Corporate Affairs, Government of India, in July 2011, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contain comprehensive principles to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the said principles.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>497/516</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>100% MATCHING TEXT</b>	39 WORDS
<p>Those listed entities which have been submitting sustainability reports to overseas regulatory agencies/stakeholders based on internationally accepted reporting frameworks need not prepare a separate report for the purpose of these guidelines but only furnish the same to their stakeholders along with</p>		<p>Those listed entities which have been submitting sustainability reports to overseas regulatory agencies/stakeholders based on internationally accepted reporting frameworks need not prepare a separate report for the purpose of these guidelines but only furnish the same to their stakeholders along with</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>498/516</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>79% MATCHING TEXT</b>	22 WORDS
<p>a mapping of the principles contained in these guidelines to the disclosures made in their sustainability reports. 8.3.2 Format for Business Responsibility Report [</p>		<p>a mapping of the principles contained in these guidelines to the disclosures made in their sustainability reports. [SEBI Circular No. CIR/CFD/CMD/10/2015 dated November 04, 2015] Suggested Format For Business Responsibility Report</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				
<b>499/516</b>	<b>SUBMITTED TEXT</b>	123 WORDS	<b>96% MATCHING TEXT</b>	123 WORDS
<p>Section B : Financial Details of the Company 1. Paid up Capital (INR) 2. Total Turnover (INR) 3. Total profit after taxes (INR) 4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) 5. List of activities in which expenditure in 4 above has been incurred. Section C : Other Details 1. Does the Company have any Subsidiary Company/ Companies? 2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s) 3. Do any other entity/entities (e.g., suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] Section D : BR Information 1. Details of Director/Directors responsible for BR</p>		<p>SECTION B: FINANCIAL DETAILS OF THE COMPANY 1. Paid up Capital (INR) 2. Total Turnover (INR) 3. Total profit after taxes (INR) 4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) 5. List of activities in which expenditure in 4 above has been incurred: CORPORATE FINANCIAL REPORTING 110 THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SECTION C: OTHER DETAILS 1. Does the Company have any Subsidiary Company/ Companies? 2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s) 3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30- 60%, More than 60%] SECTION D: BR INFORMATION 1. Details of Director/Directors responsible for BR 2.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>				

<b>500/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>should conduct and govern themselves with ethics, transparency and accountability. 1.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>should conduct and govern themselves with Ethics, Transparency and Accountability 1.</p>		
<b>501/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>should provide goods and services that are safe and contribute to</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>should provide goods and services that are safe and contribute to</p>		
<b>502/516</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>92% MATCHING TEXT</b>	18 WORDS
<p>should respect the interest of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. 1.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. 1.</p>		
<b>503/516</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Principle 6 - Business should respect, protect and make efforts to restore the environment. 1.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>Principle 6: Business should respect, protect, and make efforts to restore the Environment. 1.</p>		
<b>504/516</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>91% MATCHING TEXT</b>	19 WORDS
<p>Principle 7 - Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner. 1.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner 1.</p>		
<b>505/516</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>92% MATCHING TEXT</b>	13 WORDS
<p>should engage with and provide value to their customers in a responsible manner. 1.</p> <p><b>W</b> <a href="https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf">https://icmai.in/upload/Students/Supplementary/Paper-17-Supplementary_27-09-2019.pdf</a></p>		<p>should engage with and provide value to their customers and consumers in a responsible manner 1.</p>		

<b>506/516</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.</p>		<p>of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>507/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>contribution to the Prime Minister's National Relief Fund or</p>		<p>Contribution to the Prime Minister's National Relief Fund or</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>508/516</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>70% MATCHING TEXT</b>	28 WORDS
<p>Fund) or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women; (</p>		<p>Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>509/516</b>	<b>SUBMITTED TEXT</b>	77 WORDS	<b>78% MATCHING TEXT</b>	77 WORDS
<p>CSR report shall include - 1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs. 2. The composition of the CSR Committee. 3. Average net profit of the company for last three financial years 4. Prescribed CSR Expenditure (two percent of the amount as in the Item 3 above) [276] [ 276 ] 5. Details of CSR spent during the financial year. (</p>		<p>CSR Report. ( a) A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs; (b) The composition of the CSR Committee; (c) Average net profit of the company for last three financial years; (d) Prescribed CSR Expenditure (2% of the amount of the net profit for the financial years); (Details of CSR Spent during the financial year; (</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>510/516</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>of the average net profit of the last three financial</p>		<p>of the average net profit of the last three financial</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				

<b>511/516</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>100% MATCHING TEXT</b>	24 WORDS
<p>A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.</p>		<p>A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.</p>		
<p><b>W</b> <a href="https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf">https://icmai.in/upload/Students/Syllabus2016/Workbook/Sep2020/WB_Paper-17.pdf</a></p>				
<b>512/516</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>83% MATCHING TEXT</b>	25 WORDS
<p>constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.</p>				
<p><b>SA</b> ACA-MCOS 34 MAIN.docx (D147306261)</p>				
<b>513/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>Shukla, M.C; Grewal, T. S. &amp; Gupta, S. C: Advanced Accounts, S. Chand &amp; Co. (</p>				
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				
<b>514/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>Ltd. 3. Maheshwari, S. N.: Advanced Accountancy, Vikas Publishing House Pvt. Ltd. 4.</p>				
<p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				
<b>515/516</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>Shukla, M.C; Grewal, T. S. &amp; Gupta, S. C: Advanced Accounts, S. Chand &amp; Co. (</p>				
<p><b>SA</b> M.Com.I_Adv._Accountancy_P._I____III_all.PDF (D142209931)</p>				
<b>516/516</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>Ltd. 3. Maheshwari, S. N.: Advanced Accountancy, Vikas Publishing House Pvt. Ltd. 4.</p>				
<p><b>SA</b> MCOM-AFA - Plagarism - M.Com - 1st Sem-USH.docx (D127906811)</p>				













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PREFACE In the curricular structure introduced by this University for students of Post- Graduate degree programme, the opportunity to pursue Post-Graduate course in a subject is introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. I am happy to note that the university has been recently accredited by National Assessment and Accreditation Council of India (NAAC) with grade 'A'. Keeping this in view, the study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing, and devising of a proper layout of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials, the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great deal of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Subha Sankar Sarkar Vice-Chancellor

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Module - 1 Unit - 1 □ Concept and Understanding the Corporate Governance 9 – 19 Unit - 2 □ Corporate Governance in India 20 – 60 Unit - 3 □ Shareholders and Corporate Governance 61 – 68 Unit - 4 □ Corporate Social Responsibility 69 – 76 Module - 2 Unit - 5 □ Meaning and Nature of Business Ethics 79 – 89 Unit - 6 □ Ethical Principles in Business 90 – 98 Unit - 7 □ Business Ethics as a Strategic Response 99 – 109 Unit - 8 □ Managing Ethical Dilemmas in Business 110 – 172 Netaji Subhas Open University Post Graduate : Commerce (M. Com) Course : Corporate Governance and Business Ethics Code : PGCO-VIII

Module - 1 7

Unit - 1  Concept and Understanding the Corporate Governance Structure 1.1 Objectives 1.2 Introduction 1.3 Important features of Corporate Governance 1.4 Composition of Board of Director 1.4.1 The Role of the Board of Directors in Corporate Governance 1.5 Other Components of Corporate Governance 1.6 Corporate Governance System Worldwide 1.7 Summary 1.8 Exercise 1.1 Objectives After going through this unit you will learn. • Corporate Governance and Role of Board: • Composition of Board of Directors; • Corporate Governance other components; • Corporate Governance system worldwide : Single board vs. Dual board; Germany Japanese system - 'networked model' vs. Anglo American system - 'high-tension model'; • Corporate Governance in India A journey through the historical models. 1.2 Introduction Corporate Governance refers to the way in which companies are governed and to what purpose. It provides power and accountability, and identifies decision makers 9 10 NSOU • PGC0-VIII of an organisation. Governance is a toolkit that enables management and the board to efficiently face challenges of running a company. Corporate governance ensures appropriate decision-making processes and controls to protect the interests of all stakeholders (shareholders, employees, suppliers, customers and the community). The Cadbury Report 1992 provides a useful definition : ‘

**100%**

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Synopsis.docx (D109401775)

The system by which companies are directed and controlled’. In

his book ‘A Board Culture of Corporate Governance’, business author

**100%**

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Gabrielle O’Donovan defines corporate governance as “an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Sound corporate governance is reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes.” 1.3

Important Features of Corporate Governance Important features of corporate governance are as follows: 1. Transparency : Transparency incorporates

**71%**

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a system of checks and balances between key players – boards, management, auditors and shareholders. Transparency in

company’s action may be ensured through making non- partial disclosures of company rules, policy, accounts, etc. and timely disclosure of information complete in all respect equally to all shareholders about results; Annual General Meetings (AGMs); quarterly updates on company’s performance, risks, outlook, opportunities and threats etc. 2. Accountability : Corporate Governance necessitates taking into account the shareholders interests in every business decision which brought accountability of the Board of Directors of a company and their constituent responsibilities in focus. Board of Directors are the representors of the stakeholders and are accountable to the stake holders for decisions taken. 3. Trusteeship : “The doctrine of trusteeship is based on the Bhagavad Gita. The twin principles of ‘aparigraha’ (non-possession) and ‘Sambhawa’ (equalism) are the main principles of Bhagavad Gita. Corporates are the trustee of the shareholders and their money; they should use their wealth for the welfare of the society and the community at large.” Trusteeship involves

NSOU • PGC0-VIII 11 a strong code of discipline and ethical behaviour as well as equally strong principle of accountability. 4. Employees' Welfare : Good corporate governance is essentially concerned with company's human resource. Training, Identification and rewarding of performance, Focus on multi-skill programme where key executives are rotated to various functions to develop skills across different functions, Scholarships and/or educational facilities for children of the company's staff are common welfare policies adopted by corporate governance. 5. Environment Protection : Protection of environment should be the first priority of every socially responsible organization. Each company must take steps to make sustainable use of resources, establish a healthy and safe working environment, maintain ecological balance, take proactive steps to minimize waste generation and preserve the environment. 6. Meeting Social Obligations : social responsibility of a business is regulated by corporate governance through

**100%**

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non-executive and independent directors who will take care of the interests and well-being of all the stakeholders.

Corporate Social Responsibility (CSR) is now a mandated law, which must be followed to balance the societal damage made by various business organisation. The overall endeavour of the board should be to take the organization forward, to maximize long-term value and shareholders' wealth. 1.4

**88%**

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Composition of Board of Directors Section 149 of the Companies Act, 2013 requires that every company shall have a minimum 3 directors in the case of a public company, 2 directors in the case of a private company, and 1 director in the case of a One Person Company. -

At least 1

**70%**

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director who has stayed in India for a total period of not less than 182 days in the previous calendar year

shall be appointed by every company. -At least one woman director shall be appointed in every listed company within one year from the commencement of the Act. -All the

**84%**

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listed public company would have at least 1/3 of the total number of directors as independent directors (

fraction is to be rounded off to one). -A company can appoint a maximum of 15 fifteen directors. A company may appoint more than fifteen directors after passing a

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**MATCHING BLOCK 8/230**

**SA**

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special resolution in general meeting and approval of Central Government is not required. 12 NSOU • PGC0-VIII -The maximum number of

directorships, including any alternate directorship a person can hold, is 20. -

Every

**80%**

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other public company having paid up share capital of ? 100 crores or more or turnover of ? 300

crores or more as on the last date of audited financial statements, shall appoint least one woman director within one year from the implementation of the Act. Under LODR for Listed Companies (Listing Obligations and Disclosure Requirements) The members

**48%**

**MATCHING BLOCK 10/230**

**SA**

DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)

of the board shall have an optimum combination of executive and non-executive directors and at least one woman director. At least 50% of the board of directors must be non-executive directors. When the board chairman is a non-executive director,

a minimum of one-third directors shall be made up of independent directors. In case of the board chairman being an executive director, a minimum of

**100%**

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half of the board of directors shall comprise of independent directors.

However, in case a non-executive chairman is a promoter of the said listed company or directly related to a promoter or a high-level manager, at least half of all directors will comprise of independent directors. The Director who is involved in the routine management of the firm and acts as a full-time employee of the company is known as Executive Director. A Non- Executive Director is a member of the company's board, but does not possess the management responsibilities. An independent director is a member of the board of

**95%**

**MATCHING BLOCK 12/230**

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directors who (1) do not have a material relationship with the company, (2)

is not part of the company's executive team, and (3) is not involved with the day-to-day operations of the company. 1.4.1 The Role of the Board of Directors in Corporate Governance The main role of board directors is oversight and planning. Corporate boards have the responsibility to take decisions in an organisation, considering how it will affect their employees, customers, suppliers, communities and shareholders. Good corporate governance was never intended to be directly involved in the daily operations of a corporation, and they are separate from management. Despite the differences, boards also regularly delegate some of their duties to board

NSOU • PGCO-VIII 13 committees. Corporate board committees act as a subset of the full board. Committees engage in issues for which the full board doesn't have time. Committees provide regular reports to the board on the matters they're charged with handling. Best practices for corporate governance encourage boards to offer the majority of board seats to independent directors. A well-composed board brings a diverse range of expertise, perspectives and knowledge into the boardroom. Regulators, investors and others are also making a big push for boards to consider diversity in a multitude of realms, including age, gender, experience, ethnicity, race, religion, skills and experiences. Executive, Non-Executive, independent directors including women director creates a dynamic team with expertise of business, general decision making, and independence of decision making.

1.5 Other Components of Corporate Governance People, Purpose, Process, and Performance are the Four Ps of Corporate Governance, the guiding philosophies behind why governance exists and how it operates. This is further illustrated below :

- People**-People come first in the Four Ps because people exist on every side of the business equation. They are the founders, the board, the stakeholder and consumer and impartial observer. People are the organisers who determine a purpose to work towards, develop a consistent process to achieve it, evaluate their performance outcomes, and use those outcomes to grow themselves and others as people.
- Purpose**-Every governance is made for a purpose and to achieve a purpose. The organisations mission, objectives, policies and projects should exist to further this agenda. Every small effort to goof governance will pay off and makes the business effective at achieving it's stated purpose.
- Process**-Governance is the process by which people achieve their company's purpose, and that process is developed by analysing performance. Processes are refined over time in order to consistently achieve their purpose, and it's always smart to take a critical eye to your governance processes. Correct process helps the company to grow effortlessly.
- Performance**-Performance analysis is an ability to look at the results of a process and determine whether it was successful (or successful enough), and then apply those findings to the rest of your organisation, is one of the primary functions of the governance process. Performance determines the efforts and gaps that leads to success or failure.

14 NSOU • PGCO-VIII 1.6 Corporate Governance System Worldwide

1. Anglo-American Model of Corporate Governance : In this model of corporate governance, shareholders elect the board of directors. They take up the advisory role. Shareholders usually control a private corporation through the board of directors. The board of directors performs three basic functions on behalf of the shareholders i.e. representation, direction and oversight. The board appoints and supervises the executive officers who will take care of the daily activities of the organization. However, the structural framework of the Anglo- American model as laid down by the legal system is depicted through the following diagram-

Shareholders Board of Directors Executive Directors Company Stakeholders Legal Systems Creditors elect appoints Governance Structure manages

Fig-1 : Anglo-American Corporate Governance Model As per this model, employees, suppliers and creditors are stakeholders in the corporations. The creditors have a lien on the assets of the corporation. The board of directors designs the policy of the corporation, which is then implemented by the management. Using a well-designed information system the board monitors the implementation of this policy in the organization. This model is most suitable for a production or manufacturing organization as it facilitates efficient monitoring of production, exchange and performance.

2. German Model of Corporate Governance : In this model of corporate governance, even though the shareholders own the

NSOU • PGCO-VIII 15 corporation, they do not directly control the governance mechanism. Here, we can find two-tier board structure- Supervisory Board and Management Board. Half of the members of Supervisory Board are elected by the labour unions while the remaining is elected by the share holders or owners of the corporations. In this model, the employees are not just stakeholders, but also have a say in the governance mechanism. Thus, employees become responsible for the policies that are to be implemented by them for attaining the objectives of the firm i.e. profit, market share, high turnover etc. The supervisory board, which is jointly appointed by shareholders and labour unions, appoints and monitors the management board. This management board conducts the day-to-day operations of the organization independently. But, the management board has to report to the supervisory board about their activities for a specific period. One of the unique features of this model is that the labour relations' officer finds a place on the management board. So, this model ensures workers participation in the governance mechanism. Here, the German model of corporate governance and the relationship between various constituents of the system is presented-

Shareholders  
Labour Unions  
Supervisory Board  
Management Board  
Company day to day functions  
Reports to  
Appoints and  
Independently run  
Appoint ½  
Appoint ½  
Supervises

Fig-2 : German Corporate Governance Model 3 Japanese Model of Corporate Governance : In the Japanese model of corporate governance, the financial institutions have a major say in the governance mechanism. The shareholders, along with the banks (the major capital providers of the Japanese firms), appoint the members on the

16 NSOU • PGCO-VIII board. In this model even the president is appointed on the basis of a consensus between shareholders and the banks. The President consults with the board and their relations are hierarchical in nature. Usually the board ratifies whatever decisions the president takes. The financial institutions that finance the business have a crucial role in it even though the shareholders are the owners of the business. In this model, the executive management (primarily board of directors) carries out the management function. Sometimes the financial institutions monitor the management function by nominating the management personnel. The banks even have the power to suspend the board in case of an emergency. The Japanese model of corporate governance is exhibited here with this self-explanatory diagram-

Shareholders  
Banks  
Supervisory Board (Including President)  
President  
Executive Management  
Company  
manages  
Consults  
Consults  
Ratifies decision of President  
Consults  
Appoint  
Monitor  
provide managers

Fig-3 : Japanese Corporate Governance Model 4 Indian Model of Corporate Governance : The Indian model of corporate governance is a mix of the Anglo-American and German models of Corporate Governance. Corporations in India can be grouped into three categories: private companies, public companies, banks and other corporations. In case of closely hold family-run private companies, the founder, his family, and associates exercise maximum control over the activities of these companies. The businesses of private companies like that of the TATA group, the Reliance group or the Birla group are financed by retained earnings or/and debt. The role of external equity finance is minimal.

NSOU • PGCO-VIII 17 In case of public enterprises, the central and state governments choose the members of the board. Even after the disinvestment of some public companies, the government continues to have a considerable hold over the activities of the company. Here the interests of the stakeholders are generally given less priority. Large public sector enterprises are run to serve the interests of the government rather than aiming for efficiency and maximizing long term owner value. Shareholders  
Government  
Regulatory Bodies  
Banks and Financial Institutions  
Board of Directors-  
comprised of Executive, Non-Executive and Independent Directors, CEO and/or Chairman  
Different Functional Managers, e.g. Purchase, Finance, Operations, Marketing, Human Resource Managers etc.  
Company  
Differnt Board Committees -Audit, Remuneration, Nomination and Investor Grievance Committees  
Appoint  
Accountable  
Guide  
Nominate  
Forms  
Appoints  
Reports to  
Monitors  
Manages daily affairs

Fig-4 : Indian Model of Corporate Governance 1.7 Summary The chapter consist of explanation to how governance is important for sustainability in business. Board of directors brings a diverse range of expertise, perspectives and knowledge into the boardroom. So the composition of the board is relevant in good governance. People, Purpose, Process, and Performance are the Four Ps of Corporate Governance, the guiding philosophies behind why governance exists. The corporate governance system adopted world wide is also included in this chapter to understand the diversified approaches to corporate governance.

18 NSOU • PGCO-VIII 1.8 Exercise Group - A 1. The corporate governance structure of a company reflects the individual companies': (a) Cultural and economic system. (b) Legal and business system. (c) Social and regulatory system. (d) All of the above. 2. Under the \_\_\_\_\_, both internal and external corporate governance mechanisms are intended to induce managerial actions that maximize profit and shareholder value. (a) Shareholder theory. (b) Agency theory. (c) Stakeholder theory. (d) Corporate governance theory. 3. The system that is used by firms to control and direct their operations and the operations of their employees is called : (a) Corporate Compliance. (b) Corporate Governance. (c) Corporate Control. (d) Corporate Directive. 4. What is meant by the phrase CSR ? (a) Corporate Social Responsibility (b) Company Social Responsibility (c) Corporate Society Responsibility (d) Company Society Responsibility

NSOU • PGCO-VIII 19 5. Which of the following does the term Corporate Social Responsibility relate to ? (a) Ethical conduct (b) Environmental practice (c) Community investment (d) All of the above

Group – B 1. Mention few important features of Corporate Governance? 2. Explain the role of the Board of Directors in Corporate Governance ? 3. What are the other important components of Corporate Governance? 4. Explain the Indian model of Corporate Governance.

Group – C 1. Explain Corporate Governance system practices worldwide. 2. How is Corporate Governance important and how does composition of board of directors help in good governance. Ans. Group-A : 1. (d), 2. (b), 3. (b), 4. (a), 5. (d)

20 NSOU • PGCO-VIII Unit - 2  Corporate Governance in India Structure 2.1 Objectives 2.2 Introduction 2.3 Major recommendations of Corporate Governance Committees 2.4 An Overview on Various Initiatives towards Corporate Governance Movements in India 2.5 Corporate Governance Reform in Post Satyam Saga: Biggest Corporate Scam in India 2.6 A Brief Review of Reforms in Corporate Governance Mechanisms in India under the regime of the New Companies Act, 2013 2.7 Summary 2.8 Exercise 2.1 Objectives After going through this unit you will learn. • Main recommendations of the Corporate Governance Committees and Codes in India; • Corporate Governance and legislations in India; • Corporate Governance in the Public Sector in India. 2.2 Introduction Major committees have been formed to enhance the social benefit of corporate governance and optimum utilisation of resources available as CSR funds. These committees provide major recommendations which must be adopted to enhance the responsibilities of a business.

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**MATCHING BLOCK 13/230**

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DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)

It was felt that under Indian conditions a statutory rather than a voluntary code would be far more purposive and meaningful.

The

Companies Act, 2013 has tried to make a paradigm shift in corporate governance mechanism in India by promulgating various timely and relevant provisions. 9

NSOU • PGCO-VIII 21 2.3 Major recommendations of Corporate Governance Committees Major recommendations of corporate governance committees are described below. Cadbury Committee Code of Best Practices Sir Adrian Cadbury, Chairman of Cadbury Schweppes and also considered the father/pioneer in the field of modern 'Corporate Governance', had in fact made its recommendation in 1992 with the publication of the 'code of best practices'. His recommendations were focused primarily on the composite functioning responsibility and accountability of a company's Board of Directors. Some of the major highlighting factors of his recommendations are furnished below : (a) Composition of board of directors : It is recommended that

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where the chairman is also chief executive, it is essential that there should be strong and independent element on the board with a recognized senior member. The board should include non-executive director of sufficient caliber and number for their views to carry significant weight in the board's decisions. (

Executive)

Director



**100%**

**MATCHING BLOCK 15/230**

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Service contracts should not exceed three years without shareholders' approval. (

b) Separation of the Post of Directors and Chairman : Given the importance and particular nature of the chairman's role, it should in principle be separate from that of the chief executive. If the two roles are combined in one person, it represents a considerable concentration of power. We recommend, therefore, that

**100%**

**MATCHING BLOCK 16/230**

**SA**

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there should be a clearly accepted division of responsibilities at the head of a company, which will ensure

a

**93%**

**MATCHING BLOCK 17/230**

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balance of power and authority, such that no one individual has unfettered powers of decision. Where the chairman is also the chief executive, it is essential that there should be a strong and independent element on the board. (

c) Independence in Board Committees : To meet recommendations on the composition of sub-committees of the board, all boards will require a minimum of three non-executive directors, one

**70%**

**MATCHING BLOCK 18/230**

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Corporate governance in India an evaluation.pdf (D34933278)

of whom may be the chairman of the company provided he or she is not

also its executive head. Additionally, two of the three should be independent directors. By independence, we mean that apart from their directors' fees and shareholdings, they should

**76%**

**MATCHING BLOCK 19/230**

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be independent of management and free from any business or 22 NSOU • PGC0-VIII other relationship which could materially interfere with the exercise of their independent

judgment. Moreover, in order to promote independence in board it was also recommended that non-executive directors should not participate in share option schemes and for their service as non-executive directors not to be pensionable by the company. (d) Appointment of Non-Executive Directors : Given the importance of their distinctive contribution, non-executive directors should be selected with the same impartiality and care as senior executives. We recommend that

**100%**

**MATCHING BLOCK 20/230**

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their appointment should be a matter for the board as a whole

and that there should be a formal selection process, which will reinforce the independence of non-executive directors and make it evident that they have been appointed on merit and not through any form of patronage. We regard it as good practice for a nomination committee (dealt with below) to carry out the selection process and to make proposals to the board. (e) Activities and Responsibilities of the Board :

**88%**

**MATCHING BLOCK 21/230**

**SA**

Dissertation on Corporate Governance.docx (D27565990)

There should be a clearly accepted division of feasibilities at the head of company, which will ensure a balance of power and authority such that no one individual has unfettered powers of decision. Where the chairman is also the chief executive it is essential that there should be a strong and independent element on the board, with a recognized senior member. The Board should

**94%**

**MATCHING BLOCK 22/230**

**SA**

Dissertation on Corporate Governance.docx (D27565990)

have a formal schedule of matter specifically reserved to it for decisions to ensure that the direction and control of the company is firmly in its hands.

Moreover, it was also recommended that in order to promote transparency

**61%**

**MATCHING BLOCK 23/230**

**SA**

Corporate governance in India an evaluation.pdf (D34933278)

in the system the non-executive directors should be appointed for specified terms. (f) The Role of

company Secretary :

**100%**

**MATCHING BLOCK 24/230**

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Synopsis.docx (D109401775)

All directors should have access to the advice and services of the company secretary, who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the company secretary should be a matter for the board as a whole. (

g)

**96%**

**MATCHING BLOCK 25/230**

**SA**

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Standards of Conduct : It is important that all employees should know what standards of conduct are expected of them. We regard it as good practice for board of directors to draw up codes of ethics or statements of business practice and to publish them both internally and externally. (

h) Nomination Committee :

**95%**

**MATCHING BLOCK 26/230**

**SA**

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It is important that all employees should know what standards of conduct are expected of them. We regard it as good practice for board of directors to draw up codes of ethics or statements of

NSOU • PGCO-VIII 23

**100%**

**MATCHING BLOCK 27/230**

**SA**

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business practice and to publish them both internally and externally. (

i) About Audit Committee : In the context of establishing "Audit committee" and defining its significance, "The Cadbury Committee" made important recommendations about formation, procedure of meetings of audit committee.

**98% MATCHING BLOCK 28/230 SA** Dissertation on Corporate Governance.docx (D27565990)

The board should establish an 'Audit Committee' of at least 3 non-executive directors with written terms of reference which deal clearly with its authority and duties

and they should normally meet at least twice a year. The external auditor should normally attend audit committee meetings, as should the finance director. (j) About meetings of the Board :

**100% MATCHING BLOCK 29/230 SA** Dissertation on Corporate Governance.docx (D27565990)

The board should meet regularly, retain full and effective control over the company and monitor the executive

managements.

**87% MATCHING BLOCK 30/230 SA** Dissertation on Corporate Governance.docx (D27565990)

The board should have a formal schedule of matters specifically reserved to it for decision to ensure that the director and control of the company is firmly in hands. (

k) Director's pay and Remuneration : There should be full and clear disclosure of director's

**100% MATCHING BLOCK 31/230 SA** Corporate governance in India an evaluation.pdf (D34933278)

total emoluments and those of the chairman and highest paid

U.K. directors,

**93% MATCHING BLOCK 32/230 SA** Dissertation on Corporate Governance.docx (D27565990)

including pension contribution and stock options. Separate figures should be given for salary and performance related elements and the basis on which performance is measured should be explained. Executive directors' pay should be subject to the recommendation of a 'Remuneration Committee' made up wholly or mainly of non-executive

director. (l) About Independent / Non-executive Directors : The Committee had made some important recommendations towards the presence of independent element in the board so as to ensure neutrality in decision making or other functioning of the board.

**93% MATCHING BLOCK 33/230 SA** DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)

The Board should include non-executive directors of sufficient caliber and number for their views to carry significant weight in the board's decision. Non-executive directors should bring an independent judgment to bear on issues of strategy performance, resources including key appointments and standards of conduct. The majority should be independent of management

and

free from any business or other relationship which could materially interfere with the exercise of their independent judgment apart from their fees and shareholding. Their fees should reflect the time which they commit to the company.

**85% MATCHING BLOCK 34/230**

**SA**

Priya Nigam (CCL) -1200990018 A CRITICAL STUDY ... (D110262261)

Non- executive directors should be appointed for specified terms and reappointment 24 NSOU • PGO-VIII should not be automatic. Non-executive directors should be selected through a formal process and both this process and their appointment should be a matter for the board as a whole. (

m)

Reporting and Controls :

**100% MATCHING BLOCK 35/230**

**SA**

Chapter 1 Intro.docx (D35537869)

It is the Board's duty to present a balanced and understandable assessment of the company's position.

The board should ensure that an objective and professional relationship is maintained with the auditors.

**86% MATCHING BLOCK 36/230**

**SA**

Dissertation on Corporate Governance.docx (D27565990)

The Directors should explain their responsibility for preparing the auditors about their reporting responsibilities. The Directors should report on the effectiveness of the company's system of their internal control. The directors should report that the business is a going concern with supporting assumption or qualifications as necessary.

Clause 49 of the Listing Agreement of SEBI evolved from the Recommendation of Kumarmanglam Birla Committee : The recommendations of the Kumarmanglam Birla Committee on corporate Governance had been implemented through the Listing Agreement. Clause 49 of the listing Agreement contains the requirements as regards corporate governance. This clause enjoins on

**96% MATCHING BLOCK 37/230**

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all listed companies to implement and comply with its requirements relating to corporate governance.

Now this clause 49 is to be strictly adhered to all listed companies (existing as well as new one) irrespective of their size and status. Some of the salient features of this law is furnished below : 1. Composition of Board of Directors : It is stated that – (i) Not less than 50% of the total number

**64% MATCHING BLOCK 38/230**

**SA**

Article \_Tom\_June2021.docx (D108563522)

of directors should comprise of non-executive directors, (ii) In case of a non-executive chairman, at least one-third of

the total number of directors should comprise of

**78% MATCHING BLOCK 39/230**

**SA**

Corporate governance in India an evaluation.pdf (D34933278)

independent directors. (iii) In case of an executive chairman at least half of the

total number of directors should comprise of independent directors. 2.

**59% MATCHING BLOCK 40/230**

**SA** harshitha dissertation fianl draft.docx (D111095166)

Composition of Audit Committee : It is stated that – (i) The audit committee shall have – ★ Minimum 3 members, all being non-executive directors, ★ Majority of the members being independent, ★

At least one member having financial and accounting knowledge,

NSOU • PGCO-VIII 25 ★

The chairman being an independent director

who shall remain present at the company's AGM. (ii)

**67% MATCHING BLOCK 41/230**

**SA** sikkim.docx (D27616321)

The audit committee should invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meeting of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and when required, a representative of the external auditor shall be present as invitee for the meetings of the audit committee. (iii) The company secretary of the company shall act as the secretary of the audit committee. 3.

Audit Committee-

powers and Function : (i)

**100% MATCHING BLOCK 42/230**

**SA** Corporate governance in India an evaluation.pdf (D34933278)

The audit committee shall have powers which should include the following : (

a)

To

investigate any activity within its terms of reference. (b)

**89% MATCHING BLOCK 43/230**

**SA** sikkim.docx (D27616321)

To seek information from any employee, (c) To obtain outside legal or other professional advice, (d) To secure attendance of outsiders with relevant expertise, if it considers necessary, (

ii) The company agrees that

**87% MATCHING BLOCK 44/230**

**SA** Corporate governance in India an evaluation.pdf (D34933278)

the role of the audit committee shall include the following : (a) Oversight (

supervision, direction and control)

**64% MATCHING BLOCK 45/230**

**SA** Corporate governance in India an evaluation.pdf (D34933278)

of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible, (b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services. (c) Reviewing with management the annual financial statements before submission to the board,

focusing primarily on; ★

Any changes in accounting policies and practices, ★ Major

**65%**

**MATCHING BLOCK 46/230**

**SA**

Corporate governance in India an evaluation.pdf (D34933278)

accounting entries based on exercise of judgment by management, 26 NSOU • PGCO-VIII ★ Qualification in draft audit report, ★ Significant adjustments arising out of audit, ★

The going concern assumption, ★ Compliance with accounting standards, ★ Compliance with stock exchange and legal requirements concerning financial statements, ★

**100%**

**MATCHING BLOCK 47/230**

**SA**

Article \_Tom\_June2021.docx (D108563522)

Any related party transactions i.e., transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc, that may have potential conflict with the interests of company at large. (

d) Reviewing with the management, external and internal auditors, and the

**75%**

**MATCHING BLOCK 48/230**

**SA**

Management of IDBI.docx (D17540507)

adequacy of internal control systems. (e) Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit. (f) Discussion with internal auditors any significant findings and follow up there on. (

g)

**93%**

**MATCHING BLOCK 49/230**

**SA**

Corporate governance in India an evaluation.pdf (D34933278)

Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board. (h) Discussion with external auditors before

the

**86%**

**MATCHING BLOCK 50/230**

**SA**

Corporate governance in India an evaluation.pdf (D34933278)

audit commences; nature and scope of audit as well as post-audit discussion to ascertain any area of

concern. (

i) Reviewing the company's financial and risk management policies, (j)

**100%**

**MATCHING BLOCK 51/230**

**SA**

Corporate governance in India an evaluation.pdf (D34933278)

To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors. (

iii) If the company has set up an audit committee pursuant to provision of the companies act, the company agrees that the said audit committee shall have such additional functions/features as is contained in the Listing Agreement.

NSOU • PGCO-VIII 27 4. Audit Committee – Meetings : (i)

**80% MATCHING BLOCK 52/230** SA harshitha dissertation fianl draft.docx (D111095166)

The Audit committee must meet at least three times a year – ★ Once every 6 month and ★ Once before finalization of accounts. (

ii)

**94% MATCHING BLOCK 53/230** SA harshitha dissertation fianl draft.docx (D111095166)

The quorum for the meetings of the audit committee will be two or one-third of the total number of members, whichever is higher, at least

two of the members constituting a quorum must be independent. 5. Directors -  
Remuneration : The remuneration  
of non-executive directors

**50% MATCHING BLOCK 54/230** SA final combined copy.pdf (D136078516)

shall be determined by the board of directors. The following disclosures shall be in the annual report in respect of all the directors – ★ All elements of remuneration package of all the directors i.e. salary, benefits, bonus, ESOPs, Pension. ★ Details of fixed component and performance linked incentive along with performance criteria. ★ Service contracts, notice period, severance fees. 6.

Board Meetings & role of Board of Directors – A discussion of regulations : (i) Frequency of Board meetings : It is stated that – (

**80% MATCHING BLOCK 55/230** SA harshitha dissertation fianl draft.docx (D111095166)

a) Minimum four board meetings must be held in each year, (b) There should not be a time gap of more than 4 months between any

two Board meetings. (ii) Agenda for Board meetings : The following information should be placed at Board meetings : (a) Annual operating plans & budget as well as

**63% MATCHING BLOCK 56/230** SA Synopsis.docx (D109401775)

capital budgets and any updates. (b) Quarterly results for the company and its operating divisions or business segments. (

c) Minute of meetings of audit committee and other committees  
of the board. (d) Information on

**97% MATCHING BLOCK 57/230** SA final combined copy.pdf (D136078516)

recruitment and remuneration of senior officers just below the board level including appointment or removal of Chief Financial officer and the Company Secretary. 28

NSOU • PGCO-VIII (e) Any other financial /non financial significant issues such as joint venture or collaboration agreement, payment of goodwill, brand equity, penalty, prosecution notice, labor problems including wage agreement, Voluntary Retirement Scheme (VRS ), sale of investment, public or product liability etc. (f)

**83% MATCHING BLOCK 58/230**

**SA** final combined copy.pdf (D136078516)

Quarterly details of foreign exchange exposures and the steps taken by management to limit adverse exchange rate movement

of material. (iii) Limit on Number of Committee Membership : (a) No director should hold membership in more than 10 committees and chairman of more than five companies in all companies in which he/she is a director, (b) Every director must inform the company of changes in regard to membership of committees by virtue of appointments and cessation. 7 Disclosure : (i) Disclosure as to Management Discussion & Analysis Report: In annual report, the management discussion and Analysis Report must cover – ★

**73% MATCHING BLOCK 59/230**

**SA** final combined copy.pdf (D136078516)

Industry structure & developments ★ Opportunities & threats. ★ Segment-wise or product-wise performance. ★ Outlook. ★ Risks & concerns. ★ Internal control systems & their adequacy. ★ Discussion on financial performance with respect to operational performance. ★ Material relations front including member of people employed. (

ii) Disclosure to Board regarding interest of members of management of the company : The management of the company must disclose

**77% MATCHING BLOCK 60/230**

**SA** Corporate governance in India an evaluation.pdf (D34933278)

to its Board details relating to all material, financial and commercial transactions where NSOU • PGCO-VIII 29 they have personal interest that may have a potential conflict with the interest of the company at large. (

iii) Disclosure regarding appointment/re-appointment of directors : In relation to the above factor, the company should disclose details regarding- (a) Brief resume of the person proposed to be appointed/re-appointed as a

**100% MATCHING BLOCK 61/230**

**SA** Corporate governance in India an evaluation.pdf (D34933278)

director, (b) Nature of his expertise in specific functional areas, (c) Names of companies in which

he holds director ships and committee memberships. (iv) Disclosure of certain information on web-site or otherwise : The company should put on its web-site or provide the same to the stock exchange(s) at which the company's securities are listed – (a) Quarterly results, (b) Presentation made to financial analysts. 8. Shareholders / Investors' Grievance Committee :

**77% MATCHING BLOCK 62/230**

**SA** final combined copy.pdf (D136078516)

A board committee under the chairmanship of a non-executive director should be constituted to look into investors' complaints like transfer of shares, non-receipts of balance sheet, non-receipt of declared dividends etc

and redress thereof. 9. Share transfer - Delegation of Power : The power to deal with an appropriate application for share transfer should be delegated to a committee of the board or to an officer of the company or share transfer agent. 10. Report on



**97% MATCHING BLOCK 63/230**

**SA** Corporate governance in India an evaluation.pdf (D34933278)

Corporate Governance : There shall be a separate section on corporate Governance in the annual report of the company with a detailed compliance report on

corporate governance.

Information on the following points should be given in this section : ★ Non compliance on any mandatory requirement.

★ Reasons for such non-compliance.

30 NSOU • PGCO-VIII ★

**100% MATCHING BLOCK 64/230**

**SA** DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)

The extent to which the non-mandatory requirements have been adopted

by the company. 11. Certificate of compliance :

The company must – ★ Obtain a

**88% MATCHING BLOCK 65/230**

**SA** Article \_Tom\_June2021.docx (D108563522)

certificate from the auditor of the company regarding compliance of conditions of corporate governance as stipulated in clause 49

of the listing agreement. ★ Annex the certificate to the directors' Report, made u/s 217 of the Companies Act and ★ Send a copy of the certificate to the concerned stock Exchange (s) along with the annual return to be filed with the Stock Exchange. Summary of Report of

**72% MATCHING BLOCK 66/230**

**SA** Priya Nigam (CCL) -1200990018 A CRITICAL STUDY ... (D110262261)

Committee on Corporate Audit & Governance (Naresh Chandra Committee) : On 21 st August 2002, the Department of company Affairs (DCA) under the Ministry of finance and Company Affairs appointed a high level committee,

chaired by Mr. Naresh Chandra to examine various corporate governance issues. Some of the important recommendations of Naresh Ch. Committee are prescribed below – (A) Auditor – Company Relationship : 1. Disqualifications for audit assignments :

**60% MATCHING BLOCK 67/230**

**SA** Corporate governance in India an evaluation.pdf (D34933278)

In line with international best practices, the committee recommends an abbreviated list of disqualifications for auditing assignments which include- (i) Prohibition of any direct financial interest in the audit client

by the audit firm, its partners or members of the engagement team as well as their direct relatives (having more than 2% share of profit or equity capital of the audit client ). (ii)

**100% MATCHING BLOCK 68/230**

**SA** Corporate governance in India an evaluation.pdf (D34933278)

Prohibition of receiving any loans and or guarantees from or on behalf of the audit client

by the audit firm, its partners or any member of the engagement team and “their direct relatives”. \*(iii) Prohibition of any business relationship with the audit client by the auditing firm, its partners or any member of the engagement team and “their direct relatives”.

NSOU • PGCO-VIII 31 (iv) Prohibition of personal relationships which would exclude any partner of the audit firm or member of the engagement team being a relative of any of key officers of the client company i.e. any whole time director, CEO, CFO, company Secretary, senior manager belonging to the top two managerial levels of the company. \*(v) Prohibition of service or cooling off period, under which any partner or member of the engagement team of an audit firm who wants to join an audit client, or any key officer of the client company wanting to join an audit client would only be allowed to do so after 2 years from the time they were involved in the preparation of accounts and audit of that client. \*(vi) Prohibition of under dependence on an audit client so that no audit firm is unduly dependent on an audit client, the fees received from any one client and its subsidiaries and affiliates all together should not exceed 25% of the total revenues of the audit firm. However, this requirement will not be applicable to audit firms for the first 5 years from the date of commencement of their activities and for those whose total revenues are less than Rs. 15 lakhs per year. 2. List of Prohibited non-audit services : The committee recommended that the following

<b>100%</b>	<b>MATCHING BLOCK 69/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
services should not be provided by an audit firm to any			

audit client : (i) Accounting and book keeping services, (ii) Internal audit services, (iii) Financial information systems design and implementation, (iv) Actual services, (v)

<b>58%</b>	<b>MATCHING BLOCK 70/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
Broker, dealer, investment adviser or investment banking services, (vi) Outsourced financial services, (vii) Management functions including provision of temporary staff to audit clients, (viii) Any form of staff requirement, (ix) Valuation services and fairness opinion. 32			

NSOU • PGCO-VIII Further in case the firm undertakes any service other than audit or the prohibited services listed above. It should be done only with the approval of the audit committee. 3. Independence standards for consulting and other Entities that are affiliated to Audit Firms : ❖ Prohibition of under dependence : No more than 25% of the revenues of the Consolidated entity, comprising of the parent audit firm is subsidiaries, should come from a single corporate client with whom there is also an audit engagement. 4. Compulsory Audit partner Rotation : The committee felt that there is no need to legislate in favor of compulsory rotation of audit firms. However, the partners and at least of the engagement team (excluding article clerks and trainees)

<b>86%</b>	<b>MATCHING BLOCK 71/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
responsible for the audit of either a listed company or companies whose paid-up capital and free reserves exceed RS. 10 crore, or companies whose turnover exceeds Rs. 50 crore, should be rotated every 5 years.			

Also in line with the provisions of the European Union and the IFAC, persons who are compulsorily rotated, could if need be allowed to return after a break of 3 years. 5. Auditors disclosure of contingent liabilities : The Committee recommended that

<b>91%</b>	<b>MATCHING BLOCK 72/230</b>	<b>SA</b>	Dissertation on Corporate Governance.docx (D27565990)
management should provide a clear description in plain English of each material liability and its risks, which should be followed by the auditor’s clearly worded comments on the management view. 6.			

Auditor's disclosure of qualifications and consequent action : A qualification can be a serious indictment of the financial affairs and management of a company. The following are recommendations of the committee in respect of those cases – (i) Qualification to accounts, if any, must form a distinct and adequately highlighted section of the auditor's report to the shareholders, (ii) These must be listed in full in plain English starting the nature and causes of such qualifications, NSOU • PGCO-VIII 33 (iii) In case of a qualified auditor's report the audit firm may read out the qualification, with explanation, to shareholders in the company's AGM. (iv) It should also be mandatory for the audit firm to separately send a copy of the qualified report to the ROC, the SEBI and the principal stock Exchange; about the qualifications with a copy of this letter being sent to the management of the company. 7. Management's certification in the event of auditor's replacement : It is recommended that Section 225 of the companies Act needs to be amended to enable the shareholders to seek the causes why an auditor eligible to re-appointment is sought to be replaced. The audit committee will have to verify that the explanatory statement provided by management in this purpose is "true and fair" . 8. Auditor's annual certification of independence :

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**SA**

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Before agreeing to be appointed, the audit firm must submit a certificate of independence to the audit committee or to the board of directors of the client company

certifying that the firm, together with all its wings- ❖ Are independent and have arm's length relationship with the client company. ❖ Have not engaged in any non-audit services listed and prohibited in earlier section of this report (a) ❖ Are not disqualified from audit assignments by virtue of breaching any limits, restrictions and prohibitions listed in (a) & (c) section of the report. 9. Appointment of Auditors : The audit committee of the board of directors shall be the first point of reference regarding the appointment of auditors. To discharge this fiduciary responsibility the audit committee shall: ❖ Discuss the annual work program with auditor, ❖ Review the independence of the audit firm in line with recommendation of the committee discussed in section (a), (b) & (c) above and; ❖ Recommend to the board with reasons the appointment/ reappointment  
34 NSOU • PGCO-VIII or removal of the external auditor along with the annual audit remuneration. 10. CEO and CFO certification of annual audited accounts : In line with section 302 of Sarbanes-Oxley ACT, 2002, of U.S., Naresh. Ch. Committee also recommended that

**65% MATCHING BLOCK 74/230**

**SA**

Corporate governance in India an evaluation.pdf (D34933278)

all listed companies as well as public limited companies whose paid-up capital and free reserves exceed RS. 10 crore. or turnover exceeds Rs. 50

crore,

**80% MATCHING BLOCK 75/230**

**SA**

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there should be a certification by the CEO (either the Executive chairman or the managing director) and the CFO (whole-time Finance Director or otherwise) which should state that, to the best of their knowledge and belief : ❖ They, the signing officers, have reviewed the balance sheet and profit & loss account and all its schedules and notes on accounts as well as the cash flow statements and the Directors' report. ❖ These statements do not contain any material untrue statement or omit any material fact nor do they contain statements that might be misleading. ❖ These statements together represent a true and fair picture of the financial and

operational state

**100%**

**MATCHING BLOCK 76/230**

**SA**

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of the company and are in compliance with the existing accounting standards and/or applicable laws/ regulations. ❖ They,

the signing officer, are responsible for establishing and maintaining internal control and should disclose the deficiencies in the existing internal control system to auditors as well as to the Audit Committee. \*❖

**98%**

**MATCHING BLOCK 77/230**

**SA**

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They have also disclosed to the auditors as well as the Audit committee instances of significant fraud, if any that involves management or employees having a significant role in the company's internal control systems. \*❖ They,

the signing officers, have indicated at the top of the auditor's report as well as

**100%**

**MATCHING BLOCK 78/230**

**SA**

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the audit committee and in the notes on accounts whether or not there were significant changes in internal control and/ or of accounting policies during the year

under review. \*❖ In the event of any materially significant misstatements or omissions, NSOU • PGCO-VIII 35 the signing officers will return to the company that part of any bonus or incentive or equity based compensation which was inflated on account of such errors, as decided by the Audit committee. (B) Auditing the Auditors : 1. Setting up of independent quality Review Board : In line with one of the proposals of Sarbanes-Oxley Act, 2002 in U.S., our Naresh Ch. Committee also recommended that three independent Quality Review Board (QRB) should be established with appropriate legislative support one each for the ICAI, the ICSI and the ICWAI to periodically examine and review the quality of audit secretarial and cost accounting firms and pass judgment and comments on the quality and sufficiency of systems and infrastructure and practices. In the initial five years, the QRBs will focus their audit quality reviews to the audit firms which have conducted the audit for the top 150 listed companies. Each of these QRBs will be funded by their respective institutes. In the instance of a dispute between the findings of the QRBs and reviewers the matter should be referred to an appropriate appellate forum. 2. Proposed disciplinary mechanism for auditors : (i) Classification of offences and merging of schedules is recommended so that council is empowered to award all types of punishment for all types of offences. Further offences need to be categorized according to the severity of misconduct so that processes can be designed, and punishments awarded according to the severity of offences. (ii) Prosecution Directorate: an independent permanent directorate within the structure of ICAI shall be created which shall act as the Prosecution Directorate. This office will exclusively deal with all disciplinary cases. The prosecution directorate shall have the same powers as are vested in regard to (I) discovery and production of any document and (II) receiving evidence on affidavit. Establishment of some of the disciplinary mechanisms are prescribed – (a) Disciplinary Committee : Enquires in relation to misconduct of members shall be held by the 36 NSOU • PGCO-VIII disciplinary committee. Each bench should consist of five members headed by president or vice-President of ICAI. The disciplinary Committee referred to by Prosecution Directorate and record their decisions and conclusions in a report. This report shall also record the punishment to be awarded, if any to be member which can constitute (i) reprimand, (ii) removing the name of the member either permanently or for such a period as thought fit, (iii) monetary penalty and / or (iv) a combination of any two. (b) Council : All report submitted by the Disciplinary Committee should normally be considered by the council within 45 days from the date of report. It shall be the duty of the council of ICAI to act upon the decisions of the disciplinary committee. (c) Appellate Body : Headquartered in New Delhi, the Appellate Body shall consist of a presiding officer and four other members. In the event of the council deciding to appeal against the decisions of the Disciplinary Committee, the council may direct the Prosecution Directorate to place the case before the appellate Body. The presiding officer shall be a retired judge of the Supreme Court or a retired justice of a High Court. (C) Independent Directors : (a) Definition : The Naresh Ch. Committee provided an exclusive

definition of independent director. It stated that an independent director of a company is

<b>74%</b>	<b>MATCHING BLOCK 79/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
<p>a non-executive director of a company. (i) Apart from receiving director's remuneration, does not have any other material pecuniary relationships or transactions with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies. (ii) Is not related to promoters or management at the board, or one level below the board (</p>			

spouse and dependent parents, children or siblings). (iii)

<b>60%</b>	<b>MATCHING BLOCK 80/230</b>	<b>SA</b>	Synopsis.docx (D109401775)
<p>Has not been an executive of the company in the last three years. (iv) Is not a partner or an executive of the statutory auditing firm, legal firm, consulting firm, the internal audit firm that are associated with the company and has not been a partner or an executive</p>			

or of any such firm for the last three years,  
NSOU • PGCO-VIII 37 (v)

<b>63%</b>	<b>MATCHING BLOCK 81/230</b>	<b>SA</b>	Synopsis.docx (D109401775)
<p>Is not a significant supplier, vendor or customer of the company, (vi) Is not a substantial shareholder of the company, i.e. owning 2% or more of the block of voting shares, (</p>			

vii) Has not been a director, independent or otherwise, of the company for more than three terms of three years each (not exceeding 9 years in any case). (viii) Does not play a part of Cross-directorship. The committee recommended that the above criteria be made applicable for all listed companies

<b>89%</b>	<b>MATCHING BLOCK 82/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
<p>as well as unlisted public limited companies with a paid-up share capital and free reserves of Rs. 10 crore and above or turnover of Rs. 50 crore and above</p>			

w.e.f. the financial year beginning 2003. (b) Percentage of Independent Directors' & Minimum Board size :-

<b>93%</b>	<b>MATCHING BLOCK 83/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
<p>No less than 50% of the board of directors of any listed company, as well as unlisted public limited companies with a paid-up share capital and free reserves of Rs. 10 crore and above, or turnover of Rs. 50 crore and above, should consist of independent directors.</p>			

<b>90%</b>	<b>MATCHING BLOCK 84/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
<p>The minimum board size of all listed company, as well as unlisted public limited companies</p>			

of above type should be seven of which least four should be independent directors. However, this will not apply to : (i) Unlisted public companies, which have no more than 50 share holders and which are without debt of any kind from the public, banks or financial institutions, as long as they do not change their characters. (ii) Unlisted subsidiaries of listed companies. (c) Disclosure on duration of board meetings / committee meetings : The minute of board meetings and Audit Committee meetings of all listed companies as well as listed public limited companies of the above discussed must disclose the timing and duration of each such meeting, in addition to the date and member in attendance. If the director(s) participate in the meeting through tele-conferencing and video conferencing then a minute and signed proceedings of tele - conference or video conference should constitute proof of director(s)' participation.

38 NSOU • PGC0-VIII (d) Additional Disclosure to directors : In addition to the disclosures specified in clause 49 of listing agreement of SEBI, all listed companies as well as unlisted public companies of above type, Marginal Costing should transmit all press releases and presentation to analysts to all board members. (e) Independent directors on Audit Committees : Audit committees of all listed companies, as well as unlisted public companies of above type, should consist exclusively of independent directors. However, this will not apply to : (i) unlisted public companies which have no more than 50 share holders and which are without debt of any kind from any source (ii) unlisted subsidiaries of listed companies. (f) Audit Committee Charter : Audit committee charter should disclose – (i) Names of members of Audit committee, (ii) Functions of Audit committee, (iii) Dates & frequency of meetings, (iv) To what extent each of the functions listed in Audit committee charter were discharged in the course of the year, (v)

**54% MATCHING BLOCK 85/230**

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Audit committee's view on internal control systems, perceptions of risks, (vi) Why the audit committee accepted and recommended the financial statements with qualifications. (

g) Remuneration of non-executive director: The maximum sitting fee permitted by the DCA is Rs. 5,000. But the committee is on the view that the amount of fees should be reviewed by the management and the shareholders. (h) Exempting non-executive directors from certain liabilities :- The committee is of the opinion that

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it would be very difficult to attract high quality independent directors on the boards of Indian companies if they have to constantly worry about serious criminal liabilities under different Acts.

So, it is recommended that non-executive and independent directors should be exempted from certain

**81% MATCHING BLOCK 87/230**

**SA** Dissertation-Draft 3 Final.pdf (D110259108)

criminal and civil liabilities under certain Acts such as companies ACT, Negotiable Instruments ACT, Provident Fund Act

etc.

NSOU • PGC0-VIII 39 (i) Training of Independent

**70% MATCHING BLOCK 88/230**

**SA** Corporate governance in India an evaluation.pdf (D34933278)

directors : All independent directors should be required to attend at least one such training course

before assuming responsibilities as an independent director, or considering that enough programs might not be available in the initial years within one year of becoming an independent director. (D) Other important recommendations : (a) SEBI & Subordinate Legislation :

**80% MATCHING BLOCK 89/230**

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Corporate governance in India an evaluation.pdf (D34933278)

SEBI may refrain from exercising powers of subordinate legislation in areas where specific legislation exists

as in the Companies Act, 1956. In recognition of the fact that SEBI regulates activities in dynamic market conditions, the DCA should respond to SEBI's requirements quickly.

**88% MATCHING BLOCK 90/230**

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Corporate governance in India an evaluation.pdf (D34933278)

It would be appropriate for SEBI' to use its powers of subordinate legislation, in consultation with the DCA and vice versa.

A formal structure needs to be set up to ensure that the DCA,

**87% MATCHING BLOCK 91/230**

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Corporate governance in India an evaluation.pdf (D34933278)

which regulates all companies and SEBI which regulates only listed companies, act in coordination and harmony. (

b) Improving facilities in the DCA officer : The committee recommends a paradigm shift in the approach to staffing and equipping the department of company Affairs (DCA). Companies pay, largely by way of fees , approximately RS. 300 crores annually. In recommending these increases, the committee is only asking that services be commensurate with the income from fees charged, (c) Corporate serious Fraud office : Fraudsters are enemies of both the stake holders that they cheat directly of the corporate sector, which loses because the fraudsters scare away existing and potential investors. Corporate frauds are so intricate that they can only be unravelled by a multi-disciplinary task force, to be overseen by a committee headed by the cabinet secretary in respect of appointments and functioning of the office and coordination of works, the committee, therefore, suggests setting up a Corporate Serious Fraud Office (CSFO) without at this stage taking away the powers of investigation and prosecution from existing agencies. A corporate frauds task force has been set up recently in the US. (d) Filling up of the lacunae of Existing Law: In order to fill up the gap of existing legal practices, the committee had recommended that :

40 NSOU • PGC0-VIII (i) Penalties ought to be rationalized and related to the sums involved in the offence. (ii) A stricter regime should be prescribed for companies registered as brokers with SEBI, (iii) To ensure that proceeds of illegal acts and frauds do not escape recovery, Companies Act needs to be amended to give DCA the powers of attachment of bank accounts etc on the lines of the powers recently given to SEBI. (iv) Managers / promoters should be held personally liable when found guilty of offences . In such case, the legal fees and other charges should be recovered from the officers in default, especially if the offences pertain to betrayal of shareholders' trust or oppression of minority shareholders. (v) Consolidated Financial Statements should be made mandatory for companies having subsidiaries. (e) Miscellaneous Recommendations : (i) The committee recommended the strengthening of ROC offices, outsourcing of non-statutory works of ROC offices etc. (ii) Inserted a section analogous to sec. 233A which allow government to order special compliance audits. (iii) Section 239(1) (a) should be strengthened to prevent any unnatural stripping of assets or sale of shares by management / promoters. (iv) The committee felt that in the long run, Indian audit firms will have to consolidate and grow if they are to compete, especially in non- statutory functions, internationally. The committee recommends merging of indigenous audit firm to complete with foreign audit firms. Narayana Murthy Committee on Corporate Governance-March 2003 The Narayana Murthy Committee, appointed by SEBI, had made a number of recommendations in its draft report. Some of the salient recommendations are furnished below : (i) The committee had recommended that the

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audit committee of publicly listed companies should be required to review the following information mandatory; financial statements, management discussion and analysis of financial

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condition and results of operations, reports relating to compliance with laws and risk management

among others, (ii) The committee had also said that

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all audit committee members should be “financially literate” and at least one member should have accounting or related financial management expertise, (

iii)

In case a company has followed a treatment different from that

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prescribed in an accounting standard, management should justify why they believe such alternative treatment is more representative of the under lying business transaction. Management should also clearly explain the alternative accounting treatments in the footnotes to the financial statements. (

iv) The auditor may draw reference to this footnote without necessarily making it the subject matter of an audit qualification.

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Companies should be encouraged to move towards a regime of unqualified financial statements. This recommendation should be reviewed at an appropriate juncture to determine whether the financial reporting climate is conducive towards a system of filing unqualified financial statements. (

v)

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A statement of all transactions with related parties including their bases should be placed before the independent audit committee

at each board meeting for formal approval. (

vi) This statement should include transactions of a non arm’s length nature also. Management should be required to explain to the audit committee the reasons for the non-arm’s length nature of the transaction. (vii) The committee believed that it is important for corporate boards to be fully aware of the risks facing the business and that it is important for shareholders to know about the risk management process. In light of this it was suggested that

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procedures should be in place to inform board members about the risk assessment and minimization procedures. These procedures should be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework. (



viii) It was also suggested that management should place a report before the board every quarter documenting

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any limitations to the risk taking capacity of the corporations. This document should be formally approved by the board. (

ix)

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Procedures should be placed to inform board members about the risk 42 NSOU • PGCO-VIII assessment and minimization reviewed to ensure that executive management controls risk through means of a properly defined framework. (x) Management should place a report before the entire board of directors every quarter documenting

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such risks and any limitations to the risk taking capacity of the corporation. This document should be formally approved by the board. (

xi)

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Companies should be encouraged to train their board members in the business model of the company as well as the risk profile of the business parameters of the company. (

xii)

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Companies raising money, through an IPO should disclose the uses and application of funds

by major category

on a quarterly basis as part of their quarterly declaration of

un-audited financial results. This disclosure should distinguish between specified and unspecified uses of IPO proceeds and should be approved by the audit committee. (xiii)

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On annual basis, the company shall prepare a statement of funds utilized for purposes other than those stated in the offer document/prospectus. This statement should be certified by the independent auditors of the company

and formally approved by the audit committee. (xiv) The terms of reference of the committee are

**91%**

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to review the performance of corporate governance and to determine the role of companies in responding to rumour and other price sensitive information circulating in the market to enhance the transparency and integrity of the market.  
2.4

An Overview on Various Initiatives towards Corporate Governance Movements in India At the time of Independence India bears the legacy of British-derived convention of corporate governance based on the Anglo- Saxon Model. However,

**74%**

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DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)

from 1947 through 1991, the Indian government pursued mixed economic policies when the state nationalized banks primarily became the principal provider of both debt and equity capital for private firms, thePublic Sector Undertakings were evaluated based on the amount of capital invested rather than on their return on investment, competition, especially

the foreign competition, was suppressed. In that time period a little emphasis on corporate governance mechanisms was given

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DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)

in India. Public listed companies in India were only required to comply with limited governance and

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**96%**

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disclosure standards enumerated in the Companies Act of 1956, the Listing Norms, and the accounting standards set forth by the Institute of Chartered Accountants of India (ICAI). Faced with a fiscal crisis in 1991, the Indian Government responded by enacting a series of reforms aimed at general economic liberalization,

privatization and globalization (LPG) movements.

**86%**

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**SA**

Dissertation on Corporate Governance.docx (D27565990)

The Securities and Exchange Board of India (SEBI) -- India's securities market regulator -- was formed in 1992 and by the mid- 1990s, the Indian economy was growing steadily, and Indian firms began to seek equity capital especially from abroad to finance expansion into the market spaces created by

LPG movement. Ever since its financial liberalization began in 1991, India has undergone significant Corporate Governance reforms. The need for capital especially that of coveted Foreign Institutional Investments (FIIs)

**100%**

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DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)

amongst other things, led to Corporate Governance reform and many major Corporate Governance initiatives have been launched in India since the mid-1990s; most of these initiatives were focused on improving the governance climate in corporate India which was far from satisfactory

and truly an international standards. A glimpse of such Corporate Governance initiatives taken in India is presented here-  
(a)

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sikkim.docx (D27616321)

Confederation of Indian Industry (CII) Desirable Corporate Governance : A Code, 1998

**96%**

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The first major initiative was taken by the Confederation of Indian Industry (CII), India's largest industry and business association, which came up with the first voluntary code of corporate governance in 1998. More than a year before the onset of the East Asian crisis, CII had set up a committee

under the able leadership of Sri Rahul Bajaj

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to examine corporate governance issues, and recommend a voluntary code of best practices. Drawing heavily from the Anglo-Saxon Model of Corporate Governance, CII drew up a voluntary Corporate Governance Code. The first draft of the code was prepared by April 1997, and the final document, Desirable Corporate Governance: A Code, was publicly released in April 1998. The code was voluntary, contained detailed provisions, and focused on listed companies. However, the CII Code'

s voluntary nature did not result in a broad overhaul of governance norms and practices by Indian

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companies. Although the CII Code was welcomed with much fanfare and even adopted by a few progressive companies, it was felt that under Indian conditions a statutory rather than a voluntary code would be far more purposive and meaningful. Consequently, the second major corporate governance initiative in the country was undertaken by SEBI. 44

NSOU • PGCO-VIII (b) Clause 49 of the Listing Agreement of SEBI evolved from the Recommendation of Kumar Manglam Birla Committee, 1999 In early 1999, SEBI had

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set up a committee under Kumar Mangalam Birla to promote and raise the standards of good corporate governance. The Birla Committee specifically placed an emphasis on independent directors in discussing board recommendations and made specific recommendations regarding board representation and independence. The Committee also recognized the importance of audit committees and made many specific recommendations regarding the function and constitution of board audit committees.

Furthermore, the Committee made several recommendations regarding disclosure and transparency issues, in particular with respect to information

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to be provided to shareholders. Among other recommendations, the Birla Committee stated that a company's annual report to shareholders should contain a Management Discussion and Analysis (MD&A) section,

modelled after annual reports issued by companies in the United States,

**100% MATCHING BLOCK 117/230** SA sikkim.docx (D27616321)

and that companies should transmit certain information, such as quarterly reports and analyst presentations, to shareholders.

Furthermore, with respect to shareholder complaints, the Committee recommended that a board committee known as the Investors Grievance Committee, chaired by a nonexecutive director, be formed to address grievances. In early 2000, the SEBI board had accepted and ratified key recommendations of this committee, and these

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were incorporated into Clause 49 of the Listing Agreement of the Stock Exchanges

which is mandatory for almost every listed firm to comply with and report in proper way. (c) Committee on Corporate Audit & Governance (Naresh Chandra Committee), 2002

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The Naresh Chandra committee was appointed in August 2002 by the Department of Company Affairs (DCA) under the Ministry of Finance and Company Affairs to examine various corporate governance issues. The Committee submitted its report in December 2002. It made recommendations in twokey aspects of corporate governance : financial and non-financial disclosures and independent auditing and board oversight of management and made a series of commendations regarding, among other matters, the grounds for disqualifying auditors from assignments, the type of non-audit services that auditors should be prohibited from performing, and the need for compulsory rotation of audit partners.

NSOU • PGCO-VIII 45 (d)  
Narayana Murthy Committee on Corporate Governance, 2003

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The fourth initiative on corporate governance in India is in the form of the recommendations of the Narayana Murthy committee. The committee was set up by SEBI, under the chairmanship of Mr. N. R. Narayana Murthy, to review Clause 49, and suggest measures to improve corporate governance standards. Some of the major recommendations of the committee primarily related to audit committees, audit reports, independent directors, related party transactions, risk management, directorships and director compensation, codes of conduct and financial disclosures. The Murthy Committee, like the Birla Committee, described the international developments as a factor that motivated reform and stated that recent failures of corporate governance, particularly in the United States, combined with the observations of India's stock exchanges that compliance with Clause 49 up to that point

had been uneven, recommended further reform.

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The Murthy Committee examined a range of corporate governance issues relating to corporate boards and audit committees, as well as disclosure to shareholders.

The Murthy  
Committee

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focused heavily on the role and structure of corporate boards and strengthened the director independence definition in the then-existing Clause 49, particularly to address the role of insiders on Indian boards

like  
the director cannot be

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related to promoters or management at the board level, or one below the board; an executive of the company in the preceding three years; be a supplier, service provider, or customer of the

company; or a shareholder owning two percent or more of the company. The Murthy Committee also recommended that nominee directors (i.e., directors nominated by financial institutions particularly, with relationships with the company) be excluded from the definition of independent director, and be subject to the same responsibilities and liabilities applicable to any other director. In order to improve the function of boards, the Murthy Committee recommended that they should also receive training in the company's business model and quarterly reports on business risk and risk management strategies.

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The Murthy Committee also paid particular attention to the role and responsibilities of audit committees. It recommended that audit committees be composed of "financially literate" members,

with at least one member having accounting or related financial management expertise. It provided a greater role for the audit committee as well. For example, the Murthy Committee recommendations promoted disclosure and approval of related party transactions by the audit committee. In addition, the committee  
46 NSOU • PGC0-VIII

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stated that whistle-blowers must have access to the audit committee without first having to inform their supervisors,

and

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that companies should annually affirm that they have not denied access to the audit committee or unfairly treated whistle-blowers generally. SEBI

had initiated certain changes in Listing Agreement in line with the Murthy Report covering the areas of

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governance requirements with respect to corporate boards, audit committees, shareholder disclosure and CEO/CFO certification of internal controls which led transformation of the governance and disclosure standards of Indian public companies. (

e) J.J. Irani Committee on Company Law, 2004

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India's corporate governance reform efforts did not cease after adoption of Clause 49. In parallel, the

review and redrafting of the Companies Act, 1956 was taken up by the Ministry of Corporate Affairs (MCA) on the basis of a detailed consultative process and

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Ria CHAPTER 2 HISTORICAL BACKGROUND.docx (D66093525)

the Government constituted an Expert Committee on Company Law under the Chairmanship of Dr. J.J. Irani

on 2nd December 2004 to advise on new Companies Bill. There were significant differences between the proposals contained in the Irani report and the requirements of Clause 49, particularly with respect to the board of directors. First, the requirements for independent directors were different in several respects. Clause 49 required that no independent director should have

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Corporate governance in India an evaluation.pdf (D34933278)

been an executive of the company in the preceding three financial years,

while the Irani Committee's recommendations weaken that requirement so that independent directors, along with their relatives, should not have been an employee of the company in any capacity only in the past single year. Similarly, while clause 49 prohibited an independent director from having served in any executive capacity in a statutory or internal auditing firm that has a material association with the company for the past three years, the Irani report recommended the same requirement for a period of one year only for independent directors and their relatives. The Irani Committee also recommended that a third of company directors be independent. 2.5 Corporate Governance Reform in Post Satyam Saga : Biggest Corporate Scam in India In the meanwhile

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in January 2009, the Indian corporate community was rocked by a massive accounting scandal involving Satyam Computer Services (Satyam), one

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of India's largest information technology companies. The Satyam scandal prompted quick action by the Indian government, including the arrest of several Satyam insiders and auditors, investigations by the MCA and SEBI, and substitution of the company's directors with government nominees.

Satyam'

s failures were many and systemic—from a weak auditing process to ineffective board oversight to a leader intent on committing fraud. Similar to their role in the first phase of corporate governance reforms, in the post-Satyam period, Indian corporate groups have once again advocated for reconsideration of India’s corporate governance rules and advocated for reforms.

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Shortly after news of the scandal broke, the CII began examining the corporate governance issues arising out of the Satyam scandal and in late 2009, the CII Task Force put out recommendations on corporate governance reform. In addition to the

CII, a number of other corporate groups have joined the corporate governance dialogue.

**73% MATCHING BLOCK 134/230 SA** PoojaSharma\_20LLM32\_Dissertation\_LLM\_2021 (5).docx (D110295071)

The National Association of Software and Services Companies (NASSCOM) also formed a Corporate Governance and Ethics Committee chaired by Mr. N. R. Narayana Murthy, one of the founders

**80% MATCHING BLOCK 135/230 SA** PoojaSharma\_20LLM32\_Dissertation\_LLM\_2021 (5).docx (D110295071)

of Infosys and a leading figure in Indian corporate governance reforms. The Committee issued its recommendations in mid- 2010,

focusing on stakeholders in the company. The report emphasized recommendations relating to the audit committee and a whistleblower policy. The report also addressed improving shareholder rights. Additionally,

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the Institute of Company Secretaries of India (ICSI) has also

put forth a series of corporate governance recommendations. In 2009, SEBI made several announcements regarding disclosure and accounting reforms that could result in changes to the Listing Agreement and in September 2009,

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the SEBI Committee on Disclosure and Accounting Standards published a discussion paper

seeking public comment on several governance issues for reviewing Clause 49 of Listing Rules. Later the Clause 49 of Listing Agreement of SEBI was revised thoroughly in light of provisions of new Companies Act, 2013. 2.6 A Brief Review of Reforms in Corporate Governance Mechanisms in India under the regime of the New Companies Act, 2013 The Companies Act, 2013 has tried to make a paradigm shift in corporate governance mechanism in India by promulgating various timely and relevant provisions. Here a brief review of such type of provisions for prevailing good governance mechanisms in corporate India has been furnished here vis-à-vis the old

48 NSOU • PGCO-VIII Companies Act, 1956 along with the relevant provisions of Clause 49 and Revised Clause 49 of the Listing Agreement - (a) Composition of Board of Directors : Companies Act, 1956

<b>100%</b>	<b>MATCHING BLOCK 138/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
Section 252 (1) Every public company (other than a public company which has become such by virtue of section 43(A) shall have at least three directors. (2)			

Every other company shall have at least two directors. There are no explicit provisions for independent directors under Companies Act, 1956 Companies Act, 2013 Section 149 : Every company shall have a Board of Directors consisting of individuals as directors and shall have—(a) a minimum number of three

<b>100%</b>	<b>MATCHING BLOCK 139/230</b>	<b>SA</b>	harshitha dissertation fianl draft.docx (D111095166)
directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company;			

and (b) a maximum of fifteen directors Clause 49 49(I) (A)

<b>91%</b>	<b>MATCHING BLOCK 140/230</b>	<b>SA</b>	DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)
The Board of directors of the company shall have an optimum combination of executive and non- executive directors with not less than fifty percent of the board of directors comprising of non- executive directors.			

Revised Clause 49 No Change (b) Advocating the independence in board : Companies Act, 1956 There are no explicit provisions for independent directors.

<b>71%</b>	<b>MATCHING BLOCK 141/230</b>	<b>SA</b>	L.L.M DISSERATION.docx (D110942008)
Companies Act, 2013 Section 149(4) read with Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014 :			

The Listed Public Company should

<b>88%</b>	<b>MATCHING BLOCK 142/230</b>	<b>SA</b>	harshitha dissertation fianl draft.docx (D111095166)
have at least one-third of the total number of Directors and the			

Public Companies Clause 49 Clause 49 (I)(A) (ii) :

<b>100%</b>	<b>MATCHING BLOCK 143/230</b>	<b>SA</b>	DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)
Where the Chairman of the Board is a non- executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at			

Revised Clause 49 Same as Cl.49



NSOU • PGC0-VIII 49 (c) Exclusion of Nominee Director from Independent Directors (IDs) : The nominee directors are a special form of directorship which has been appointed by the lending institutions to the borrower's board primarily to safeguard the interests of the lenders. This form of directorship is the regular feature of Indian corporate sector which may find a close resemblance with the Japanese Model of Corporate Governance. Regarding the status of such type of directorship the understanding of our regulatory mechanisms are bifurcated. While the Listing Agreement stated that the nominee directors appointed by an institution that

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Corporate governance in India an evaluation.pdf (D34933278)

has invested in or lent to the company are deemed to be independent directors,

but on the other hand New Companies Act, 2013 states that a nominee director cannot be an independent director. However, the SEBI Circular in line with the provisions of Companies Act, 2013 has excluded nominee directors from being considered as independent directors. Companies Act, 1956 Companies Act, 2013 Clause 49 Revised Clause 49

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REVISED DALJIT KAUR, . CH 3.docx (D21116636)

having paid up share capital of 10 crore rupees or more or turnover of 100crore rupees or more

or

aggregate outstanding loans, debentures and deposits, exceeding 50 crore rupees must have at least 2 Directors.

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**MATCHING BLOCK 146/230**

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least half of the Board should comprise of independent directors.

Companies Act, 1956 There are no explicit provisions Companies Act, 2013 Section 149(6) :

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L.L.M DISSERATION.docx (D110942008)

An independent director in relation to a company, means a director other than a MD or a WTD or a nominee director.

Clause 49 Clause 49(I)(A) Explanation (d) :

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**MATCHING BLOCK 148/230**

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Corporate governance in India an evaluation.pdf (D34933278)

Nominee directors appointed by an institution which has invested in or lent to the company shall be deemed to be independent directors.

Revised Clause 49 Clause 49 (II) (B) N o m i n e e director is excluded from the definition of IDs.

50 NSOU • PGC0-VIII (d) Tenure of Independent Director : Companies Act, 1956 No such provision

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Companies Act, 2013 Sec 149(10) : An ID shall hold office upto 5 consecutive years on the Board of a company, but shall be eligible for re- appointment on passing a special resolution by the company and disclosure of such appointment in Board's report.

Moreover, it was mentioned in Sec 149(11) that

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no independent director should hold office for more than two consecutive terms

with a cooling off period of 3 years. Clause 49 No such provision Revised Clause 49 Clause 49(II)(B)(3)(a) : The maximum tenure of Independent Directors shall be in accordance with the Companies Act, 2013 and clarifications/ circulars issued by the Ministry of Corporate Affairs, in this regard, from time to time. (e) Qualification of Independent Directors : Companies Act, 1956 No such provision Companies Act, 2013 Sec 149(6)(f) read with

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Rule 5 of Companies (Appointment and Qualification of Directors) Rules, 2014 : An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

Clause 49 No such provision Revised Clause 49 The qualifications of IDs are not specified in the amended clause 49 of the listing agreement.

NSOU • PGCO-VIII 51 (f) Limit on number of directorship : Companies Act, 1956 No such provision Companies Act, 2013 Sec 165 (1) : No person, after the commencement of this Act, shall hold office as a director, including any alternate directorship, in more than 20 companies at same time provided that the maximum number of public companies in which a person can be appointed as a directors shall not exceed 10. Clause 49 Clause 49 (I)(C) (i) :

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A director shall not be a member in more than 10 committees or act as Chairman of more than five

committees across all companies in which he is a director. Revised Clause 49

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A person shall not serve as an independent director in more than 7 listed companies. Further, any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than 3 listed

companies. (

g) Separate meeting of Independent Directors : Companies Act, 1956 No such provision Companies Act, 2013 Section 149 read with Schedule IV:

**81% MATCHING BLOCK 154/230 SA** Management of IDBI.docx (D17540507)

IDs of the company shall hold at least one meeting in a year, without the attendance of non- independent directors and members of management. All the independent directors of the company shall

strive to be present at such meeting.

Clause 49 No such provision Revised Clause 49 Clause 49 (II) (B) (6) :

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The IDs of the company shall hold at least one meeting in a year, without the attendance of

non-independent directors and members of management. All the independent directors of the company shall strive to be present at such meeting.

52 NSOU • PGC0-VIII (h) Performance evaluation of IDs : Companies Act, 1956 No such provision Companies Act, 2013 Section 178(2) read with

**93% MATCHING BLOCK 156/230 SA** Management of IDBI.docx (D17540507)

Schedule IV : The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

Clause 49 No such provision Revised Clause 49 Clause 49(II)(B)(5) The Nomination Committee shall lay down the evaluation criteria for performance evaluation

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of independent directors. The company shall disclose the criteria for performance evaluation, as laid down by the Nomination Committee, in its Annual Report.

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The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated). On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director. (i) Code for Independent Directors :

Companies Act, 1956 No such provision Companies Act, 2013 Introduced through inclusion of provisions specified in Schedule Clause 49 No such provision Revised Clause 49 No separate schedule. Requirements to NSOU • PGC0-VIII 53 (j) Promoting Gender Diversity in Board : In line of worldwide trend towards promoting gender diversity in board for inculcating the spirit of a role model, introducing fresh perspectives, promoting effective leadership, bringing a competitive edge, boosting investors confidence etc., the Sec. 149 (1) of Companies Act, 2013 make a revolutionary changes by making it mandatory for every listed company to appoint, at least one woman director within one year as per the second proviso to the Section 149 (1). Moreover, every

**87% MATCHING BLOCK 159/230 SA** DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)

public company, having paid-up capital of INR 100 crore or more, and

turnover of INR 300 crore or more, have to compulsorily appoint, at least, one woman director within three years as per the Act. Companies Act, 1956 Companies Act, 2013 Clause 49 Revised Clause 49 IV covering areas like guidelines of professional conduct, role and functions are laid down, duties of IDs, manner of appointment and re-appointments, separate meetings, evaluation mechanisms etc. comply with provisions of Companies Act, 2013 included. Companies Act, 1956 No such provision Companies Act, 2013 Sec 149(1) and Rule 3 of Companies (Appointment of Directors) Rule, 2014: The following class of companies shall appoint at least one woman director-(i) every listed company, (ii) Every

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other public company having-(a) paid-up share capital of 100 cr rupees or more or (b) turnover of three hundred cr rupees or more

Clause 49 No such provision Revised Clause 49 Clause 49 (II)(A)(1) : The provisions r e g a r d i n g appointment of woman director as provided in shall be applicable with effect from April 01, 2015

54 NSOU • PGCO-VIII (k) Introduction of New Form of Directorship-Resident Director : The Companies Act, 2013 has taken a revolutionary approach by introducing new nomenclature in Corporate India like One Person Company, Limited Liability Firms etc. Likewise, the Companies Act, 2013 introduces the requirement of appointing a resident director, i.e., a person who has stayed

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in India for a total period of not less than 182 days in the previous calendar year.

This provision will prevent the practice of the boards of Indian companies do not comprise entirely of non- resident directors. Companies Act, 1956 No such provision Companies Act, 2013 Sec 149(3) : Every company shall have at least

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one director who has stayed in India for a total period of not less than 182 days in the previous calendar year.

Clause 49 No such provision Revised Clause 49 No such provision (l) Introduction of New Form of Directorship-Small Shareholders' Director Companies Act, 1956 No such provision Companies Act, 2013 Sec 151: A Listed company may have one director elected by such small shareholders in such manner and with such terms and conditions as may be prescribed Clause 49 No such provision Revised Clause 49 No such provision (m) Frequency of Board Meeting : The key changes introduced by the Companies Act 2013 with respect to board meetings and processes are like the first board meeting of a company to be held within 30 (thirty) days of incorporation, notice of minimum 7 (seven) days must be given for each board meeting, notice for board meetings may be given by electronic means. However, board meetings may be called at shorter notice to transact "urgent business" provided such meetings are either attended by at least 1 (one) independent director or decisions taken at such meetings on subsequent circulation are ratified by at least 1 (one) independent director. Moreover, the Companies Act 2013 has permitted directors to participate in board meetings through video conferencing or other audio visual means which are capable of recording and recognising the NSOU • PGCO-VIII 55 participation of directors. Participation of directors by audio visual means would also be counted towards quorum. Companies Act, 1956 Section 285 : Board to meet at least once in every three calendar months. In the case of every company, a meeting of its Board of directors shall

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Corporate governance in India an evaluation.pdf (D34933278)

be held at least once in every three months and at least

four such meetings shall be held

in every year Companies Act, 2013 Sec 173 (1) : Every company shall hold the first meeting of the Board within 30 days of the date of incorporation and thereafter hold a minimum number of 4 meetings of its Board every year in such a manner that no more than 182 days shall intervene between two consecutive meetings of the boards. Clause 49 49 (1) (C) :

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The Board shall meet at least 4 times a year, with a maximum gap of 3 months between any 2 meetings.

Revised Clause 49 No Change (n) Reorganization of Board Committees-a step towards better governance : The Companies Act, 2013 envisages 4 (four) types of board committees to be constituted for upholding the spirit of good governance like Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee. (i)Audit Committee : Companies Act, 1956 Sec 292A -

**92% MATCHING BLOCK 165/230 SA** Corporate governance in India an evaluation.pdf (D34933278)

Audit Committee (1) Every Public Company having paid-up capital of not less than

five crores of rupees shall constitute a Companies Act, 2013 Sec 177 : The Board of Directors of

**71% MATCHING BLOCK 166/230 SA** Sandeep Rathi (20LLM44) Dissertation (1).docx (D112706125)

all public companies with paid up capital of ten cr rupees or more or having turnover

with one hundred crore rupees or more  
or Clause 49 Cl. 49 (II) :

**92% MATCHING BLOCK 167/230 SA** Corporate governance in India an evaluation.pdf (D34933278)

A qualified and independent audit committee shall be set up, giving the terms of reference subject to the following :

Revised Clause 49 Unchanged  
56 NSOU • PGC0-VIII (ii) Nomination and Remuneration Committee : Companies Act, 1956 Companies Act, 2013  
Clause 49 Revised Clause 49

**95% MATCHING BLOCK 168/230 SA** Corporate governance in India an evaluation.pdf (D34933278)

committee of the Board known as "Audit Committee" which shall consist of not less than three directors and such number of other directors as the Board may determine of which two-thirds of the total number of members shall be directors, other than managing or whole time directors.

aggregate outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees or more

**73% MATCHING BLOCK 169/230 SA** Management of IDBI.docx (D17540507)

shall constitute an Audit Committee with a minimum of three directors with independent directors forming a majority

provided that  
majority members of Audit Committee including Chairperson shall be persons with ability to read and understand the financial statement. (i)

<b>100%</b>	<b>MATCHING BLOCK 170/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
The audit committee shall have minimum three directors as members. Two- thirds of the members of audit committee shall be			

i n d e p e n d e n t  
directors. (ii)

<b>100%</b>	<b>MATCHING BLOCK 171/230</b>	<b>SA</b>	sikkim.docx (D27616321)
All members of audit committee shall be financially literate and at least one member shall have accounting or related financial			

m a n a g e m e n t expertise. Companies Act, 1956 No such provision Companies Act, 2013 Sec 178 : The Board of Directors of

<b>71%</b>	<b>MATCHING BLOCK 172/230</b>	<b>SA</b>	Sandeep Rathi (20LLM44) Dissertation (1).docx (D112706125)
all public companies with paid up capital of ten cr rupees or more or having turnover			

with one hundred crore rupees

<b>69%</b>	<b>MATCHING BLOCK 173/230</b>	<b>SA</b>	harshitha dissertation fianl draft.docx (D111095166)
or more or aggregate outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees or more			

shall constitute Clause 49 Non mandatory committee Revised Clause 49 Clause 49 has the following provisions regarding Nomination and Remuneration Committee : Members : At-least three members, all n o n - e x e c u t i v e directors and at-least half to be IDs

NSOU • PGCO-VIII 57 (iii) Stakeholders Relationship Committee : This Board Committee is the new inception of the Companies Act, 2013. The Companies Act 2013 requires every company having more than 1000 (one thousand) shareholders, debenture holders, deposit holders and any

<b>81%</b>	<b>MATCHING BLOCK 174/230</b>	<b>SA</b>	harshitha dissertation fianl draft.docx (D111095166)
other security holders at any time during a financial year to constitute a stakeholders relationship committee			

to resolve the grievances of security holders of the company. The main responsibility of this board committee is to look after the grievances of the stakeholders of the company in general and shareholders in particular. However, Clause 49 of the Listing Agreement in line with the recommendation of K.M. Birla Committee required listed companies to set up a shareholders / investors grievance committee to examine complaints and issues of shareholders. Companies Act, 1956 Companies Act, 2013 Clause 49 Revised Clause 49 a Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one half shall be independent directors. Chairman : Chairman to be an ID Companies Act, 1956 No such provision Companies Act, 2013 Sec 178(6) : The Board of Directors of a company which consists of more than one thousand shareholders, debenture- holders, deposit-holders and any

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other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a chairperson who shall be a non- executive director and such

Clause 49 Clause 49 (IV) (G) : A Board committee under the chairmanship of a n o n - e x e c u t i v e directors

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shall be formed to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

Revised Clause 49 Introduced now to align with the Act

58 NSOU • PGCO-VIII (iv) Corporate Social Responsibility Committee : This is another introduction of the New Companies Act, 2013. New Companies Act 2013 formally makes it mandatory for certain group of major companies to constitute a CSR Committee, which would be responsible to devise, recommend and monitor CSR initiatives of the company. The committee is also required to

**88% MATCHING BLOCK 177/230** SA PoojaSharma\_20LLM32\_Dissertation\_LLM\_2021 (5).docx (D110295071)

prepare a report detailing the CSR activities undertaken and if not, the reasons for failure to comply.

Companies Act, 1956 Companies Act, 2013 Clause 49 Revised Clause 49 other members as may be decided by the board to consider and resolve the grievances of security holders of the company. The board committee shall be designated as " S h a r e h o l d e r s / Investors Grievances Committee" Companies Act, 1956 No such provision Companies Act, 2013 Sec 135 : Every Company

**89% MATCHING BLOCK 178/230** SA Synopsis.docx (D109401775)

having net worth of rupees five hundred crore or more or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more

during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three

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or more directors, out of which one director shall be an independent director.

The Board should

**85% MATCHING BLOCK 180/230** SA Kotak comm-Abhigyan.docx (D40491398)

ensure that the company spends in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years,

in pursuance of its CSR policy as specified in Schedule VII Clause 49 No such provision Revised Clause 49 Introduced now to align with the Act

NSOU • PGCO-VIII 59 2.7 Summary New Companies Act 2013 formally makes it mandatory for certain group of major companies to constitute a CSR Committee, which would be responsible to devise, recommend and monitor CSR initiatives of the company. The committee is also required to

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prepare a report detailing the CSR activities undertaken and if not, the reasons for failure to comply.

These recommendations provided by various committees were adopted to enlarge the benefits that CSR can provide. 2.8 Exercise Group - A 1. Which of the following descriptions applicable to different types of directors and their independence is incorrect ? (a) Independent executive director. (b) Independent non-executive director. (c) Non-independent executive director. (d) Non-independent non-executive director. 2. Which of the following is not a CSR theory? (a) Rights theory. (b) Legitimacy theory. (c) Stakeholder theory. (d) Enlightened self-interest. 3. Which of the following is not an agency cost? (a) Residual loss. (b) Bonding costs. (c) Congruency loss. (d) Monitoring costs. 4. Which of the following is not an example of a duty or responsibility of directors? (a) Having a conflict of interest but declaring it to the board of directors. (b) Continuing to transact with creditors when the company's liabilities exceed the assets. 60 NSOU • PGCO-VIII (c) Researching and asking questions relating to the company's operations so as to be informed. (d) Choosing to personally carry out instructions from the board rather than requesting subordinates to do so. 5. Which of the following statements regarding institutional shareholders is correct? (a) These shareholders have extensive power to monitor the activities of the company. (b) Institutional shareholders prefer to exert their power privately rather than publicly. (c) These shareholders often aim to improve outcomes rather than sell their shareholding. (d) Institutional shareholders are known to publicly use their voting power to encourage sound corporate governance. 6. The framework for establishing good corporate governance and accountability was originally setup by (a) Nestle committee (b) Rowntree committee (c) Cadbury committee (d) Thornton committee Group - B 1. What were the main recommendations of Narayana Murthy Committee on Corporate Governance-March 2003? 2. Mention Cadbury Committee recommendation. 3. What were the main recommendations of Naresh Chandra Committee 4. A Brief Review of Reforms in Corporate Governance Mechanisms in India under the regime of the New Companies Act, 2013 Group – C 1. Give an explanation on recommendations of Cadbury Committee 2. Give a brief review of Reforms in Corporate Governance Mechanisms in India under the regime of the New Companies Act, 2013. Ans. Group-A : 1. (b), 2. (d), 3. (c), 4. (d), 5. (c), 6. (c)

NSOU • PGCO-VIII 61 Unit - 3 □ Shareholders and Corporate Governance Structure 3.1 Objectives 3.2 Introduction 3.3 Rights and Privileges of Shareholders 3.4 Grievance Redressal Mechanism in India 3.5 Investors protection and corporate governance 3.6 Shareholder Activism 3.7 Summary 3.8 Exercise 3.1 Objectives After going through this unit you will learn. • Rights and privileges of shareholders; • Grievance redressal process in India; • Relationship between Investor Protection and Corporate Governance; • Shareholder activism 3.2 Introduction Corporate governance is important to investors, and shareholders having rights and expectations under good corporate governance principles and practices. Their stake in corporate ownership makes their investments less susceptible to system risks. While good corporate principles are important for an industry, which continuously evolve with the time.. The original intent of good corporate governance principles gives shareholders the right to ask questions to affirm that the board and management are doing their best to increase shareholder value and to ensure that the board will be accountable to them. 61



62 NSOU • PGCO-VIII 3.3 Rights and Privileges of Shareholders Corporate governance is the system of rules and responsibilities delegated to several groups within a corporation as well as procedures on handling corporate matters. One of the groups, shareholders, is given certain rights as owners of corporations. These rights are protected by law, and honouring them is one of the objectives in corporate governance. 2. Voting : Shareholders have rights to vote on company decisions. They can vote on a variety of corporate matters including voting in officers, company acquisitions and mergers or liquidations of company assets. Voting on these matters generally take place when corporations have their annual meetings. Shareholders have the right to vote in person or by proxy if they can't attend the meetings. They can also vote by mail, telephone and/or by mail if corporations have these measures in place. 3. Inspecting : Shareholders also have rights to inspect their corporation's financial information. Inspecting the books gives shareholders a chance to view how their corporations are performing. This can be critical to shareholders' decisions to buy more shares or sell off what they already own. This right isn't as important to shareholders in public corporations because they can get the same information from the Securities and Exchange Commission. Public corporations have to file their financial information each year, and it's available to anyone interested in buying shares. Private companies do not have to file this information with the SEC; shareholders in private corporations still have the right to see their corporations' financial information. 4. Dividend Entitlement : If corporations are distributing profits in the form of dividends, each shareholder has the right to receive them. Dividend amounts are determined by the corporate officers and not by the ownership interests of the shareholders. These amounts can fluctuate yearly based on the corporations' earnings for that year. With that in mind, corporations with low earnings, net losses or have other plans with the profits to improve their businesses may not pay out dividends. However, corporations must pay every shareholder a dividend if they're distributing them and cannot select just a few to pay profits to and neglect the rest.

NSOU • PGCO-VIII 63 5. Rights to Sue : Shareholders who have been wronged by their corporations also have the right to sue. For example, if shareholders didn't receive their entitled share of dividends or were denied access to their corporations' financial information, they can bring legal actions against their corporations. Shareholders seeking to sue their corporations should check with their local authorities first on how to proceed. 6. Considerations : One of the objectives of corporate governance is to be fair to all shareholders. However, some corporations are issuing dual stocks that challenge the fairness and equality of all shareholders the corporate governance is trying to protect. Dual stocks are not available to all investors, and there are different levels of rights associated with each one. For example, one class of stocks could be issued for common investors, while another class is available to company executives, founders and their families. It's possible that the shareholders who own common stocks have less voting power than those who own the other class. 3.4 Grievance Redressal Mechanism in India The Securities and Exchange Board of India (SEBI) on August 13, 2020 has issued guidelines on investor grievances redressal mechanism for handling of SCORES complaints by stock exchange and Standard Operating Procedure for non- redressal of grievances by listed companies on non-compliance with certain provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. It lays down the procedure for handling complaints by the stock exchanges as well as standard operating procedure for actions to be taken against listed companies for failure to redress investor grievances. The following guidelines have been given by SEBI : • All the investors initially must take their complaints to the listed companies. The grievances can be submitted via SCORE platform as well, which can be used to directly submit the complaints to the companies. • Further, if the companies fail to resolve the complaints within a period of 30 days, the grievances shall be directly forwarded to the Designated Stock Exchanges (DES) via SCORE platform. • If the complainant is lodging a complaint on the SCORE platform, which

64 NSOU • PGCO-VIII has already been lodged separately with the listed company, the complainant shall mention the details of the complaint such as the date of lodging, period of cause, name of the company, registered address etc. • Once the receipt from the DSE is received for the lodging of the complaint via SCORE platform, the listed company shall resolve it within a period of 30 days and submit an Action Taken Report (ATR) for the same. • If the complainant is satisfied with the resolution from the company, the ATR shall be submitted to the SEBI. • In cases of failure to resolve the complaint for more than 60 days, the appropriate authorities shall initiate action for the same. SEBI will levy a fine of Rupees 1000 per day per complaint to the companies who are not able to resolve the issue within 60 days and for the breach of the SEBI (LODR) Regulations, 2015. it may suspend the company as well. The DSE shall issue a notice to such listed companies implying the fine applicable on to them and asking them to submit the ATR report for all the pending complaints within 15 days. Once the fines have been paid, the DSE shall intimate to unfreeze the accounts of the promoters. If the fines have been paid but the companies have not resolved the complaints, the DSE shall levy further fines and take appropriate actions for the same.

### 3.5 Investors Protection and Corporate Governance

Good corporate governance is a measure to ensure transparency and accountability which helps to prevent corporate scandals, fraud and issues pertaining to corporate liability. A good corporate governance structure prevents major disasters and ensures investors protection. Corporate governance is important to investors, and shareholders having rights and expectations under good corporate governance principles and practices. Their stake in corporate ownership makes their investments less susceptible to system risks. While good corporate principles are important for an industry, which continuously evolve with the time. Modern governance accounts for using digital technology to give boards the right information at the right time. By having this information at their fingertips, boards can start asking the right questions and incorporate the best answers into their decision-making process. Good corporate governance principles provide a system of checks and help to balance the power and

NSOU • PGCO-VIII 65 ensure that there are benefits for everyone involved. In essence, corporate governance is a structure whereby the shareholders own the operation, managers run the operation and board directors oversee the operation as agents of the shareholders. Good corporate governance ensures that the company has the proper rules, policies and practices to create long-term shareholder value. When the company's performance is down, shareholders have every right to begin asking questions. Usually, they start asking questions from the start to ensure that the company is practicing good governance. Getting the right answers to these questions means that their investments are in good hands. While shareholders have limited power to intervene, they have a lot of power as owners in the company. Shareholders elect the board of directors with the expectation that the board will fulfill their fiduciary duties and keep the best interests of the shareholders at the forefront of their decision-making. Shareholders expect boards to run as efficiently as possible. Shareholders can also reasonably expect that the board will perform strong oversight to ensure that the performance by officers and managers is ethical and strong. When the company's performance begins to slide in a negative direction, shareholders have the right to question whether board directors are truly independent. The original intent of good corporate governance principles gives shareholders the right to ask questions to affirm that the board and management are doing their best to increase shareholder value and to ensure that the board will be accountable to them.

### 3.6 Shareholder Activism

A shareholder activist is a person who attempts to use their rights as a shareholder of a publicly-traded corporation to bring about change within or for the corporation. Shareholder activism is a way that shareholders can influence a corporation's behaviour by exercising their rights as partial owners. While minority shareholders don't run the day-to-day operations, several ways exist for them to influence a company's board of directors and executive management actions. These methods can range from dialogue with managers to formal proposals, which are voted on by all shareholders at a company's annual meeting. Shareholder Activism Has Increased in Recent Years The term activism often accompanies notions of unrest. On the contrary, activism isn't always a bad thing. It's a process that can often lead to long-term meaningful change. Shareholders can be instrumental as change agents through

66 NSOU • PGCO-VIII private meetings, public votes, media debates and other avenues to drive better corporate governance practices. Corporations will almost surely pay a price for not paying attention to issues that lead to shareholder activism. Some of the big topics related to activism are executive pay, succession planning, diversity and board director independence. Shareholders are looking for assurance that executive pay increases are aligned with performance. Taking it a step further, shareholders are also interested in understanding how boards come up with their guidelines for executive pay structures. Shareholders are also seeking assurance that boards have the experience, skills and diversity to protect their investments and to enable the company to make steady long-term progress. The current climate encourages shareholders to scrutinize all new board director appointments and evaluate them based on how their talents and abilities enhance the board. Board directors need to be aware of other issues that can lead to shareholder activism, including taking a closer look at the board's strategy and use of capital. Another hot topic for shareholders is how corporations factor social, ethical and environmental matters into their strategies and general decision making. Shareholder activism drives better corporate governance because it ensures strong governance and approaches to investment styles that produce value for shareholders. Good corporate governance takes for granted that boards will continuously work toward board compositions that support the necessary skills and experience that will net long-term success for the company. The principles of good corporate governance also place a heavy focus on the fiduciary responsibilities of board directors in managing the corporation's assets. The focus on duty of care creates an environment in which shareholders are more apt to ask more questions about how the board and managers approach strategic planning, risk management and operations. Among other things, shareholders are seeking information about the board's approach to environmental, social and governance issues as well as their investment style and principles. When considering corporate investment styles, shareholders are inclined to be focused on absolute returns, as opposed to relative performance. Shareholders generally review the board's annual report and vote in favor of management's proposals if they're satisfied with them. Questions and red flags may invite formal discussions with the board and executive management. Boards can use these opportunities to attempt to explain and justify their actions. Where companies are regularly underperforming with little indication of improvement, activism may be looming. Dissatisfied shareholders may respond by voting against management at the annual general meeting. Activist shareholders may also follow up

NSOU • PGCO-VIII 67 their vote with a letter to the company explaining why they don't support the company's decisions and offer recommendations for changes. Shareholders would likely follow the company to see how willing the board is to make changes. 3.7 Summary Corporate governance is the system of rules and responsibilities delegated to several groups within a corporation as well as procedures on handling corporate matters. One of the groups, shareholders, is given certain rights as owners of corporations. These rights are protected by law, and honouring them is one of the objectives in corporate governance. Good corporate governance is a measure to ensure transparency and accountability which helps to prevent corporate scandals, fraud and issues pertaining to corporate liability. A good corporate governance structure prevents major disasters and ensures investors protection. A shareholder activist is a person who attempts to use their rights as a shareholder of a publicly- traded corporation to bring about change within or for the corporation. Shareholder activism is a way that shareholders can influence a corporation's behaviour by exercising their rights as partial owners. While minority shareholders don't run the day-to-day operations. 3.8 Exercise Group – A 1. Who controls the capital market in India? (a) SEBI (b) RBI (c) IRDA (d) NABARD 2. The Securities and Exchange Board of India was not entrusted with the function of (a) Investor protection (b) Ensuring fair practices by companies (c) Promotion of efficient services by brokers (d) Improving the earning of equity holders

68 NSOU • PGCO-VIII 3. Which is not a right of share holder? (a) Voting (b) Right to Sue (c) Inspecting (d) Fixed interest. Group – B 5. What are the rights enjoyed by Indian Shareholders? 6. When a shareholder faces problem regarding its rights what is the redressal he receives. 7. How does Corporate Governance help in investor protection? 8. What is shareholders activism and how has it evolved in recent years. Group – C 1. What is the grievance redressal mechanism in India and how is corporate governance related to investor's protection. 2. What are the rights of share holders and how does activism helps a share holder to seek justice for his rights. Ans. Group-A : 1. (a), 2. (c), 3. (d)

NSOU • PGCO-VIII 69 Unit - 4 □ Corporate Social Responsibility Structure 4.1 Objectives 4.2 Introduction 4.3 CSR and the Stakeholder justification of CSR 4.3 CSR and Indian Corporations 4.5 Scope of CSR 4.6 CSR Reporting 4.7 Summary 4.8 Exercise 4.1 Objectives After going through this unit, you will learn. • CSR and the Stakeholder justification of CSR; • Scope of CSR; • CSR and Indian corporations; • CSR reporting. 4.2 Introduction Depending upon their core competency and business interest,

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companies should undertake activities for economic and social development of communities and geographical areas,

particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society. CSR has made its place by providing enormous benefits to the society in India by eradicating hunger, poverty, malnutrition etc. and providing education, water, education, empowerment etc. to the needy ones. 69

70 NSOU • PGCO-VIII 4.3 CSR and the Stakeholder justification of CSR "Social Responsibilities refer to the businessman's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest." ---- Keith Davis So, CSR is the sense of obligation on the part of companies to build certain criteria and manage the business activities by taking strategic decisions. Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the Board. The CSR Policy should normally cover following core elements : 1. Care for all Stakeholders : The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur. 2. Ethical functioning : Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are

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abusive, unfair, corrupt or anti-competitive. 3. Respect for Workers' Rights and Welfare : Companies should provide a

workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non- discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labour, have an effective grievance redressal system, should not employ child or forced labour and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment.

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Respect for Environment : Companies should take measures to check and prevent pollution; recycle, manage and reduce waste,

should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies. 6. Activities for Social and Inclusive Development : Depending upon their core competency and business interest,

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companies should undertake activities for economic and social development of communities and geographical areas,

particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society. 4.4 CSR and Indian Corporations Corporate social responsibility under the company's act 2013: Companies act 2013 has brought a bundle of changes in Indian corporate business. CSR introduction in Section 135 is referred as a give and take policy, as the companies are taking resources from the society it needs to reduce the gap by providing something back the society. The concept goes way back in 1994 when John Elkington coined the need or Triple Bottom Line which was based on 3 pillars namely people planet and profit. Ministry of corporate affairs notified Section 135 and schedule VII and the provisions regarding Companies (Corporate Social Responsibility Policy) Rules, 2014 or generally known as CSR rules which came into effect from 1st April 2014. Companies now need to share a part of their profit on CSR activities as a contribution to the society, and these expenses cannot be claimed as business expenses. The

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mandated adaptation of CSR by the companies having the following during any financial year.  
72 NSOU • PGCO-VIII 1. Companies with a

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net worth of Rs. 500 crore or more, or 2. Companies having turnover of Rs.1000 crore or more, or 3. Companies achieving a profit of Rs. 5 crore or more		

And shall constitute a CSR committee on the board. Composition of corporate social responsibility committee is subjected to disclosure under sub section (3) of section 134. Which must constitute of minimum 3 director of which one must be independent. SEBI also mandated a top hundred listed companies at BSE and NSE on the basis of market capitalization for proper inclusion and disclosure of business responsibility report in their annual report. Major functions of CSR committee lies in formulation and recommendations about the CSR policy to the board and the amount of expenditure to be incurred in these activities. Monitoring these activities and policies are also another important function of CSR committee. With great powers come great responsibility that is why CSR committee is bound to some responsibilities which are : • Recommendations of the CSR committee are approved by the board which eventually becomes the CSR policy and disclosure of the contents of such policy in company report and website is required. Rule 9 of the CSR rules clarifies that a company qualifying under section 135 shall include a CSR report along with board report. • The company must spend at least 2% of the average net profits of three years immediately preceding financial year. Computation of net profit is as per section 198 of the companies act, MCA clarifies that profit means profit before tax. 4.5 Scope of CSR CSR is the continuing commitment by business to behave ethically and contribute towards economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. (l) In Schedule VII, for items (i) to (x), the following items and entries shall be substituted, namely : 1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water: 2. Promoting education, including special education and employment enhancing

NSOU • PGCO-VIII 73 vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects; 3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups; 4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water; 5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional and handicrafts; 6. Measures for the benefit of armed forces veterans, war widows and their dependents; 7. Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports; 8. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Caste, the Scheduled Tribes, other backward classes, minorities and women; 9. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government 10. Rural development projects. 4.6 CSR Reporting According to the Global Reporting Initiative, a CSR report can be defined as : "A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy." CSR and sustainability reports can be used to achieve both internal and/or external goals. Internally speaking, CSR reports are important since they allow

74 NSOU • PGCO-VIII companies to estimate the impact of their activities on the environment, on society and on the economy. Through the detailed and meaningful data collected for the CSR report, companies have a chance to improve their operations and to reduce costs. Not only because they are empowered to optimize and reduce their energy consumption but also as they review their waste cycles and disposal which often leads to product innovation or circular economy opportunities. Finally, as collecting this data requires joint efforts from different departments, employees end up knowing that the company is focusing on CSR and sustainability, which is proven to increase employee retention and decrease turnover (and its costs). When it comes to external benefits, a CSR and sustainability report can help companies to better engage with their interested parties which may bring some benefits to the table. By letting their stakeholders know about the organization's short, medium and long-term projects decisions, companies can be better understood which may have positive financial outputs. For instance, it can allow stakeholders to be aware that a specific company is positively contributing to minimize the negative impacts of an environmental hazard or that it is only focused on growing profits for its managers and investors. In this way, consumers can decide whether they want to buy from a brand that protects orangutans by sourcing sustainable palm oil or not, investors can anticipate if companies are aware of the consequences of climate change is and will further have on their value chains and on business continuity, journalists can share best case practices, NGOs can put pressure so that companies review their sustainability policies, etc. Rule 8 of the CSR Rules provides that the companies, upon which the CSR Rules are applicable on or after 1st April, 2014 shall be required to incorporate in its Board's report an annual report on CSR containing the following particulars : • A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs; • The composition of the CSR Committee; • Average net profit of the company for last three financial years; • Prescribed CSR Expenditure (2% of the amount of the net profit for the last 3 financial years); • Details of CSR Spent during the financial year; • In case the company has failed to spend the 2% of the average net profit of the last three financial year, reasons thereof;

NSOU • PGCO-VIII 75 • A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company. The disclosure of contents of Corporate Social Responsibility Policy in the Board's report and on the company's website, if any, shall be as per annexure attached to the CSR Rules. 4.7 Summary Companies now need to share a part of their profit on CSR activities as a contribution to the society, and these expenses cannot be claimed as business expenses. The

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guidelines issued by MCA on social, environmental and economic responsibilities of business

mandated adaptation of CSR by the companies. Through the detailed and meaningful data collected for the CSR report, companies have a chance to improve their operations and to reduce costs. Not only because they are empowered to optimize and reduce their energy consumption but also as they review their waste cycles and disposal which often leads to product innovation or circular economy opportunities. 4.8 Exercise Group - A 1. Sustainable development will not aim at : (a) Social economic development which operose the economic and societal benefits available in the present, without spoiling the likely potential for similar benefits in the future. (b) Reasonable and equitably distributed level of economic well-being that can be perpetuated continually. (c) Development that meets the need of the present without compromising the ability of future generations to meet their own needs. (d) Maximising the present day benefits through increased resource consumption

76 NSOU • PGC0-VIII 2. Corporate Social Responsibility (CSR) consists of which four kinds of responsibilities (a) Economic, ethical, societal, and altruistic (b) Economic, legal, ethical, and altruistic (c) Fiscal, legal, societal, and philanthropic (d) Economic, legal, ethical, and philanthropic 3. Which of the following does the term Corporate Social Responsibility relate to ? (a) Ethical conduct (b) Human rights and employee relations (c) All of the above (d) None of the above Group – B 1. What are the core policies that must be followed by CSR ? 2. Explain the Indian scenario of CSR. 3. How is CSR helpful in India and mention the sectors in which CSR is considered. 4. What is CSR reporting ? Group – C 1. What are the mandated rules of CSR that are to be followed to conduct business in India. 2. Mention the areas of Schedule 7 of CSR in which companies can make CSR contribution. Ans. Group-A : 1. (d), 2. (d), 3. (a)

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Unit - 5 □ Meaning and Nature of Business Ethics Structure 5.1 Objectives 5.2 Introduction 5.3 Meaning -Business Ethics 5.4 Nature of Business Ethics 5.5 Relationship between business ethics and corporate governance 5.6 Kohlberg's Stages of Moral Development 5.7 The Three Levels of Ethics 5.8 Corporate Integrity and its Importance 5.9 Summary 5.10 Exercises 5.1 Objectives After going through this unit you will learn. • The nature of business ethics; • the relationship between business ethics, • corporate governance and ethical leadership; • Kohlberg's six stages of moral development; • levels • of ethical analysis; • concept of corporate integrity. 5.2 Introduction Ethics is the basic concepts and fundamental principles of decent human conduct. It includes the study of universal values of such as the essential quality of 79

80 NSOU • PGC0-VIII all men and women, human or natural rights, obedience to the law of land, concern for health and safety and increasingly, also for the natural environment. There are numerous reasons why organizations should act ethically. Since behaviour varies as per the values priorities, a mutual effort at all levels to deal with corporate ethics start with a clear understanding of core values, both organizationally as well as individually. Integrity is important for businesses and individuals alike. You can think of ethics as the twin of integrity : Business ethics are the code of morals adopted by an organization, representing the values the company runs on. Every stakeholder who interacts with the organization will be related to these morals. 5.3 Meaning-Business Ethics "Ethics itself is not the end, but the means to the end." – Swami Vivekananda Ethics, which is coined from the latin word 'Ethos' means character, is moral philosophy in action. Morality is described as a combination of concepts and beliefs by which a culture or a group regulates individual behaviors in society. So, Ethics is a set of standards, or a code, or value system, worked out from human reason and experience, by which free human actions are determined as ultimately right or wrong, good or evil. If an action agrees with these standards, it is ethical: if it does not agree, it is unethical. Actually, ethics is the discipline that examines one's moral standards or the moral standards of a society. Ethics is the basic concepts and fundamental principles of decent human conduct. It includes the study of universal values of such as the essential quality of all men and women, human or natural rights, obedience to the law of land, concern for health and safety and increasingly, also for the natural environment. Ethics are the set of moral principles that guide a person's behavior. These morals are shaped by social norms, cultural practices, and religious influences. Ethics reflect beliefs about what is right, what is wrong, what is just, what is unjust, what is good, and what is bad in terms of human behavior. They serve as a compass to direct how people should behave toward each other, understand and fulfil their obligations to society, and live their lives. ■ "Ethics itself is not the end, but the means to the end."—Swami Vivekanada. ■ "And upon this wealth of goodness-where honesty is not only valued for being the best policy, but because it can afford to go against all policies man's ethics are founded". Rabindranath Tagore.

NSOU • PGCO-VIII 81 ■ “Economics that hurts the moral well-being of an individual or a nation is immoral and, therefore, sinful... True economics never militates against the highest ethical standard, just as all true ethics to be worth its name must at the same time be also good economics.” Mahatma Gandhi.

5.4 Nature of Business Ethics

The characteristics or features of business ethics are :

1. Code of conduct : Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society. All businessmen must follow this code of conduct.
2. Based on moral and social values : Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection and welfare, service to society, fair treatment to social groups, not to exploit others, etc.
3. Gives protection to social groups : Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.
4. Provides basic framework : Business ethics provide a basic framework for doing business. It gives the social cultural, economic, legal and other limits of business. Business must be conducted within these limits.
5. Voluntary : Business ethics must be voluntary. The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.
6. Requires education and guidance : Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.
7. Relative Term : Business ethics is a relative term. That is, it changes from one business to another. It also changes from one country to another. What is considered as good in one country may be taboo in another country.
8. New concept : Business ethics is a newer concept. It is strictly followed only in developed countries. It is not followed properly in poor and developing countries.

82 NSOU • PGCO-VIII 5.5 Relationship between business ethics and corporate governance

Companies need to return good favour to every stakeholder; great returns for shareholders, jobs for employees, reliable products for consumers, responsible relations with the community and a clean environment. Business ethics is basically the implementation of general ethical principles to business dilemmas and brings a broader range of problems and concerns than law because everything that is legal might not be ethical. Ethics is the knowledge and awareness of what is right and wrong, and then pursuing the right path but, the right path can be difficult to follow. Business ethics provides people tools to deal with moral complexity in business, business decisions have ethical components- ethical implications should be weighed before acting. Ethics provides moral guidelines so that organizations can speed up the process of making decisions. Ethics that applies to business means business ethics is not a separate theory of ethics; instead, it is an application of ethics to business situations. Good Corporate Governance is a key to empower profits and reputation. It represents the relations

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among stakeholders used to determine and control the strategic direction and performance of

companies. Accountability is a major element and needs for corporate governance, fortifying the latter in the way that it offers a transparent template for governing critical decisions, activities, and procedures. Corporate Governance focuses on two major concerns about who benefits from corporate decisions/senior management actions and who should benefit from management action or corporate decisions? There are numerous reasons why organizations should act ethically. Since behaviour varies as per the values priorities, a mutual effort at all levels to deal with corporate ethics start with a clear understanding of core values, both organizationally as well as individually. Good corporate governance relates to internal practices and policies of a company. Although the issues regarding corporate governance are common across companies, each organization follows its own unique governance principles. It also ensures that long term strategic objectives and plans are well set up and the proper management structure is in place. The corporate governance actually presents the moral framework, the ethical frameworks and the value framework under which decisions are taken in an organization.



NSOU • PGCO-VIII 83 5.6 Kohlberg's Stages of Moral Development Kohlberg identified three levels of moral reasoning: pre-conventional, conventional, and post-conventional. Each level is associated with increasingly complex stages of moral development. Level 1 : Preconventional Throughout the preconventional level, organisations sense of morality is externally controlled. An organisation with pre-conventional morality has not yet adopted or internalized society's conventions regarding what is right or wrong, but instead focuses largely on external consequences that certain actions may bring. Stage 1 : Obedience-and-Punishment Orientation Stage 1 focuses on the child's desire to obey rules and avoid being punished. For example, an action is perceived as morally wrong because the perpetrator is punished; the worse the punishment for the act is, the more "bad" the act is perceived to be. Stage 2 : Instrumental Orientation Stage 2 expresses the "what's in it for me?" position, in which right behavior is defined by whatever the individual believes to be in their best interest. Stage two reasoning shows a limited interest in the needs of others, only to the point where it might further the individual's own interests. As a result, concern for others is not based on loyalty or intrinsic respect, but rather a "you scratch my back, and I'll scratch yours" mentality. An example would be when a child is asked by his parents to do a chore. The child asks "what's in it for me?" and the parents offer the child an incentive by giving him an allowance. Level 2 : Conventional Throughout the conventional level, a child's sense of morality is tied to personal and societal relationships. Children continue to accept the rules of authority figures, but this is now due to their belief that this is necessary to ensure positive relationships and societal order. Adherence to rules and conventions is somewhat rigid during these stages, and a rule's appropriateness or fairness is seldom questioned. Stage 3: Good Boy, Nice Girl Orientation In stage 3, children want the approval of others and act in ways to avoid disapproval. Emphasis is placed on good behavior and people being "nice" to others.

84 NSOU • PGCO-VIII Stage 4 : Law-and-Order Orientation In stage 4, the child blindly accepts rules and convention because of their importance in maintaining a functioning society. Rules are seen as being the same for everyone, and obeying rules by doing what one is "supposed" to do is seen as valuable and important. Moral reasoning in stage four is beyond the need for individual approval exhibited in stage three. If one person violates a law, perhaps everyone would—thus there is an obligation and a duty to uphold laws and rules. Most active members of society remain at stage four, where morality is still predominantly dictated by an outside force. Level 3 : Postconventional Throughout the postconventional level, a person's sense of morality is defined in terms of more abstract principles and values. People now believe that some laws are unjust and should be changed or eliminated. This level is marked by a growing realization that individuals are separate entities from society and that individuals may disobey rules inconsistent with their own principles. Post-conventional moralists live by their own ethical principles—principles that typically include such basic human rights as life, liberty, and justice—and view rules as useful but changeable mechanisms, rather than absolute dictates that must be obeyed without question. Because post-conventional individuals elevate their own moral evaluation of a situation over social conventions, their behavior, especially at stage six, can sometimes be confused with that of those at the pre-conventional level. Some theorists have speculated that many people may never reach this level of abstract moral reasoning. Stage 5 : Social-Contract Orientation In stage 5, the world is viewed as holding different opinions, rights, and values. Such perspectives should be mutually respected as unique to each person or community. Laws are regarded as social contracts rather than rigid edicts. Those that do not promote the general welfare should be changed when necessary to meet the greatest good for the greatest number of people. This is achieved through majority decision and inevitable compromise. Democratic government is theoretically based on stage five reasoning. Stage 6 : Universal-Ethical-Principal Orientation In stage 6, moral reasoning is based on abstract reasoning using universal ethical principles. Generally, the chosen principles are abstract rather than concrete and focus on ideas such as equality, dignity, or respect. Laws are valid only insofar as they are grounded in justice, and a commitment to justice carries

NSOU • PGCO-VIII 85 with it an obligation to disobey unjust laws. People choose the ethical principles they want to follow, and if they violate those principles, they feel guilty. In this way, the individual acts because it is morally right to do so (and not because he or she wants to avoid punishment), it is in their best interest, it is expected, it is legal, or it is previously agreed upon. Although Kohlberg insisted that stage six exists, he found it difficult to identify individuals who consistently operated at that level.

### 5.7 The Three Levels of Ethics

Most concrete ethical issues involve questions about what we ought to do in a given situation. Underlying these questions are more abstract ones about right and wrong and good and bad more generally. And some discourse in moral philosophy is even more abstract. Philosophers divide ethics into three different levels, which range from the very abstract to the concrete: metaethics, normative ethics, and applied ethics. Understanding these levels is a good step toward grasping the breadth of subject.

#### Metaethics

Metaethics is the most abstract and philosophical level of ethics. Where normative and applied ethics seek to determine what is moral, metaethics concerns itself with the nature of morality itself. It deals with the following types of questions : What does it mean when someone says something is “good” or “right”? What is moral value, and where does it come from? Is morality objective and universal, or is it relative to specific individuals or cultures? Do moral facts exist? These and other metaethical questions are important, but to figure out if a particular action is right or wrong, never get there pondering them. Answering these questions can resolve the problems of ethics and morality.

#### Normative Ethics

Normative Ethics is concerned with the appropriate standards for right and wrong behavior. Normative ethical theories establish prescriptions – whether by foundational principles or good character traits – for how one ought to act or live. The following are prominent normative ethical approaches :

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#### Virtue Ethics

Virtue Ethics focuses on a person’s moral character. Virtue ethicists say we ought to develop virtuous characteristics – such as generosity, courage, and compassion – and exhibit virtuous behavior. This is different from other normative theories that propose more precise principles and rules for conduct. Deontological theories emphasize one’s moral duties and obligations. They focus on the act itself, as either intrinsically good or bad, regardless of its consequences. Consequentialist theories determine whether something is right or wrong by looking at its consequences. The ethical thing to do is that which has the best consequences (i.e., results in the most benefit, happiness, good, etc.) among the alternatives.

#### Applied Ethics

Applied ethics consists of the analysis of specific moral issues that arise in public or private life. Whereas normative ethics attempts to develop general standards for morality, applied ethics is concerned with specific moral controversies. Applied ethics can use normative ethical theories, principles or rules derived from such theories, or analogical reasoning. Context-specific norms or expectations, such as those characterizing a particular profession, arrangement, or relationship are also relevant to applied ethical analysis. The different levels of ethics can overlap and inform one another. Normative theories, for instance, are based on metaethical assumptions (or even explicit metaethical propositions), such as the existence or non-existence of objective and universal notions of right and wrong. And, as noted above, applied ethics can draw on normative theories to resolve moral disputes. Metaethical perspectives can also drip into applied ethical analysis. A moral relativist, for example, may contend that a practice deemed egregious by his own culture’s standards is truly morally permissible, or even obligatory, in the culture in which it occurs. Despite the overlap between the three levels, distinguishing between them is useful for clarifying one’s own views and analyzing those of others.

### 5.8 Corporate Integrity and its Importance

Corporate integrity is defined as a state or condition in which the objectives of the managers and the shareholders of a corporation are undivided and complete. The compensation of the managers and the shareholders is selected as a subset of the objectives. Integrity is important for businesses and individuals alike. You can think

NSOU • PGCO-VIII 87 of ethics as the twin of integrity: Business ethics are the code of morals adopted by an organization, representing the values the company runs on. Every stakeholder who interacts with the organization will be related to these morals. That's why it's so important for a business to have clear ethical standards. Here are seven great principles of business integrity for companies, their leaders and employees at all levels. 1. Trust - Customers and clients always rely on trustworthy companies. When trust is at the core of a company, it is easy to recognize. People know they can rely on the character, ability and value provided, and they feel valued in every interaction. 2. Quality - A dedication to high quality standards across the board shows that the company is committed to standing behind what it does and delivering the value it promises. Companies that regularly put out shoddy work or provide inconsistent service are telling customers and would-be customers that they really don't care about them. 3. Follow-through - Trust is built on follow-through, on meeting your obligations and commitments as promised. Follow-through also means being transparent about potential problems that might affect the timing or the end-result. It may not be the best outcome, but you can salvage the relationship by being upfront and honest. 4. Corporate Citizenship. As Deloitte notes, "Stakeholders today are taking an intense look at organizations' impact on society, and their expectations for good corporate citizenship are rising." It's not just customers who care. Employees are increasingly looking to work for companies that contribute positively to society. There's even evidence of a direct correlation between CSR index ranking and profitability. 5. Value Creation - Businesses are designed to create value, but in ethical companies, people view value creation in multiple ways – the company's profitability is just one of those lenses. They also feel obligated to create value for customers and "do right" by them. As such, it becomes a mutual exchange of value, one that builds strong bonds of loyalty. 6. Willingness to Change - Companies only change if there is a willingness to change and, specifically, a willingness to keep getting better. This starts with leaders who are willing to change and listen to other opinions. Getting feedback from team members and employees is the best way to understand different perspectives and improve the company for the future.

88 NSOU • PGCO-VIII 7. Respect - Last but not least is respect. Regardless of titles, ages, gender, race, positions or any other differences, everyone should be treated with respect. This goes for employees as well as the public at large. 5.9 Summary Ethics is a set of standards, or a code, or value system, worked out from human reason and experience, by which free human actions are determined as ultimately right or wrong, good or evil. If an action agrees with these standards, it is ethical: if it does not agree, it is unethical. Good corporate governance relates to internal practices and policies of a company. Although the issues regarding corporate governance are common across companies, each organization follows its own unique governance principles. It also ensures that long term strategic objectives and plans are well set up and the proper management structure is in place. Philosophers divide ethics into three different levels, which range from the very abstract to the concrete: metaethics, normative ethics, and applied ethics. Corporate integrity is defined as a state or condition in which the objectives of the managers and the shareholders of a corporation are undivided and complete. That's why it's so important for a business to have clear ethical standards. 5.10 Exercise Group - A 1. Values and ethics shape the- (a) Corporate unity (b) Corporate discipline (c) Corporate culture (d) Corporate differences 2. Which of the following factors encourage good ethics in the workplace? (a) Transparency (b) fair treatment to the employees of all levels (c) both (a) and (b) (d) bribe

NSOU • PGCO-VIII 89 3. Most companies begin the process of establishing organizational ethics programs by developing : (a) ethics training programs. (b) codes of conduct. (c) ethics enforcement mechanisms. (d) hidden agendas. 4. What is ethics? (a) Ethics is a system of moral principles (b) Ethics is the rules defined by the government (c) Ethics is the rules defined by the community (d) Ethics is the rules defined by the Society Group – B 2. Explain Kohlberg's Stages of Moral Development. 3. Describe the relation between business ethics and corporate governance. 4. What are the characteristics of business ethics ? 5. What is Corporate Integrity ? Explain its importance. Group – C 1. What is business ethics and explain the levels of business ethics. 2. Explain Kohlberg's Stages of Moral Development. Ans. Group-A : 1. (c), 2. (c), 3. (b), 4. (a)

90 NSOU • PGCO-VIII Unit - 6 □ Ethical Principles in Business Structure 6.1 Objectives 6.2 Introduction 6.3 Teleological Ethical Theory 6.4 Deontological Ethical Theory 6.5 Virtue ethics 6.6 System Development Ethical Theories 6.6.1 Major Types of System Development Ethical Theories 6.7 Summary 6.8 Exercise 6.1 Objectives After going through this unit, you will learn. • The teleological approach; • the deontological approach; • the virtue ethics approach; • the systems development approach; 6.2 Introduction Teleological means thinking rationally about the ends. Therefore this theory is also known as Consequential theory which denotes that an action is morally correct if the consequences of that action are more favourable than adverse to the target audiences. The System Development Ethical Theories state that the extent to which organization system is sensitive to the need to develop a work culture supportive of ethical conduct determines the ethical value of actions. Virtue or moral character of the person carrying out an action, rather than at ethical duties and rules, or the consequences of particular actions is equally important to assess. 90

NSOU • PGCO-VIII 91 6.3 Teleological Ethical Theory This word 'Teleological' is derived from two Greek words-Telos and Logos. Where telos means the purpose, goal or end, the logos on the other hand means reason. So together Teleological means thinking rationally about the ends. Therefore this theory is also known as Consequential theory which denotes that an action is morally correct if the consequences of that action are more favourable than adverse to the target audiences. Classification of Teleological Theory : The Teleological theory may be classified into three categories based on the consequences of the actual activity- 1. Egoism : It denotes that the consequences of the action are more favourable only to that individual performing the action. Egoism may be three types. It can be both descriptive and normative. (a) Psychological Egoism : This descriptive egoism denotes that each person has but one ultimate aim: her own welfare. (b) Normative Egoism : It claims about what one ought to do, rather than describe what one does do. (c) Ethical egoism : This form of egoism claims that it is necessary and sufficient for an action to be morally right that it maximize one's self- interest. (d) Rational egoism : It claims that it is necessary and sufficient for an action to be rational that it maximize one's self-interest. (e) Conditional egoism : This modern concept of egoism asserts that egoism is morally right and acceptable if it leads to morally acceptable ends; self-motivated actions can be considered morally acceptable, if they lead to the betterment of society and the public as a whole. 2. Utilitarianism : It means that the consequences of the action are more favourable than unfavorable to everyone. The utilitarianism may be of various types. (a) Positive Utilitarianism : This form of utilitarianism is based on the rule that to maximise the greatest amount of pleasure for the greatest number of people.

92 NSOU • PGCO-VIII (b) Negative Utilitarianism : This type of utilitarianism requires us to promote the least amount of suffering for the greatest number of people. (c) Sentient Utilitarianism : This is a type of utilitarianism that gives equal consideration to all sentient beings and not just humans in particular. Therefore, this utilitarian view can be incorporated in with all of the others. (d) Average Utilitarianism : Average utilitarianism suggests that we measure the utility of a population by calculating the average utility (finding out the utility of all people and then dividing by the amount of people) of that population. (e) Total Utilitarianism : This is an alternative view to average utilitarianism and gets around the mere addition paradox by stating that it is best to measure happiness/utility by the total utility/happiness that a society has. (f) Motive Utilitarianism : This type of utilitarianism incorporates the motives people have for their actions and gives weight to this when deciding if an action is morally right or wrong. If someone is known to be doing a seemingly good action with immoral motives then that action might be deemed as immoral when using motive utilitarianism. (g) Rule Utilitarianism : Rule Utilitarianism concerns itself with general moral rules that you should follow when making decisions. (h) Act or Case Utilitarianism : This Utilitarianism requires each case to be taken individually and appropriate calculations made for each one of them. The likelihood of consequences must be calculated for each potential action known and from there the action that will result in the most happiness should be chosen. (i) Two-level Utilitarianism : Level one is using Rule Utilitarianism (based on our intuitions) because it is efficient (in both time and effect). Level two however is using Act Utilitarianism when a situation requires more thought and more critical reflection. This system of using general moral rules for everyday simple decisions and serious analysis and calculation for more important decisions attempts to take the best of both (utilitarian) worlds and make utilitarianism more practical

NSOU • PGCO-VIII 93 3. Altruism : It signifies that the consequences of the action are more favourable than unfavorable to everyone except that individual. The altruism may be of different types- (a) Nepotism Altruism : This type of altruism is based on the activities centered around the family. Let's say your parents work every day to ensure that you have shelter, food, clothing, educational facilities and all the emotional support and nurturing you need to survive and thrive. Your parents self-sacrifice to care for the wellbeing of you would be seen as nepotistic altruism. (b) Reciprocal Altruism or Mutualism : It is the form of altruism, which is altruism seen through a give and take relationship. Your friend helps you both financially and morally when you are down, and whenever chances come you try to stand behind your friend when he badly needs you. (c) Group-based : Altruism-Group altruism – more generally, group solidarity – is very important in human society, and occurs there at multiple levels, ranging from small groups, organizations, communities, ethnic groups, nations, followers of the same religion, etc. Solidarity with other members of one's community or ethnic group is a ubiquitous and important social phenomenon. Nationalism is also a potent historical force, as is class solidarity. It has been argued (Wilson 2002) that the evolutionary "function" of religion is precisely to promote group cohesion. (d) Moral Altruism : The moral altruism entails sacrifice for others mediated via the individual's justification system. Moral altruism is uniquely human, although it likely has its motivational and emotional roots in the other three forms, especially reciprocal and group-based altruism.

Hunt-Vittel Model of Teleological Evaluation  $TE K = \sum [IW 1 \times PosCon 1 \times P Pos] - [IW 1 \times NegCon 1 \times P Neg] + [IW 2 \times PosCon 2 \times P Pos] - [IW 2 \times NegCon 2 \times P Neg] + \dots$

$IW 1 =$  Importance of Stakeholder 1  $PosCon 1 =$  Positive Consequences on Stakeholder 1  $NegCon 1 =$  Negative Consequences on Stakeholder 1

94 NSOU • PGCO-VIII P Pos = Probability of +ve consequences occurring P Neg = Probability of -ve consequences occurring

6.4 Deontological Ethical Theory The word 'deontological' is derived from the Greek word 'deno' which means duty or obligation. This theory focuses on certain fundamental duties that the human being should perform in his/her life. The duties of general human being covers the issues like duties toward oneself like preserving one's life and sharing happiness, duties to others like family duties, social duties, political duties etc and also indicates the duty towards spiritual forces. The greatest advocate of this theory was the eminent philosopher Immanuel Kant where he emphasised on the act through morally right way purely from duty with an argument that the highest good must be both good in it and good without qualification. In his words- "Nothing in the world—indeed nothing even beyond the world—can possibly be conceived which could be called good without qualification except a good will." - Kant (1785). The rights of the individual as reflected by this theoretical understanding may be of different types- (a) Negative rights theory : It asserts that an action is right if it protects the individual from harm or unwarranted interference from other people or any institution while exercising his right. (b) The positive rights theory : It advocates that an action is right if it provides or tends to provide an individual with anything that he needs to exist. (c) Social Contract Theories : It denotes that people contract with each other to abide by the moral and political obligations towards the society in which they live. This theory is based on the notion people should enter into an agreement with each other to give up some of their freedoms and accept the obligation to respect and safeguard the rights of the others. Thus, an individual gains the civil rights that constitute the social benefits that he is entitled to the extent he fulfills his due obligations towards the society. (d) Social Justice Theory : It denotes that the action will be considered right if it confirms the fairness in the distributive, retributive and compensatory dimensions of cost and rewards. The distributive dimension means the perceived fairness in the distribution of social benefits and burden among

NSOU • PGCO-VIII 95 the group members. The retributive dimension considers the punishment proportionate to the extent of crime while the compensatory dimension is the way people are compensated in relation to the injuries inflicted upon them. 6.5 Virtue ethics Virtue ethics is person rather than action based : it looks at the virtue or moral character of the person carrying out an action, rather than at ethical duties and rules, or the consequences of particular actions. It focuses on the actions that a person would have taken in different circumstances on the basis of their virtue. Being a kind of ethics it basically judges what's right and what's wrong. Virtue ethics provides guidance as to the sort of characteristics and behaviours a good person will seek to achieve. Virtue ethics is concerned with the whole of a person's life, rather than particular episodes or actions. A good person can be defined as someone who lives virtuously - who possesses and lives the virtues. Human beings are often more interested in assessing the character of another person than they are in assessing the goodness or badness of a particular action. This suggests that the way to build a good society is to help its members to be good people, rather than to use laws and punishments to prevent or deter bad actions. But it wouldn't be helpful if a person had to be a saint to count as virtuous. For virtue theory to be really useful it needs to suggest only a minimum set of characteristics that a person needs to possess in order to be regarded as virtuous. Virtue ethics teaches us about :

- An action is only right if it is an action that a virtuous person would carry out in the same circumstances.
- A virtuous person is a person who acts virtuously
- A person acts virtuously if they "possess and live the virtues"
- A virtue is a moral characteristic that a person needs to live well.

Most virtue theorists would also insist that the virtuous person is one who acts in a virtuous way as the result of rational thought (rather than, say, instinct). The modern theologian James F Keenan suggests :

- Justice : Justice requires us to treat all human beings equally and impar- tially.

96 NSOU • PGCO-VIII • Fidelity : Fidelity requires that we treat people closer to us with special care. • Self-care : We each have a unique responsibility to care for ourselves, affectively, mentally, physically, and spiritually. • Prudence : The prudent person must always consider Justice, Fidelity and Self-care. The prudent person must always look for opportunities to acquire more of the other three virtues

### 6.6 System Development Ethical Theories

The System Development Ethical Theories state that the extent to which organization system is sensitive to the need to develop a work culture supportive of ethical conduct determines the ethical value of actions.

#### 6.5.1 Major Types of System Development Ethical Theories

1. Personal Improvement Ethics : The personal improvement ethics states that an action is right if it is intended to promote the individual's personal responsibility for the continuous learning, improvement, holistic develop- ment and moral excellence. For example, the employees in order to gain expertise in their work enroll in the company's training programmes with a view to improving themselves as well as the organization's functioning.
2. Organizational Ethics : The organizational ethics any action intended for the development of the formal and informal organizational processes which in turn enhances the procedural outcomes, respectful caring, innovation in ethical work culture and systematic justice is right. For example, If there is no employee complaints Redressal system in the organization and also the employees do not have a voice system for feedback then it is the responsibility of the manager to implement such system and give a voice to the employee. By doing so, the manager supports individual and organizational moral development and reduce the intense resistance to the overall moral development.
3. Extraorganizational Ethics : The extra organizational ethics asserts that the action is right if it promotes or tends to promote the collaborative partnerships and respect the global and domestic constituencies representing the diverse political, economic, legal, social ecological and philanthropic concerns that affect the firm.

NSOU • PGCO-VIII 97 For example, it is the social responsibility of a manager to consider all the factors external to the organization such as political, legal, social, environmental, etc. that can affect the organizational business processes. Thus, the managers who cautiously assess the moral conduct of his employees and retribute (punish) their wrong doings then he is said to have successfully developed the system of ethics. In case, the manager relies exclusively on the character of his employees and do not implement morally supportive Intra-organizational systems and stable processes; then the organization is exposed to the future ethical risk.

6.7 Summary The Teleological theory may be classified into three categories based on the consequences of the actual activity-Egoism, Utilitarianism and Altruism. Deontological Ethical Theory focuses on certain fundamental duties that the human being should perform in his/her life. Virtue ethics provides guidance as to the sort of characteristics and behaviours a good person will seek to achieve. Virtue ethics is concerned with the whole of a person's life, rather than particular episodes or actions.

System Development Ethical Theories state that the extent to which organization system is sensitive to the need to develop a work culture supportive of ethical conduct determines the ethical value of actions. Organization is exposed to the future ethical risk if these ethical theories are not implemented properly.

6.8 Exercise Group – A

1. Which moral philosophy seeks the greatest good for the greatest number of people? (a) Consequentialism (b) Utilitarianism (c) Egoism (d) Ethical formalism
2. What is meant by the phrase 'teleological ethics'? (a) Is used to judge is an action is right, fair and honest.

98 NSOU • PGCO-VIII (b) An action can only be judged by its consequences (c) Developing the individual personal characteristics (d) The key purpose of ethics is to increase freedom

3. Moral principles provide \_\_\_\_\_ for moral judgments. (a) Circular (b) Law (c) Confirmatory standard (d) Behavior

Group – B

1. Explain teleological ethical theory.
2. What are the major types of system development ethical theories?
3. What is virtue ethics?
4. What are the different rights under Deontological Ethical Theory

Group – C

1. What are the ethical principles followed in a business.
2. What is system developmental ethics theory and explain the types of system developmental ethics theory.

Ans. Group-A : 1. (b), 2. (a), 3. (c)

NSOU • PGCO-VIII 99 Unit - 7  Business Ethics as a Strategic Response Structure 7.1 Objectives 7.2 Introduction 7.3 Strategic Vision 7.4 Corporate Philosophy 7.5 Stakeholder Theory 7.6 "Stakeholder" inclusive organization 7.7 Stakeholder mapping 7.8 Ethical leadership 7.8.1 The Importance of Ethical Leadership 7.9 Summary 7.10 Exercise

7.1 Objectives After going through this unit, you will learn.

- Strategic vision, corporate philosophy and the concept of enterprise strategy;
- Stakeholder theory and the "stakeholder" inclusive organization;
- Stakeholder mapping;
- Ethical leadership

7.2 Introduction Strategic visions are ideas for the direction and activities of business development. Generally included in a document or statement so all company managers can share the same vision for the company and make decisions according to the shared principals and company mission. Corporate philosophy is the basic beliefs that 99

100 NSOU • PGCO-VIII people in the business are expected to hold and be guided by maintaining high ethical standards in external and internal relationships to maximise success. On the other hand stake holders theory reflects the idea that companies create value through the cooperation of its stakeholders. Stakeholders engagement in management is also a vital part in ethical recognition of a company. Ethical leadership is defined as "leadership demonstrating and promoting 'normatively appropriate conduct through personal actions and interpersonal relations'".

### 7.3 Strategic Vision

Ethics are a set of moral standards that are relied upon to reach conclusions and make decisions. In a business environment, ethics is a key factor in responsible decision making. Maintaining a high ethical standpoint when operating your business can provide benefits to both the internal and external stakeholders of your business. Strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy and then over time initiating whatever corrective adjustments required for achieving the long-term objectives and goals of an organization.

#### Strategic vision :

Strategic visions are ideas for the direction and activities of business development. Generally included in a document or statement so all company managers can share the same vision for the company and make decisions according to the shared principals and company mission. A vision reflects management aspirations for the organization and its business providing a panoramic view of "where we are going" and giving specific about its feature business plans. It spells-out long-term business purpose and moods organization identity. A strategic vision points on an organization in a particular direction and charts a strategic path for it to follow. The mission statement a starting point for forming a strategic vision: Coming up with a vision statement that defines what business the company is presently in. it conveys the essence of "who we are, what we do, and where we are now". From mission statement to strategic vision: using the mission statement as a basis for deciding on long-term course making choices about "where we are going" and charting a strategic path for the company to pursue.

### 7.4 Corporate Philosophy

A company philosophy is "The way we do things around here." A business of high principles establishes a code of conduct and other prescriptive guidelines that strengthen corporate culture. In other words, corporate philosophy is the basic beliefs

NSOU • PGCO-VIII 101 that people in the business are expected to hold and be guided by maintaining high ethical standards in external and internal relationships to maximise success. Main- taining few guidelines can help in generating corporate philosophy like decisions should be based on facts, objectively considered, or the thought-through approach to decision making, the business should adjust with work forces in its environment, employees should be judged based on their performance, not on personality, educa- tion, or personal traits and skills and the business should be administered with a sense of competitive urgency. What can a business expect to gain by committing to high ethical standards? Basically, it is that better decisions are made: Facts are identified and evaluated with respect to ethical principles thereby stimulating a thoughtful process that weighs the costs and benefits of alternative actions; respects the rights of stakeholders; and commits to acting in accordance with the company's philosophy

#### A Company Philosophy is not the same as a code of ethics.

A code of ethics or code of conduct goes beyond the basic philosophy that guides decision-making and incorporates specific activities and relationships, and the behaviors expected of employees and management in these situations. From an ethical perspective, a company philosophy begins with a set of core values. For example, IBM's Leader- ship Principles state : "Our basic belief is respect for the individuals, for his rights and dignity." An example of a more product-oriented philosophy is Oracle's state- ment that: "Oracle's employees make excellence and quality a part of day-to-day work processes and seek continuous improvement in all that they do." The common element is a commitment to individuals that should guide the company in better serving their customers. Steve Jobs is quoted as saying: "Great things in business are never done by one person. They're done by a team of people." This sums up the true meaning of a company philosophy. It provides a roadmap to get from point "A" to point "B" and to do so in a way that honors the core values of the company, is consistent with its mission, adheres to the provisions in the code of ethics, and all of which is internalized by top management.

### 7.5 Stakeholder Theory

A stakeholder is an individual or group whose interests are affected by the operations of a business. To have a stake simply means that one's interests intersect with those of the business. In business ethics, stakeholders are mainly thought of normatively as sources or objects of a company's ethical duties. Stakeholder theory



102 NSOU • PGCO-VIII is a point of view within business ethics, popularized by Edward Freeman, holding that a company's managers are ethically obligated to pursue jointly or to balance the interests of its stakeholders in the conduct of its business. This reflects the idea that companies create value through the cooperation of its stakeholders. Stakeholder theory was offered initially as an approach to corporate governance; one operating in contradiction to the idea that managers' ethical obligation as managers is to advance the interests of a company's shareholders. More recently, it has been offered mainly as a theory of ethical management that may be compatible with managers' fiduciary duties to shareholders. Principles of Stakeholders Theory and Strategy Freeman outlined six principles that should govern the relationship between the stakeholders and the corporation.

- The principle of entry and exit : According to this principle, there must be clear rules that delineate, For example, the rules when it comes to hiring employees and terminating their employment should be clear-cut and transparent.
- The principle of governance : This principle is concerned with how the rules governing the relationship between the stakeholders and the firm can be amended. With unanimous consent, any changes
- The principle of externalities : This is concerned with how a group that does not benefit from the actions of the corporation has to suffer certain difficulties because of the actions of the corporation. The principle of externalities suggests that anyone who has to bear the costs of other stakeholders has the right to become a stakeholder as well based on stakeholder theory. Anyone who is affected by a business becomes a stakeholder.
- The principle of contract costs : Each party to a contract should either bear equal amounts when it comes to cost, or the cost they bear should be proportional to the advantage they have in the firm. Not all of these costs are financial in nature, so they may be difficult to quantify.
- Agency principle : This principle states that the manager of a firm is an agent of the firm and therefore has responsibilities to the stakeholders as well as the shareholders.
- The principle of limited immortality : This principle deals with the

NSOU • PGCO-VIII 103 longevity of a firm. To ensure the success of the organization and its owners alike, it is necessary for the organization to exist for a prolonged period of time. If the firm only exists for a very limited period of time, it would be advantageous for some of the stakeholders and disadvantageous for others. This violates the concept of a stakeholder theory. Thus the firm must remain in existence for a length of time, and it should be managed in a way that ensures its survival. "Limited" immortality refers to the fact that the firm can be long-lasting but it is impossible for it to actually be immortal.

### 7.6 "Stakeholder" Inclusive Organization

Inclusive stakeholder engagement requires a paradigm shift. A different mind- set will alter the nature and construction of our vision, shifting the focus to holistic sustainability as a key outcome and criterion for success. Sustainable approaches go beyond the environment: they include the social sustainability of the wider commu- nity. Organisational and project values, priorities and goals should be linked by a common thread of inclusion. It does not end at our organisation's front door, and failing to address it adequately has implications. Ethical behaviour underpins the concept of social value and the UN's Sustainable Development Goals. Current thinking and practices are yet to fully embed these, although some projects utilise knowledge-transfer to communities and training through apprenticeships and jobs. Mindsets can restrict how innovatively social value and sustainable benefits are delivered through projects. Inclusion as an integral element of project vision alters this, transforming both process and outcome. Too often, the focus is on outcome without fully tapping the opportunities available through the strategic vision and process. Inclusively engaging a wider definition of stakeholders, and redefining who should be positively affected by our projects, generates a wider buy-in, sense of inclusion and energy, driving project success – and ultimately delivering more sustainable benefits. Stakeholders emerge as a common thread linking issues that impact on project outcome. The position of people at the heart of project success is already well recognised, with stakeholder interaction a key cornerstone of project delivery. Effective stakeholder engagement (rather than merely management) is now recognised as essential in our approach to stakeholder strategy and delivery processes. Identifying and analysing stakeholders is a key initial stage of engagement. A stakeholder, by definition, is anyone who has an interest in, or is affected by, the outcomes of the project. That could encompass almost anyone, so analysis to determine significance

104 NSOU • PGCO-VIII becomes critical. Asking others to identify stakeholders can assist, but may be problematic. When we and others map stakeholders, past experiences and practices inform our assessments of who stakeholders are. Despite our best efforts, we still miss those stakeholders who reveal themselves at a later stage of projects. 7.7

Stakeholder Mapping Stakeholder mapping is the visual process of laying out all the stakeholders of a product, project, or idea on one map. The main benefit of a stakeholder map is to get a visual representation of all the people who can influence your project and how they are connected. People confuse stakeholders with shareholders. While shareholders own a part of a public company (through shares of stock) and are interested in the company's performance, it doesn't mean they should be stakeholders of each project or product launched by the company. Stakeholders can work on a more granular level and they are also often interested in the project's or product's performance, not just because it affects the company's stock performance. When a stakeholder map is critical It's good to have a detailed stakeholder map and know how to involve the right people when you plan to launch a major project or product. Building a product—

When building a new product from scratch you'll need to know the stakeholders for different groups. The number and the roles of stakeholders may vary depending on the type of product you are working on. Here is a list of potential stakeholders for this situation:

- Customers/Users : Knowing your audience is critical for creating a product that people will love. Think of the groups of people you are serving and their needs. To better segment your customer base, we recommend using our User Personas template.
- Industries/Markets : As a product developer, you can't ignore what's happening in your field, so brainstorming potential competitors, outlining market regulations, and writing down major trends can be very useful.
- Suppliers : For certain products (and especially for digital platforms like Airbnb, Uber, BlaBlaCar, and others), generating a supply of certain services is as important as creating demand. If you are building a platform, what are the key suppliers and how you can 'subsidize' one side of the demand/supply equation if needed.

NSOU • PGCO-VIII 105 • Investors : If your product needs substantial investments, you might want to include venture capital firms as major stakeholders since they will have the power to influence your product's future. Penetrating a market—If you're trying to penetrate a new market with your product you'll also need to designate a few stakeholder groups :

- New Customers. Trying asking yourself what are the needs of those who haven't heard about your product yet. Are there any subgroups within this group? We suggest using Personas template to better understand your new customers.
- Old Customers. Which Personas are critical for your sustainable growth? Adding them to your map and understanding their challenges is key to your product's success.
- New Retailers. Who are the main external stakeholders for your project? Whether you are creating a physical or a digital product, you need strong partnerships to reach new audiences. Starting a new project—Starting a new project will also need stakeholders internally. Here is how a list of stakeholders might look like:

- Project Manager
- Developer
- Designer
- CEO/C-Level exec

Benefits of Stakeholder Mapping Stakeholder mapping allows you to identify key players that will influence your project and its success.

1. Find out who has the most influence : When you build a stakeholder map, you can easily see who will have the highest level influence over a project, whether it's the CEO or a project manager.
2. Focus on those who benefit most : Stakeholder maps help you see who will benefit most from the end-product, so you can focus on marketing to that person for either sales or resources.
3. See where resources are most plentiful : Often when you build a stakeholder map, you'll see who has restraints on the project and who has more resources, so internally you can put the right people on your team.

106 NSOU • PGCO-VIII 4. Have a game plan : Overall, a stakeholder map gives you a good idea of who you're trying to satisfy when building this product/project. Four steps to building a stakeholder map Here is how you build a stakeholder map : 1. Brainstorming : Start by identifying all the potential stakeholders — people, groups, or organizations affected by your product or project, those who have influence over it, or have an interest or concern in its success. Write down their names on a whiteboard or in a shared virtual space. At this point, try to be as granular as possible — you can always eliminate duplicates or those who actually don't have 'skin in the game' later. 2. Categorization : Now it's time to group the results of your brainstorming. Are there any stakeholders that can be put into one category? How can you name this category? Are there any types of stakeholders you forgot about? To make sure you didn't forget about any of the key players, check out the 'When stakeholder map is critical' section to see examples of the types of stakeholders different projects require. 3. Prioritization : To create a communication plan, you have to prioritize key stakeholders and make sure you start talking to them early in the project. There are different ways you can prioritize the stakeholders. You can use the matrix we shared above, or you can ask your team to vote so you can see how the group defines the main players. 4. Stakeholder communications : Once your priorities are defined, it's important to come up with a plan for engaging all the major stakeholders. There is no single recipe that can fit all possible situations, but here are some best practices that can help you create transparency and accountability for your project : • You should have a lot of face-to-face communication with high- power, highly interested people. Building trust with them first is critical for your project. • If someone is opposed to the project, you can get a buy-in from someone with the same level of power first and then ask the latter to persuade the former. • Communicating early and often is also important, because people will need time to think before making a decision.

NSOU • PGCO-VIII 107 • Give each stakeholder a right amount of information depending on their interest. Some people need just an executive summary, while others will want to dive deeper. 7.8 Ethical Leadership Ethical leadership is defined as "leadership demonstrating and promoting 'normatively appropriate conduct through personal actions and interpersonal relationships.'" When you boil it down, this really means that ethical leadership is defined as putting people into management and leadership positions who will promote and be an example of appropriate, ethical conduct in their actions and relationships in the workplace. In the business world today, ethics are an increasingly important element and point of discussion. So leadership with ethics is very important to understand, to develop, and to recognize in the business world. If you want to become a business leader, learning about ethical leadership is crucial to help you get there. It's your responsibility to model moral behaviour in the workplace when you're in a position of power in an organization. Integrity, moral behaviour, and ethics are key to being a great leader. Learn about the value of ethical leadership, how to become an ethical leader, and see examples of leadership with ethics around us in the business world today. 7.8.1 The Importance of Ethical Leadership • Leadership that is ethical is important for a variety of reasons, for customers, employees, and the company as a whole. Leadership skills are crucial to help create a positive ethical culture in a company. Leaders can help investors feel that the organization is a good, trustworthy one. Customers are more likely to feel loyal when they see leaders in place in an organization. Good press is likely to come when there are ethical leaders in an organization. Partners and vendors will similarly feel they can trust and work well with an organization when they see leadership that is ethical displayed. • In the short-term, ethical leaders can help boost employee morale and help them feel excited about their management and their work. It can increase positivity and collaboration in your organization and make everyone feel happier to be at work.

108 NSOU • PGCO-VIII • In the long-term, ethical leadership can prevent company scandals, ethical dilemmas, and ethical issues. It can also help organizations gain more partnerships and customers, which can lead to more money at the end of the day. Loyal employees are also a crucial element of long-term success for a business. • At the end of the day, Leadership with ethics and ethical principles have major short-term and long-term benefits for organizations and individuals alike. 7.9 Summary Strategic visions are ideas for the direction and activities of business development. Generally included in a document or statement so all company managers can share the same vision for the company and make decisions according to the shared principals and company mission. A Company Philosophy is not the same as a code of ethics. A code of ethics or code of conduct goes beyond the basic philosophy that guides decision-making and incorporates specific activities and relationships, and the behaviour's expected of employees and management in these situations. Leaders can help investors feel that the organization is a good, trustworthy one. Customers are more likely to feel loyal when they see leaders in place in an organization. 7.10 Exercise Group – A 1. The primary stakeholders are : (a) Customers. (b) Suppliers. (c) Shareholders. (d) Creditors. 2. To be successful, business ethics training programs need to : (a) focus on personal opinions of employees. (b) be limited to upper executives. (c) educate employees on formal ethical frameworks and models of ethical decision making.

NSOU • PGCO-VIII 109 (d) promote the use of emotions in making tough ethical decisions. 3. \_\_\_\_\_is what constitutes right and wrong or good and bad, in human conduct in the context of an organization. (a) Work ethics (b) Organization ethics (c) Personal ethics (d) Values Group – B 1. What is stakeholders theory ? 2. Explain the importance of stakeholders inclusion in business ethics. 3. What are the steps to be considered in shareholders mapping ? 4. What is ethical leadership ? Group – C 1. What is ethical leadership and mention its importance. 2. What is stakeholder's theory and what are the principles of Stakeholders Theory and also mention its strategy. Ans. Group-A : 1. (c), 2. (c), 3. (b)

110 NSOU • PGCO-VIII Unit - 8 □ Managing Ethical Dilemmas in Business Structure 8.1 Objectives 8.2 Introduction 8.3 Ethical Dilemma versus Ethical Issues 8.4 Characteristics of Ethical Dilemmas 8.5 The Dilemma Resolution Process 8.5.1 How to Solve an Ethical Dilemma ? 8.6 Ethical Issues in Business and how to address them 8.7 Summary 8.8 Exercise 8.1 Objectives After going through this unit, you will learn. • Ethical dilemma versus ethical issue; • Characteristics of ethical dilemmas; • The dilemma resolution process; • Common ethical dilemmas in different business areas-finance, marketing, HRM and international business 8.2 Introduction This is true even if you aren't sure yet what the right thing is! Sometimes the right choice is very clear, but sometimes it requires more work to figure it out. Ethical Issue is when a matter has both aspects of right and wrong. In an ethical dilemma, you must decide between doing the right thing and the wrong thing. The biggest challenge of an ethical dilemma is that it does not offer an obvious solution that would comply with ethics al norms. Throughout the history of humanity, people have faced such dilemmas, and philosophers aimed and worked to find solutions to them. 110

NSOU • PGCO-VIII 111 This chapter helps us to recognise the most common ethical issues and how to handle them. 8.3 Ethical Dilemma Versus Ethical Issue Ethical Issue is when a matter has both aspects of right and wrong. Ethical issues in business encompass a wide array of areas within an organization's ethical standards. Fundamental ethical issues in business include promoting conduct based on integrity and trust, but more complex issues include accommodating diversity, empathetic decision-making, and compliance and governance that is consistent with the organization's core values. According to the Global Business Ethics Survey of 2019, 25% of employees still feel that their senior managers do not have a good understanding of key ethical and compliance business risks across the organization. In order to manage the ethical issues in business that arises in your organization, you first need to develop a thorough understanding of what those issues can look like. Understanding how to detect and, most importantly, deter these issues before they become a problem can ensure your focus stays on business growth and success instead of remediation. 8.4 Characteristics of Ethical Dilemmas When you're unfamiliar with ethical dilemmas, it can be difficult to tell them apart from regular dilemmas and simple problems. Before you can attempt to recognize ethical dilemmas or respond to them, you need to know what sets ethical dilemmas apart. Although each ethical dilemma looks different, there are a few characteristics that they all share. • There is a right and wrong choice. In an ethical dilemma, you must decide between doing the right thing and the wrong thing. This is true even if you aren't sure yet what the right thing is! Sometimes the right choice is very clear, but sometimes it requires more work to figure it out. If you're dealing with a regular dilemma or an everyday problem, there may not necessarily be a choice that is wrong or right. • Someone (or something) could be hurt. In an ethical dilemma, someone or something could be harmed if the wrong decision is made. However, that harm doesn't just refer to physical pain—it can also mean being emotionally hurt. This could happen if the wrong decision causes someone to be upset, offended, or insulted. The hurt could also refer to harm that a business's

112 NSOU • PGCO-VIII reputation or financial situation might encounter if someone makes an unethical decision. Imagine that you work on a project with a classmate, and then the classmate takes all the credit for your work. Your classmate isn't being respectful, and now your grade will likely suffer. Or imagine that you don't want to get blamed for a mistake you made at work, so you tell your boss that your coworker made the mistake. This isn't honest, and your coworker will get in trouble. On the other hand, if you have two job offers and you're trying to decide which job is the best one for you, this isn't an ethical dilemma. It might be a tough decision for you, but no one is likely to be harmed. • They often deal with what's legal. A large part of ethical behavior is following the law. For example, if someone is considering stealing money, that's an ethical dilemma because there is a right and wrong choice—and one choice is clearly illegal. That doesn't mean that simply doing what's legal is enough, though! There are many behaviors that are technically legal but that may still be untrustworthy, dishonest, or otherwise unethical. So, in review : dilemmas are difficult situations in which you are required to make a decision. Ethical dilemmas (also sometimes referred to as ethical situations) involve deciding whether something is right or wrong.

### 8.5 The Dilemma Resolution Process

1. Establish the facts surrounding the ethical dilemma. Facts are important in law enforcement. To investigate all cases, officers must rely on facts to guard against misinformation and cognitive biases. This is also true in ethical dilemmas that we face. If the facts are not known to us, we must investigate everything that surrounds the dilemma to ensure we are acting on the right information. Avoid acting on rumours and gossip by verifying information through factual information and evidence.
2. Determine your legal obligations and duties. We must be sure what our professional and legal obligations are. Professional and legal obligations will likely allow us to easily decide on a course of action to take in an ethical dilemma. However, while professional and legal obligations may not always require a course of action that coincides with these obligations, our awareness of any professional and legal obligations must be known to allow us to be fully cognizant of the consequences of our actions should we choose to ignore professional or legal obligations.

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3. Establish the interested participants involved. It is important to know who will be impacted by the course of action that we decide upon. Often the primary participants are easy to identify and it is the secondary participants that are often not considered. These may include friends, families, or employees that are related somehow to the primary participants in the ethical dilemma. Knowing the impact of the decision made to secondary participants may be particularly important for a decision made with utilitarian underpinnings; where the rights of those who are not part of the majority may not be considered.
4. Determine the ethical values of each participant. Determining ethical values is important to allow us an understanding of what is truly at stake. A participant in an ethical dilemma may value loyalty as the most important value. However, another participant may value equality as the more important value. When considered, the value of loyalty may not compare with equality, depending upon the ethical dilemma.
5. Consider normative ethical theories as an aide to determine a course of action. When considering options, normative ethical theories may assist us in determining the consequences of actions, or the duties we may be obligated to follow that fall outside of the laws, rules, and procedures. We may also assess whether the decision we are considering is rational from another perspective we have not considered. We may also settle on an option, and rely on an ethical theory to assist us in articulating the reasoning behind the option we have chosen.
6. Consider options that would be ethically sound. There may be several options to consider, and each option ought to be considered critically by determining what harm it would cause and what values the person being harmed holds. The participant should consider the positives and negatives of the decision and determine the risks and benefits associated with each option, as well as the benefits of each action, with these values in mind.
7. Consideration of the possible negative and positive outcomes of each possible option. Try to predict what may otherwise be unintended consequences of your decision. These consequences may not be readily apparent, but they require a critical analysis of the consequences of your decision. To help with this, try asking the following questions : • Would the action taken be well received if it was on the front page of a newspaper? While this should be a consideration, keep in mind that often the right decision may be the least popular in public opinion.

114 NSOU • PGCO-VIII • If the decision is job-related, would the agency or company you work for still hire you if it knew you would make this decision? If the answer is yes, then this should give weight to the decision you are about to make. • If the decision is not job-related, would the agency you would like to work for still hire you if it knew all the facts surrounding the dilemma and the decision you would make? If the answer is yes, then this should give weight to the decision you are about to make. Ethical Dilemma is when one is faced with a binary or multiple options of choice, or a confusion of understanding, based on ethics or the lack of it. An ethical dilemma (ethical paradox or moral dilemma) is a problem in the decision-making process between two possible options, neither of which is absolutely acceptable from an ethical perspective. Although we face many ethical and moral problems in our lives, most of them come with relatively straightforward solutions

### 8.5.1 How to Solve an Ethical Dilemma?

The biggest challenge of an ethical dilemma is that it does not offer an obvious solution that would comply with ethical norms. Throughout the history of humanity, people have faced such dilemmas, and philosophers aimed and worked to find solutions to them. The following approaches to solve an ethical dilemma were deduced :

- Refute the paradox (dilemma) : The situation must be carefully analyzed. In some cases, the existence of the dilemma can be logically refuted.
- Value theory approach : Choose the alternative that offers the greater good or the lesser evil.
- Find alternative solutions : In some cases, the problem can be reconsidered, and new alternative solutions may arise.

### 8.6 Ethical Issues in Business and how to address them

1. Harassment and Discrimination in the Workplace Harassment and discrimination are arguably the largest ethical issues that impact business owners today. Should harassment or discrimination take place in the workplace, the result could be catastrophic for your organization both financially and reputationally.

NSOU • PGCO-VIII 115 Every business needs to be aware of the anti-discrimination laws and regulations that exist to protect employees from unjust treatment.

- Age : applies to those 40 and older, and to any ageist policies or treatment that takes place.
- Disability : accommodations and equal treatment provided within reason for employees with physical or mental disabilities.
- Equal Pay : compensation for equal work regardless of sex, race, religion, etc.
- Pregnancy : accommodations and equal treatment provided within reason for pregnant employees.
- Race : employee treatment consistent regardless of race or ethnicity.
- Religion : accommodations and equal treatment provided within reason regardless of employee religion.
- Sex and Gender : employee treatment consistent regardless of sex or gender identity.

### 2. Health and Safety in the Workplace

Health and safety measures must be taken by an organisation to provide work safe and life safety of workers.

1. Fall Protection, e.g. unprotected sides and edges and leading edges
2. Hazard Communication, e.g. classifying harmful chemicals
3. Scaffolding, e.g. required resistance and maximum weight numbers
4. Respiratory Protection, e.g. emergency procedures and respiratory/filter equipment standards
5. Lockout/Tagout, e.g. controlling hazardous energy such as oil and gas
6. Powered Industrial Trucks, e.g. safety requirements for fire trucks
7. Ladders, e.g. standards for how much weight a ladder can sustain
8. Electrical, Wiring Methods, e.g. procedures for how to circuit to reduce electromagnetic interference
9. Machine Guarding, e.g. clarifying that guillotine cutters, shears, power presses, and other machines require point of operation guarding
10. Electrical, General Requirements, e.g. not placing conductors or equipment in damp or wet locations

116 NSOU • PGCO-VIII 3. Whistleblowing or Social Media Rants The widespread nature of social media has made employees conduct online a factor in their employment status. The question of the ethics of firing or punishing employees for their online posts is complicated. However, the line is usually drawn when an employee's online behavior is considered to be disloyal to their employer. This means that a Facebook post complaining about work is not punishable on its own but can be punishable if it does something to reduce business. In the same vein, business owners must be able to respect and not penalize employees who are deemed whistleblowers to either regulatory authorities or on social media. This means that employees should be encouraged, and cannot be penalized, for raising awareness of workplace violations online. 4. Ethics in Accounting Practices Any organization must maintain accurate bookkeeping practices. "Cooking the books", and otherwise conducting unethical accounting practices, is a serious concern for organizations, especially in publicly traded companies. 5. Nondisclosure and Corporate Espionage Many employers are at risk of current and former employees stealing information, including client data used by organizations in direct competition with the company. When intellectual property is stolen, or private client information is illegally distributed, this constitutes corporate espionage. Companies may put in place mandatory nondisclosure agreements, stipulating strict financial penalties in case of violation, in order to discourage these types of ethics violations. 6. Technology and Privacy Practices Under the same umbrella as nondisclosure agreements, the developments in technological security capability pose privacy concerns for clients and employees alike. Employers now have the ability to monitor employee activity on their computers and other company-provided devices, and while electronic surveillance is meant to ensure efficiency and productivity, it often comes dangerously close to privacy violation. 8.7 Summary In order to manage the ethical issues in business that arises in your organization, you first need to develop a thorough understanding of what those issues can look like. Understanding how to detect and, most importantly, deter these issues before

NSOU • PGCO-VIII 117 they become a problem can ensure your focus stays on business growth and success instead of remediation. Ethical Dilemma is when one is faced with a binary or multiple options of choice, or a confusion of understanding, based on ethics or the lack of it. An ethical dilemma (ethical paradox or moral dilemma) is a problem in the decision-making process between two possible options, neither of which is absolutely acceptable from an ethical perspective. Although we face many ethical and moral problems in our lives, most of them come with relatively straightforward solutions. Throughout the history of humanity, people have faced such dilemmas, and philosophers aimed and worked to find solutions to them. 8.8 Exercise Group - A 1. A \_\_\_\_\_ is a problem, situation, or opportunity requiring an individual, group, or organization to choose among several actions that must be evaluated as right or wrong. (a) Crisis (b) ethical issue (c) indictment (d) fraud 2. Ethics covers the dilemma : our rights and responsibilities (a) True (b) False Group – B 3. What are the characteristics of ethical dilemma ? 4. Explain the most common ethical dilemmas faced across the globe. 5. What are the steps involved in dilemma resolution process ? Group – C 1. Explain the most common ethical dilemmas faced across the globe. 2. What is ethical dilemma and what are the steps to be followed for dilemma resolution. Ans. Group–A : 1. (a), 2. (b)

118 NSOU • PGCO-VIII Corporate Governance Report Appointment/Re-appointment of Directors Mr. Rajan B Raheja, Non-executive Director retires by rotation in accordance with the provisions of the Companies Act, 2013 and being eligible offers himself for re-appointment at the ensuing Annual General Meeting. During the year, Mr. Bharat D Shah was re-appointed as Independent Director for a second term of five consecutive years w.e.f. 30 th April 2020 and Mr. Asish Kumar Mukherjee was re-appointed as Whole-time Director designated as Director- Finance and CFO w.e.f 1 st May 2020. Shareholders approved their re-appointments by way of Postal Ballot with the requisite majority on 25 th March 2020. Your Board of Directors wishes to record its sincere appreciation for the services rendered by Mr. Vijay Aggarwal during his long association with the Company. Mr. Raheja does not hold any Equity Shares in the Company and details as required under Regulation 36(3) of SEBI Listing Regulations has been appended to the Notice of the Annual General Meeting which is being circulated to the Members along with this report. Any person who becomes Director or Officer, including an employee who is acting in a managerial or supervisory capacity, shall be covered under Directors' and Officers' Liability Insurance Policy. The Company has provided insurance cover in respect of legal action brought against its Directors and officers for alleged wrongful acts under the Directors' and Officers' Liability Insurance subject to certain terms and conditions. Meetings and Attendance During the financial year ended 31 st March 2020, five (5) board meetings were held on 30 th April 2019, 2 nd August 2019, 6 th November 2019, 4 th February 2020 and 24 th February 2020 respectively. The previous Annual General Meeting was held on 3 rd August 2019. Directors' attendance at Board Meetings and at Annual General Meeting (AGM) : Name of Director No. of Board Attendance at Meetings Attended last AGM Mr. Bharat Dhirajlal Shah 5 Yes

NSOU • PGC0-VIII 119 Name of Director No. of Board Attendance at Meetings Attended last AGM Mr. Rajan B Raheja 3 – Mr. Gautam Chatterjee 5 Yes Mr. Asish Kumar Mukherjee 5 Yes Mr. Subir Chakraborty 4 Yes Mr. Arun Mittal 5 Yes Mr. Vijay Aggarwal\* 2 – Ms. Mona N Desai 5 Yes Mr. Sudhir Chand 5 Yes Mr. Nawshir H Mirza 5 Yes Mr. Surin Shailesh Kapadia 5 – Independent Directors Independent Directors play a significant role in the governance processes of the Board by enriching the Board’s decision making and also preventing possible conflicts of interest that may emerge in such decision making. The Company has appointed Independent Directors for a term of five years from their respective dates of appointment as per the requirements of the Companies Act, 2013 (“Act”) and

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Securities & Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (

hereinafter referred to as “SEBI Listing Regulations”). The Nomination and Remuneration Committee identifies candidates based on certain laid down criteria and takes into consideration the need for diversity of the Board and accordingly makes recommendation to the Board. None of the existing Independent Directors serves as Independent Director in more than seven listed companies in line with the requirements of SEBI Listing Regulations. The said Independent Directors have also confirmed that they meet the criteria of independence as laid down in the Act and SEBI Listing Regulations, as amended and they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence.

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In the opinion of the Board, the Independent Directors fulfill the conditions specified in the

SEBI Listing Regulations and are independent of management.

120 NSOU • PGC0-VIII Directors’ Induction, Training and Familiarisation The Board is responsible for the selection of new directors on the recommendations received from the Nomination and Remuneration Committee. After getting appointed, the directors receive a formal letter of appointment which, inter alia, explains the role, functions, duties and responsibilities expected from him/ her as a director of the Company. The director is also explained in detail the compliances required to be made under the Act and the SEBI Listing Regulations and other relevant regulations. By way of an introduction to the Company, the director is presented with the Company profile, annual reports and an overview of the Company’s manufacturing facilities. All Non-executive directors newly inducted in the Board are introduced to the Company through appropriate orientation sessions. Presentations are made by various Executive Directors and Senior Management Personnel and site visits to various plant locations are organised for them to provide a complete oversight into the Company’s operations and business. Detailed presentations on Company’s business segments, if any, performance updates, global business environment, business strategy and risks involved are periodically made at the board meetings during the year. The details of such familiarisation programmes for Independent Directors along with the familiarisation policy are available on the company’s website at [http:// www.exideindustries.com/investors/governance-policies.aspx](http://www.exideindustries.com/investors/governance-policies.aspx) Board Portal – Meetings Management System With a view to leverage advancement in technology and reducing paper consumption, the Company has a web-based application for transmitting Board/ Committee agenda. The Directors of the Company receive the agenda in electronic form through this application, which can be accessed through browsers and iPads/ tablets. The application meets high standards of integrity and ensures confidentiality that is required for storage and transmission of Board/Committee agenda in electronic form. Code of Conduct for Directors and Senior Management Personnel All Directors and members of the Senior Management have affirmed their compliance with the Code of Conduct for Board of Directors and Senior Management Personnel (SMP) as on 31 st March 2020 and a declaration to that effect, signed by the Managing Director & CEO is enclosed and forms part of this report. The Code



NSOU • PGCO-VIII 121 of Conduct for Board of Directors and SMP has also been posted on the website of the Company at <http://www.exideindustries.com/investors/governance-policies.aspx> Committees of the Board The constitution, terms of reference and the functioning of the existing Committees of the Board is explained below. Each of these Committees demonstrates the highest levels of integrity and has the requisite expertise to handle issues relevant to their field. A. Audit Committee The Audit Committee acts as an interface between the Statutory Auditors and Internal Auditors, the Management and the Board of Directors. The Committee is governed by a Charter which is in line with the regulatory requirements mandated by the Act and SEBI Listing Regulations which was reviewed and amended by the Board of Directors during the year. The role / terms of reference of the Audit Committee is to – (a) Assist the Board of Directors of the Company in fulfilling its responsibilities to oversee the : (i) Company’s financial reporting process; (ii) the integrity of the Company’s financial statements according to the authority and responsibilities provided in the Charter; (iii) Auditors’ appointment, qualifications and independence; (iv) the performance of the Company’s internal audit function and that of statutory auditors. (b) Oversee the reporting requirements for inclusion in the Company’s annual report. (c) Laying down the criteria for granting the omnibus approval in line with Policy on Related Party Transactions and such approval shall be applicable in respect of transactions which are repetitive in nature. (d) Review with management of quarterly and annual financial statements. (e) Review the compliance of risk management system, adequacy and effectiveness of internal financial controls and system

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to ensure compliance with the provisions of all applicable laws. (

f) Review the compliance of SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time and verify adequacy and effectiveness of internal control system to ensure its compliance.

122 NSOU • PGCO-VIII The role / terms of reference of the Audit Committee are in conformity with the SEBI Listing Regulations read in conjunction with Section 177 of the Companies Act, 2013. In addition to quarterly meetings for consideration of financial results, special meetings of the Audit Committee are convened. In these meetings, the Audit Committee, inter-alia, reviews various matters arising out of internal audit, control assurance reports and other areas as per its terms of reference. Composition and Attendance The Audit Committee at present has five (5) directors out of which four (4) are Non-executive Independent Directors. Mr. Nawshir H Mirza, Chairman of the Committee, is a Non-executive Independent Director and a Chartered Accountant, acknowledged as a financial expert in his own right. All the other members are well- versed in corporate finance and related areas. During the financial year ended 31 st March 2020, six (6) Audit Committee meetings were held on 30 th April 2019, 2nd August 2019, 30 th September 2019, 6 th November 2019, 4 th February 2020 and 19 th March 2020 respectively. The composition and attendance of the Committee meetings are as follows : Name of Director Category Designation Number of meetings attended Mr. Nawshir H. Mirza Independent Chairman 6 Non-executive Mr. Vijay Aggarwal \* Independent Member 2 Non-executive Ms. Mona N Desai Independent Member 6 Non-executive Mr. Sudhir Chand Independent Member 6 Non-executive Mr. Surin Shailesh Kapadia Independent Member 6 Non-executive Mr. Gautam Chatterjee \*\* Executive Member – \* Ceased to be director upon completion of tenure on 3 rd August 2019 \*\* Inducted as Member w.e.f. 20 th April 2020

NSOU • PGCO-VIII 123 The Chairman of the Committee was present at the Annual General Meeting of the Company held on 3 rd August 2019. The Managing Director & CEO, Director- Finance & CFO and other executive directors are permanent invitees to the Audit Committee meetings. The representative(s) of the Statutory Auditors also attend the Audit Committee meetings. The Company Secretary acts as the Secretary to the Committee. Other members of the management and Chief-Internal audit are also invited as may be required from time to time. During the year under review, the Audit Committee held a separate meeting with the Statutory Auditors to obtain their inputs on significant matters relating to their respective areas of audit without the presence of the management. B. Nomination & Remuneration Committee The terms of reference of the Nomination and Remuneration Committee inter alia includes the following : (i) To

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identify persons who are qualified to become directors and who may be appointed in

the senior management and to lay down the criteria thereof; (ii) To recommend to the Board appointment of Directors and Senior Management Personnel and their removal; (iii) To evaluate the individual director's performance; (iv) Formulate the criteria for determining the qualification, positive attribute and independence of the directors; (v) Recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and other employees; and (vi) Devising a policy on board diversity. During the year under review, the Nomination & Remuneration policy was reviewed and amended by the Board of Directors. The revised policy is available on the website of the Company at <http://www.exideindustries.com/investors/governance-policies.aspx> For the performance evaluation criteria for Independent Directors, please refer to the Board's Report. Composition and Attendance The Nomination and Remuneration Committee at present has four (4) Non-124 NSOU • PGCO-VIII executive Directors. Mr. Surin Shailesh Kapadia,

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Chairman of the Committee, is also a Non-executive Independent Director. The Company Secretary acts as the Secretary to the Committee.

During the financial year ended 31 st March 2020, four (4) meetings of the Nomination & Remuneration Committee were held on 30 th April 2019, 2 nd August 2019, 6 th November 2019 and 4 th February 2020 respectively. The composition and attendance details of the Committee meetings are as follows : Name of Director Category Designation Number of meetings attended Mr. Vijay Aggarwal # Independent Chairman 2 Non-executive Mr. Surin Shailesh Kapadia ## Independent Chairman 4 Non-executive Ms. Mona N Desai Independent Member 4 Non-executive Mr. Sudhir Chand Independent Member 4 Non-executive Mr. Rajan B Raheja Non-executive Member 3 Non-independent # Ceased to be director upon completion of tenure on 3 rd August 2019 ## Appointed as Chairman w.e.f. 4 th August 2019 Remuneration of Directors Details of Remuneration paid/payable to the Directors for the year ended 31 st March 2020 are as follows :

NSOU • PGCO-VIII 125 (in Rs.) Name of Director Salary & Contributions Perquisites Commission 1 Sitting Total Performance to retiral & Other Fees 2 Bonus funds benefits Executive Directors Mr. Gautam Chatterjee 2,75,97,480 61,39,698 21,67,850 98,66,640 – 4,57,71,668 Mr. Asish Kr. Mukherjee 1,51,32,780 35,35,754 16,43,964 56,82,040 – 2,59,94,538 Mr. Subir Chakraborty 1,13,92,875 26,72,428 16,34,561 42,84,500 – 1,99,84,364 Mr. Arun Mittal 94,07,754 21,52,436 12,23,903 34,48,500 – 1,62,32,593 Non-executive Directors Mr. Rajan B Raheja – – – 2,25,000 2,25,000 Mr. Vijay Aggarwal 3 – – – 2,50,000 2,50,000 Ms. Mona N Desai – – – 15,00,000 6,75,000 21,75,000 Mr. Sudhir Chand – – – 15,00,000 6,75,000 21,75,000 Mr. Bharat Dhirajlal Shah – – – 40,00,000 3,75,000 43,75,000 Mr. Nawshir H Mirza – – – 40,00,000 6,75,000 46,75,000 Mr. Surin Shailesh Kapadia – – – 15,00,000 6,75,000 21,75,000 1. The Commission for the year ended 31 st March 2020 will be paid, subject to deduction of tax, after adoption of accounts by the Members at the ensuing Annual General Meeting. 2. The sitting fee paid to the Non-executive Directors is towards attending the Board and Audit Committee meetings held during the year. 3. Ceased to be director upon completion of tenure on 3 rd August 2019 Notes : All the Executive Directors of the Company have been appointed on a contractual basis. According to the contract, the notice period is three months.

126 NSOU • PGCO-VIII Payment of remuneration to the Executive/Whole-time Directors of the Company is governed by the terms and conditions of their appointment as recommended by the Nomination and Remuneration Committee and approved by the Board subject to the approval of the Shareholders and the Central Government, where applicable. Non-Executive/Independent Directors of the Company receive remuneration by way of fees for attending meetings of the Board or Committee thereof as approved by the Board from time to time within the prescribed limits. Non-executive Independent Directors may also be paid commission as approved by the Shareholders subject to a limit of 1 per cent of the net profits of the Company computed under the applicable provisions of the Companies Act, 2013. The Commission payable to the Independent Directors is determined by the Board upon the recommendation of Nomination & Remuneration Committee within the aforesaid limit of 1 per cent of the net profits after taking into account their attendance roles and responsibilities in various Committees of the Board, their operational and functional expertise and contribution made by them. Following the approval of the Shareholders in the Annual General Meeting held on 3 rd August 2019, the payment of commission to Non-executive Directors has been determined by the Board, which is well within the ceiling of 1 per cent of net profits of the Company for the year ended 31 st March 2020 as computed under applicable provisions of the Companies Act, 2013. The allocation of the Commission amongst the eligible Non-executive Independent Directors has been decided by the Board with each interested director present not participating in the deliberations in respect of his/her own commission. Shareholding of Non-executive Directors Name of Director No. of shares held as on 31 st March 2020 Ms. Mona N Desai 78,666 Mr. Sudhir Chand 18,872 Mr. Nawshir H Mirza 437 Apart from the above, there was no pecuniary relationship or transactions between the Company and Non-executive Directors. The performance criteria for the payment of remuneration to the Directors are in line with the Nomination and Remuneration Policy of the Company. Board Membership Criteria and list of core skills / expertise / competencies identified in the context of the business : In terms of requirement of SEBI Listing Regulations, the Board has identified NSOU • PGCO-VIII 127 the following core skills / expertise / competencies of the Directors in the context of the Company's business for effective functioning as given below : Definitions of Director's Qualifications Leadership Extended leadership experience for a significant enterprise, resulting in a practical understanding of organisations, processes, strategic planning, and risk management. Demonstrated strengths in developing talent, planning succession, driving change and long- term growth General management Strategic thinking, decision making and protect the Governance interest of all stakeholders Global business Experience in driving business success in markets around the world, with an understanding of diverse business environments, economic conditions, cultures and regulatory frameworks and a broad perspective on global market opportunities. Experience in leading businesses in different geographies/ markets around the world. Financial, Regulatory/ Understanding the financial statements, financial Legal & Risk controls, risk management, mergers and acquisition, Management etc. Technology Strong technological background resulting in continuous improvement, knowledge of how to anticipate technological trends, adapt to the market developments, generate disruptive innovation and create new business models. Industry knowledge and Experience in Manufacturing, Quality, Safety, Project experience Management and knowledge of Corporate Research and Development pertaining to automotive/industrial battery and allied industries. Sales and marketing Experience in developing strategies to grow sales and market share, build brand awareness and equity and enhance enterprise reputation. In the table below, the specific areas of focus or expertise of individual Board members have been highlighted. However, the absence of a mark against a member's name does not necessarily mean the member does not possess the corresponding qualification or skill. Particulars

128 NSOU • PGCO-VIII Leadership General Global Financial, Technology Industry Sales and management/ business Regulatory/ knowledge marketing Governance Legal & Risk and Management experience Mr. Bharat Dhirajlal Shah ✓ ✓ ✓ ✓ ✓ ✓ Mr. Rajan B Raheja ✓ ✓ ✓ ✓ ✓ ✓ Mr. Gautam Chatterjee ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ Mr. Asish Kumar Mukherjee ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ Mr. Subir Chakraborty ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ Mr. Arun Mittal ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ Ms. Mona N Desai ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ Mr. Sudhir Chand ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ Mr. Nawshir H Mirza ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ Mr. Surin Shailesh Kapadia ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ Name

NSOU • PGCO-VIII 129 C. Corporate Social Responsibility Committee The Corporate Social Responsibility (CSR) Committee is responsible for - 1. Formulating the CSR policy and proposing revisions as and when required subject

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to the approval of the Board of Directors; 2. Proposing budget allocation for the CSR activities, subject to the approval of the Board of Directors; 3.

Identifying modalities of implementing the CSR activities; 4. Formulation of an effective monitoring system; 5. Monitoring the progress of the CSR programmes regularly; 6. Review the impact assessment; and 7. Annually report to the Board, the status of CSR activities and contributions made. The Committee has formulated a Corporate Social Responsibility policy indicating the activities to be undertaken by the Company and recommend the expenditure on the specified CSR activities pursuant to Schedule VII of the Companies Act, 2013 and also monitor the policy from time to time. The said policy is available on the website of the Company at <http://www.exideindustries.com/investors/governance-policies.aspx> Composition & Attendance The Corporate Social Responsibility Committee comprises of four (4) members with Mr. Bharat D Shah, Non-executive Independent Director acting as Chairman. Four (4) meetings of the CSR Committee were held on 30 th April 2019, 2 nd August 2019, 6 th November 2019 and 4 th February 2020 respectively. The composition and attendance details of the Committee are given below :

Name of Director	Category	Designation	Number of meetings attended
Mr. Bharat Dhirajlal Shah	Independent	Chairman	4
Mr. Sudhir Chand	Independent	Member	4
Mr. Gautam Chatterjee	Executive	Member	4
Mr. Subir Chakraborty	Executive	Member	4

130 NSOU • PGC0-VIII D. Risk Management Committee The Risk Management Committee has five (5) members with Mr. Surin Shailesh Kapadia, Non-executive Independent Director acting as Chairman. Two (2) meetings of the Committee were held during the year on 30 th September 2019 and 19 th March 2020. The composition and attendance details of the Committee are given below :

Name of Director	Category	Designation	Number of meetings attended
Mr. Surin Shailesh Kapadia	Independent	Chairman	2
Mr. Gautam Chatterjee	Executive	Member	2
Mr. Subir Chakraborty	Executive	Member	2
Mr. Asish K Mukherjee	Executive	Member	2
Mr. Arun Mittal	Executive	Member	2

The broad area of terms of reference of the Committee, inter alia, includes the following :

- Identify risks and suggest measures to mitigate them;
- Monitoring and reviewing risk management plan;
- Evaluation & mitigation of cyber-security related risks; and
- To deal with such matters as may be referred to by the Board of Directors from time to time

E. Stakeholders Relationship Committee The terms of reference of the Stakeholders Relationship Committee includes, inter alia, the following :

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of security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of

the annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, etc; (b) Review of measures taken for the effective exercise of voting rights by shareholders;

NSOU • PGCO-VIII 131 (c) Review of adherence to service standards adopted by the Company in respect of various services being rendered by R & TA; (d) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the Shareholders of the Company. Composition and Attendance The Stakeholders Relationship Committee of the Company has three (3) Directors. Mr. Sudhir Chand, Non-executive Independent Director is the Chairman of the Stakeholders Relationship Committee. Mr. Jitendra Kumar, Company Secretary and Executive Vice President (Legal & Administration) is the Compliance Officer and acts as the Secretary to the Committee. During the financial year 2019-20, the Committee met once, on 13 th March 2020. The composition and attendance details of the Committee meeting are as follows : Name of Director Category Designation Number of meetings attended Mr. Sudhir Chand Independent Chairman 1 Non-executive Mr. Subir Chakraborty Executive Member 1 Mr. Gautam Chatterjee Executive Member 1 The Chairman of the Committee was present at the Annual General Meeting of the Company held on 3 rd August 2019. Investor Grievance Redressal Mechanism During the financial year ended 31 st March 2020, a total number of 16 complaints were received from shareholders. Out of these, 14 complaints have been redressed to the satisfaction of the shareholders and 2 complaints were pending. Number of complaints received and resolved during the year and pending share transfers as on 31 st March 2020 :

132 NSOU • PGCO-VIII Number of complaints pending at the beginning of the financial year 2019-20 NIL Number of complaints received during the financial year 2019-20 16 Number of complaints redressed during the financial year 2019-20 14 Number of complaints pending redressal at the end of the financial year 2019-20 2\* Number of pending share transfers as at 31 st March 2020 NIL \* These complaints relate to non-receipt of 2 nd interim dividend declared by the Company during the FY 2019-20. The dividends remitted to the respective shareholders through electronic means were rejected and the physical Demand Drafts prepared by Bank could not be dispatched to the shareholders due to the nationwide lockdown announced by the Government of India and consequential suspension of postal services in the country. F. Share Transfer Committee The Share Transfer Committee approves the transfer/transmission of shares, sub-division or consolidation of shares and issue of new/duplicate share certificates and related matters. The Share Transfer Committee presently comprises of three (3) Executive Directors. Composition and Attendance During the financial year ended 31 st March 2020, six (6) meetings of Share Transfer Committee were held on 29 th July 2019, 9 th September 2019, 12 th December 2019, 17 th December 2019, 23 rd December 2019 and 6 th March 2020 respectively. The composition and attendance details of the committee meetings are as follows : Name of Director Category Designation Number of meetings attended Mr. Gautam Chatterjee Executive Chairman 6 Mr. Asish Kumar Mukherjee Executive Member 6 Mr. Subir Chakraborty Executive Member 6 All routine matters including, inter alia, formalities pertaining to transfer, transmission, etc. within specified threshold limits as delegated by the Board are

NSOU • PGCO-VIII 133 being dealt by "Share Transfer Committee of Executives" comprising of a representative from the Registrar & Share Transfer Agent, the Compliance Officer and an Officer from the Secretarial team which meets at least once in a fortnight. G. Banking Operations Committee The Banking Operations Committee has been constituted to approve opening and closing of bank accounts, change in signatories and carrying on other routine banking operations. The Committee presently comprises of three (3) Executive Directors, viz. Mr. Gautam Chatterjee, Mr. Asish Kumar Mukherjee and Mr. Subir Chakraborty. H. Executive Committee The Executive Committee comprises of the Executive Directors, Key Management Personnel and Senior Management Personnel viz. Mr. Gautam Chatterjee, Mr. Asish Kumar Mukherjee, Mr. Subir Chakraborty, Mr. Arun Mittal, Mr. Jitendra Kumar, Mr. Arnab Saha, Mr. Ranjan Sarkar, Dr. Dipak Sen Choudhury, Ms. Nupur Roy Choudhury and Mr. Avik Roy. The Committee focuses on the strategic management issues of the Company, subject to the overall supervision of the Board of Directors. The Committee reports to the Board and the minutes of these meetings are placed before the Board. I. Independent Directors Meeting During the year under review, the Independent Directors met once on 4 th February 2020 inter alia, to discuss: (i) Evaluation of

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the performance of Non-independent Directors and the Board of Directors as a whole; (ii) Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non-executive Directors; (iii) Evaluation of the quality, content and timelines of flow of information between the management and the Board to effectively and reasonably perform its duties.

All the Independent Directors were present at the said meeting.

134 NSOU • PGC0-VIII General Body Meetings Particulars of last three Annual General Meetings : AGM Year Ended Venue Date Time 70th 31.03.2017 Kala Mandir, 48 Shakespeare 27.07.2017 11.30 AM Sarani, Kolkata – 700 017 71st 31.03.2018 Kala Mandir, 48 Shakespeare 02.08.2018 10.30 AM Sarani, Kolkata – 700 017 72nd 31.03.2019 Kala Mandir, 48 Shakespeare 03.08.2019 10.00 AM Sarani, Kolkata – 700 017 Special Resolutions The details of the special resolutions passed by the Company at the last three Annual General Meetings (AGMs) are given herein below : Date of AGM Subject matter of the Triggering resolution Section of the Companies Act 27th July 2017 – – 2nd August 2018 – – 3rd August 2019 (i) Re-appointment of Ms. Mona N Desai Section 149 (DIN : 03065966), as an Independent Director of the Company for a second term (ii) Re-appointment of Mr. Sudhir Chand Section 149 (DIN : 01385201), as an Independent Director of the Company for a second term (iii) Re-appointment of Mr. Gautam Chatterjee Section 196 (DIN : 00012306) as Managing Director & 197 and Chief Executive Officer (iv) Approval u/s 180(1)(a) of the Companies Section 180 Act, 2013 (1)(a)

NSOU • PGC0-VIII 135 Postal Ballot Details of Special Resolution(s) passed through Postal Ballot during the Financial Year 2019-20 No Special Resolution is proposed to be passed through Postal Ballot as on the date of this Report. During the year under review, approval of shareholders of the Company was sought through Postal Ballot and details of the same are given below : Date of Postal Ballot Notice : 4 th February 2020 Voting period : 25 th February 2020 to 25 th March 2020 Date of declaration of result : 26 th March 2020 Date of passing of resolution(s) : 25 th March 2020 A summary of the voting pattern is as follows : Resolution Votes cast Votes cast in favor against (in %) (in %) Special resolution for re-appointment of Mr. Bharat 99.14% 0.86% Dhirajlal Shah as an Independent Director of the Company to hold office for a second term from 30 th April 2020 to 29 th April 2025 Ordinary resolution for re-appointment of Mr. Asish 99.54% 0.46% Kumar Mukherjee as Whole-time director designated as Director-Finance & CFO from 1 st May 2020 to 30 th April 2025 Mr. A. K. Labh, Practising Company Secretary (FCS-4848/ CP-3238) of A. K. Labh & Co., Company Secretaries, was appointed as Scrutiniser to scrutinise the Postal Ballot (including Remote E-voting) process in a fair and transparent manner. Procedure for Postal Ballot : In accordance with Sections 108 and 110 of the Act, read with the Companies (Management and Administration) Rules, 2014 and Regulation 44 of SEBI Listing

136 NSOU • PGC0-VIII Regulations, the Company had provided remote e-voting facility for voting electronically on the Resolutions set out in the Postal Ballot Notice. The Company had engaged National Securities Depository Limited (NSDL) to provide remote e-voting facility to its Members. The Members had an option to vote either by postal ballot or through remote e-voting. The Company dispatched the postal ballot notices and forms along with postage prepaid business reply envelopes to its members whose names appear on the Register of Members/ list of beneficiaries as on 4 th February 2020. The postal ballot notice was sent to members in electronic form to the email addresses registered with the Company/Depository Participants. Newspaper advertisement containing the requisite particulars as required under Rule 22 of Companies (Management and Administration) Rules 2014 and Secretarial Standards issued by Institute of Company Secretaries of India was published in Business Standard (English) and Aajkaal (Bengali) on 25 th February 2020. Voting rights were reckoned on the paid-up value of shares of the Company registered in the names of the shareholders as on the cut-off date, i.e., 4 th February 2020. Members were requested to return the Postal Ballot Form duly completed and signed with their Assent (For) or Dissent (Against) in postage pre-paid self-addressed Business Reply Envelope so as to reach the Scrutiniser not later than 5.00 P.M (IST) on Wednesday, 25 th March 2020. In case of remote e-voting, Members were requested to cast their votes electronically upto 5.00 PM on Wednesday, 25 th March 2020. The Scrutiniser submitted his report to the Chairman, after the completion of scrutiny and the consolidated results of the voting by postal ballot were then announced by Company Secretary, being the person authorised to declare the results of the Postal Ballot. The results were displayed on the website of the Company (www.exideindustries.com), besides being communicated to the Stock Exchanges and e-voting website of NSDL. Disclosures (a) Related Party Transactions All transactions entered into with the related parties during the financial year ended 31 st March 2020 were

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in the ordinary course of business and on an arm's length basis

and without any conflict of interest in accordance with the provisions of the Companies Act, 2013 and SEBI Listing Regulations.

NSOU • PGO-VIII 137 Moreover, there were no materially significant related party transactions entered into by the Company with promoters, directors, key managerial personnel or other persons which

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may have a potential conflict with the interest of the Company.			

Suitable disclosures as prescribed under the applicable Accounting Standard have been made in the notes to the Financial Statements. The policy for related party transactions has been uploaded on the Company's website. The web-link is <http://www.exideindustries.com/investors/governance-policies.aspx> (

<b>70%</b>	<b>MATCHING BLOCK 200/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock exchanges or SEBI or any statutory authority on			

any matter related to capital markets during the last three years. There was no such instance of non-compliance during the last three years. (c) Whistle Blower Policy/Vigil Mechanism In accordance with the provisions of the Companies Act, 2013 read with the Companies (Meeting of Board and its Powers) Rules, 2014 and SEBI Listing Regulations, every listed Company is required to have a vigil mechanism for the directors, employees and stakeholders to report their genuine concerns and grievances. The Company has a whistle-blower policy in place and the same is also available on the website of the Company. The Audit Committee of Directors is entrusted with the responsibility to oversee the vigil mechanism. During the year, no personnel were denied access to Audit Committee. The Whistle-Blower Policy is uploaded on the Company's website under the following web-link <http://www.exideindustries.com/investors/governance-policies.aspx> (d) Policy on Material Subsidiaries In accordance with the requirements of Regulation 16(1)(c) of SEBI Listing Regulations the Company has a policy on material subsidiaries. The policy on material subsidiaries have been uploaded on the Company's website under the following web-link <http://www.exideindustries.com/investors/governance-policies.aspx>

138 NSOU • PGO-VIII (e) Dividend Distribution Policy In accordance with Regulation 43A of SEBI Regulations, 2015, the Company has framed the Dividend Distribution Policy approved by the Board of Directors of the Company. The Dividend Distribution Policy of the Company endeavors to maintain a consistent approach towards dividend payment to its shareholders and regulate the process of dividend declaration and its payout by the Company in line with the laws in force. The Policy, inter alia, covers the financial parameters that will be considered when declaring dividends, internal and external factors that would be considered for declaring dividends and the circumstances under which shareholders can or cannot expect dividend. The Policy has been uploaded on the Company's website. The web-link is <http://www.exideindustries.com/investors/governance-policies.aspx> (f) As required under the provisions of the law, all other policies and disclosures are uploaded on the website of the Company at <http://www.exideindustries.com/investors/governance-policies.aspx> Investors are encouraged to visit the website of the Company to access such documents. (g) All mandatory requirements have been appropriately complied with and the non-mandatory requirements are dealt with at the end of the report. (h) Disclosure of commodity price risk and commodity hedging activities Lead and lead alloys are the primary materials consumed in the manufacture of batteries representing more than 70 per cent of total material consumption by value. The Company procures about 30 per cent of its lead and lead alloys requirement through imports or import parity pricing based on prices quoted on London Metal Exchange (LME). Balance 70 per cent of its lead and lead alloys are procured from local smelters, including its own smelters, prices of which are influenced by demand/supply situation as well as LME price movement. At times, prices of lead and lead alloys become volatile due to sudden changes in demand/supply situation as well as LME price movement due to international forces. The Company procures lead and lead alloys mostly at current pricing or on LME averages and there is no long-term contract for pricing.

NSOU • PGC0-VIII 139 About 30 per cent of the Company's business with OEMs as well as institutional customers have a "Lead price variation clause" (Lead price denominated pricing). Hence, this portion of the business is protected from lead price volatility. Balance 70 per cent of the Company's business to retail customers are exposed to lead price volatility as prices are determined by market forces. However, increasing usage of recycled lead, replacing consumption of pure lead, which is cheaper than pure lead and not directly exposed to LME price movement, to some extent reduces the risk of lead price volatility. Exposure to currency fluctuations and its impact on the Company's business is significant since about 30 per cent of lead and lead alloys procurement is based on "import parity price." Moreover, there are imports of a few other materials as well as most of the capital goods (machineries). While exposure to currency fluctuation on lead and lead alloys cost is to some extent mitigated as stated above, exposure on account of other imports remains. However, exports, which constitute about 7 per cent of the Company's business, act as an automatic hedge against risks resulting from currency fluctuation. As a policy, the Company does not enter commodity hedging. Accordingly, as on the date of reporting, there was no open position held by the Company on commodity futures or options. Same principle applies in case of currency also. Very few "forward covers" are taken, at times, against import liabilities, when the situation warrants. As at end of March 2020 there was no "forward cover contract" which remained open, for foreign currency liability.

(i) Certificate from Practising Company Secretary Certificate as required under Part C of Schedule V of SEBI Listing Regulations, received from Sushil Tiwari & Associates (ACS-6199/CP- 1903), Company Secretary, in practice certifying that none of the directors on the Board of the Company is debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority, is annexed at the end of this Report. (j) Total fees paid to Statutory Auditors of the Company Total fees for all services paid by the Company and its subsidiaries, on a 140 NSOU • PGC0-VIII consolidated basis, to the statutory auditor and all entities in the network firm/ network entity of which the statutory auditor is a part –Rs. 2,19,99,413/- (k) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 : The status of the complaints filed, disposed and pending during the financial year ended 31 st March 2020 is given below : No. of complaints filed during the year 2019-20 1 No. of complaints disposed during the year 2019-20 Nil No. of complaints pending during the year 2019-20 1 \* \* The complaint was received in March 2020 and was under investigation by the Internal Complaints Committee at the end of the financial year. The investigation has since been completed and necessary action has been taken by the Company as on the date of this report. (l) The disclosures on corporate governance as required under Regulation 17 to 27 and Clause (b) to (i) of sub regulation (2) of Regulation 46 have been adhered and complied with. Shri Anil Kumar Upadhyay (DIN 07724769) Independent Director Shri Anil Kumar Upadhyay had been appointed as an Additional Director in the designation of an Independent Director on the Board of the Company on 18 th July, 2019 based on the direction received from the MoPNG. He was further appointed as an Independent Director of the Company at the 102 nd AGM of the Company held on 18 th September, 2019 for a period of 3 years from the date of notification of his appointment or until further orders of the Administrative Ministry, whichever is earlier. Shri Upadhyay has done B.Sc in Zoology, Botany and Chemistry and M.Sc in Botany from Udai Pratap College, Gorakhpur University, Varanasi. He also holds a Post Graduate Diploma (AIFC) in Forestry & Allied Subjects (equivalent to M.Sc in Forestry) from Indian Forest College, Dehradun. Shri Upadhyay has over 10 years of experience as Joint Secretary and above. He superannuated from Indian Forest Service (IFS) on 28 th February, 2017. Prior to his superannuation, he held the position of Additional Principal Chief Conservator of Forests (APCCF)- Liaisoning & Sales, Government of Madhya Pradesh, Delhi.



NSOU • PGCO-VIII 141 Shri Upadhyay is having specialization in Biodiversity, Natural Resource Management, Climate Change, Forestry, Rural Planning & Infrastructure Development, Finance & Budgeting, Administration, Wildlife Management, Media Relations, Environment Protection, Forest Conservation, Sales, Marketing, Research & Corporate Governance. Shri Bhagawan Das Shivahare (DIN 08514350) Independent Director Shri Bhagawan Das Shivahare had been appointed as an Additional Director in the designation of an Independent Director on the Board of the Company on 18 th July, 2019 based on the direction received from the MoPNG. He was further appointed as an Independent Director of the Company at the 102 nd AGM of the Company held on 18 th September, 2019 for a period of 3 years from the date of notification of his appointment or until further orders of the Administrative Ministry, whichever is earlier. Shri Shivahare is a qualified Chartered Accountant. He has an experience of over 38 years in the profession of Chartered Accountancy. He is a senior partner in M/s. R. Gopal & Associates. He is actively involved in handling major assignments, such as Statutory Audits of various PSUs and PSBs. The areas of involvement have been planning and execution of the audit assignments, participating in discussions with the Audit Committees and Boards. SAIL-Bokaro Steel Plant and Raw Materials Division, South Eastern Coalfields Ltd., Indian Bank, were some of the major assignments handled by him. Shri Shivahare was also involved in handling Internal/ Systems Audit of BSNL, Mahanadi Coalfields Ltd. and various other PSUs and PSBs. He was also involved in handling tax matters of various Corporate and Non-Corporate clients having diversified business and substantial exposures towards tax. Shri Shivahare is a senior faculty of the Art of Living and also a motivational speaker and is also involved with various NGOs. Smt. Perin Devi Rao (DIN 07145051) Government Nominee Director Smt. Perin Devi Rao was appointed as additional Director under the category of Government Nominee Director on the Board of the Company on 28 th July, 2018 based on direction received from the MoPNG. She was further appointed as the Government Nominee Director of the Company at the 101 st AGM of the Company

142 NSOU • PGCO-VIII held on 12 th September, 2018 for a period of 3 years with effect from 26 th July, 2018 on co-terminus basis or until further orders of the Administrative Ministry, whichever is earlier. Smt. Perin Devi Rao is currently Director (IFD) in Finance Division of MoPNG – the administrative ministry of the Company. Shri Vijay Sharma (DIN 08045837) Government Nominee Director Shri Vijay Sharma was appointed as additional Director under the category of Government Nominee Director on the Board of the Company w.e.f 15 th January, 2018 based on direction received from the MoPNG. He was further appointed as the Government Nominee Director of the Company at the 101 st AGM of the Company held on 12 th September, 2018 for a period of 3 years with effect from 24 th November 2017 (being the date of his nomination by the Administrative Ministry) on coterminus basis or until further orders from the Administrative Ministry, whichever is earlier. Shri Sharma holds a Master’s degree in History. Shri Sharma has a working experience of about 18 years wherein he developed expertise in functional areas of - Administration, Refinery, Excise and Vigilance. Shri Sharma has recently been transferred to a different Ministry. However, an official direction from the administrative Ministry in this regard is awaited. The composition of Board of Directors as on 31 st March, 2020 and the number of other Boards or Committees in which the Director is a member/ Chairperson are enumerated as follows : Brief profile and other details of the directors of the Company retiring by rotation and directors seeking appointment at the AGM The brief profile and other details of the directors of the Company retiring by rotation and directors seeking appointment at the AGM is attached to the Notice of the 103 rd Annual General Meeting. Attendance at the Board Meetings during the Financial Year 2019-2020 and at the last Annual General Meeting (AGM) The Board of Directors met eight (8) times during the Financial Year 2019-2020. Attendance of the Directors at the Board meetings and at the last AGM held during the Financial Year 2019-20 is shown below :

NSOU • PGCO-VIII 143 Name, designation and Total No. of Names of the other Number of Number of post category of the Director Directorship Listed entities in memberships in of Chairperson in other which the director Committee(s) of in Committee of Companies is a director and other Companies other Companies the category of directorship a b c d e Shri Prabal Basu Chairman & Managing Director, 2 Nil 4 2 Executive Director Shri Shyam Sundar Khuntia Director (Finance), Executive Director 5 Balmer Lawrie 7 2 and Chief Financial Officer (Shri Investments Limited- Khuntia ceased to be a Director of Non-executive Director the Company w.e.f. 30 th April 2020) Shri Adika Ratna Sekhar Director (Human Resource and 0 Nil 0 0 Corporate Affairs), Executive Director Shri Adhipnath Palchaudhuri Director (Service Businesses), 1 0 0 0 Executive Director Shri Sunil Sachdeva Independent Director, 1 0 0 0 Shri Vikash Preetam 0 0 0 0 Independent Director, Non-Executive Director Shri Arun Tandon Independent Director, 0 0 0 0 Non-Executive Director



<b>72%</b>	<b>MATCHING BLOCK 202/230</b>	<b>SA</b>	Dissertation Prietesh_Role of Independent Dire ... (D111327491)
Director is a Director, who in the opinion of the Administrative Ministry is a person of integrity and possesses relevant expertise, experience.			

As already stated, all the Directors including Independent Directors are appointed by the Administrative Ministry. Further, the mechanism of evaluation of the Independent Directors as stated in paragraph VIII of Schedule IV to the Companies Act, 2013 does not apply in the case of a Government company, if the requirements in respect of matters specified in the said paragraph are specified by the concerned Ministries or Departments of the Central Government. Since the evaluation of performance of all the Directors is carried out by the Administrative Ministry and the Department of Public Enterprises, the Board of Directors is not in a position to give such confirmation as required under para C 2(i) of Schedule V to SEBI (LODR) Regulations, 2015 (as amended). Reasons of resignation of Independent Director(s) During the year none of the Independent Director(s) resigned before the expiry of his/her tenure. The directorship of Smt. Atreyee Borooh Thekedath ceased on account of completion of her tenure. Committees of the Board Audit Committee Terms of Reference The terms of reference of the Audit Committee was revised with effect from 1 st April, 2019 to make it in line with the Companies Act, 2013, ("the Act"), SEBI (LODR) Regulations, 2015 (as amended) and the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 by Department of Public Enterprises (DPE). The terms of reference (as amended) of the Committee are as follows :

148 NSOU • PGCO-VIII (i)

<b>100%</b>	<b>MATCHING BLOCK 203/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; (			

ii)

<b>88%</b>	<b>MATCHING BLOCK 204/230</b>	<b>SA</b>	sikkim.docx (D27616321)
Recommendation for appointment, remuneration and terms of appointment of auditors of the Company; (			

iii)

<b>100%</b>	<b>MATCHING BLOCK 205/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
Approval of payment to statutory auditors for any other services rendered by the statutory auditors; (			

iv) Reviewing, with the management, the annual financial statements and auditor's report thereon

<b>83%</b>	<b>MATCHING BLOCK 206/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
before submission to the Board for approval, with particular reference to : • Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013; • Changes, if any, in accounting policies and practices and reasons for the same; • Major accounting entries involving estimates based on exercise of judgement by management; • Significant adjustments made in the financial statements arising out of audit findings; • Compliance with Listing and other legal requirements relating to financial statements; • Disclosure of any Related Party Transactions; •			

Modified opinion(s)/ qualification in the draft audit report; (v) Examination of the financial statement and the auditor's report thereon; (vi)

<b>92%</b>	<b>MATCHING BLOCK 207/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
<p>Reviewing, with the management, the quarterly financial statements before submission to the Board for approval; (vii) Reviewing with the management,</p>			

the statement of uses/application of funds raised through an issue (public issue, right issue, preferential issue, etc.), the

<b>100%</b>	<b>MATCHING BLOCK 208/230</b>	<b>SA</b>	Synopsis.docx (D109401775)
<p>statement of funds utilized for purposes other than those stated in the offer document / prospectus /</p>			

notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making

<b>100%</b>	<b>MATCHING BLOCK 209/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
<p>appropriate recommendations to the Board to take up steps, in this matter;</p>			

NSOU • PGC0-VIII 149 (viii) Monitoring the end-use of funds raised through public offers and related matters; (ix) Reviewing

<b>84%</b>	<b>MATCHING BLOCK 210/230</b>	<b>SA</b>	sikkim.docx (D27616321)
<p>and monitoring the auditor's independence and performance, and effectiveness of audit process; (</p>			

x)

<b>79%</b>	<b>MATCHING BLOCK 211/230</b>	<b>SA</b>	sikkim.docx (D27616321)
<p>Approval or any subsequent modification of transactions of the Company with Related Parties; (xi) Scrutiny of inter-corporate loans and investments; (xii) Valuation of undertakings or assets of the Company, wherever it is necessary; (xiii) Evaluation of internal financial controls and risk management</p>			

systems; (xiv) Reviewing, with the management,

<b>78%</b>	<b>MATCHING BLOCK 212/230</b>	<b>SA</b>	Management of IDBI.docx (D17540507)
<p>performance of statutory and internal auditors, adequacy of the internal control systems; (xv) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit; (xvi) Discussion with internal auditors</p>			

and/or

<b>92%</b>	<b>MATCHING BLOCK 213/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
auditors any significant findings and follow-up thereon; (xvii) Reviewing the findings of any internal investigations by the internal auditors /			

auditors/ agencies

<b>95%</b>	<b>MATCHING BLOCK 214/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board. (xviii) Discussion with statutory auditors before			

the

<b>92%</b>	<b>MATCHING BLOCK 215/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of			

concern

and to review the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources; (xix) The Audit Committee may call for the comments of the auditors

<b>89%</b>	<b>MATCHING BLOCK 216/230</b>	<b>SA</b>	sikkim.docx (D27616321)
about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company; (			

xx)

<b>76%</b>	<b>MATCHING BLOCK 217/230</b>	<b>SA</b>	Corporate governance in India an evaluation.pdf (D34933278)
To look into the reasons for substantial defaults in the payment to the 150 NSOU • PGCO-VIII depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors; (xxi) To review the functioning of the whistle blower mechanism; (			

xxii) Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate; (xxiii) Reviewing the utilization of loans and/or advances from /investment by the holding company in the subsidiary exceeding Rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/advances/ investments existing as on the date of coming into force of this provision (i.e., 1 st April, 2019); (xxiv)

**100%**

**MATCHING BLOCK 218/230**

**SA**

Corporate governance in India an evaluation.pdf (D34933278)

The Audit Committee shall mandatorily review the following information : • Management Discussion and Analysis of financial condition and results of operations; • Statement of significant Related Party Transactions (as defined by the Audit Committee), submitted by management; • Management letters/ letters of internal control weaknesses issued by the statutory auditors; • Internal audit reports relating to internal control weaknesses; and • The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee. •

Statement of deviations : (a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1). (b) Annual

**100%**

**MATCHING BLOCK 219/230**

**SA**

Synopsis.docx (D109401775)

Statement of funds utilized for purposes other than those stated in the offer document /prospectus/

notice in terms of Regulation 32(7). (xxv) To review the follow up action on the audit observations of the C&AG audit; (xxvi) To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament; (xxvii) Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors; NSOU • PGCO-VIII 151 (xxviii) Consider and review the following with the independent auditor and the management : • The adequacy of internal controls including computerized information system controls and security; and • Related findings and recommendations of the independent auditor and internal auditor, together with the management responses. (xxix) Consider and review the following with the management, internal auditor and the independent auditor : • Significant findings during the year, including the status of previous audit recommendations. • Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information. (xxx)

**95%**

**MATCHING BLOCK 220/230**

**SA**

sikkim.docx (D27616321)

Investigate into any matter in relation to the items specified in Section 177

of the Companies Act, 2013 or referred to it by the Board or pertaining to any activity within its terms of reference and to

**90%**

**MATCHING BLOCK 221/230**

**SA**

Corporate governance in India an evaluation.pdf (D34933278)

this purpose, shall have full access to information contained in the records of the Company and external professional advice, if necessary,

seek information from any employee in the matter and secure attendance of outsiders with relevant expertise, if considered necessary; (xxxi)

**100%**

**MATCHING BLOCK 222/230**

**SA**

Management of IDBI.docx (D17540507)

Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Composition During the Financial Year 2019-20, the Audit Committee was reconstituted with effect from 7 th December, 2019. The Audit Committee, as on 31 st March, 2020 was consisted of five (5) members out of which one was Whole-time Director and four were Independent Directors. Shri Sunil Sachdeva, Independent Director is the Chairperson of the Committee. The composition of the Committee as on 31 st March, 2020 was as follows : (i) Shri. Sunil Sachdeva, Independent Director-Chairperson (ii) Shri Vikash Preetam, Independent Director-Member (iii) Shri Arun Tandon, Independent Director-Member (iv) Shri Bhagawan Das Shivahare, Independent Director-Member (v) Shri Shyam Sundar Khuntia (erstwhile Director Finance)-Member

152 NSOU • PGC0-VIII All the members of the Audit Committee are financially literate and some members possess accounting/ financial management expertise also. The Company Secretary acts as the Secretary to this Committee. The Audit Committee met 5 (five) times during the Financial Year 2019-20. The details regarding the attendance of the Members at the meetings are enumerated as follows : Audit Committee Meetings held during the Financial Year 2019-20

Name of the Members	27th	28th	18th	13th	11th	4th	May, 2019	July,	August,	November,	February,	2019	2019	2020
Smt. Atreyee Borooah	√	√	√	√	NA									
Thekedath* Shri Sunil Sachdeva	√	√	√	√	√									
Shri Vikash Preetam	√	√	√	√	√									
Shri Arun Tandon	√	√	√	√	√									
Shri Bhagawan Das	NA	NA	NA	NA	√									
Shivahare** Shri Shyam Sundar Khuntia	√	√	√	√	√									

NOTE : The Audit Committee was reconstituted with effect from 7 th December, 2019. \*Smt. Atreyee Borooah Thekedath ceased to be the Director of the Company w.e.f. 31 st January, 2020. \*\*Shri B D Shivahare was appointed as member of the Committee w.e.f. 7 th December 2019

Nomination & Remuneration Committee The Company being a Government Company within the meaning of Section 2(45) of the Companies Act, 2013, all the Directors of the Company are appointed by the MoPNG. The remuneration of the whole-time directors is fixed and their performance evaluation is carried out by the Government of India from time to time. Nevertheless, a "Remuneration Committee" had been constituted by the Board at its meeting held on 30 th January, 2009. The said Committee was renamed as "Nomination & Remuneration Committee" on 6 th February, 2015. During the financial year 2019- 2020, the Committee was reconstituted on 7 th December, 2019. Terms of Reference The terms of reference of the Nomination and Remuneration Committee was revised w.e.f. 1 st April, 2019 to make it in line with the Companies Act, 2013, ("the NSOU • PGC0-VIII 153 Act"), SEBI (LODR) Regulations, 2015 (as amended) and the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 by the Department of Public Enterprises. The revised terms of reference include the following : (i)

Formulation of

<b>75%</b>	<b>MATCHING BLOCK 223/230</b>	<b>SA</b>	Management of IDBI.docx (D17540507)
the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees.			

The Company shall disclose the remuneration policy and the evaluation criteria in its Annual Report; (ii) Formulation of criteria for evaluation of performance of Independent Directors and the Board; (iii) Devising a policy on Board Diversity; (iv) To

<b>86%</b>	<b>MATCHING BLOCK 224/230</b>	<b>SA</b>	Management of IDBI.docx (D17540507)
identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall			

specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance ; (v) The Nomination and Remuneration Committee shall, while formulating the policy ensure that - • the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully; • relationship of

**80%**

**MATCHING BLOCK 225/230**

**SA**

harshitha dissertation fianl draft.docx (D111095166)

remuneration to performance is clear and meets appropriate performance benchmarks; and • remuneration to Directors, Key Managerial Personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance

objectives appropriate to the working of the Company and its goals and such policy shall be disclosed in the Board's Report. (vi)

**63%**

**MATCHING BLOCK 226/230**

**SA**

Management of IDBI.docx (D17540507)

Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation

of independent directors;  
154 NSOU • PGCO-VIII (vii) Recommending

**100%**

**MATCHING BLOCK 227/230**

**SA**

Article \_Tom\_June2021.docx (D108563522)

to the Board, all remuneration, in whatever form, payable to senior management.

Note : Your Company being a Government Company, vide Notification No. GSR 463(E) dated 5 June 2015 as amended by Notification No. GSR 582(E) dated 13 June 2017 and notification No. GSR 802(E) dated 23 February 2018, has been exempted from applicability of Sections 178(2), (3) and (4) of the Companies Act, 2013. The annual performance appraisal of Top Management incumbents of Central Public Sector Enterprises is done through the Administrative Ministry as per the DPE Guidelines in this regard. Your Company being a Central Public Sector Enterprises under the administrative jurisdiction of Ministry of Petroleum & Natural Gas also has to follow the similar procedure. Further, as per Section 149(6) of the Companies Act, 2013 read with exemption granted to Government Companies vide Notification No, GSR 463(E) dated 5 th June, 2015, an Independent

**72%**

**MATCHING BLOCK 228/230**

**SA**

Dissertation Prietesh\_Role of Independent Dire ... (D111327491)

Director is a Director, who in the opinion of the Administrative Ministry is a person of integrity and possesses relevant expertise experience.

In view of the above mentioned exemption, serial no. (i), (ii), (iii), (iv), (v), (vi) and (vii) of the terms of Reference would not be applicable. Composition As on 31st March, 2020, the Committee consisted of six (6) members, out of which two were Government Nominee Directors and four were Independent Directors. Shri Arun Tandon, Independent Director is the Chairperson of the Committee. The Composition of the Committee as on 31 st March, 2020 was as follows : (i) Shri Arun Tandon, Independent Director - Chairperson (ii) Shri Sunil Sachdeva, Independent Director – Member (iii) Shri Vikash Preetam, Independent Director – Member (iv) Shri Anil Kumar Upadhyay, Independent Director – Member (v) Smt. Perin Devi Rao, Government Nominee Director - Member (vi) Shri Vijay Sharma, Government Nominee Director – Member The Committee held five (5) meetings during the financial year 2019-2020, as detailed hereunder :



NSOU • PGCO-VIII 155 Nomination and Remuneration Committee Meetings held during the Financial Year 2019-20

Name of the Member	27th	18th	13th	11th	4th	May	July	August	November	February	2019	2019	2019	2019	2020
Smt. Atreyee Borooah Thekedath*	✓	✓	✓	✓	NA	Shri Arun Tandon	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shri Sunil Sachdeva	✓	✓	✓	✓	✓	Shri Vikash Preetam	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shri Anil Kumar Upadhyay#	NA	NA	NA	NA	✓	Smt. Perin Devi Rao	✓	✓	✓	×	✓	Shri Vijay Sharma	X	✓	×

NOTE : The Nomination & Remuneration Committee was reconstituted with effect from 7 th December, 2019 \*Smt. Atreyee Borooah Thekedath ceased to be the Director of the Company w.e.f. 31 st January, 2020. # Shri Anil Kumar Upadhyay was appointed as member of the Committee w.e.f. 7 th December 2019. Remuneration Policy Balmer Lawrie (BL) is a CPSE under the administrative control of MoPNG and for all purpose we follow the relevant and applicable guidelines. There are four levels under which the matter is dealt with, these are as under : (a) For Members of the Board (b) For Executives below the Board Level (c) For non-Unionised Supervisors (d) For unionised categories of employee through collective bargaining. In matters related to the members of the Board, Executives below the Board Level, we are strictly governed by the Department of Public Enterprises [DPE] guidelines, issued from time to time and ensure compliance to all such guidelines and practices. The matter of finalization of remuneration, including wages and 156 NSOU • PGCO-VIII benefits of non-Unionised Supervisors is overseen by the Board of BL and it is essentially in line with DPE guidelines as applicable. For the unionised category the matter is decided based on a 5 years settlement period where the terms are decided based on collective bargaining. In this case the basic premises that governs the boundaries of any agreement is as laid out by the DPE. In all cases the Board of BL oversees all the above matters in the light of compliance of Government Guidelines and ethical Corporate Governance practices. Balmer Lawrie in fulfilling the statutory requirements has also a fully functional Nomination & Remuneration Committee. Performance evaluation criteria for Independent Directors on the Board. The Company being a Government Company, the criteria of independence as per Section 149 of the Companies Act, 2013 is determined by the Administrative Ministry. Hence, the evaluation criteria and such evaluation of Directors is done by the MoPNG.

**52%**

**MATCHING BLOCK 229/230**

**SA**

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Remuneration of Directors (a) There was no pecuniary relationship or transaction of any non-executive director vis-à-vis the Company

except the sitting fees paid to the Independent Directors, which has been detailed in this report as well as MGT-9 as attached to the Board's Report. (b) By virtue of Article 7A of the Articles of Association of the Company, the President of India is entitled to decide the terms and conditions of appointment of the Directors. This, inter alia, includes determination of remuneration payable to the Whole-time Directors. Non-Executive Independent Director is entitled to sitting fee for attending the Board and Committee Meetings. The sitting fee has been revised by the Board of Directors w.e.f. 5 th February 2020 at Rs. 20,000/- (Rupees Twenty Thousand only) per meeting of the Board and at Rs. 15,000/- (Rupees Fifteen Thousand only) for every Committee meeting attended by them. No sitting fee is paid to the Whole- time Director /Non-Whole time Government Nominee Director for the meetings of Board of Directors or Committees attended by them.

NSOU ● PGC0-VIII 157 Disclosure with respect to remuneration of Directors (1) Details of remuneration paid to Executive Directors (Whole time Directors) during Financial Year 2019-20 are enumerated hereunder : (All figures in Rs.) Shri Prabal Basu Shri D. Shri Kalyan Shri Shyam Shri Adika Ratna Shri Adhip Nath Sothi Selvam Swaminathan Sundar Khuntia Sekhar Palchaudhuri ((01/04/19 (01/04/19 (01/03/20 -15/12/2019) -28/02/2020) -31/03/20) Salary and 3424004 2970792 3168510 3740529 2540048 216753 allowances Incentive 1821780 1455643 1277343 1445381 1123976 62471 Provident 563147 492555 478246 592360 470642 39595 Fund Gratuity 85274 37390 68636 30516 35503 3708 Perquisites 1069970 328289 166111 439642 610479 48408 TOTAL 6964175 5284669 5158846 6248429 4780648 370935 As contained in As contained in As contained in As contained in As contained in As contained in letter from Ministry letter from Ministry letter from Ministry letter from Ministry letter from Ministry of Petroleum of Petroleum of Petroleum of Petroleum of Petroleum & Natural Gas & Natural Gas & Natural Gas & Natural Gas & Natural Gas bearing reference bearing reference bearing reference bearing reference bearing reference bearing reference no.- no.- no.- no.- no.- no.- C-31024 C-31024 /7/2012- C-31024 /2/2013- C-31024 CA-31024 CA-31024/1/2018- /3/2013-CA(Part-I)/ CA(II)/FTS (36715) CA (Part-I)/ FTS /4/2015-CA(II)/FTS /2/2017-PNG (49) PNG (23808) dated FTS(39921) dated dated (39922) dated (42956) dated dated 20 th December 7 th February, 2019 1 st February, 2019 4 th February, 2019 1 st February, 2019 4 th January, 2019 2019

158 NSOU ● PGC0-VIII Shri Prabal Basu Shri D. Shri Kalyan Shri Shyam Shri Adika Ratna Shri Adhip Nath Sothi Selvam Swaminathan Sundar Khuntia Sekhar Palchaudhuri ((01/04/19 (01/04/19 (01/03/20 -15/12/2019) -28/02/2020) -31/03/20) C-31024/ 3 C-31024 /7/2012- C-31024/2/2013 C-31024/04/2015 CA-31024 /2 / /2013-CA(Part-I)/ CA (Part -1)/ FTS: (Part I) CA FTS: – CA/ FTS: 39711 2017-PNG (49) FTS: 39921 dated 36715 dated 39922 dated dated dated 23 rd October, 2015 4 th August, 2016 21 st March, 2017 22 nd March, 2016 2 nd May, 2018 C-31024/3/ C-31024 /07 C-31024/ 2 / 2013- C-31024/ 4 / 2015- 2013-CA/ FTS: /2012-CA (Part II)/ CA /FTS:26994 CA (Part I) / FTS: 26993 dated FTS:40153 dated dated 39711 dated 18th May 2015 29 th March 2016 18 th May 2015 7 th December 2015 C- 31024/7 /2012- CA /FTS:23176 dated 09 th October, 2014

NSOU ● PGC0-VIII 159 (2) Details of remuneration paid to Non-Executive Directors during Financial year 2019-20 are enumerated hereunder : (All figures in Rs.) Name of Director Sitting Total Terms of Appointment fees Paid Remuneration Smt. Atreyee Borooah 1,80,000 1,80,000 C-31034/1/2016-CA/FTS: Thekedath 46118 dated 31 st January, 2017 and appointment letter dated 15 th February, 2017 Shri Sunil Sachdeva 2,25,000 2,25,000 C-31034/2/2017-CA/ FTS:49128 dated 8 th September 2017 and appointment letter dated 5 th April 2018 Shri Vikash Preetam 1,30,000 1,30,000 C-31033/2/2018-CA (22758) dated 24 th July, 2018 and his appointment letter dated 2 nd August, 2018 Shri Arun Tandon 1,80,000 1,80,000 C-31033/2/2018-CA (22758) dated 3 rd August, 2018 and his appointment letter dated 12 th September, 2018 Shri Arun Kumar 75,000 75,000 C-31033/2/2018-CA /PNG (25758) dated 12 th July, 2019 and his appointment letter dated 23 rd July 2019 Shri Anil Kumar 95,000 95,000 C-31033/2/2018-CA / Upadhyay PNG(25758) dated 12 th July, 2019 and his appointment letter dated 23 rd July 2019

160 NSOU ● PGC0-VIII Name of Director Sitting Total Terms of Appointment fees Paid Remuneration Shri B D Shivahare 70,000 70,000 C-31033/2/2018-CA /PNG (25758) dated 12 th July, 2019 and his appointment letter dated 23 rd July 2019 Shri Vijay Sharma 0 0 C-31033/1/2016-CA/FTS: 42979 dated 24 th November, 2017 Smt. Perin Devi Rao 0 0 C-31033/1/2016-CA/FTS: 42979 dated 26 th July, 2018 TOTAL 9,55,000 9,55,000 Notes : 1. During the year no stock option was issued by the Company to any Director. 2. Performance linked incentives are paid to the whole-time directors as per the DPE Guidelines. 3. The remuneration enumerated above does not include – Long Service Award and Post retirement Medical Benefit Scheme which are based on actuarial valuation and are not separately ascertainable for individual directors. 4. There was no expenditure debited in the books of accounts, which represent personal expenditure of the Board of Directors and Top Management. 5. Severance fee and notice period for the whole-time directors is NIL and the terms of disengagement for the Independent Directors is governed by the terms of the respective appointment letter issued to them. Stakeholders' Relationship Committee As on 31 st March, 2020, the Committee consisted of six (6) members. Shri Anil Kumar Upadhyay, Independent Director is the Chairperson of the Committee. The Composition of the Committee as on 31 st March, 2020 was as follows : (i) Shri Anil Kumar Upadhyay, Independent Director - Chairperson (ii) Shri Sunil Sachdeva, Independent Director-Member

NSOU • PGC0-VIII 161 (iii) Shri Vikash Preetam, Independent Director-Member (iv) Shri Adika Ratna Sekhar, Director (HR & CA)-Member (v) Shri Shyam Sundar Khuntia, erstwhile Director (Finance) - Member (vi) Shri Vijay Sharma, Government Nominee Director-Member A meeting of this Committee was held on 27 th May, 2019. All the members of this committee, as per the constitution at that time were present at the said Meeting. Compliance Officer : Name : Shri Kaustav Sen Designation : Compliance Officer The investors may lodge their complaint/grievance, if any, at the e-mail address : sen.k@balmerlawrie.com Status of Investor Complaints : Pending at the beginning of the year as on 1 st April 2019 NIL Received during the year 507 Disposed of during the year\* 507 Remaining unresolved at the end of the year as on 31 st March, 2020 NIL Complaints not solved to the satisfaction of shareholder\* 0 \*Since the complaints have been resolved and the concerned shareholder has not signified his/her dissatisfaction, hence it is presumed that the said complaints have been resolved to the satisfaction of the respective shareholders. General Body Meetings Details of the last three Annual General Meeting(s) (AGM) held by the Company are enumerated as under : Date and Time Venue Meeting Special Resolution Passed Number in Previous 3 AGMS 18 th September, Ghanshyam Das 102 nd Annual No special resolution was passed 2019 Birla Sabhagar General at the 102 nd Annual General at 10.30 a.m. 29, Ashutosh Meeting Meeting. Choudhury Avenue, Kolkata – 700 019

162 NSOU • PGC0-VIII Date and Time Venue Meeting Special Resolution Passed Number in Previous 3 AGMS 12 th September, Ghanshyam Das 101 st Annual One Special Resolution was passed 2018 Birla Sabhagar General at the 101 st AGM for increase in at 10.30 a.m. 29, Ashutosh Meeting Authorized Share Capital and Choudhury consequent amendment in Avenue, Kolkata Memorandum of Association. – 700 019 14 th September, Ghanshyam Das 100 th Annual One Special Resolution was passed 2017 Birla Sabhagar General at the 100 th AGM for fixation of at 10.30 a.m. 29, Ashutosh Meeting fee for delivery of document Choudhury through a particular mode. Avenue, Kolkata – 700 019 Special Resolutions passed in last year through Postal Ballot No special resolution was passed through postal ballot during the Financial Year 2019-20. Special Resolution proposed to be conducted through Postal Ballot. NIL Means of Communication and Address for Correspondence The quarterly un-audited and audited annual financial results were submitted to the Stock Exchanges. Simultaneously, the said results were published in the newspapers and also uploaded on the website of the Company. • Quarterly/half yearly/audited financial results, notices, etc., for the Financial Year 2019-20 were published in the newspapers, The Financial Express (English), AajKaal (Bangla) and Jansatta (Hindi). • The financial results and other corporate announcements issued by the Company and other shareholder's information is posted on the Company's website at [https://www.balmerlawrie.com/static/corporate\\_announcements](https://www.balmerlawrie.com/static/corporate_announcements). • The investors may lodge their complaint/grievance, if any, at [sen.k@balmerlawrie.com](mailto:sen.k@balmerlawrie.com). • Official news releases are also available on the Company's website viz. [www.balmerlawrie.com](http://www.balmerlawrie.com). • All communications relating to share registry matters may be addressed to :

NSOU • PGC0-VIII 163 KFin Technologies Private Limited, Balmer Lawrie & Co. Ltd. Apeejay House Block "C", 3 rd Floor, Secretarial Department, 15 Park Street, Kolkata 700 016, 21, Netaji Subhas Road, Tel : 033 6628 5900 Kolkata-700001 or Phone-(033) 2222 5329 KFin Technologies Private Limited, E-mail : [sen.k@balmerlawrie.com](mailto:sen.k@balmerlawrie.com) Selenium Building, Tower-B, Plot No. 31 & 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddi, Telangana-500032, Tel : 040-67161500, Toll free No. 1800 3454001, Email : [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com), website : [www.kfintech.com](http://www.kfintech.com). General Shareholders' Information Day, Date & Time Friday, 25 th September, 2020 at 12.noon. IST Venue The Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read together with circulars dated April 8, 2020 and April 13, 2020 and SEBI vide its Circular number SEBI/HO/CFD/CMD1/CIR/P/2020/79, permitted convening the Annual General Meeting ("AGM" / "Meeting") through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), without the physical presence of the members at a common venue. Accordingly, the 103 rd AGM of the Company is being held through VC/OAVM and the detailed instructions for participation and voting at the meeting is available in the notice of the 103 rd AGM. Financial year 1 st April, 2019 to 31 st March, 2020. Book Closure Dates From : 19 th September 2020, Saturday (both days inclusive) To : 25 th September 2020, Friday. Dividend Payment Date Upon declaration at the ensuing 103 rd Annual General Meeting scheduled on 25 th September, 2020, dividend shall be paid to those shareholders holding shares as on 18 th September, 2020, (End of Day) within statutory period of 30 days from the date of declaration.



168 NSOU • PGCO-VIII Distribution of Shareholding Report (NSDL+ CDSL+ Physical) on the basis of number of Equity shares held as on 31 st March, 2020 : Distribution of Shareholding ALL (NSDL+ CDSL+ Physical) SL. Shareholding of Shares Number of % of Total Number of Shares % of Total No. Shareholders Shareholders Share Capital 1 1 to 500 44955 75.70 5766768 3.37 2 501 to 1000 6366 10.72 4484156 2.62 3 1001 to 2000 3985 6.71 5486206 3.21 4 2001 to 3000 1463 2.46 3684974 2.16 5 3001 to 4000 588 0.99 2055756 1.20 6 4001 to 5000 456 0.77 2049108 1.20 7 5001 to 10000 849 1.43 5886546 3.44 8 10001 and above 722 1.22 141590332 82.80 TOTAL : 59384 100.00 171003846 100.00

NSOU • PGCO-VIII 169 Dematerialization of Shares and Liquidity The Equity shares of your Company are to be traded compulsorily in dematerialized mode and are available for trading, with both the Depositories in India, i.e., National Securities Depository Ltd. ('NSDL') and Central Depository Services (India) Ltd. ('CDSL'). As on 31st March 2020, the distribution of Equity Shares held in physical and dematerialized mode, are produced below : Percentage of physical and dematerialized shares as on 31 st March, 2020 Type of shares % Physical 01.39 Dematerialized 98.61 TOTAL : 100.00 Your Company, has paid the annual custody fee for the Financial Year 2019-20 to both the Depositories, i.e., NSDL & CDSL. Outstanding Global Depository Receipts or American Depository Receipts or Warrants or any convertible instruments, conversion date and likely impact on equity The Company does not have any outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments. Commodity Price Risk or Foreign Exchange Risk & hedging Activities The details of Financial Risk Management including Foreign Currency Risk and the overall strategy to mitigate the same has been disclosed in Note No. 44 of the Standalone Financial Statements. Plant Location : Name of the business Location Location Greases & Lubricants Manufacturing Units : Marketing Offices : Chennai Bengaluru Kolkata Bhopal Silvassa Chandigarh Chennai Application Research Coimbatore Laboratory : Hyderabad 170 NSOU • PGCO-VIII Name of the business Location Location Jaipur Kolkata Mumbai New Delhi Patna Pune Raipur Vadodara Industrial Packaging Manufacturing units : SBU Office: Mumbai Asaoti Chennai Sales Office : Chittoor New Delhi Kolkata Navi Mumbai Silvassa Vadodara Leather Chemicals Manufacturing units : SBU Office : Chennai Chennai Marketing office : Technical Service Centers : Chennai Ambur & Vaniyambadi Kanpur Product Development Kolkata Centre : Ranipet Chennai Logistics Services Ahmedabad Kochi Bengaluru Kolkata Chennai Mumbai Coimbatore New Delhi Goa Pune Gwalior Thiruvananthapuram Hyderabad Tuticorin Kanpur Visakhapatnam Karur

NSOU • PGCO-VIII 171 Name of the business Location Location Logistics Infrastructure Container Freight Station- Warehousing & Distribution- Chennai Coimbatore Kolkata Kolkata-Hide Road Complex, Navi Mumbai Kolkata-Sonapur Temperature Controlled Integrated Check Post Warehouse Jogbani- Bihar Navi Mumbai Raxaul - Bihar Rai- Haryana Medchal-Village-Telangana Refinery & Oilfield Kolkata Services Travel Ahmedabad Kochi Bengaluru Kolkata Bhubaneswar Lucknow Chennai Mumbai Delhi New Delhi Guwahati Port Blair Hyderabad Pune Kanpur Thiruvananthapuram Vadodara Visakhapatnam Vacations Ahmedabad Hyderabad Bengaluru Kolkata Bhubaneswar Mumbai Chennai Delhi Suggested Readings • Crane, A. And Matten, D. Business Ethics; Oxford University Press. •

**100%**

**MATCHING BLOCK 230/230**

**SA**

Dissertation-Draft 3 Final.pdf (D110259108)

Fernando, A. C. : Corporate Governance : Principles, Policies and Practices, Pearson

Education; New Delhi. • Fernando, A. C., Business Ethics : An Indian Perspective Pearson Education.

172 NSOU • PGCO-VIII • Cherunilam, F. : Strategic Management, Himalaya Publishing House, New Delhi. • Petrick, J. A and Quinn, J. F., Management Ethics : Integrity at Work, Response Books. • Boatright, J. R., Ethics and Couduct of Business, Pearson Education. • Trevino, L. K. and Nelson, K. A. Managing Business Ethics; John Wiley and Sons. • Sathesh Kumar, T. N. : Corporate Governance, Oxford University Press, New Delhi.

### Hit and source - focused comparison, Side by Side

**Submitted text**

As student entered the text in the submitted document.

**Matching text**

As the text appears in the source.

<b>1/230</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>The system by which companies are directed and controlled'. In</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>2/230</b>	<b>SUBMITTED TEXT</b>	54 WORDS	<b>100% MATCHING TEXT</b>	54 WORDS
<p>Gabrielle O'Donovan defines corporate governance as "an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Sound corporate governance is reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes." 1.3</p> <p><b>SA</b> FINAL.docx (D136078620)</p>				
<b>3/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>71% MATCHING TEXT</b>	16 WORDS
<p>a system of checks and balances between key players – boards, management, auditors and shareholders. Transparency in</p> <p><b>SA</b> L.L.M DISSERTATION.docx (D110942008)</p>				
<b>4/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>non-executive and independent directors who will take care of the interests and well- being of all the stakeholders.</p> <p><b>SA</b> CG_unit_1.docx (D144533282)</p>				
<b>5/230</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>88% MATCHING TEXT</b>	46 WORDS
<p>Composition of Board of Directors Section 149 of the Companies Act, 2013 requires that every company shall have a minimum 3 directors in the case of a public company, 2 directors in the case of a private company, and 1 director in the case of a One Person Company. -</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				

<b>6/230</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>70% MATCHING TEXT</b>	21 WORDS
<p>director who has stayed in India for a total period of not less than 182 days in the previous calendar year</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>7/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>84% MATCHING TEXT</b>	17 WORDS
<p>listed public company would have at least 1/3 of the total number of directors as independent directors (</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>8/230</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>65% MATCHING TEXT</b>	21 WORDS
<p>special resolution in general meeting and approval of Central Government is not required. 12 NSOU • PGC0-VIII -The maximum number of</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>9/230</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>80% MATCHING TEXT</b>	19 WORDS
<p>other public company having paid up share capital of ? 100 crores or more or turnover of ? 300</p> <p><b>SA</b> REVISED DALJIT KAUR, . CH 3.docx (D21116636)</p>				
<b>10/230</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>48% MATCHING TEXT</b>	37 WORDS
<p>of the board shall have an optimum combination of executive and non-executive directors and at least one woman director. At least 50% of the board of directors must be non-executive directors. When the board chairman is a non-executive director,</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				
<b>11/230</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>half of the board of directors shall comprise of independent directors.</p> <p><b>SA</b> Kotak comm-Abhigyan.docx (D40491398)</p>				

<b>12/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>95% MATCHING TEXT</b>	14 WORDS
<p>directors who (1) do not have a material relationship with the company, (2)</p> <p><b>SA</b> Dissertation-Draft 3 Final.pdf (D110259108)</p>				
<b>13/230</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100% MATCHING TEXT</b>	20 WORDS
<p>It was felt that under Indian conditions a statutory rather than a voluntary code would be far more purposive and meaningful.</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				
<b>14/230</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>92% MATCHING TEXT</b>	44 WORDS
<p>where the chairman is also chief executive, it is essential that there should be strong and independent element on the board with a recognized senior member. The board should include non-executive director of sufficient caliber and number for their views to carry significant weight in the board's decisions. (</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>15/230</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>100% MATCHING TEXT</b>	9 WORDS
<p>Service contracts should not exceed three years without shareholders' approval. (</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>16/230</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS
<p>there should be a clearly accepted division of responsibilities at the head of a company, which will ensure</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				



<b>17/230</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>93% MATCHING TEXT</b>	35 WORDS
<p>balance of power and authority, such that no one individual has unfettered powers of decision. Where the chairman is also the chief executive, it is essential that there should be a strong and independent element on the board. (</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>18/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>of whom may be the chairman of the company provided he or she is not</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>19/230</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>76% MATCHING TEXT</b>	26 WORDS
<p>be independent of management and free from any business or 22 NSOU • PGC0-VIII other relationship which could materially interfere with the exercise of their independent</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>20/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>their appointment should be a matter for the board as a whole</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>21/230</b>	<b>SUBMITTED TEXT</b>	60 WORDS	<b>88% MATCHING TEXT</b>	60 WORDS
<p>There should be a clearly accepted division of feasibilities at the head of company, which will ensure a balance of power and authority such that no one individual has unfettered powers of decision. Where the chairman is also the chief executive it is essential that there should be a strong and independent element on the board, with a recognized senior member. The Board should</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				

<b>22/230</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>94% MATCHING TEXT</b>	26 WORDS
<p>have a formal schedule of matter specifically reserved to it for decisions to ensure that the direction and control of the company is firmly in its hands.</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>23/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>61% MATCHING TEXT</b>	15 WORDS
<p>in the system the non-executive directors should be appointed for specified terms. (f) The Role of</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>24/230</b>	<b>SUBMITTED TEXT</b>	51 WORDS	<b>100% MATCHING TEXT</b>	51 WORDS
<p>All directors should have access to the advice and services of the company secretary, who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the company secretary should be a matter for the board as a whole. (</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>25/230</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>96% MATCHING TEXT</b>	46 WORDS
<p>Standards of Conduct : It is important that all employees should know what standards of conduct are expected of them. We regard it as good practice for board of directors to draw up codes of ethics or statements of business practice and to publish them both internally and externally. (</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				
<b>26/230</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>95% MATCHING TEXT</b>	34 WORDS
<p>It is important that all employees should know what standards of conduct are expected of them. We regard it as good practice for board of directors to draw up codes of ethics or statements of</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				

<b>27/230</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
<p>business practice and to publish them both internally and externally. (</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>					
<b>28/230</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>98%</b>	<b>MATCHING TEXT</b>	25 WORDS
<p>The board should establish an 'Audit Committee' of at least 3 non-executive directors with written terms of reference which deal clearly with its authority and duties</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>					
<b>29/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	16 WORDS
<p>The board should meet regularly, retain full and effective control over the company and monitor the executive</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>					
<b>30/230</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>87%</b>	<b>MATCHING TEXT</b>	27 WORDS
<p>The board should have a formal schedule of matters specifically reserved to it for decision to ensure that the director and control of the company is firmly in hands. (</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>					
<b>31/230</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100%</b>	<b>MATCHING TEXT</b>	10 WORDS
<p>total emoluments and those of the chairman and highest paid</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>					

<b>32/230</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>93% MATCHING TEXT</b>	44 WORDS
<p>including pension contribution and stock options. Separate figures should be given for salary and performance related elements and the basis on which performance is measured should be explained. Executive directors' pay should be subject to the recommendation of a 'Remuneration Committee' made up wholly or mainly of non-executive</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>33/230</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>93% MATCHING TEXT</b>	46 WORDS
<p>The Board should include non-executive directors of sufficient caliber and number for their views to carry significant weight in the board's decision. Non-executive directors should bring an independent judgment to bear on issues of strategy performance, resources including key appointments and standards of conduct. The majority should be independent of management</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				
<b>34/230</b>	<b>SUBMITTED TEXT</b>	42 WORDS	<b>85% MATCHING TEXT</b>	42 WORDS
<p>Non- executive directors should be appointed for specified terms and reappointment 24 NSOU • PGCO-VIII should not be automatic. Non-executive directors should be selected through a formal process and both this process and their appointment should be a matter for the board as a whole. (</p> <p><b>SA</b> Priya Nigam (CCL) -1200990018 A CRITICAL STUDY OF CORPORATE GOVERNANCE WITH REFERENCE TO STAKEHOL ... (D110262261)</p>				
<b>35/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>It is the Board's duty to present a balanced and understandable assessment of the company's position.</p> <p><b>SA</b> Chapter 1 Intro.docx (D35537869)</p>				

<b>36/230</b>	<b>SUBMITTED TEXT</b>	43 WORDS	<b>86% MATCHING TEXT</b>	43 WORDS
<p>The Directors should explain their responsibility for preparing the auditors about their reporting responsibilities. The Directors should report on the effectiveness of the company's system of their internal control. The directors should report that the business is a going concern with supporting assumption or qualifications as necessary.</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>37/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>96% MATCHING TEXT</b>	14 WORDS
<p>all listed companies to implement and comply with its requirements relating to corporate governance.</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>38/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>64% MATCHING TEXT</b>	17 WORDS
<p>of directors should comprise of non-executive directors, (ii) In case of a non-executive chairman, at least one-third of</p> <p><b>SA</b> Article _Tom_June2021.docx (D108563522)</p>				
<b>39/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>independent directors. (iii) In case of an executive chairman at least half of the</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>40/230</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>59% MATCHING TEXT</b>	30 WORDS
<p>Composition of Audit Committee : It is stated that – (i) The audit committee shall have – ★ Minimum 3 members, all being non-executive directors, ★ Majority of the members being independent, ★</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				

<b>41/230</b>	<b>SUBMITTED TEXT</b>	83 WORDS	<b>67% MATCHING TEXT</b>	83 WORDS
<p>The audit committee should invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meeting of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and when required, a representative of the external auditor shall be present as invitee for the meetings of the audit committee. (iii) The company secretary of the company shall act as the secretary of the audit committee. 3.</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>42/230</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>The audit committee shall have powers which should include the following : (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>43/230</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>89% MATCHING TEXT</b>	25 WORDS
<p>To seek information from any employee, (c) To obtain outside legal or other professional advice, (d) To secure attendance of outsiders with relevant expertise, if it considers necessary, (</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>44/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>the role of the audit committee shall include the following : (a) Oversight (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				

<b>45/230</b>	<b>SUBMITTED TEXT</b>	52 WORDS	<b>64% MATCHING TEXT</b>	52 WORDS
<p>of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible, (b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services. (c) Reviewing with management the annual financial statements before submission to the board,</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>46/230</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>65% MATCHING TEXT</b>	25 WORDS
<p>accounting entries based on exercise of judgment by management, 26 NSOU • PGCO-VIII ★ Qualification in draft audit report, ★ Significant adjustments arising out of audit, ★</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>47/230</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>100% MATCHING TEXT</b>	30 WORDS
<p>Any related party transactions i.e., transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc, that may have potential conflict with the interests of company at large. (</p> <p><b>SA</b> Article _Tom_June2021.docx (D108563522)</p>				
<b>48/230</b>	<b>SUBMITTED TEXT</b>	45 WORDS	<b>75% MATCHING TEXT</b>	45 WORDS
<p>adequacy of internal control systems. (e) Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit. (f) Discussion with internal auditors any significant findings and follow up there on. (</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				

<b>49/230</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>93% MATCHING TEXT</b>	41 WORDS
<p>Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board. (h) Discussion with external auditors before</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>50/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>86% MATCHING TEXT</b>	17 WORDS
<p>audit commences; nature and scope of audit as well as post-audit discussion to ascertain any area of</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>51/230</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>100% MATCHING TEXT</b>	25 WORDS
<p>To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors. (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>52/230</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>80% MATCHING TEXT</b>	22 WORDS
<p>The Audit committee must meet at least three times a year – ★ Once every 6 month and ★ Once before finalization of accounts. (</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>53/230</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>94% MATCHING TEXT</b>	24 WORDS
<p>The quorum for the meetings of the audit committee will be two or one-third of the total number of members, whichever is higher, at least</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				



<b>54/230</b>	<b>SUBMITTED TEXT</b>	54 WORDS	<b>50% MATCHING TEXT</b>	54 WORDS
<p>shall be determined by the board of directors. The following disclosures shall be in the annual report in respect of all the directors – ★ All elements of remuneration package of all the directors i.e. salary, benefits, bonus, ESOPs, Pension. ★ Details of fixed component and performance linked incentive along with performance criteria. ★ Service contracts, notice period, severance fees. 6.</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				
<b>55/230</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>80% MATCHING TEXT</b>	25 WORDS
<p>a) Minimum four board meetings must be held in each year, (b) There should not be a time gap of more than 4 months between any</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>56/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>63% MATCHING TEXT</b>	15 WORDS
<p>capital budgets and any updates. (b) Quarterly results for the company and its operating divisions or business segments. (</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>57/230</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>97% MATCHING TEXT</b>	23 WORDS
<p>recruitment and remuneration of senior officers just below the board level including appointment or removal of Chief Financial officer and the Company Secretary. 28</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				
<b>58/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>83% MATCHING TEXT</b>	17 WORDS
<p>Quarterly details of foreign exchange exposures and the steps taken by management to limit adverse exchange rate movement</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				

<b>59/230</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>73% MATCHING TEXT</b>	37 WORDS
<p>Industry structure &amp; developments ★ Opportunities &amp; threats. ★ Segment-wise or product-wise performance. ★ Outlook. ★ Risks &amp; concerns. ★ Internal control systems &amp; their adequacy. ★ Discussion on financial performance with respect to operational performance. ★ Material relations front including member of people employed. (</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				
<b>60/230</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>77% MATCHING TEXT</b>	33 WORDS
<p>to its Board details relating to all material, financial and commercial transactions where NSOU • PGCO-VIII 29 they have personal interest that may have a potential conflict with the interest of the company at large. (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>61/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>director, (b) Nature of his expertise in specific functional areas, (c) Names of companies in which</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>62/230</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>77% MATCHING TEXT</b>	29 WORDS
<p>A board committee under the chairmanship of a non-executive director should be constituted to look into investors' complaints like transfer of shares, non-receipts of balance sheet, non-receipt of declared dividends etc</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				
<b>63/230</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>97% MATCHING TEXT</b>	24 WORDS
<p>Corporate Governance : There shall be a separate section on corporate Governance in the annual report of the company with a detailed compliance report on</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				

<b>64/230</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>The extent to which the non-mandatory requirements have been adopted</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				
<b>65/230</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>88% MATCHING TEXT</b>	18 WORDS
<p>certificate from the auditor of the company regarding compliance of conditions of corporate governance as stipulated in clause 49</p> <p><b>SA</b> Article _Tom_June2021.docx (D108563522)</p>				
<b>66/230</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>72% MATCHING TEXT</b>	33 WORDS
<p>Committee on Corporate Audit &amp; Governance (Naresh Chandra Committee) : On 21 st August 2002, the Department of company Affairs (DCA) under the Ministry of finance and Company Affairs appointed a high level committee,</p> <p><b>SA</b> Priya Nigam (CCL) -1200990018 A CRITICAL STUDY OF CORPORATE GOVERNANCE WITH REFERENCE TO STAKEHOL ... (D110262261)</p>				
<b>67/230</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>60% MATCHING TEXT</b>	29 WORDS
<p>In line with international best practices, the committee recommends an abbreviated list of disqualifications for auditing assignments which include- (i) Prohibition of any direct financial interest in the audit client</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>68/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>Prohibition of receiving any loans and or guarantees from or on behalf of the audit client</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				

<b>69/230</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>services should not be provided by an audit firm to any</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>70/230</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>58% MATCHING TEXT</b>	32 WORDS
<p>Broker, dealer, investment adviser or investment banking services, (vi) Outsourced financial services, (vii) Management functions including provision of temporary staff to audit clients, (viii) Any form of staff requirement, (ix) Valuation services and fairness opinion. 32</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>71/230</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>86% MATCHING TEXT</b>	32 WORDS
<p>responsible for the audit of either a listed company or companies whose paid-up capital and free reserves exceed RS. 10 crore, or companies whose turnover exceeds Rs. 50 crore, should be rotated every 5 years.</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>72/230</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>91% MATCHING TEXT</b>	28 WORDS
<p>management should provide a clear description in plain English of each material liability and its risks, which should be followed by the auditor's clearly worded comments on the management view. 6.</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>73/230</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>94% MATCHING TEXT</b>	27 WORDS
<p>Before agreeing to be appointed, the audit firm must submit a certificate of independence to the audit committee or to the board of directors of the client company</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				

<b>74/230</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>65% MATCHING TEXT</b>	22 WORDS
<p>all listed companies as well as public limited companies whose paid-up capital and free reserves exceed RS. 10 crore. or turnover exceeds Rs. 50</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>75/230</b>	<b>SUBMITTED TEXT</b>	99 WORDS	<b>80% MATCHING TEXT</b>	99 WORDS
<p>there should be a certification by the CEO (either the Executive chairman or the managing director) and the CFO (whole-time Finance Director or otherwise) which should state that, to the best of their knowledge and belief : ❖ They, the signing officers, have reviewed the balance sheet and profit &amp; loss account and all its schedules and notes on accounts as well as the cash flow statements and the Directors' report. ❖ These statements do not contain any material untrue statement or omit any material fact nor do they contain statements that might be misleading. ❖ These statements together represent a true and fair picture of the financial and</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>76/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>of the company and are in compliance with the existing accounting standards and/or applicable laws/ regulations. ❖ They,</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>77/230</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>98% MATCHING TEXT</b>	33 WORDS
<p>They have also disclosed to the auditors as well as the Audit committee instances of significant fraud, if any that involves management or employees having a significant role in the company's internal control systems. *❖ They,</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				

<b>78/230</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>100% MATCHING TEXT</b>	26 WORDS
<p>the audit committee and in the notes on accounts whether or not there were significant changes in internal control and/ or of accounting policies during the year</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>79/230</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>74% MATCHING TEXT</b>	50 WORDS
<p>a non-executive director of a company. (i) Apart from receiving director's remuneration, does not have any other material pecuniary relationships or transactions with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies. (ii) Is not related to promoters or management at the board, or one level below the board (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>80/230</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>60% MATCHING TEXT</b>	48 WORDS
<p>Has not been an executive of the company in the last three years. (iv) Is not a partner or an executive of the statutory auditing firm, legal firm, consulting firm, the internal audit firm that are associated with the company and has not been a partner or an executive</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>81/230</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>63% MATCHING TEXT</b>	29 WORDS
<p>Is not a significant supplier, vendor or customer of the company, (vi) Is not a substantial shareholder of the company, i.e. owning 2% or more of the block of voting shares, (</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>82/230</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>89% MATCHING TEXT</b>	28 WORDS
<p>as well as unlisted public limited companies with a paid-up share capital and free reserves of Rs. 10 crore and above or turnover of Rs. 50 crore and above</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				

<b>83/230</b>	<b>SUBMITTED TEXT</b>	44 WORDS	<b>93% MATCHING TEXT</b>	44 WORDS
<p>No less than 50% of the board of directors of any listed company, as well as unlisted public limited companies with a paid-up share capital and free reserves of Rs. 10 crore and above, or turnover of Rs. 50 crore and above, should consist of independent directors.</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>84/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>The minimum board size of all listed company, as well as unlisted public limited companies</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>85/230</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>54% MATCHING TEXT</b>	20 WORDS
<p>Audit committee's view on internal control systems, perceptions of risks, (vi) Why the audit committee accepted and recommended the financial statements with qualifications. (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>86/230</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>94% MATCHING TEXT</b>	28 WORDS
<p>it would be very difficult to attract high quality independent directors on the boards of Indian companies if they have to constantly worry about serious criminal liabilities under different Acts.</p> <p><b>SA</b> Dissertation-Draft 3 Final.pdf (D110259108)</p>				
<b>87/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>81% MATCHING TEXT</b>	16 WORDS
<p>criminal and civil liabilities under certain Acts such as companies ACT, Negotiable Instruments ACT, Provident Fund Act</p> <p><b>SA</b> Dissertation-Draft 3 Final.pdf (D110259108)</p>				

<b>88/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>70% MATCHING TEXT</b>	15 WORDS
<p>directors : All independent directors should be required to attend at least one such training course</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>89/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>SEBI may refrain from exercising powers of subordinate legislation in areas where specific legislation exists</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>90/230</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>88% MATCHING TEXT</b>	19 WORDS
<p>It would be appropriate for SEBI' to use its powers of subordinate legislation, in consultation with the DCA and vice versa.</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>91/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>87% MATCHING TEXT</b>	15 WORDS
<p>which regulates all companies and SEBI which regulates only listed companies, act in coordination and harmony. (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>92/230</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>87% MATCHING TEXT</b>	22 WORDS
<p>audit committee of publicly listed companies should be required to review the following information mandatory; financial statements, management discussion and analysis of financial</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>93/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>96% MATCHING TEXT</b>	14 WORDS
<p>condition and results of operations, reports relating to compliance with laws and risk management</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				



<b>94/230</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>all audit committee members should be “financially literate” and at least one member should have accounting or related financial management expertise, (</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>95/230</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>92% MATCHING TEXT</b>	35 WORDS
<p>prescribed in an accounting standard, management should justify why they believe such alternative treatment is more representative of the under lying business transaction. Management should also clearly explain the alternative accounting treatments in the footnotes to the financial statements. (</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>96/230</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>98% MATCHING TEXT</b>	35 WORDS
<p>Companies should be encouraged to move towards a regime of unqualified financial statements. This recommendation should be reviewed at an appropriate juncture to determine whether the financial reporting climate is conducive towards a system of filing unqualified financial statements. (</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>97/230</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>A statement of all transactions with related parties including their bases should be placed before the independent audit committee</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				

<b>98/230</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>100% MATCHING TEXT</b>	33 WORDS
<p>procedures should be in place to inform board members about the risk assessment and minimization procedures. These procedures should be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework. (</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>99/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>92% MATCHING TEXT</b>	17 WORDS
<p>any limitations to the risk taking capacity of the corporations. This document should be formally approved by the board. (</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				
<b>100/230</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>70% MATCHING TEXT</b>	46 WORDS
<p>Procedures should be placed to inform board members about the risk 42 NSOU • PGO-VIII assessment and minimization reviewed to ensure that executive management controls risk through means of a properly defined framework. (x) Management should place a report before the entire board of directors every quarter documenting</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>101/230</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>93% MATCHING TEXT</b>	20 WORDS
<p>such risks and any limitations to the risk taking capacity of the corporation. This document should be formally approved by the board. (</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				
<b>102/230</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>100% MATCHING TEXT</b>	27 WORDS
<p>Companies should be encouraged to train their board members in the business model of the company as well as the risk profile of the business parameters of the company. (</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				

<b>103/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Companies raising money, through an IPO should disclose the uses and application of funds</p> <p><b>SA</b> L.L.M DISSERTATION.docx (D110942008)</p>				
<b>104/230</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>94% MATCHING TEXT</b>	32 WORDS
<p>On annual basis, the company shall prepare a statement of funds utilized for purposes other than those stated in the offer document/prospectus. This statement should be certified by the independent auditors of the company</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				
<b>105/230</b>	<b>SUBMITTED TEXT</b>	34 WORDS	<b>91% MATCHING TEXT</b>	34 WORDS
<p>to review the performance of corporate governance and to determine the role of companies in responding to rumour and other price sensitive information circulating in the market to enhance the transparency and integrity of the market. 2.4</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>106/230</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>74% MATCHING TEXT</b>	48 WORDS
<p>from 1947 through 1991, the Indian government pursued mixed economic policies when the state nationalized banks primarily became the principal provider of both debt and equity capital for private firms, the Public Sector Undertakings were evaluated based on the amount of capital invested rather than on their return on investment, competition, especially</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				
<b>107/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>in India. Public listed companies in India were only required to comply with limited governance and</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				

<b>108/230</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>96% MATCHING TEXT</b>	47 WORDS
<p>disclosure standards enumerated in the Companies Act of 1956, the Listing Norms, and the accounting standards set forth by the Institute of Chartered Accountants of India (ICAI). Faced with a fiscal crisis in 1991, the Indian Government responded by enacting a series of reforms aimed at general economic liberalization,</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>109/230</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>86% MATCHING TEXT</b>	46 WORDS
<p>The Securities and Exchange Board of India (SEBI) -- India's securities market regulator -- was formed in 1992 and by the mid- 1990s, the Indian economy was growing steadily, and Indian firms began to seek equity capital especially from abroad to finance expansion into the market spaces created by</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>110/230</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>100% MATCHING TEXT</b>	38 WORDS
<p>amongst other things, led to Corporate Governance reform and many major Corporate Governance initiatives have been launched in India since the mid-1990s; most of these initiatives were focused on improving the governance climate in corporate India which was far from satisfactory</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				
<b>111/230</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>Confederation of Indian Industry (CII) Desirable Corporate Governance : A Code, 1998</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				

**112/230****SUBMITTED TEXT**

48 WORDS

**96% MATCHING TEXT**

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The first major initiative was taken by the Confederation of Indian Industry (CII), India's largest industry and business association, which came up with the first voluntary code of corporate governance in 1998. More than a year before the onset of the East Asian crisis, CII had set up a committee

**SA** Dissertation on Corporate Governance.docx (D27565990)**113/230****SUBMITTED TEXT**

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to examine corporate governance issues, and recommend a voluntary code of best practices. Drawing heavily from the Anglo-Saxon Model of Corporate Governance, CII drew up a voluntary Corporate Governance Code. The first draft of the code was prepared by April 1997, and the final document, Desirable Corporate Governance: A Code, was publicly released in April 1998. The code was voluntary, contained detailed provisions, and focused on listed companies. However, the CII Code'

**SA** Dissertation on Corporate Governance.docx (D27565990)**114/230****SUBMITTED TEXT**

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companies. Although the CII Code was welcomed with much fanfare and even adopted by a few progressive companies, it was felt that under Indian conditions a statutory rather than a voluntary code would be far more purposive and meaningful. Consequently, the second major corporate governance initiative in the country was undertaken by SEBI. 44

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<b>115/230</b>	<b>SUBMITTED TEXT</b>	60 WORDS	<b>97% MATCHING TEXT</b>	60 WORDS
<p>set up a committee under Kumar Mangalam Birla to promote and raise the standards of good corporate governance. The Birla Committee specifically placed an emphasis on independent directors in discussing board recommendations and made specific recommendations regarding board representation and independence. The Committee also recognized the importance of audit committees and made many specific recommendations regarding the function and constitution of board audit committees.</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>116/230</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>95% MATCHING TEXT</b>	26 WORDS
<p>to be provided to shareholders. Among other recommendations, the Birla Committee stated that a company's annual report to shareholders should contain a Management Discussion and Analysis (MD&amp;A) section,</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>117/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>and that companies should transmit certain information, such as quarterly reports and analyst presentations, to shareholders.</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>118/230</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>were incorporated into Clause 49 of the Listing Agreement of the Stock Exchanges</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				

<b>119/230</b>	<b>SUBMITTED TEXT</b>	89 WORDS	<b>85% MATCHING TEXT</b>	89 WORDS
<p>The Naresh Chandra committee was appointed in August 2002 by the Department of Company Affairs (DCA) under the Ministry of Finance and Company Affairs to examine various corporate governance issues. The Committee submitted its report in December 2002. It made recommendations in twokey aspects of corporate governance : financial and non-financial disclosures and independent auditing and board over sight of management and made aseriesofre commendations regarding, among other matters, the grounds for disqualifying auditors from assignments, the type of non-audit services that auditors should be prohibited from performing, and the need for compulsory rotation of audit partners.</p>				
<p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				

<b>120/230</b>	<b>SUBMITTED TEXT</b>	117 WORDS	<b>88% MATCHING TEXT</b>	117 WORDS
<p>The fourth initiative on corporate governance in India is in the form of the recommendations of the Narayana Murthy committee. The committee was set up by SEBI, under the chairmanship of Mr. N. R. Narayana Murthy, to review Clause 49, and suggest measures to improve corporate governance standards. Some of the major recommendations of the committee primarily related to audit committees, audit reports, independent directors, related party transactions, risk management, directorships and director compensation, codes of conduct and financial disclosures. The Murthy Committee, like the Birla Committee, described the international developments as a factor that motivated reform and stated that recent failures of corporate governance, particularly in the United States, combined with the observations of India's stock exchanges that compliance with Clause 49 up to that point</p>				
<p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				

<b>121/230</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>The Murthy Committee examined a range of corporate governance issues relating to corporate boards and audit committees, as well as disclosure to shareholders.</p>				
<p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				

<b>122/230</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>77% MATCHING TEXT</b>	33 WORDS
<p>focused heavily on the role and structure of corporate boards and strengthened the director independence definition in the then-existing Clause 49, particularly to address the role of insiders on Indian boards</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>123/230</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>63% MATCHING TEXT</b>	32 WORDS
<p>related to promoters or management at the board level, or one below the board; an executive of the company in the preceding three years; be a supplier, service provider, or customer of the</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>124/230</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>94% MATCHING TEXT</b>	25 WORDS
<p>The Murthy Committee also paid particular attention to the role and responsibilities of audit committees. It recommended that audit committees be composed of "financially literate" members,</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>125/230</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>75% MATCHING TEXT</b>	18 WORDS
<p>stated that whistle-blowers must have access to the audit committee without first having to inform their supervisors,</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>126/230</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>84% MATCHING TEXT</b>	20 WORDS
<p>that companies should annually affirm that they have not denied access to the audit committee or unfairly treated whistle-blowers generally. SEBI</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				



<b>127/230</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>83% MATCHING TEXT</b>	27 WORDS
<p>governance requirements with respect to corporate boards, audit committees, shareholder disclosure and CEO/CFO certification of internal controls which led transformation of the governance and disclosure standards of Indian public companies. (</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>128/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>90% MATCHING TEXT</b>	16 WORDS
<p>India's corporate governance reform efforts did not cease after adoption of Clause 49. In parallel, the</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>129/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>87% MATCHING TEXT</b>	16 WORDS
<p>the Government constituted an Expert Committee on Company Law under the Chairmanship of Dr. J.J. Irani</p> <p><b>SA</b> Ria CHAPTER 2 HISTORICAL BACKGROUND.docx (D66093525)</p>				
<b>130/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>been an executive of the company in the preceding three financial years,</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>131/230</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100% MATCHING TEXT</b>	20 WORDS
<p>in January 2009, the Indian corporate community was rocked by a massive accounting scandal involving Satyam Computer Services (Satyam), one</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				

<b>132/230</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>84% MATCHING TEXT</b>	37 WORDS
<p>of India's largest information technology companies. The Satyam scandal prompted quick action by the Indian government, including the arrest of several Satyam insiders and auditors, investigations by the MCA and SEBI, and substitution of the company's directors with government nominees.</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>133/230</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>85% MATCHING TEXT</b>	38 WORDS
<p>Shortly after news of the scandal broke, the CII began examining the corporate governance issues arising out of the Satyam scandal and in late 2009, the CII Task Force put out recommendations on corporate governance reform. In addition to the</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>134/230</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>73% MATCHING TEXT</b>	27 WORDS
<p>The National Association of Software and Services Companies (NASSCOM) also formed a Corporate Governance and Ethics Committee chaired by Mr. N. R. Narayana Murthy, one of the founders</p> <p><b>SA</b> PoojaSharma_20LLM32_Dissertation_LLM_2021 (5).docx (D110295071)</p>				
<b>135/230</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>80% MATCHING TEXT</b>	18 WORDS
<p>of Infosys and a leading figure in Indian corporate governance reforms. The Committee issued its recommendations in mid- 2010,</p> <p><b>SA</b> PoojaSharma_20LLM32_Dissertation_LLM_2021 (5).docx (D110295071)</p>				
<b>136/230</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>the Institute of Company Secretaries of India (ICSI) has also</p> <p><b>SA</b> Chapter 1 Intro.docx (D35537869)</p>				

<b>137/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>the SEBI Committee on Disclosure and Accounting Standards published a discussion paper</p> <p><b>SA</b> PoojaSharma_20LLM32_Dissertation_LLM_2021 (5).docx (D110295071)</p>				
<b>138/230</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>Section 252 (1) Every public company (other than a public company which has become such by virtue of section 43(A) shall have at least three directors. (2)</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>139/230</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>100% MATCHING TEXT</b>	22 WORDS
<p>directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company;</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>140/230</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>91% MATCHING TEXT</b>	23 WORDS
<p>The Board of directors of the company shall have an optimum combination of executive and non- executive directors with not less than fifty percent of the board of directors comprising of non- executive directors.</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				
<b>141/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>71% MATCHING TEXT</b>	14 WORDS
<p>Companies Act, 2013 Section 149(4) read with Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014 :</p> <p><b>SA</b> L.L.M DISSERATION.docx (D110942008)</p>				

<b>142/230</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>88% MATCHING TEXT</b>	10 WORDS
<p>have at least one-third of the total number of Directors and the</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>143/230</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>Where the Chairman of the Board is a non- executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				
<b>144/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>85% MATCHING TEXT</b>	14 WORDS
<p>has invested in or lent to the company are deemed to be independent directors,</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>145/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>88% MATCHING TEXT</b>	15 WORDS
<p>having paid up share capital of 10 crore rupees or more or turnover of 100crore rupees or more</p> <p><b>SA</b> REVISED DALJIT KAUR, . CH 3.docx (D21116636)</p>				
<b>146/230</b>	<b>SUBMITTED TEXT</b>	8 WORDS	<b>100% MATCHING TEXT</b>	8 WORDS
<p>least half of the Board should comprise of independent directors.</p> <p><b>SA</b> Dissertation-Draft 3 Final.pdf (D110259108)</p>				
<b>147/230</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>79% MATCHING TEXT</b>	18 WORDS
<p>An independent director in relation to a company, means a director other than a MD or a WTD or a nominee director.</p> <p><b>SA</b> L.L.M DISSERATION.docx (D110942008)</p>				

<b>148/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>Nominee directors appointed by an institution which has invested in or lent to the company shall be deemed to be independent directors.</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>149/230</b>	<b>SUBMITTED TEXT</b>	36 WORDS	<b>70% MATCHING TEXT</b>	36 WORDS
<p>Companies Act, 2013 Sec 149(10) : An ID shall hold office upto 5 consecutive years on the Board of a company, but shall be eligible for re- appointment on passing a special resolution by the company and disclosure of such appointment in Board's report.</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>150/230</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>87% MATCHING TEXT</b>	10 WORDS
<p>no independent director should hold office for more than two consecutive terms</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>151/230</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>97% MATCHING TEXT</b>	33 WORDS
<p>Rule 5 of Companies (Appointment and Qualification of Directors) Rules, 2014 : An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>152/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>A director shall not be a member in more than 10 committees or act as Chairman of more than five</p> <p><b>SA</b> Article _Tom_June2021.docx (D108563522)</p>				

<b>153/230</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>85% MATCHING TEXT</b>	31 WORDS
<p>A person shall not serve as an independent director in more than 7 listed companies. Further, any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than 3 listed</p> <p><b>SA</b> Kotak comm-Abhigyan.docx (D40491398)</p>				
<b>154/230</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>81% MATCHING TEXT</b>	26 WORDS
<p>IDs of the company shall hold at least one meeting in a year, without the attendance of non- independent directors and members of management. All the independent directors of the company shall</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>155/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>100% MATCHING TEXT</b>	15 WORDS
<p>The IDs of the company shall hold at least one meeting in a year, without the attendance of</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>156/230</b>	<b>SUBMITTED TEXT</b>	71 WORDS	<b>93% MATCHING TEXT</b>	71 WORDS
<p>Schedule IV : The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				

<b>157/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>91% MATCHING TEXT</b>	16 WORDS
<p>of independent directors. The company shall disclose the criteria for performance evaluation, as laid down by the Nomination Committee, in its Annual Report.</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>158/230</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>94% MATCHING TEXT</b>	38 WORDS
<p>The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated). On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director. (i) Code for Independent Directors :</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>159/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>public company, having paid-up capital of INR 100 crore or more, and</p> <p><b>SA</b> DALJIT KAUR, KCL INSTITUTE OF LAWS, CH 2.docx (D20799525)</p>				
<b>160/230</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>70% MATCHING TEXT</b>	19 WORDS
<p>other public company having-(a) paid-up share capital of 100 cr rupees or more or (b) turnover of three hundred cr rupees or more</p> <p><b>SA</b> REVISED DALJIT KAUR, . CH 3.docx (D21116636)</p>				
<b>161/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>81% MATCHING TEXT</b>	17 WORDS
<p>in India for a total period of not less than 182 days in the previous calendar year.</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				

<b>162/230</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>71% MATCHING TEXT</b>	20 WORDS
<p>one director who has stayed in India for a total period of not less than 182 days in the previous calendar year.</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>163/230</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>87% MATCHING TEXT</b>	9 WORDS
<p>be held at least once in every three months and at least</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>164/230</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>77% MATCHING TEXT</b>	13 WORDS
<p>The Board shall meet at least 4 times a year, with a maximum gap of 3 months between any 2 meetings.</p> <p><b>SA</b> Kotak comm-Abhigyan.docx (D40491398)</p>				
<b>165/230</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>92% MATCHING TEXT</b>	9 WORDS
<p>Audit Committee (1) Every Public Company having paid-up capital of not less than</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>166/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>71% MATCHING TEXT</b>	14 WORDS
<p>all public companies with paid up capital of ten cr rupees or more or having turnover</p> <p><b>SA</b> Sandeep Rathi (20LLM44) Dissertation (1).docx (D112706125)</p>				
<b>167/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>92% MATCHING TEXT</b>	14 WORDS
<p>A qualified and independent audit committee shall be set up, giving the terms of reference subject to the following :</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				



<b>168/230</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>95% MATCHING TEXT</b>	32 WORDS
<p>committee of the Board known as "Audit Committee" which shall consist of not less than three directors and such number of other directors as the Board may determine of which two-thirds of the total number of members shall be directors, other than managing or whole time directors.</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>169/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>73% MATCHING TEXT</b>	12 WORDS
<p>shall constitute an Audit Committee with a minimum of three directors with independent directors forming a majority</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>170/230</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>The audit committee shall have minimum three directors as members. Two- thirds of the members of audit committee shall be</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>171/230</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>All members of audit committee shall be financially literate and at least one member shall have accounting or related financial</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>172/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>71% MATCHING TEXT</b>	14 WORDS
<p>all public companies with paid up capital of ten cr rupees or more or having turnover</p> <p><b>SA</b> Sandeep Rathi (20LLM44) Dissertation (1).docx (D112706125)</p>				

<b>173/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>69% MATCHING TEXT</b>	15 WORDS
<p>or more or aggregate outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees or more</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>174/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>81% MATCHING TEXT</b>	15 WORDS
<p>other security holders at any time during a financial year to constitute a stakeholders relationship committee</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>175/230</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>84% MATCHING TEXT</b>	22 WORDS
<p>other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a chairperson who shall be a non- executive director and such</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>176/230</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>shall be formed to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				
<b>177/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>88% MATCHING TEXT</b>	15 WORDS
<p>prepare a report detailing the CSR activities undertaken and if not, the reasons for failure to comply.</p> <p><b>SA</b> PoojaSharma_20LLM32_Dissertation_LLM_2021 (5).docx (D110295071)</p>				

<b>178/230</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>89% MATCHING TEXT</b>	27 WORDS
<p>having net worth of rupees five hundred crore or more or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>179/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>80% MATCHING TEXT</b>	12 WORDS
<p>or more directors, out of which one director shall be an independent director.</p> <p><b>SA</b> Tanisha Agrawal 2019085 Corporate Governance Project (1).docx (D148739273)</p>				
<b>180/230</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>85% MATCHING TEXT</b>	26 WORDS
<p>ensure that the company spends in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years,</p> <p><b>SA</b> Kotak comm-Abhigyan.docx (D40491398)</p>				
<b>181/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>88% MATCHING TEXT</b>	17 WORDS
<p>prepare a report detailing the CSR activities undertaken and if not, the reasons for failure to comply.</p> <p><b>SA</b> PoojaSharma_20LLM32_Dissertation_LLM_2021 (5).docx (D110295071)</p>				
<b>182/230</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>89% MATCHING TEXT</b>	13 WORDS
<p>companies should undertake activities for economic and social development of communities and geographical areas,</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				

<b>183/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>75% MATCHING TEXT</b>	16 WORDS
<p>abusive, unfair, corrupt or anti-competitive. 3. Respect for Workers' Rights and Welfare : Companies should provide a</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>184/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>73% MATCHING TEXT</b>	17 WORDS
<p>Respect for Environment : Companies should take measures to check and prevent pollution; recycle, manage and reduce waste,</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>185/230</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>89% MATCHING TEXT</b>	13 WORDS
<p>companies should undertake activities for economic and social development of communities and geographical areas,</p> <p><b>SA</b> Dissertation on Corporate Governance.docx (D27565990)</p>				
<b>186/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>guidelines issued by MCA on social, environmental and economic responsibilities of business</p> <p><b>SA</b> Kotak comm-Abhigyan.docx (D40491398)</p>				
<b>187/230</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>59% MATCHING TEXT</b>	28 WORDS
<p>net worth of Rs. 500 crore or more, or 2. Companies having turnover of Rs.1000 crore or more, or 3. Companies achieving a profit of Rs. 5 crore or more</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>188/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>guidelines issued by MCA on social, environmental and economic responsibilities of business</p> <p><b>SA</b> Kotak comm-Abhigyan.docx (D40491398)</p>				

<b>189/230</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>among stakeholders used to determine and control the strategic direction and performance of</p> <p><b>SA</b> Chapter 1 Intro.docx (D35537869)</p>				
<b>190/230</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>Securities &amp; Exchange Board of India (Listing Obligations &amp; Disclosure Requirements) Regulations, 2015 (</p> <p><b>SA</b> Kotak comm-Abhigyan.docx (D40491398)</p>				
<b>191/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>66% MATCHING TEXT</b>	15 WORDS
<p>In the opinion of the Board, the Independent Directors fulfill the conditions specified in the</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>192/230</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>100% MATCHING TEXT</b>	9 WORDS
<p>to ensure compliance with the provisions of all applicable laws. (</p> <p><b>SA</b> L.L.M DISSERTATION.docx (D110942008)</p>				
<b>193/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>identify persons who are qualified to become directors and who may be appointed in</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>194/230</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>54% MATCHING TEXT</b>	18 WORDS
<p>Chairman of the Committee, is also a Non-executive Independent Director. The Company Secretary acts as the Secretary to the Committee.</p> <p><b>SA</b> FINAL.docx (D136078620)</p>				

<b>195/230</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>43% MATCHING TEXT</b>	24 WORDS
<p>to the approval of the Board of Directors; 2. Proposing budget allocation for the CSR activities, subject to the approval of the Board of Directors; 3.</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>196/230</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>88% MATCHING TEXT</b>	15 WORDS
<p>of security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>197/230</b>	<b>SUBMITTED TEXT</b>	54 WORDS	<b>45% MATCHING TEXT</b>	54 WORDS
<p>the performance of Non-independent Directors and the Board of Directors as a whole; (ii) Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non-executive Directors; (iii) Evaluation of the quality, content and timelines of flow of information between the management and the Board to effectively and reasonably perform its duties.</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>198/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>96% MATCHING TEXT</b>	12 WORDS
<p>in the ordinary course of business and on an arm's length basis</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>199/230</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>may have a potential conflict with the interest of the Company.</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				

<b>200/230</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>70% MATCHING TEXT</b>	23 WORDS
<p>b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock exchanges or SEBI or any statutory authority on</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>201/230</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>Number of shares and convertible instruments held by Non-executive Directors :</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>202/230</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>72% MATCHING TEXT</b>	22 WORDS
<p>Director is a Director, who in the opinion of the Administrative Ministry is a person of integrity and possesses relevant expertise, experience.</p> <p><b>SA</b> Dissertation Prietesh_Role of Independent Directors in Corporate Governance An Appraisal of the R ... (D111327491)</p>				
<b>203/230</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>204/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>88% MATCHING TEXT</b>	12 WORDS
<p>Recommendation for appointment, remuneration and terms of appointment of auditors of the Company; (</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>205/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Approval of payment to statutory auditors for any other services rendered by the statutory auditors; (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				

<b>206/230</b>	<b>SUBMITTED TEXT</b>	93 WORDS	<b>83% MATCHING TEXT</b>	93 WORDS
<p>before submission to the Board for approval, with particular reference to : • Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013; • Changes, if any, in accounting policies and practices and reasons for the same; • Major accounting entries involving estimates based on exercise of judgement by management; • Significant adjustments made in the financial statements arising out of audit findings; • Compliance with Listing and other legal requirements relating to financial statements; • Disclosure of any Related Party Transactions; •</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>207/230</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>92% MATCHING TEXT</b>	19 WORDS
<p>Reviewing, with the management, the quarterly financial statements before submission to the Board for approval; (vii) Reviewing with the management,</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>208/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>statement of funds utilized for purposes other than those stated in the offer document / prospectus /</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				
<b>209/230</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>appropriate recommendations to the Board to take up steps, in this matter;</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>210/230</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>84% MATCHING TEXT</b>	11 WORDS
<p>and monitoring the auditor's independence and performance, and effectiveness of audit process; (</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				



<b>211/230</b>	<b>SUBMITTED TEXT</b>	38 WORDS	<b>79% MATCHING TEXT</b>	38 WORDS
<p>Approval or any subsequent modification of transactions of the Company with Related Parties; (xi) Scrutiny of inter-corporate loans and investments; (xii) Valuation of undertakings or assets of the Company, wherever it is necessary; (xiii) Evaluation of internal financial controls and risk management</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>212/230</b>	<b>SUBMITTED TEXT</b>	47 WORDS	<b>78% MATCHING TEXT</b>	47 WORDS
<p>performance of statutory and internal auditors, adequacy of the internal control systems; (xv) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit; (xvi) Discussion with internal auditors</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>213/230</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>92% MATCHING TEXT</b>	18 WORDS
<p>auditors any significant findings and follow-up thereon; (xvii) Reviewing the findings of any internal investigations by the internal auditors /</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>214/230</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>95% MATCHING TEXT</b>	31 WORDS
<p>into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board. (xviii) Discussion with statutory auditors before</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>215/230</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>92% MATCHING TEXT</b>	18 WORDS
<p>audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				

<b>216/230</b>	<b>SUBMITTED TEXT</b>	40 WORDS	<b>89% MATCHING TEXT</b>	40 WORDS
<p>about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company; (</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>217/230</b>	<b>SUBMITTED TEXT</b>	37 WORDS	<b>76% MATCHING TEXT</b>	37 WORDS
<p>To look into the reasons for substantial defaults in the payment to the 150 NSOU • PGCO-VIII depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors; (xxi) To review the functioning of the whistle blower mechanism; (</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>218/230</b>	<b>SUBMITTED TEXT</b>	75 WORDS	<b>100% MATCHING TEXT</b>	75 WORDS
<p>The Audit Committee shall mandatorily review the following information : • Management Discussion and Analysis of financial condition and results of operations; • Statement of significant Related Party Transactions (as defined by the Audit Committee), submitted by management; • Management letters/ letters of internal control weaknesses issued by the statutory auditors; • Internal audit reports relating to internal control weaknesses; and • The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee. •</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>219/230</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Statement of funds utilized for purposes other than those stated in the offer document /prospectus/</p> <p><b>SA</b> Synopsis.docx (D109401775)</p>				

<b>220/230</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>95% MATCHING TEXT</b>	13 WORDS
<p>Investigate into any matter in relation to the items specified in Section 177</p> <p><b>SA</b> sikkim.docx (D27616321)</p>				
<b>221/230</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>90% MATCHING TEXT</b>	20 WORDS
<p>this purpose, shall have full access to information contained in the records of the Company and external professional advice, if necessary,</p> <p><b>SA</b> Corporate governance in India an evaluation.pdf (D34933278)</p>				
<b>222/230</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>223/230</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>75% MATCHING TEXT</b>	30 WORDS
<p>the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees.</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>224/230</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>86% MATCHING TEXT</b>	32 WORDS
<p>identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				

<b>225/230</b>	<b>SUBMITTED TEXT</b>	31 WORDS	<b>80% MATCHING TEXT</b>	31 WORDS
<p>remuneration to performance is clear and meets appropriate performance benchmarks; and • remuneration to Directors, Key Managerial Personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance</p> <p><b>SA</b> harshitha dissertation fianl draft.docx (D111095166)</p>				
<b>226/230</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>63% MATCHING TEXT</b>	22 WORDS
<p>Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation</p> <p><b>SA</b> Management of IDBI.docx (D17540507)</p>				
<b>227/230</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>to the Board, all remuneration, in whatever form, payable to senior management.</p> <p><b>SA</b> Article _Tom_June2021.docx (D108563522)</p>				
<b>228/230</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>72% MATCHING TEXT</b>	22 WORDS
<p>Director is a Director, who in the opinion of the Administrative Ministry is a person of integrity and possesses relevant expertise experience.</p> <p><b>SA</b> Dissertation Prietesh_Role of Independent Directors in Corporate Governance An Appraisal of the R ... (D111327491)</p>				
<b>229/230</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>52% MATCHING TEXT</b>	17 WORDS
<p>Remuneration of Directors (a) There was no pecuniary relationship or transaction of any non-executive director vis-à-vis the Company</p> <p><b>SA</b> final combined copy.pdf (D136078516)</p>				

**230/230**

**SUBMITTED TEXT**

12 WORDS

**100% MATCHING TEXT**

12 WORDS





















Fernando, A. C. : Corporate Governance : Principles,  
Policies and Practices, Pearson
















**SA** Dissertation-Draft 3 Final.pdf (D110259108)







## Document Information

<b>Analyzed document</b>	PGCO-X (Seva).pdf (D165256121)
<b>Submitted</b>	4/27/2023 3:31:00 PM
<b>Submitted by</b>	Library NSOU
<b>Submitter email</b>	dylibrarian.plagchek@wbnsou.ac.in
<b>Similarity</b>	10%
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## Sources included in the report

<b>W</b>	URL: <a href="https://www.accountingtools.com/articles/foreign-currency-translation.html">https://www.accountingtools.com/articles/foreign-currency-translation.html</a> Fetched: 1/16/2020 1:02:56 PM	 	<b>1</b>
<b>W</b>	URL: <a href="https://fxcpe.com/Examples/FX-Terms-Glossary">https://fxcpe.com/Examples/FX-Terms-Glossary</a> Fetched: 12/14/2020 5:52:22 AM	 	<b>1</b>
<b>W</b>	URL: <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a> Fetched: 7/15/2021 9:40:48 AM	 	<b>11</b>
<b>W</b>	URL: <a href="https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation">https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation</a> Fetched: 5/12/2021 12:13:28 PM	 	<b>4</b>
<b>W</b>	URL: <a href="http://ruby.fgcu.edu/courses/cpacini/courses/acg6255/ch6intlacctg.pdf">http://ruby.fgcu.edu/courses/cpacini/courses/acg6255/ch6intlacctg.pdf</a> Fetched: 11/28/2020 7:43:34 AM	 	<b>1</b>
<b>W</b>	URL: <a href="https://www.wallstreetmojo.com/exchange-rate-risk/">https://www.wallstreetmojo.com/exchange-rate-risk/</a> Fetched: 9/24/2019 9:11:56 PM	 	<b>1</b>
<b>W</b>	URL: <a href="https://www.wallstreetmojo.com/foreign-currency-translation/">https://www.wallstreetmojo.com/foreign-currency-translation/</a> Fetched: 1/15/2021 11:37:12 PM	 	<b>1</b>
<b>W</b>	URL: <a href="https://quizlet.com/135990791/fin-435-final-flash-cards/">https://quizlet.com/135990791/fin-435-final-flash-cards/</a> Fetched: 10/30/2021 11:57:54 AM	 	<b>1</b>
<b>W</b>	URL: <a href="https://policies.latrobe.edu.au/document/view.php?id=248">https://policies.latrobe.edu.au/document/view.php?id=248</a> Fetched: 10/24/2019 3:20:59 AM	 	<b>1</b>
<b>W</b>	URL: <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a> Fetched: 9/18/2021 12:00:06 PM	 	<b>28</b>

<b>SA</b>	<b>FMG-403 International Finance.pdf</b> Document FMG-403 International Finance.pdf (D164737611)	 22
<b>SA</b>	<b>14691e0019 - a study on comparative trend analysis of INR vis-a-vis USD,GBP,EUR and jpy.docx</b> Document 14691e0019 - a study on comparative trend analysis of INR vis-a-vis USD,GBP,EUR and jpy.docx (D20963459)	 6
<b>W</b>	URL: <a href="https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918">https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918</a> Fetched: 11/13/2019 3:11:00 AM	 6
<b>W</b>	URL: <a href="http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf">http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf</a> Fetched: 5/2/2021 4:10:35 PM	 5
<b>W</b>	URL: <a href="https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf">https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf</a> Fetched: 9/30/2021 1:22:35 AM	 6
<b>SA</b>	<b>062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx</b> Document 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)	 18
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### PREFACE

In the curricular structure introduced by this University for students of Post- Graduate degree programme, the opportunity to pursue Post-Graduate course in a subject is introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. I am happy to note that university has been recently accredited by National Assessment and Accreditation Council of India (NAAC) with grade 'A'. Keeping this in view, the study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing, and devising of a proper layout

of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials, the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great deal of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Subha Sankar Sarkar Vice-Chancellor

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Module - 1

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Unit - 1 □ International Dimension of Accounting Structure 1.1 Introduction 1.2 International Accounting-Definition and Concept 1.3 Need and significance of International Accounting 1.3.1 Needs of International Accounting 1.4 Development in Accounting 1.4.1 Factors influencing the development of International Accounting 1.5 Scope of International Accounting 1.6 Summary 1.7 Key Words 1.8 Exercises 1.0 Objectives The objectives of studying Unit-1 are as below : • It will help to understand the meaning and concept of international accounting • The study will help to realize the importance and significance of international accounting • It will facilitate to understand the factors influencing the development of international accounting • It will highlight the scope of international accounting 1.1 Introduction Business enterprises get the reasonable, purposeful information from accounting and reporting for taking several business decisions in a compact and fruitful manner. Accounting and reporting provide necessary information about the economic and business health of a business organization by means of which not only the business organizations take business decisions more effectively and prudently but also the 9

10 NSOU • PGC0-X users of accounting information used to take several crucial investment decisions and as such accounting is called the language of business. Business enterprises follow the accounting and reporting practices of a country to which it belongs. In international perspectives, it is observed that various countries of the world have diverse accounting and reporting backgrounds. The business enterprises operating in these different countries resort to diverse accounting and reporting practices of a particular country to which they belong which make it a real hurdle for the global users to understand the meaning and interpretations of global accounting and reporting of various enterprises. This very often makes the business decision making risky and inappropriate leading to business failure and jeopardy. The need for a uniform accounting and reporting practices crops up to mitigate the deadlock in understanding the diverse accounting and reporting practices followed by businesses across the globe. This has resulted in the emergence of international accounting and reporting practices to be developed and adopted by all as far as practicable in the global sphere to instill a uniform standard of accounting and reporting for ease in international comparison and better cross-border trade in the present era of free trade regime across the globe.

### 1.2 International Accounting—Definition and Concept

International Accounting is defined as the global process of accounting fitted with accounting principles and reporting practices keeping in view the best practices followed by different countries of the world. International accounting involves the process of accounting relating to international transactions and other operational activities of various organizations engaged in international trade and commerce by prescribing accounting principles and practices that should be followed for achieving excellence in accounting and reporting in international perspectives. International accounting refers to that system of accounting which incorporates several best practices for accounting and reporting purposes prevailing around the globe with an attempt to develop and inculcate a universal approach of accounting and reporting for overall acceptance and perception by all irrespective of the domicile of users of accounting information. The evolution of international accounting has been the corner stone approach in maintaining and regularizing the process of accounting in international perspectives to match with the ultimate need of accounting to supply useful information to

NSOU • PGC0-X 11 different global users in a best possible manner. Accounting and reporting are highly intertwined to each other and are of great significance to deal with various issues related to business functions, growth and sustainability. A business cannot be expected to operate in an efficacious manner especially in the present era of international trade where trade is free from international protection by means of reducing the barriers to international trade and is very much exposed to both national and international competition unless it adopts the international practices and guidelines of accounting and reporting. The various decisions concerning inflow of foreign capital, foreign exchange, use of foreign technology, cross-border trades etc. are very much dependent on the nature of accounting and reporting practices followed by an organization. The use of international accounting and reporting practices followed by an organization makes the organization a real harbour for international trade and foreign players become very much interested to maintain business relations with such an organization. The reason is very clear since by adopting the international accounting and reporting practices, the economic as well as financial health of such an organization becomes easily understandable and perceptible to the foreign players who can undertake international comparison for taking effective and viable economic decisions. International accounting is not fundamentally different from traditional concept of accounting but it emphasizes on the method of accounting and reporting that can be globally accepted and understood fortified with the basic needs of integrity, comparability, transparency, understandability in accounting and reporting. Under the concept of international accounting there are thus several interacting issues like recording and translation of foreign transactions, convergence and harmonization of accounting standards followed by various global counterparts, preparation and promulgation of international accounting standards and international financial reporting standards etc. in tune with the international generally accepted accounting principles, conventions, practices followed by different countries of the world. International accounting is a specially within the entire discipline that focuses on using specific accounting standards that are relevant in the country as they are when the books of accounts are balanced with foreign counterparts globally comparable accounting standard promote transparency accountability and efficiency in the financial market around the globe.

12 NSOU • PGCO-X 1.3 Need and significance of International Accounting International accounting is very much concerned with identifying and highlighting the best international practices in accounting and reporting so as to maintain integrity, acceptability, understandability of accounting information by the global users. The present trend of free international trade has opened up and accelerated the scope of participation in foreign trade and commerce. Several small agencies, MNCs, corporate houses are found engaged in foreign trade across the globe. The participating firms, MNCs etc. belong to various countries which have distinct foreign exchanges, domestic accounting and reporting practices which are highly divergent. This very often leads to deadlock in understanding, interpreting and conceptualizing as well as communicating the accounting information conveyed by different firms operating in different countries since they are as diverse as the number of diverse economies take part in foreign trade. Business firms intending to operate in international platforms used to face stringencies in garnering foreign capital, technology, foreign direct investment etc. because of the lack of understandability, information communication owing to maintaining of accounts and reports by the firms in their domestic patterns and techniques. Consequently, the complexities involved in domestic accounting and reporting practices lead to disruption in international trade and commerce. The diversity in accounting and reporting aggravates further with the participation of diverse economic entities in the international platform. The role of international accounting is crucial and highly relevant to tackle the problems in managing diversity in accounting and reporting associated with international trade. Accordingly, international accounting under the aegis of various internationally reputed and accredited accounting and professional bodies like AICPA, IASB, FASB, IOSCO has formulated and issued several international accounting standards and financial reporting standards to cope with the operational complexities and diversities owing to socio-economic, political, cultural, technological and perceptual differences prevailing among the participating nations across the globe. 1.3.1 Needs of International Accounting International accounting has its magnificent role in managing different issues

NSOU • PGCO-X 13 faced by different nations in international trade and commerce. Diversity in accounting and reporting in international sphere acts as a major threat to achieve success in foreign trade despite its liberty in the free trade regime. The use of different terminologies in accounting, different concepts for recognitions of assets and liabilities, diversity in recording of transactions, valuations etc. by different nations have the striking adversity to achieve success in international trade. The following are the needs for studying international accounting: (a) International accounting significantly helps in outlining the ways and means to alleviate disparity in accounting and reporting practices followed by global firms. (b) It facilitates the harmonization and convergence process of divergent accounting and reporting practices prevailing around the globe at par with the best practices recommended by various internationally reputed accounting and professional bodies. (c) It helps to develop and formulate universally accepted accounting standards and financial reporting standards to reduce diversity in accounting and reporting across the national frontiers. (d) International accounting highlights the methodology to be adopted in foreign currency translations to make the domestic financial accounting and reporting information more user-friendly and appropriate to help undertake viable economic and investment decisions by foreign counterparts. (e) It helps to improve acceptability, understandability, transparency, comparability in accounting and reporting by removing divergence in accounting and reporting practices of the global participants in foreign trade. (f) The universality in accounting and reporting practices fortified by international accounting helps to strengthen international trade by accelerating the pace of inflow of foreign capital, FDI, foreign technology etc. for the cause of resource mobilization in international platform. (g) International accounting has the capacity to make international trade and commerce more fruitful and lucrative to the foreign traders because of the ease in cross-border trade by adopting the universally accepted international accounting and reporting practices.

14 NSOU • PGCO-X (h) International accounting has made it possible to bring harmony in accounting and reporting practices by bringing various recognized accounting and professional bodies of the world to work together to devise and formulate universally accepted policies in accounting and reporting. (i) The primary purpose of universally accepted, dependable, transparent, understandable, ethical and comparable accounting and reporting as well as disclosure requirements have got the momentum through international accounting across the globe. 1.4 Development in Accounting The history of development in accounting around the globe has been long cherished consequent on the continuous improvement of business activities. Accounting has its classic role to respond to various socio-economic situations reflecting economic, legal, cultural as well as political environment within which the business activities operate and flourish. The issues related to business and societies are as diverse as the countries engaged in trade and commerce. In fact, the socio-economic status of a country is highly interdependent on the level of economic activities carried on through business and trade pertaining to a specific country. Business has a magnificent role to influence and represent the social lives of a nation since society and business are interrelated to each other and one without the effective co-ordination of other becomes ineffective and cannot grow and survive. As such, the social cultures, likes and dislike, socio-economic status, political situations etc. are reflected through the language of business i.e. accounting. It is also to be mentioned here that the differences in socio-cultural-economic issues of various economies make the accounting practices highly divergent in nature around the globe. This diversity in accounting practices of several economies act as an impediment to international trade practices and make a barrier to foreign trade and commerce. To overcome this hurdle and to facilitate the free international trade, development of accounting practices has been very much significant. The international market players have given much emphasis to develop international accounting to provide a uniform platform of accounting practices to be followed by all participating international trade so as to ensure acceptability, understandability, comparability etc. in accounting and reporting.

NSOU • PGCO-X 15 1.4.1 Factors influencing the development of International Accounting The domestic pattern of accounting followed by different world economies are as diverse as the number of countries that follow accounting and reporting practices as per the socio-economic-political environment prevailing therein. Developed economies like USA, UK, France, Germany etc. follow the accounting practices in a compact manner to give emphasis on investors' protection, shareholders' value creation, better corporate governance, and transparency in disclosure etc. by adopting US GAAP and/or International Standards on Accounting issued by IASB. While most of the underdeveloped economies fail to do so in their accounting practices and as a result, the diversity in accounting practices crops up to work as a barrier to international trade and thus boost up the need for development of international accounting. The different issues that substantially influence the development of international accounting may be highlighted as below : (a) Sources of Finance : Accounting practices vary greatly due to diversity in sources of finance. In many developed countries like UK, USA etc. equity market oriented finance in business is deeply noticed where accounting practices gives focus on shareholders' value creation, return on investment as well as protecting their interests to help take appropriate business decision and risk aversion. In contrast, many other economies like France, Germany, Japan etc. mostly depend on institutional finance from banks and other financial organizations instead of equity finance for business investments. In this mode of business finance, accounting practices concentrate on protecting the interests of creditors and suppliers' of finance by adopting conservative practices in accounting since the banks and other suppliers of finance significantly control the businesses and get in well- touch of economic information being part of insider management. Accounting and disclosure practices in such cases remain mostly confined and less- public. (b) Legal System : The different legal systems prevailing in different countries make it highly inconvenient to operate in global market. Legal system refers to the system that describes how individuals and institutions interact with each other. Based on the nature of interactions between the individuals and

16 NSOU • PGCO-X the institutions in carrying out economic activities, legal frameworks are planned and implemented. Some countries follow stringent code of conducts and are also applied in economic activities to maintain accounting and reporting in a robust manner. In such cases, business enterprises have to follow specific accounting and reporting practices strictly as per code while other countries are not in a position to follow these since they do not have code of conducts and rules but they have their common law based guidelines to follow. These common law based guidelines are sometimes found to be flexible and have laxity in many cases. This diversity in legal system needs the development of international accounting to ensure universal approach in accounting. (c) Taxation Policy : Taxation policy followed by different world economies is independent in nature and scope. The economic result (business profit) is very often computed separately for accounting and tax purposes. Some countries determine profit uniformly for accounting and tax purposes while others determine accounting profit first and then by adjusting various expenses and incomes as per the existing tax laws compute taxable profits. In India, this practice is followed along with other nations. The use of accounting standards makes the difference in computing business profit significantly. The international taxation policy also has a great bearing in developing international accounting. (d) Socio-economic-political Environment : The wide diversity in social and political status significantly changes the business operations and their accounting practices keeping in view the needs and aspirations of the society, its people and the political regime going on. The state of economy, economic environments, level of inflation, nature of economic institutions, people's participation, domestic market players and foreign market players including MNCs etc. of a country strongly influence the accounting practices followed by it. It is, therefore, very much important to develop international accounting to prescribe the use of accounting practices by every nation to ensure uniformity irrespective of the state of their socio-economic-political environment. (e) Increasing Trend in International Trade : The economic liberalization and NSOU • PGCO-X 17 free trade policy across the national frontier have zoomed up international trade significantly relating to free flow of goods, services and capital. Many nations, whether developed or under-developed, rich or poor have been found to join the international platform with much of enthusiasm to deal in foreign trade. This ever-increasing trend in international trade participation by various world economies spurs the complexities involved in different accounting practices followed by different countries. To overcome this difference in accounting practices, the development of international accounting is considered very much important so as to accelerate the international flow of capital. (f) Diversity in Global Accounting and Reporting leading to Convergence Process : The wide diversity in global accounting and reporting practices seriously affect international trade for the difficulty in understanding and realizing the global accounting reports by different users. The convergence of accounting standards is aimed at reducing the difference in accounting and reporting practices followed by different world economies such that accounting and reporting become understandable, reliable and comparable to the users for taking appropriate economic decisions. The convergence of accounting practices is very much helpful to avoid ambiguity and lack of understanding by the global users of the accounting and reporting prepared by various countries as per their own sets of accounting and reporting rules and techniques. Development of international accounting is a step towards the convergence of accounting procedure across the globe to establish transparency and comparability in global accounting and reporting practices. (g) Level of Education and Cultural Background : Level of education as well as cultural background significantly influence the development of international accounting process. Accounting and reporting practices based on highly sophisticated accounting standards followed by developed countries may not be easily understood by other nations. Development and implementation of international accounting is considered very much important to help the culturally and educationally backward nations understand and conceptualize the highly standardized accounting and reporting in a much more competent manner to take appropriate economic decisions.

18 NSOU • PGCO-X 1.5 Scope of International Accounting The international accounting is much wider in scope and application consequent on the global need of it to cover different aspects on accounting and reporting across the globe. International accounting is aimed at providing guidelines to make the diverse accounting and reporting practices to merge into a unified system to ensure reliability, acceptability, comparability and adaptability of accounting information by the different stakeholders. The operational activities of international accounting looks forward and directs the manner and philosophy of recording international transactions, translation of foreign currency, preparation of inflation adjusted financial statements, accounting for transfer pricing, consolidation of foreign financial statements, foreign exchange risk management, international taxation etc. How international accounting assists these areas to make them fit for international acceptance may be described as follows : (a) Recording of international transactions : International transactions include transactions on export and import of goods and services, foreign lending and borrowing, conversion of one foreign currency into another foreign currency, foreign investments, unrequited money transfer etc. entered into between two or more foreign countries. International accounting starts with providing the guidance to record these transactions in line with the best international practices and standards. While prescribing the recording modalities of these transactions, international accounting highlights two approaches – single approach and dual transactions approach based on the dates of incurring the transactions viz. initial transaction date, interim reporting date and transaction settlement date. (b) Foreign Currency Translation : Foreign currency translation is the approach to convert the financial information of the foreign subsidiary of a parent company to the reporting currency of the parent company. Financial statement consolidation process by means of foreign currency translation is one of the key activities of international accounting. The translation of foreign currency is very much helpful for performance evaluation of globally dispersed subsidiaries of a parent company by restating the financial information and reports of the subsidiaries into the currency of the parent company. Foreign currency translation process is inherently concerned with the identification NSOU • PGCO-X 19 of functional currency of the foreign subsidiaries so as to restate

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the financial statements of the foreign entities into the reporting currency of the parent company and thereafter to record the gains and losses of the translation

process. (c) Global Inflation : The level of inflationary situations prevailing in different parts of the globe significantly influences the development of international accounting. Price level changes across the global market frequently change the purchasing powers of goods and services and also distort the contents of financial statements representing profit figure, statement of affairs etc. International accounting provides the necessary guidelines to adopt measures to neutralize the impact of inflation on financial information. This is very much needed to make global financial reporting more acceptable and comparable to all in global spheres. (d) Global Financial Statement Analysis : Analysis of global financial statements which are prepared by various countries on the basis of their different accounting and reporting practices is highly relevant for the global users. This is so because the contents and manner of presentation of the global financial information are highly divergent and imperceptible in many cases to others. With the help of international accounting, analysis of global financial statements becomes really conducive to understand and interpret for taking appropriate economic decisions by the different users. (e) Segment Reporting : Segment reporting is an approach to report on various business segments based on geographical locations or on operational activities to disclose specific segmental information for better appraisal. International Accounting Standard 14 clarifies the classification of business into identifiable segments as also their accounting and disclosure practices for effective assessment and economic appraisal of different segments. (f) Transfer Pricing : In international transactions, transfer pricing occupies a crucial role. Multinational corporations working in different countries adopt transfer pricing as a measure to off-set the tax jurisdictions applicable in different countries. IAS 14 on segment reporting defines transfer pricing as “the pricing of products and services between industry segments or geographical areas’. International accounting highlights the adjustment

20 NSOU • PGCO-X process to reassess international financial results of multinational corporations which undertake transfer pricing mechanism. (g) Consolidation of Foreign Financial Statements : Consolidated financial statements disseminate financial results and financial positions of a group of interrelated companies as a unified whole for better understanding of the group performance by the different stakeholders. Preparation of consolidated financial statements of various interrelated business corporations working in different countries makes the consolidation process complex because of using different accounting backgrounds by the global parent corporations and their subsidiaries. International Accounting Standards 27 prescribes the detail procedure for the preparation and presentation of consolidated financial statements from the accounts of various foreign corporations in a uniform base for the overall benefits of different users in a fair and transparent manner. (h) Foreign Exchange Risk Management : Foreign exchange risk management is another important issue where international accounting has its role to play. Foreign exchange risk management of an enterprise is primarily concerned with monitoring and managing foreign exchange exposure with a view to maximize profitability, capital inflow and market value etc. International accounting with its vast exposure on global foreign market gives the necessary guidelines to control and manage foreign exchange risk. 1.6 Summary International accounting is the process of conceptualizing and monitoring the global accounting and reporting issues to blend into a unified whole system to be used by all for better understanding, comparing and transparency in accounting and reporting. International accounting is that branch of accounting which deals with recording and translation of foreign transactions, preparation and presentation of consolidated foreign financial statements at par with international GAAP and reporting practices. International accounting significantly helps in achieving harmonization of accounting and reporting practices across nations and this gives immense benefits to the investors and other global market players to take appropriate economic decisions in a much more informed manner.

NSOU • PGCO-X 21 Development of international accounting has become the prime issue to keep pace with the emerging trend of global trade, inflow of foreign capital, harmonization of accounting and reporting practices. International accounting looks for globalization of accounting and reporting practices by use of international accounting standards and practices. Diversity in accounting and reporting practices followed by various countries of the globe is systematically off-set by the adoption of international accounting standards. Various issues like recording of foreign exchange transactions, adjustment of foreign financial statements against inflation, consolidation of foreign financial statements, adjustment for transfer pricing methodology adopted by MNCs, foreign exchange risk management, segment reporting and many other concurrent issues fall within the scope of international accounting. 1.7 Key Words Development of Accounting : Development of accounting refers to the improvement in accounting system to match accounting with the global scenario concerning economic, legal political and cultural environment. Foreign Currency Translation : It the process of translating or restating financial information of global firms from one foreign currency into another as per requirement for better understanding and interpretation by the global users. International Accounting : International accounting is defined as that branch of accounting which deals with the recording and accounting of foreign transactions keeping in view the best practices followed by different countries of the world. Segment Reporting : Segment reporting is the approach to report on various business segments /units based on their geographical location or on the basis of their operational activities for better performance evaluation of the segments. Taxation Policy : It refers to the policy for the purpose of levying tax on economic activities and financial results of taxpayers. Transfer Pricing : It is the pricing adopted by multinational companies with the objective to minimize global tax liability. 1.8 Exercises 1. What do you mean by international accounting?

22 NSOU • PGCO-X 2. State the importance of international accounting. 3. What is meant by development of international accounting? 4. Explain in brief the different factors that influence the development of international accounting. 5. Define the concept of international accounting. State the needs of international accounting. 6. Explain the scope of international accounting in the present era of globalization. 7. Write short notes on – (a) Significance of International Accounting (b) Segment Reporting (c) Foreign Exchange Risk Management (d) Consolidation of Foreign Financial Statement

NSOU • PGCO-X 23 Unit - 2 □ International Accounting Convergence Structure 2.0 Objectives 2.1 Introduction 2.2 Convergence-meaning and concept 2.3 Need and Significance of Convergence 2.4 Benefits of Convergence of Accounting Standards 2.5 Challenges and Difficulties in Convergence of Accounting Standards 2.6 Participation of International Organizations in the Convergence Process 2.6.1 International Accounting Standards Board 2.6.1.1 Objectives of IASB 2.6.2 European Union (EU) 2.6.3 International Organization of Securities Commissions (IOSCO) 2.6.4 International Federation of Accountants (IFAC) 2.6.5 United Nations Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) 2.6.6 Organization for Economic Cooperation and Development (OECD) 2.7 Other Regional Accounting Organizations 2.8 Global Convergence of Accounting Standards 2.8.1 Status of Global Convergence of Accounting Standards 2.8.2 Advantages of Global Convergence 2.8.3 Disadvantages of Global Convergence 2.9 Summary 2.10 Key Words 2.11 Exercises 23

24 NSOU • PGCO-X 2.0 Objectives The objectives of studying Unit-2 • To understand the meaning and concept of convergence of international accounting standards • To conceptualize the meaning of convergence and harmonization of accounting standards • To identify the needs and significance of convergence of accounting standards • To understand the benefits and challenges of convergence of accounting standards • To know the organizations involved in the convergence process of international accounting standards 2.1 Introduction The world wide wave of globalization and liberalization has made the universe a single market for participation in international trade. Global market players are now free to enjoy trade with other nations without any barricade as regards flow of goods, services, capital, manpower and technology etc. But this free interplay between global partners may not be really conducive and fruitful and in fact creates hindrance to flourish if the level and the manner of accounting and reporting practices followed by different nations vary greatly. This makes the convergence of accounting standards a reality to overcome the situation. As such, the international convergence of accounting standards is considered very much significant to implement a single set of high quality accounting standards that can suit every nation as regards simplicity, understandability, transparency, reliability etc. of accounting and reporting information practiced and disclosed respectively to remove the barriers in inflow of goods, services, capital etc. in cross border trade. Various premier accounting and professional bodies around the globe have come forward to devise and set up universally accepted accounting standards to be followed by different nations for the preparation and presentation of accounting and reporting information in an all- inclusive manner for the satisfaction of all.

NSOU • PGCO-X 25 2.1 Convergence–Meaning and Concept In simple term convergence refers to the act of merging one thing with others. The convergence of accounting standards refers to the goal of establishing a single set of high quality accounting standards that can be used internationally to ensure transparency, comparability, reliability, materiality, understandability in accounting and reporting. Convergence in some form or other has been taking place for several decades, and efforts are being taken by harmonizing the diverse accounting practices with the aim to reduce the differences between accounting standards. Convergence is driven by several factors, including the belief that devising a single set of accounting requirements would increase the comparability of different entities' accounting information and will also boost up transparency and easy understanding of financial information, which will contribute to the inflow of foreign capital on national frontier and also a lot of benefits for the different stakeholders. 2.1.1 Harmonization and Convergence The two terms 'harmonization' and 'convergence' are used interchangeably and are almost considered synonymous since the difference in between these have become thin and blurred in the present era of globalization and continuous demand to increases stakeholders' confidence and understandability in the context of cross- border trade. Harmonization refers to the attempt to alleviate the disparities in financial reporting practices followed by different countries for maintaining their own set of accounting and reporting norms which are influenced by their socio-economic, cultural, political and legal systems existing therein. Harmonization is the process of increasing the compatibility of domestic accounting practices with that of the best global standard accounting practices so as to maintain a harmony in accounting and reporting around to globe to observe global comparability, understandability and transparency to the maximum possible level. In harmonization process, domestic set of accounting rules and standards are not given up In the content of financial accounting, convergence is the process of harmonising accounting standards issued by different regulatory bodies. The objective is to produce a common set of accounting standards to enhance the consistency, compar and efficiency of financial statements.



26 NSOU • PGC0-X completely and but they are made compatible with the global rules and standards by means of adaptation. However, convergence is the process of formulating a single set of high-quality universally accepted accounting and reporting standards to ensure greater transparency, reliability, understandability and comparability in accounting and reporting. In convergence process, the domestic/national set of accounting rules and standards are set aside and emphasis is given on adopting the IFRSs in exchange thereof to comply with the single set of high-quality universally accepted accounting and reporting standards to ensure investors' credibility, to accelerate free flow of foreign capital and technology so as to usher greater transparency, reliability, understandability and comparability in cross-border trade. Businesses in the United States prepare their financial statements in accordance with generally accepted accounting principles, or GAAP. Businesses in more than 100 other countries use a different set of rules, called International Financial Reporting Standards, or IFRS. Long-running efforts to bring these two sets of rules into alignment have been referred to as both harmonization and convergence. GAAP and IFRS have a great deal in common, but there are some major areas of differences. These areas include, amongst others, inventory valuation methods; processes for valuing and impairing (writing down) assets; accounting for research and development costs; and depreciation rules etc. In an era when investment regularly crosses national boundaries, the major standards-setting bodies -- the U.S. Financial Accounting Standards Board and the International Accounting Standards Board -- want to bring the two systems in line with each other so the same rules apply to all companies irrespective of their sizes, countries of operation.

### 2.3 Need and Significance of Convergence

Accounting and reporting practices have been developed and practiced by different global economies as per their states of socio-cultural background, economic conditions, political diplomacies etc. prevailing therein. It has been highly observed that the accounting and reporting around the globe are as diverse as the numbers of economies are involved. This has led to wide diversity in accounting and reporting activities across the globe which makes it an impediment to achieve global success. Thus a need arose for standardization and convergence to enable users of accounting

NSOU • PGC0-X 27 reports understand them properly and be in position to compare the accounting statements of one company with those of another. It is highly recognized that the diversity in global accounting and reporting practices have to be removed to offer a commonly accepted accounting practice for the benefit of all in terms of simplicity, comparability, understandability, transparency and reliability in accounting and economic information. The ultimate goal of convergence in international accounting is centered towards the formulation of a universally accepted set of global accounting and reporting standards by making these binding to all nations as far as practicable. The convergence of international accounting standards is highly necessitated in the present realm of globalization and liberalization where international market players face stringency in realizing and interpreting the global accounting and reporting information prepared under different accounting concepts and methodologies. Global convergence of accounting standards will significantly reduce the diversity in accounting standards followed by different countries. International Accounting Standards are authoritative guidelines aimed at narrowing the areas of differences and diversities in global accounting and reporting practices. Convergence of international accounting standards becomes very much helpful to the global investors to take appropriate economic decisions in a much more compact and informed manner. The multinational companies will be benefited to enter into more global markets with least of problems to comply with the rules and regulations of global capital market.

### 2.4 Benefits of Convergence of Accounting Standards

Convergence of accounting standards is a process by which the diversities in accounting practices followed by different global economies in areas like recognition, measurement, recording of events and transactions are sought to be removed by devising universally accepted practices for the sake of maintaining transparency, reliability, comparability etc. The global convergence of accounting standards is really helpful to augment the free follow of foreign capital in national frontier, to accelerate the pace of international trade, to encourage the multinational companies to ease up their compliance to global rules and formalities to concentrate on global trade practices and also to enhance stakeholders' confidence and reliability in taking viable economic decisions.

28 NSOU • PGCO-X The benefits of convergence of accounting standards may be highlighted as below: (a) Greater comparability : The convergence of international accounting standards will provide improved comparability among different entities' financial statements. Higher is the comparability of accounting information, greater is the scope for optimizing investment decision. (b) Lower transaction cost : The overall transactions costs will be lower for the preparers of financial reports, since they are entrusted to comply with a single set of universally accepted accounting standards, instead of maintaining multiple sets for different users at national and international levels. (c) Reduced supplementary information : Convergence significantly cut short the costs of doing business across national boundaries by reducing the need for supplementary information. (d) Greater transparency and disclosure responsibility : The convergence of international accounting standards will help to escort transparency in accounting and reporting practices with greater accountability and disclosure responsibility. (e) Higher efficiency in capital inflow : High-quality financial reporting standards that are used consistently throughout the world will improve the efficiency of capital allocation and the inflow of foreign capital will boost up since the foreign investors will be in better understanding of accounting information generated under international standards. (f) Improved investment decision : The convergence of international accounting standards motivates the investors to take investment decisions wisely by interpreting the global accounting information in a much more compact manner and their investment portfolio will be more diverse and will have less financial risk. (g) Credibility of financial reporting : Internationally converged accounting standards also help maintain credibility of financial reporting to the public and increase the efficiency of auditing work. The overall credential of different stakeholders will increase in the era of convergence. (h) Scope for global mergers : Convergence of accounting standards can

NSOU • PGCO-X 29 influence the multinational companies to take decision making strategies in the areas of global mergers and acquisitions to flourish international trade. 2.5 Challenges and Difficulties in Convergence of Accounting Standards The issue of convergence of accounting standards has challenges and difficulties so far as the question of adopting a single set of global accounting standards is concerned for all the nations. The following are the challenges of international accounting convergence : (a) Wide diversity in accounting and reporting : There are wide diversity in accounting and reporting practices followed by different countries and this diversity is due to significant differences in socio-cultural background, economic and political status etc. prevailing therein amongst others. A single set of standard accounting practice devised for all may not be equally applicable to each and every nation to adopt. (b) Complexity in global tax laws : There are many nations that follow different tax laws and have different tax legislations to identify taxable identities and measure taxable events. Some countries follow tax considerations for all types of taxable events, both domestic and foreign, while there are countries that do not charge tax on foreign taxable events and are called tax havens. All these make the convergence process a highly typical task and a challenging one. (c) Disparity in disclosure requirements : There exists diversity in disclosure laws of different countries; some are found to be lenient in disclosure requirements while others are found to be stringent in their disclosure practices. The adoption of universal international accounting standards may be a stressful exercise to those countries where there is laxity in disclosure requirements and they may be highly reluctant to the convergence process. (d) Lack of interpreting global information : Interpretation of global financial information based on international global standards is a hard task since it requires a clarity and knowledge of global accounting and reporting practices. All nations may not have the requisite skill and knowledge base at their

30 NSOU • PGC0-X disposal to understand and interpret the global financial information. Proper training and skill development is highly needed which may not be possible to all. (e) Lack of flexibility in applying international standards : Globally converged accounting standards are more or less rigid considering the formulation of a single set of universal accounting practices to be abided by all. However, due to the lack of its flexibility in approach, globally converged accounting standards may not be adopted by all nations for their sharp differences in socio-cultural background, economic and political status and many other factors. (f) Deficiency of accounting and auditing personnel : Effective implementation of globally converged accounting standards across the globe may be seriously hampered due to the deficiency of adequate number of expertise in accounting and auditing who may extend their whole-hearted co-operation in the convergence process.

### 2.6 Participation of International Organizations in the Convergence Process

Many internationally famous and premier institutional bodies around the globe are found to be associated with the convergence of accounting standards. Six organizations have become the major players in the formulation of international accounting standards and in promoting international accounting convergence:

1. International Accounting Standards Board (IASB)
2. European Union (EU)
3. International Organization of Securities Commission (IOSCO)
4. International Federation of Accountants (IFAC)
5. United Nations Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), part of the United Nations Conference on Trade and Development (UNCTAD)
6. Organization of Economic Cooperation and Development Working Group of Accounting Standards (OECD Working Group)

NSOU • PGC0-X 31 2.6.1 International Accounting Standards Board International Accounting Standards Board (IASB) is an independent private sector standard setting organization. It was formerly known as International Accounting Standards Committee (IASC) which was founded in 1973 by professional accounting organizations in nine countries and was restructured in 2001. Before its restructuring, the IASC issued 41 International Accounting Standards (IASs) and a Framework for the Preparation and Presentation of Financial Statements. The IASB started its full fledged functions in standard setting from April, 2001 with representations of accounting organizations from several countries (approximately from 100 countries) to work together in devising accounting standards. With the help of remarkable and broad base support across the globe, IASB has become the linchpin in international accounting standard setting. The IASB Standards follow the principles of fair representation and full disclosure and have wide compatibility with the accounting standards promulgated in the US, UK, Canada and many other countries that use Anglo-Saxon accounting. Being an independent standard-setting body of the International Financial Reporting Standards (IFRS) Foundation, the IASB is responsible for the development and publication of IFRSs and for approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee. The IASB operates under the oversight of the IFRS Foundation.

#### 2.6.1.1 Objectives of IASB

The objectives of IASB may be highlighted as below :

- (a) To develop in the public interest, a single set of high quality, understandable and enforceable global accounting standards which require high quality, reliable, transparent as well as comparable information in financial statements and other financial reporting to help participants of the global capital markets and other users take economic decisions;
- (b) To promote the use and application of these standards rigorously across the nations;
- (c) To bring about the convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards towards high quality solutions to remove divergent accounting and reporting practices followed around the globe;

32 NSOU • PGCO-X (d) To inculcate the practice of adopting universally accepted accounting standards to ensure harmonization in global accounting and reporting. Role of IASB : International Financial Reporting Standards (IFRSs) have become widely accepted across the globe. Many countries have started using IFRSs as the basis of their national accounting requirements and as the international benchmark of accounting and reporting. Under the IFRS Foundation Constitution, the IASB has complete responsibility for all technical matters of the IFRS Foundation including : (i) Full discretion in developing and pursuing its technical agenda, subject to certain consultation requirements with the Trustees and the public (ii) The preparation and issuing of IFRSs (other than Interpretations) and exposure drafts, following the due process stipulated in the Constitution (iii) The approval and issuing of Interpretations developed by the IFRS Interpretations Committee. Structure of IASB : The restructured IASB includes the following bodies to help in the process of development and publication of IFRSs- (1) Trustees, (2) IASB Board, (3) Standards Advisory Council and (4) International Financial Reporting Interpretation Committee (IFRIC). The roles and functions of the different bodies of IASB may be discussed as follows : 1. Trustees : The IASB has 22 trustees at present representing 6 from North America, 6 from Europe, 6 from Asia/Pacific region and 4 from any area to establish a balanced approach in geographical representation. The trustees appoint the members of the IASB, the International Financial Reporting Interpretation Committee and the Standards Advisory Council. The trustees are entrusted to raise fund for IASB and also to supervise and review the priorities and operations of the IASB including the approval of its annual budget. 2. IASB Board : The IASB Board develops and improves standards of financial accounting and reporting for businesses. The IASB Board is entrusted with full responsibility for all IASB technical matters including

NSOU • PGCO-X 33 the preparation and issuing of IASs, IFRSs, and Exposure Drafts etc. and also the final approval of interpretations by the IFRIC. Besides, the IASB Board is also responsible for approval of project proposals, methods and procedures for developing standards. The IASB Board is composed of total 14 members of which 12 are full time members and 2 may be part time. All the members are appointed for a 5-year term, renewable once. 3. Standard Advisory Council : The Standard Advisory Council, appointed by the trustees, is composed of 30 members or more for a renewable term of three years, having a diversity of geographic and professional backgrounds. The members of the Standards Advisory Council usually meet three times a year. The Council is responsible to give the board advice on its agenda and priorities and also to inform the board of the views of different organizations and individuals on the Council on major standards setting projects and to give other advice to the Board or the trustees. 4. International Financial Reporting Interpretations Committee (IFRIC) : The IFRIC is composed of 12 members who are appointed by the trustees. The IFRIC takes the responsibility to interpret the application of IASs, IFRSs in the context of IASB's framework and to publish draft interpretations, to review public opinions and moments on them as well as to obtain board approval for final interpretations. 2.6.2 European Union (EU) The European Union was established consequent on the Treaty of Rome in 1957. At present, EU comprises 27 member countries with the goal of harmonizing the legal and economic systems of its member states. The EU uses two instruments- Directives and Regulations for achieving the objectives of convergence. One of the goals of EU is to achieve integration of European financial markets. To this objective, the EU has introduced directives and undertaken major new initiatives to achieve a single market for : (i) raising capital on an EU-wide basis; (ii) establishing a common legal framework for integrated securities and derivatives markets; and (iii) achieving a single set of accounting standards for listed companies.

34 NSOU • PGC0-X The EU's Fourth Directive, issued in 1978, is the broadest and most comprehensive set of accounting rules within EU framework and includes format rules for financial statements, disclosure requirements and valuation rules applicable to both public and private companies. The Fourth Directive of EU aims to ensure that European companies disclose comparable and equivalent information in their financial statements. The Seventh Directive of EU, issued in 1983, emphasized the issue of consolidated financial statements for group of companies above a certain size to disclose specific notes including directors' report appended therein. The Eighth Directive of EU gave focused attention on various aspects of the qualifications of professionals authorized to carry out statutory audits by auditors having the minimum prescribed qualification.

2.6.3 International Organization of Securities Commissions (IOSCO) The International Organization of Securities Commissions (IOSCO) which was formed in 1983 consists of securities regulators of more than 100 countries. IOSCO has vehemently emphasized on international disclosure and accounting standards to facilitate the ability of companies to raise capital efficiently in global securities markets. To this objective, IOSCO in 1998 published a set of non-financial disclosure standards that may eventually enable companies to use a single prospectus for listing of shares on any of the world's major capital markets. In the light of the preamble of IOSCO's bye-laws, securities authorities of various countries decided to work together in a common platform to ensure better regulation of the markets, both domestic as well as international market, for the following purposes : (a) To exchange information and opinion on the basis their experiences to promote and develop domestic markets to maintain just, efficient and sound markets; (b) To apply their concerted efforts to establish standards and an effective surveillance of international securities transactions; (c) To provide mutual assistance to ensure the integrity of the markets by a vigorous application of the standards and by effective enforcement against offences; (d) To focus on the recommendations of IOSCO technical committee on

NSOU • PGC0-X 35 multinational disclosure and accounting to facilitate the growth of global capital markets.

2.6.4 International Federation of Accountants (IFAC) The International Federation of Accountants (IFAC) is a worldwide organization with 159 member organizations spread over 123 nations, representing more than 2.5 million accountants. It was established in 1997 at the Eleventh Congress of World Accountants. The council, which meets twice a year, sets IFAC policy and supervises its operations. The IFAC has been working with full integrity to develop qualitative international standards, to support its adoption and use, to maintain effective co- ordination with member organizations, to maintain liaison with other international bodies and also to act as international spokesman for the accountancy profession to flourish. In tune with the emerging needs of international accounting and auditing consequent on the continuous growth of global trade and commerce, the responsibilities of IFAC have been multiplied over the years to frame rules and regulations and to design upgraded standards to regulate and monitor the international accounting profession to work in a creditable manner. Accordingly, the IAFC has taken measures in formulating- (a) International Auditing and Assurance Standard Board; (b) International Code of Ethics; (c) International Education Standards; (d) International Public Sector Accounting Standards; (e) International Professional Accountants Standards, and (f) International Compliance Standards etc. Based on the philosophy of high-quality auditing standards being necessary for the rigorous interpretation and applications of accounting standards, IFAC set the following objectives : (a) To implement credible financial reporting for the efficient functioning of capital markets; (b) To develop international accounting and auditing standards for optimal harmonization at global level; (c) To support the development of accounting profession with harmonized standards to help them render high quality and reliable services to the public.

36 NSOU • PGC0-X 2.6.5 United Nations Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) ISAR was established in 1982 and it is the only intergovernmental working group devoted to accounting and auditing at corporate levels. As its specific mandate, the ISAR targeted to promote the harmonization of national accounting standards for enterprises. For achieving the mandate, ISAR has formulated and promulgated best accounting practices in consultation with IASB. ISAR was the pioneer in conceptualizing the environmental reporting by business enterprises as a part of their corporate social responsibility performance and has given focused attention of corporate governance and accounting practices to be followed by small and medium enterprises. To accelerate the global harmonization of accounting practices, ISAR has conducted global technical assistance projects in areas like accounting reforms and retraining and also in designing and developing a long- distance learning programme in accountancy in countries such as Russia and Africa.

2.6.6 Organization for Economic Cooperation and Development (OECD) OECD is the international organization of the industrialized, market economy countries. The OECD functions through its governing body, the OECD Council, and its network of about 200 committees and working groups. Through its biannual publication Financial Market Trends, OECD assesses trends and prospects in the international and major domestic financial markets and prescribes the structure and regulation of securities markets so as to operate in a compact and effective manner. In 1976, the OECD had issued a code of conduct entitled 'Declaration on International Investment and Multinational Enterprises' for financial reporting practices to be followed by MNCs. In the context of accounting, OECD formed an Ad hoc Working Group on accounting standards in 1979 with the objectives: (a) To support current efforts by international, regional and national bodies towards harmonization of accounting practices; (b) To function as a forum for the exchange the views on UN efforts on accounting and disclosure standards; (c) To provide technical clarification to the terms used in disclosure guidelines.

NSOU • PGC0-X 37 2.7 Other Regional Accounting Organizations Accounting Organizations are typically not-for-profit with the mission of serving the accounting industry and the interests of professionals in accounting. Large number of regional accounting organizations are found to operate in different parts of the globe with the noble mission to achieve convergence in accounting and reporting practices for the benefits of global stakeholders so as to supply them transparent, reliable, comparable and standardized accounting information to help them take legitimate economic decisions especially with reference to international transactions. The following are names of some recognized regional accounting bodies around the globe: 1. American Institute of CPAs, USA 2. Arab Society of Certified Accountants, Jordan 3. Canadian Institute of Chartered Accountants, Canada 4. Chinese Institute of Certified Public Accountants, China 5. Conseil Supérieur de l'Ordre des Experts, France 6. Institut der Wirtschaftsprüfer in Deutschland, Germany 7. Institute of Chartered Accountants of India, India 8. Institute of Chartered Accountants in Ireland, Ireland 9. Institute of Chartered Accountants of New Zealand, New Zealand 10. Institute of Certified Public Accountants of Singapore, Singapore 11. Institute of Chartered Accountants of England and Wales, UK 12. Institute of Commercial and Financial Accountants of South Africa, South Africa 13. Japanese Institute of Certified Public Accountants, Japan 14. Korean Institute of Certified Public Accountants, Korea 15. Malaysian Institute of Accountants, Malaysia

2.8 Global Convergence of Accounting Standards In recent times, significant progress has been made towards achieving one set of universally accepted financial reporting standards. There is a growing realization

38 NSOU • PGC0-X that a globally accepted common financial reporting language will significantly usher economic growth by enhancing the efficiency of global capital markets. The convergence movement is the logical extension of harmonization of accounting and reporting practices that started its journey in the early 1990s. This movement has however made the challenges related to the convergence of the accounting standards more apparent than ever before. Convergence of international accounting standards is very much important to achieve global uniform accounting and reporting practices to ensure investors' credibility. The term global convergence of accounting standards refers to the goal of establishing a single set of accounting standards that will be used internationally, and in particular the effort to reduce the differences between the US generally accepted accounting principles (US GAAP) and the International financial reporting standards (IFRS). Convergence means to achieve harmony with IFRSs and more specifically convergence can be explained as the concerted activity to design and maintain national accounting standards in a manner that will comply with all the requirements of IFRS. In fact, after 1990s, the focus shifted from harmonization to convergence. In convergence, the ultimate goal is for GAAP and IFRS to come together in a single set of standards that would apply everywhere. There would no longer be a distinct GAAP or IFRS. However, convergence does not just involve GAAP. Several other major economies do not follow IFRS, including Japan and China. International convergence efforts are intended to bring those countries into the same set of international standards as well. Convergence is taking place in various countries, with over 100 countries having made public commitments supporting convergence towards the International Financial Reporting Standards (IFRS). Efforts towards convergence include projects that aim to improve the respective accounting standards, and those that aim to reduce the differences between them. Adoption would mean full-fledged use of IFRS as issued by the IASB by the Indian public companies. Convergence means that the Indian Accounting Standards (AS) and the International Financial Reporting Standards (IFRS) would, over time, continue working together to develop high quality, compatible accounting standards.

NSOU • PGC0-X 39 2.8.1 Status of Global Convergence of Accounting Standards International Financial Reporting Standards (IFRS) have already been adopted in many countries, and are in the continuous move to be adopted by many other countries of the globe. Some countries are working with the International Accounting Standards Board (IASB) to converge their own standards with IFRS. Globally, the adoption of IFRS ranges from the total adoption of IFRS in some countries to the requirement for adoption of local Generally Accepted Accounting Principles (GAAP) in other countries. In between, countries display varying levels of commitment to IFRS including the adoption of local versions of IFRS, a requirement for certain entities to use IFRS, permission to use IFRS, and in some instances the use of local GAAP that is converging with IFRS. The recent highlights about the adoption of IFRS convergence may be described as below: • In North America, the US Securities & Exchange Commission accepts IFRS for non-US registrants, Canadian listed companies are required to use IFRS commencing January 1, 2011, while Mexico announced plans to move to IFRS in 2012; • In Europe, the European Union (EU) requires companies listed in the EU countries to adopt IFRS beginning with their 2005 financial statements; • In Central America, companies are required to use IFRS; • Some South American countries require the use of IFRS, others require the use of IFRS as adopted locally, while others are moving towards convergence of local standards with IFRS; • In Asia and the Middle East, some countries require reporting under local GAAP, some require the use of IFRS as adopted locally, while others are moving towards convergence of local standards with IFRS; • In Oceania, local reporting entities are required to use IFRS as adopted locally; and • In many African countries, listed companies are required to use IFRS. 2.8.2 Advantages of Global Convergence Moving to a single set of global financial standards through global convergence process would be highly conducive to companies for better performance in global

40 NSOU • PGCO-X capital markets. It would be helpful to influence free movement of foreign capital across the national frontier since by means of global convergence the foreign investors would more capable of understanding and comparing global accounting and reporting information. The benefits of global convergence of accounting standards may be stated as follows : (a) Global convergence improves investors' confidence across the world with greater transparency and comparability; (b) It significantly facilitates the inter-firm or inter-industry comparisons to boost up investors' economic decision making process in a competent manner; (c) Global convergence makes easy the group consolidation by means of using same standard by all companies in a group wherever located; (d) Preparation of financial statements through global convergence process accelerates cross-border capital market listing of domestic securities and stocks; (e) Compliance to foreign securities markets becomes more concrete by means of reports, returns and other relevant financial as well as non-financial information prepared in the light of universally accepted global standards; (f) Global convergence creates a favourable ambience to domestic market players to enter into global market more competently by presenting financial statements in a globally accepted format.

### 2.8.3 Disadvantages of Global Convergence

There are disadvantages and in fact, some barriers to the development of one universally accepted set of Financial Reporting Standards that can be applied by all global enterprises. Convergence to one universally accepted set of standards has been hindered by many factors. The disadvantages of global convergence may be described as follows:

(a) There is one significant factor that standard-setting bodies and regulatory authorities tend to have different views or apply different frameworks while developing standards because of disparities in their socio-economic condition and cultural background;

NSOU • PGCO-X 41 (b) Different countries around the globe may not be able to afford adequate finance, time and mental stability to work for adopting global convergence spontaneously; (c) Resistance to global convergence often crop up from strong industry lobbying groups and other stakeholders who consider it a painstaking process; (d) Political pressure may deter the convergence process on the assumption that by adopting convergence, the independence of domestic accounting standards board may be hampered and the foreign accounting and reporting practices would create corporate deadlock and information jugglery. (e) Conversion can be costly for companies. Changes in technology, tax reporting requirements and compensation systems are a few areas that may prohibit the conversion process. (f) Standards must be applied consistently and enforcement must be uniform, otherwise, a single set of standards may appear to exist but will lack from desirable attributes such as transparency, understandability, comparability and consistency etc.

### 2.9 Summary

Convergence of International Accounting Standards or in other words Internationalization of Accounting Standards is highly relevant for maintaining a globally acceptable accounting and reporting practices for the sake of achieving transparency, reliability, understandability and comparability in accounting and reporting information by every nation. Accounting standards are the policy documents issued by recognized expert accountancy bodies relating to various aspects of measurements, valuations, treatments and disclosures of accounting transactions and events. Wide diversity is noticed around the globe in the context of accounting and reporting practices that create serious deadlock in cross-border trade, flow of foreign capital and technology in national frontiers. Thus, a need cropped up for standardization and convergence of accounting standards to enable the different users of global accounting reports to perceive and interpret these properly in a comparative manner



42 NSOU • PGC0-X for taking appropriate economic decisions. It is extremely difficult and in many cases impossible, for fair comparisons to be made between companies from different countries due to use own set of accounting and reporting standards. Convergence of international accounting and reporting standards is very much significant for cross-border trade since by means of achieving convergence, the burden of financial reporting would be lessened and the cost of financial statement preparation would be reduced. It is also important to market regulators and stock markets to reduce uncertainty about the comparability of published accounts thus enhancing transparency and investors' credence and helps in making informed economic decisions about the business enterprises. International Financial Reporting Standards (IFRS) have become the global standard for preparation of public company financial statements. The International Accounting Standards Board (IASB) has developed IFRS standards which are highly compatible for use by global firms to disclose their financial as well as non-financial information in a much more compact and user-friendly manner. Many of the world economies have adopted IFRSs as a measure to comply with the global means of reporting and accounting in affair and dependable manner. Though convergence of international accounting standards has some advantages, it has limitations as to its implementation because of diversity in socio-economic, political, cultural and legal framework prevailing in different countries. But for the sake of investors' protection, for increasing the investors' credence, for improving the investors' ability to compare and interpret global financial accounting and reporting prepared under different accounting backgrounds and in consequent to increase their capabilities to take global business decisions firmly, it is highly recommendable and desirable too, to undertake global convergence of accounting standards with much emphasis. Ultimately, the global convergence of accounting standards will augment inflow of foreign capital and improve foreign trade for the greater interests of less-developed economies of the world.

2.10 Key Words  
Convergence : Convergence is the act of merging one thing with others. The convergence of accounting standards is the act of establishing a single set of high

NSOU • PGC0-X 43 quality accounting standards that can be used internationally to ensure transparency, comparability, reliability, materiality, understandability in accounting and reporting. Global Convergence : Global convergence is based on the realization that a globally accepted common financial reporting language is inevitable to achieve economic growth by enhancing the efficiency of global capital markets. The convergence movement is the logical extension of harmonization of accounting and reporting practices around the globe to ensure investors' credibility as well as to ensure their protection. IAFC : International Federation of Accountants (IFAC) is a worldwide organization engaged to develop qualitative international standards and their adoption, to maintain effective co-ordination with member organizations and other international bodies to help develop accountancy profession. IASB : International Accounting Standard Board (IASB) is an independent private sector accounting body which formulates and develops International Financial Reporting Standards. IOSCO : The International Organization of Securities Commissions (IOSCO) is an international organization with exposure to international disclosure and accounting standards to facilitate the ability of companies to raise capital efficiently in global securities markets.

2.11 Exercises  
1. What do you mean by Convergence of Accounting Standards?  
2. State the needs and importance of Convergence of Accounting Standards.  
3. What are the benefits of Convergence of Accounting Standards?  
4. What are challenges and difficulties in Convergence of Accounting Standards?  
5. State the role of international organization for participating in the convergence process.  
6. What is IASB? Highlight the role of IASB in the convergence process.  
7. State the objectives of IASB.  
8. Explain in brief the structure of IASB.

44 NSOU • PGC0-X 9. What is IASB Board? What are the compositions of IASB Board?  
10. Define OECD. State the objectives of OECD in framing accounting standards.  
11. What are the other regional organizations that took part in the convergence process?  
12. Define global convergence of accounting standards. State the significance of global accounting standards.  
13. What are the advantages and disadvantages of Global Convergence of Accounting Standards?  
14. State the status of Global Convergence of Accounting Standards.

NSOU • PGC0-X 45 Unit - 3 □ Foreign Currency Transactions and Translation (IAS 21) Structure  
3.0 Objectives  
3.1 Introduction  
3.2 Foreign Currency Transaction-meaning  
3.2.1 Foreign Currency Transactions and AS 21  
3.2.2 Recording of Foreign Currency Transactions  
3.3 Foreign Currency Translation-concept and meaning  
3.3.1 Need for Foreign Currency Translation  
3.3.2 Significance of Foreign Currency Translation  
3.4 Methods of Foreign Currency Translation  
3.4.1 Single Rate Method  
3.4.2 Multiple Rate Methods  
3.4.2.1 Current-Noncurrent Method  
3.4.2.2 Monetary- Nonmonetary Method  
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46 NSOU • PGC0-X 3.8 Key Words 3.9 Exercises 3.0 Objectives The objectives of studying this unit are • To understand the concept of foreign currency transactions and its recording • To conceptualize the meaning of foreign currency translation • To know the procedures of translation of foreign currency • To discuss the treatment of foreign currency translation gains and losses 3.1 Introduction International business relates to different nations participating in foreign trade in the course of imports, exports, foreign lending and borrowing etc. and inherently these foreign trades are incurred in different foreign currencies of the participating nations. Each nation uses its own foreign currency for settlement of trade and records these trade transactions in their own currencies. This makes a trouble to each other of the participating nations and to other users to understand and interpret the impact of accounting information prepared and presented in foreign currency. Over and above this, there are frequent changes in the value of one currency in relation another currency. This leads to undertake the attempts to convert foreign currency transactions in to home currency and this is popularly known as foreign currency translation. Foreign currency translation has become very much important for getting consolidated financial statement of a group of overseas companies in a single currency of the parent company. IAS 21 has given the prescribed guidelines for the foreign currency translations and for ascertaining the gains or losses due to foreign currency translation. 3.2 Foreign Currency Transaction-meaning The term foreign currency transaction refers to transactions entered into in foreign currency when two or more countries take part in international trade in between them. A foreign currency transaction is one that requires settlement, either NSOU • PGC0-X 47 payment or receipt, in a foreign currency. It is the distinguishing feature of foreign currency transaction that its settlement is effected in a foreign currency. Each country uses its own currency for trade settlement as per the existing exchange rates of traded foreign currencies. Enterprises around the globe come in contact to deal in foreign trade in the form of export, import of goods and services including transfer of technology and know-how, money transfers etc. by means of foreign currencies and record the transactions of trade in their own currencies. 3.2.1 Foreign Currency Transactions and AS 21 AS 21 defines foreign currency transactions as 'transactions whose terms are denominated in foreign currency which requires settlement in a foreign currency'. Foreign currency transaction arises when an enterprise- (i)

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buys or sells on credit goods/services whose prices are denominated in foreign currency; (ii) borrows or lends fund and the amount payable or receivable are denominated in foreign currency; (iii) is a party to an unperformed

foreign exchange contract; (iv) acquires or disposes assets and incurs or settles liabilities denominated in foreign currency. 3.2.2 Recording of Foreign Currency Transactions In case of foreign currency transactions, a considerable effort is required for recording of such transactions since the exchange rates of foreign currency keep on changing frequently. When the exchange rate changes between the original purchase or sale transaction date and the settlement date, there arises a gain or loss on the exchange. A foreign currency transaction may be denominated in one currency but measured or recorded in another. In foreign currency transaction, the functional currency of an enterprise is to be conceptualized where

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functional currency is the currency of primary economic environment in which the enterprise operates.

As for example, it is assumed that a US subsidiary operating in Thailand A foreign currency transaction is a transaction of sales or purchases demoninated in a currency other than the company's functional currency operating in the particular country.

48 NSOU • PGO-X made local purchases payable in Thai Baht while the functional currency of the US subsidiary is U.S. Dollar. In such a situation, the US subsidiary would measure the foreign currency transaction in U.S. Dollar though denominated in Thai Baht because the subsidiary would keep its books of account in its functional currency i.e. U.S. Dollar. In recording of foreign currency transaction, date of transaction is of vital issue. Three dates are primarily related to recording of foreign currency transaction: (a) Initial Transaction Date : It refers to the date on which the foreign currency transaction is initially occurred between the participating nations; (b) Interim Reporting Date : It is the date of making interim report about financial and operating results after the foreign currency transaction is occurred; and (c) Settlement Date : Settlement date is the date on which payment/receipt relating to foreign currency transaction is settled in between the participating nations engaged in foreign trade. Organizations making foreign currency transactions have to record the transactions in a systematic manner as follows : (a) Record the value of the transaction in home currency at the current exchange rate at the initial transaction date i.e. at the time of purchase or sale. (b) Calculate the value of the payment in home currency at the current exchange rate at the settlement date when the transaction is to be settled. (c) Post the receipt of the accounts receivable or payment of the accounts payable at the original rate at the time of settlement and record the loss on exchange by accounting for the difference between the original transaction value and the settlement amount. (d) Calculate the value of foreign-currency accounts receivable or payable at the spot rate at the end of the accounting year. (e) Record any change in value from the original transaction date as a foreign- currency gain or loss in the year and post the other side of the entry to accounts payable or accounts receivable, as considered necessary.

NSOU • PGO-X 49 However, the organizations engaged in overseas trade may buy forward currency contract to get a guaranteed rate to avoid loss in foreign currency. As per AS 21, the foreign currency transaction should be recorded initially

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at the rate of exchange at the date of the transaction. Thereafter at each subsequent balance sheet date, foreign currency monetary amounts should be reported using the closing rate and non-monetary items carried at historical cost should be reported using the exchange rate at the date of the transaction while non-monetary items carried at fair value

should be reported at the rate that existed when the fair values were determined. Any exchange difference arising when monetary items are settled should be accounted for and reported. There are two approaches of recording foreign currency transaction- a) Single- transaction approach and b) Two-transaction approach. Under the single-transaction approach, it is considered that a transaction and its subsequent settlement are a single event. But under the two-transaction approach, it is considered that foreign currency transaction relating to sale or purchase is separate from the consequent settlement in the form of amount payable or receivable. 3.3 Foreign Currency Translation-Concept and Meaning The term 'translation' in the context of foreign currency, refers to the change in the monetary expression of financial date or in other words to convert financial data from one currency to another currency. Here, conversion from one currency to another does not mean conversion in physical terms; only the restatement of financial information prepared in one currency to some other currency as desired. Translation of foreign currency is very much significant consequent on the present era of ever-increasing cross-border trade where preparation of consolidated financial statement of a group of overseas companies is a bare necessity for the parent company operating in a different country. Foreign currency translation is an attempt to restate or convert a set of financial data prepared in a particular currency into a separate currency as per the needs to meet the finance reporting related requirements to ensure understandability, comparability, effective analysis and interpretation. Transactions are normally measured and recorded in terms of

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the currency in which the reporting entity prepares its financial statements. This currency is usually the domestic currency of the country 50 NSOU • PGO-X in which the company is domiciled and

is called the reporting currency. Thus, translation is the process of expressing monetary amounts that are stated in terms of a foreign currency in the currency of the reporting entity by using an appropriate exchange rate.

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An exchange rate "is the ratio between a unit of one currency and the amount of another currency for which that unit can be exchanged at a particular time."

Subsidiary companies prepare their accounting and reporting information as per the currency in operation of the countries where they operate and these financial statements of subsidiaries prepared under different foreign currencies are used by the parent company to prepare group financial statement for consolidation purpose. But the parent company faces trouble to consolidate since the financial data are based on various foreign currencies. It thus requires to translate i.e. convert the financial data of various subsidiaries denominated in different foreign currencies into a single currency of the reporting company (parent company) to make the consolidated financial statement really understandable and effective to interpret the group financial performance. Thus, the MNCs (Multi-national Corporations) translate the financial figures of subsidiaries into a single currency of the reporting MNCs for preparing consolidated financial statement in a meaningful and purpose-oriented manner. 3.3.1 Need for Foreign Currency Translation Foreign currency translation is primarily concerned with the preparation and presentation of consolidated financial statements of group of overseas companies in a single currency of the parent company by translating and restating the financial information. In the translation process, the financial data contained in the balance sheet and income statement of a foreign subsidiary are expressed or in other words restated in the currency denomination of the reporting entity. However, it is to be noted that by any means translation from one currency to another is not conversion of currency in physical term. The emphasis here is on expressing the financial Foreign currency transaction is a process of the financial statement in the currency in which the company presents its financial statements. Showing its assets liabilities, revenue, expenses etc. that are denominated in foreign currencies. Currency translation allens a company with foreign operations or subsidiaries to reconcile all of its financial statements in terms of local currency.

NSOU • PGCO-X 51 information of a foreign subsidiary prepared in functional currency (i.e. the currency of the country where the subsidiary operates) into the currency of the reporting country in which the parent entity is established such that the parent company can prepare consolidated financial statement with the help of restated financial data for better understanding the group performance. The need of foreign currency translation is highly significant as may be highlighted below: (a) Translation of foreign currency is required for consolidation of financial statements of overseas subsidiaries and the parent entity by expressing the financial information in a single currency called the reporting currency. (b) Foreign currency translation is very much needed to analyse and interpret the financial positions of various subsidiaries of a multinational corporation. (c) Translation of foreign currency by restating the financial information in a single currency is very much important in order to facilitate performance evaluation of subsidiaries operating across the globe. (d) The overall result of foreign currency translation of various overseas subsidiaries along with the parent entity significantly assists the global investors to take appropriate economic decisions. (e) Translation opens up the scope of higher global trade since the market players become interested to international trade for getting access to global trade information in a much more understandable and dependable manner. 3.3.2 Significance of Foreign Currency Translation Foreign currency translation is the designated process of restating the financial statements of enterprises from the currency in which these are prepared to another currency for consolidation purpose. The significance of foreign currency translation may be highlighted as follows: (a) Consolidation of Financial Statements- Overseas companies prepare their financial information in different currencies of the economic environments where they operate. These diverse financial statements based on different foreign currencies are not fit for preparing consolidated statements. Foreign currency translation significantly helps in restating these in a single currency to prepare globally consolidated financial statements.

52 NSOU • PGCO-X (b) Analysis and Interpretation of Financial Results of Overseas Companies- Global investors may not be able to understand and interpret the financial results of foreign companies prepared in different foreign currencies. Foreign currency translation offers the opportunity to express or restate the financial information prepared in a particular currency into the currency desired by the investors to help them understand and interpret the true financial positions of overseas companies for decision making purposes. (c) Comparison of Financial Statements of Subsidiaries- Foreign currency translation facilitates the comparison of financial statements of different subsidiaries by the parent entity although these subsidiaries prepare and present their financial information in their respective local currencies which may not be perceived by the parent entity for comparison purposes. (d) Uniformity in Presentation of Financial Information- Foreign currency translation tends to offer uniformity in presenting financial information of various overseas firms in a single currency i.e. the currency of the reporting entity. This renders a magnificent opportunity to assess the group financial performance of a host of companies in a compact and meaningful manner. 3.4 Methods of Foreign Currency Translation Overseas companies operating

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in different countries prepare and present their financial statements denominated in the currency of the country where they operate

and function. The statements of the overseas subsidiaries do not afford benefits to the parent entity thereof to understand and realize the implications of the financial statements. To overcome the impasse, financial statements prepared in foreign currency are restated to the reporting currency of the parent company. This process of restating the financial information from one currency to another is known as foreign currency translation. Companies come across the need to adopt foreign currency translation when they have foreign operations that use different currencies to prepare financial statements. Accounting standards insist on to adopt a consistent translation methodology so that the translated financial reports truly reflect the underlying economic circumstances. Accordingly, companies operating internationally are found to undertake translation process so as to restate their assets, liabilities, revenues and NSOU • PGCO-X 53 expenses relating to the foreign subsidiaries in their domestic currency for which they apply different methods - (i) Single Rate Method and (ii) Multiple Rate Method. 3.4.1 Single Rate Method The single rate method, long popular in UK and other parts of Europe, applies a single exchange rate, the current exchange rate or closing exchange rate, to restate all foreign currency assets and liabilities in the reporting currency. Under this method, foreign currency revenue and expenses are translated at the exchange rates prevailing at the time of recognizing such items. However, for the sake of convenience, under the single rate method, translation work is performed by adopting the average exchange rate over the period. Under this method, the focus is given on the concept that a foreign subsidiary is a separate unit to prepare and publish its financial report in its own reporting domicile where it operates and as such the use of one single rate for the entire translation process is considered appropriate. The use of current rate or closing rate for translation purpose under the single rate method has the following advantages : (i) The computational work for translation purpose is less complex and less time consuming; (ii) The original relationships among the different aspects of financial statement of a foreign subsidiary remain intact as all the foreign currency financial statement items are translated by a single rate; (iii) By translating all foreign currency balances by current rate method, translation gains and losses are mostly offset due to the changes in exchange rates in reverse direction; (iv) The translation process makes the consolidated financial statements more understandable as well as user-friendly. 3.4.2 Multiple Rate Methods Under the multiple rate method, foreign currency translation is undertaken by any of the three methods- (a) Current-Noncurrent Method, (b) Monetary-Nonmonetary Method, and (c) Temporal Method. The three methods are described as follows : 3.4.2.1 Current-Noncurrent Method Under the Current-Noncurrent Method for foreign currency translation, all assets and liabilities are categorized into two groups-current and non-current based

54 NSOU • PGCO-X on some criteria. Current items representing current assets refer to those which complete its conversion process to reach to money or money equivalent within one operating cycle and current items representing current liabilities refer to those which are matured within one year. Non-current items are those which are not included in the current items category. All current assets and current liabilities of a foreign subsidiary are translated in their

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parent company's reporting currency at the current exchange rate prevailing on the balance sheet date.

In case of non-current assets and liabilities, historical exchange rates prevailing on the dates of transaction are used for translation purposes. Income statement items other than depreciation and amortization charges are translated at the average rates applicable to each month of operation or on the basis of weighted average rate of the entire reporting period. Depreciation and amortization charges are translated at the historical rates entertained at the time of acquiring the relevant asset. However, the current-noncurrent method makes little economic sense. Using the current exchange rate to translate current assets implies that foreign currency cash, receivable, and inventories are equally exposed to exchange risk. This is simply not true. Moreover, current and non-current definitions are merely a classification scheme, based on conversion time to complete or on estimation of maturity period, of which rates to use in translation process.

3.4.2.2 Monetary-Nonmonetary Method Under the monetary-nonmonetary method, assets and liabilities are classified as monetary and non-monetary items. Monetary items are those for which a fixed contractual amount is receivable or payable in foreign currency. Non-monetary items are those for which no fixed contractual amount is specified. All monetary assets like cash, bills receivable and other highly liquid assets and all monetary liabilities (except owners' equity)

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are translated at current exchange rate. Non-monetary assets and liabilities like fixed assets, long-term investments, term loans and advances are translated at historical rates. Income statement items

are translated

in the similar way as followed under current-noncurrent framework. However, as opposed to current-noncurrent method, monetary-nonmonetary method of translation views monetary assets and liabilities as exposed to exchange rate risk. As long as monetary items are settled in cash, translation of monetary items at current rate produces domestic currency equivalents to reflect true settlement values thereof.

NSOU • PGCO-X 55 3.4.2.3 Temporal Method Under the temporal method, all monetary items like cash, receivables, and payables are translated either at current exchange rate. Non-monetary items are translated at rates that preserve their original measurement bases. In fact, the temporal method of translation is similar to the monetary-nonmonetary method except for its treatment of non-monetary assets carried at current prices. When nonmonetary items abroad are valued at historical rate, the translation procedures resulting from the temporal method become virtually identical to those produced by the monetary-nonmonetary method. Revenues and expense items are translated at the rates that prevailed when the underlying transactions took place. However, in case of voluminous transactions average exchange rate is suggested to take into account for translation purpose. Illustration-3.1 The following is the balance sheet of Fair Play & Co. of USA, an Indian subsidiary as at March 31, 2018 : Liabilities & Capital Amount (USD) I. Share Capital : 45,000 (a) Owner's Equity II. Non-Current Liabilities : 30,000 Long Term Debt III. Current Liabilities : 15,000 Sundry Creditors 90,000 Assets I. Non-Current Assets : 20,000 (a) Land & Building 27,000 (b) Plant & Machinery II. Current Assets : 18,000 (a) Inventories 20,000 (b) Sundry Debtors 5,000 (c) Cash & Bank 90,000

56 NSOU • PGC0-X You are required to translate the above Balance Sheet of Fair Play & Co. into Indian Rupee under (i) Current Rate Method, (ii) Current-Noncurrent Method, (iii) Monetary-Nonmonetary Method and (iv) Temporal Method, assuming that the historical rate and current rate are- 1 US Dollar (USD) = 22 Indian Rupees (INR) and 1 USD = 25 INR respectively. Solution : Foreign Currency Translated Balance Sheet of Fair Play & Co. as on 31 st March, 2018

Amount	Current	Current-	Monetary-	Temporal	(USD)	Rate	Noncurrent	Nonmonetary	Method	Method	Method	Amount
Amount	Amount	Amount	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)
Liabilities & Capital												
I. Share Capital : (a) Owner's Equity 45,000 11,25,000 10,74,000 9,30,000 9,84,000												
II. Non-Current Liabilities : (Bal. Fig.) (Bal. Fig.) (Bal. Fig.) (a) Long Term Debt 30,000 7,50,000 6,60,000 7,50,000 7,50,000												
III. Current Liabilities : (a) Sundry Creditors 15,000 3,75,000 3,75,000 3,75,000 3,75,000 90,000 22,50,000 21,09,000 20,55,000 21,09,000												
Assets												
I. Non-Current Assets : (a) Land & Building 20,000 5,00,000 4,40,000 4,40,000 4,40,000 (b) Plant & Machinery 27,000 6,75,000 5,94,000 5,94,000 5,94,000												
II. Current Assets : (a) Inventories 18,000 4,50,000 4,50,000 3,96,000 4,50,000 (b) Sundry Debtors 20,000 5,00,000 5,00,000 5,00,000 5,00,000 (c) Cash & Bank 5,000 1,25,000 1,25,000 1,25,000 1,25,000 90,000 22,50,000 21,09,000 20,55,000 21,09,000												

Notes : (i) Land & Building and Plant & Machinery have been translated at the assumed current rate (1USD = 25 INR) under Current Rate Method but they have been translated at the assumed historical rate (1 USD = 22 INR) under the Current-Noncurrent Method, Monetary-Nonmonetary Method and Temporal Method.

NSOU • PGC0-X 57 (ii) Sundry Debtors and Cash & Bank being Current Assets have been translated at the assumed current rate (1 USD = 25 INR) under all the four methods. (iii) Inventories have been translated under Current Method, Current-Noncurrent Method and Temporal Method at the assumed current rate (1 USD = 25 INR) but translated under the Monetary-Nonmonetary Method at the assumed historical rate (1 USD = 22 INR). (iv) Sundry Creditors being Current Liabilities have been translated at the assumed current rate (1 USD = 25 INR) under all the four methods. (v) Long Term Debt being non-current liabilities has been translated at the assumed current rate (1 USD = 25 INR) under Current Method, Monetary- Nonmonetary Method and Temporal Method but has been translated under Current-Noncurrent Method at the assumed historical rate (1USD=22 INR). (vi) Owner's Equity has been translated under the Current Method at the assumed current rate (1 USD = 25 INR) but under Current-Noncurrent Method, Monetary-Nonmonetary Method and Temporal Method, Owner's Equity has been computed at the balancing figure taking total of translated values of Assets minus translated values of Long Term Debt and Sundry Creditors under the respective methods. Illustration-3.2 The following is the Balance Sheet of Zenith India Ltd. of Canada, an Indian subsidiary as on 31st March, 2018 :

Liabilities & Capital	Amount (CD)
I. Share Capital : (a) Owner's Equity (i) Equity Share Capital 1,30,000 (ii) 12% Pref. Share Capital 50,000	
II. Non-Current Liabilities : 8% Debentures 20,000	
III. Current Liabilities: (a) Sundry Creditors 70,000 (b) Bank Overdraft 10,000 2,80,000	

58 NSOU • PGC0-X Assets Amount (CD) I. Non-Current Assets : (a) Land & Building 1,20,000 (b) Plant & Machinery 40,000 (c) Other non-current assets Investments in Stocks 20,000 II. Current Assets : (a) Inventories 50,000 (b) Sundry Debtors 30,000 (c) Cash & Bank 20,000 2,80,000 You are asked to prepare foreign currency translated balance sheet under single rate and multiple rate approaches and to ascertain the foreign currency gain or loss, if any, under the different approaches assuming that the historical rate and current rate are- 1 Canadian Dollar ( CD) = 32 Indian Rupees (INR) and 1 CD = 40 INR respectively. Solution : Foreign Currency Translated Balance Sheet of Fair Play & Co. as on 31 st March, 2018

Amount	Current	Current-	Monetary-	Temporal	(USD)	Rate	Noncurrent	Nonmonetary	Method	Method	Method	Amount
Amount	Amount	Amount	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)	(INR)
Liabilities & Capital												
I. Share Capital : (a) Owner's Equity i) Equity Share Capital 1,30,000 52,00,000 42,20,000 32,60,000 34,20,000 ii) 12% Pref. Share Capital 50,000 20,00,000 16,00,000 20,00,000 20,00,000												
II. Non-Current Liabilities : 8% Debentures 20,000 8,00,000 6,40,000 8,00,000 8,00,000												
III. Current Liabilities : (a) Sundry Creditors 70,000 28,00,000 28,00,000 28,00,000 28,00,000 (b) Bank Overdraft 10,000 4,00,000 4,00,000 4,00,000 4,00,000 112,00,000 96,60,000 92,60,000 94,20,000												

NSOU • PGC0-X 59 Amount Current Current- Monetary- Temporal (USD) Rate Noncurrent Nonmonetary Method Method Method Method Amount Amount Amount Amount (INR) (INR) (INR) (INR) Assets I. Non-Current Assets : (a) Land & Building 1,20,000 48,00,000 38,40,000 38,40,000 38,40,000 (b) Plant & Machinery 40,000 16,00,000 11,80,000 11,80,000 11,80,000 (c) Other non-current assets Investments in Stocks 20,000 8,00,000 6,40,000 6,40,000 8,00,000 II. Current Assets : (a) Inventories (at cost) 50,000 20,00,000 20,00,000 16,00,000 16,00,000 (b) Sundry Debtors 30,000 12,00,000 12,00,000 12,00,000 12,00,000 (c) Cash & Bank 20,000 8,00,000 8,00,000 8,00,000 8,00,000 2,80,000 112,00,000 96,60,000 92,60,000 94,20,000 Foreign Currency Nil Nil (42,20,000 – (32,60,000 – (34,20,000- Translation 41,60,000)= 41,60,000)= 41,60,000= Gain (+)/Loss (-) (+) 60,000 (-)9,00,000) (-)7,40,000

3.5 Treatment of Translation Gains and Losses The foreign currency translation process used to restate the financial information of foreign subsidiaries to keep pace with the reporting currency of a parent entity very often gives rise to some translation gains or losses. These translation gains or losses arise for applying current exchange rate/terminal exchange rate/historical exchange rate for restating the financial information of overseas subsidiaries at par with the reporting currency. The translation gains or losses are treated by three methods- (i) Immediate recognition and reflection in the income statement, (ii) Deferral method, and (iii) Deferral and amortization method.

3.5.1 Immediate Recognition and Reflection Method This method is based on the traditional approach of conservatism and is also popularly known as non-deferral method. Under this method translation gains or losses are recognized as soon as they occur and are disclosed instantly in the same 60 NSOU • PGC0-X periodic income statement of the reporting entity in which such gains or losses arise. The immediate recognition method is considered efficient since it reflects and communicates the impact of translation process immediately after its occurrence without any delay to the users of financial information. The opponents of this method argue that the method of immediate recognition and reflection of translation gains and losses in the present income statement may cause significant fluctuation to the earnings of the reporting entity and it may disrupt the true interpretation of financial statements.

3.5.2 Deferral Method Unlike the immediate recognition method, the deferral method treats the foreign currency translation gains and losses by allowing to accumulate these separately as 'consolidated equity' and they are not transferred to the income statement. The ideology behind this practice of accumulation is that the translation gains and losses are never realized until the foreign operations are closed down and all the assets and liabilities belonging to foreign operations are returned back to the parent entity. This method is also considered reasonable based on the philosophy that changes in the subsidiary's net assets due to currency fluctuations are unrealized and further that such changes do not affect the subsidiary's cash flows and as such, it is improper to adjust the translation gains and losses in the reporting firms' current income. However, this practice of accumulating the exchange rate losses without recognizing these in the income statement of the relevant year of the parent entity becomes a mismatch and violates the basic accounting principle of conservatism and full disclosure.

3.5.3 Deferral and Amortization Method This method follows the practice of treating the translation gains and losses by amortizing these over the life of the concerned balance sheet items. The argument for doing so is that the cost of an asset includes the sacrifice required to discharge the related liabilities. The translation loss is thus treated as part of the related asset cost and amortized to expenses over its useful life. As the fixed assets are usually translated at historical rates of exchange, the amount of depreciation charged to income statement becomes lower than would have charged at current rates; thus by following this treatment of translation gains and losses, the inflated income so derived would be offset by the reduced income due to amortization of deferred

NSOU • PGC0-X 61 translation losses. However, this method is not free from criticism since it disregards the dual aspect concept of accounting.

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Foreign Currency Translation and IAS 21 The objective of IAS 21 is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. The principal issues are which exchange rate/s to use and how to report the effects of changes in exchange rates in the financial statements. For this

purpose, IAS 21 has given some key definitions:



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Functional Currency—The currency of the primary economic environment in which the entity operates. Presentation Currency—The currency in

which  
financial statements are presented.

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Exchange Difference—The difference resulting from translating a given number of units of one currency into another currency at different exchange rates.

Foreign Operation—

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A subsidiary, associate, joint venture, or branch whose activities are based in a country or currency other than that of the reporting entity.

IAS 21 in relation to translation of financial statements prescribes that the methods to be adopted for translation purpose would depend on the nature of the foreign operation - i) integral to the operations of the reporting entity or ii) non-integral to the operations of the reporting entity. The foreign operation will be considered as non-integral to the operations of the reporting entity in the flowing cases : (a) The foreign operations are carried out with significant autonomy; (b) The foreign entity's transactions with the reporting entity are not of very high proportion; (c) The foreign entity's activities are financed principally from its own sources or by means of local borrowings instead of the reporting entity's fund;

62 NSOU • PGCO-X (d) The foreign entity's cost of labour, material and other components are paid primarily in local currency and not in the currency of the reporting entity; (e) The sales are primarily made in any currency other than reporting the entity's currency, where reporting currency is the currency in which an entity denominates its financial statement; (f) The day-to-day activities of the foreign operation do not directly affect the cash flows of the reporting entity. Any exchange difference arising  
when

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monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements

are reported in profit or loss in the period, with one exception.

The exception is that 3.6.1 Translation for Integral Operations Foreign operations that are integral to the operations of the reporting entity are taken as if they are the transactions of reporting entity itself. Accordingly, these operations should be translated in line with the provisions of IAS 21. The prescribed procedures for translation of foreign operations as per IAS 21 are as follows: (a) Foreign currency monetary items representing cash and claims of fixed monetary obligations should be reported at the closing exchange rate being the spot rate for the immediate delivery of currencies exchanged on the balance sheet date. (b) Foreign currency non-monetary items representing all items of the balance sheet other than cash and cash equivalents should be reported at the rate prevailing on the date of transaction where these items are carried at historical cost. But if these are carried at fair values (such as revalued property, plant and machineries as per alternative requirements) should be reported at exchange rate that existed at the time of fair value determination. (c) Items of revenue and expenses should be reported at the rate prevailing on the date of transaction. However for simplicity and also as per usual practice, a monthly average rate concerning all items of revenue and expenses over the entire period except depreciation should be utilized for translation purposes. For depreciation charges, the translation rate should be the rate prevailing on the date of purchase of the relevant assets.

NSOU • PGCO-X 63 (d) Exchange difference arising when

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monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements

are to be reported in profit and loss statement of the period. Exchange differences arising on monetary items that form part of the

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reporting entity's net investment in a foreign operation are to be recognized in profit and loss

statement only on disposal of the net investment; otherwise they should be classified as a separate component of equity. Also any exchange differences arising on foreign liability has to be accounted for as a hedge of the reporting entity's net investment in a foreign entity. (e) Inventories are to be reported at the rate prevailing on the date of purchase. If the inventories are carried at a lower realizable value for price deflation or otherwise, these should be reported at the rate prevailing at the time of determining lower realizable value. 3.6.2 Translation for Non-integral Operations IAS 21 has prescribed for translation of financial statements of foreign operations that are non-integral to the reporting entity's operations as follows : (a) All balance sheet items representing assets and liabilities should be translated at the closing exchange rate, whether monetary or non-monetary nature. (b) Items of revenue

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and expenses items should be translated at the rate prevailing on the date of transaction. However,

special rules apply for translating

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the revenue and expenses items of a foreign entity whose functional currency is the currency of a hyperinflationary economy

in which case translation has to be made at the closing rate. (c) Exchange difference should be classified as a separate component of equity until the disposal of reporting entity's net investment in the foreign entity. (d) When

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a foreign operation is disposed of, the cumulative amount of the exchange differences recognized and accumulated in the separate component of equity

relating to that foreign operation should be recognized in profit and loss statement of the reporting entity.

64 NSOU • PGCO-X 3.7 Summary Foreign currency translation refers to the change in the monetary expression of financial information disclosed in the financial statement of an enterprise. Translation of foreign currency is basically the restatement of financial information of a foreign subsidiary denominated in the functional currency (i.e. currency of the country in which the foreign subsidiary operates) into the reporting currency of the parent company to ensure understandability, comparability, effective analysis and interpretation. Thus, translation is the process of expressing monetary amounts that are stated in terms of a foreign currency in the currency of the reporting entity by using an appropriate exchange rate. A foreign currency transaction is one that requires settlement, either payment or receipt, in a foreign currency. It is the distinguishing feature of foreign currency transaction that its settlement is effected in a foreign currency. Each country uses its own currency for trade settlement as per the existing exchange rates of traded foreign currencies. In recording of foreign currency transaction, date of transaction is of vital issue and there three to be considered for recording purpose- initial transaction date, interim transaction date and settlement date. The foreign currency translation is very much needed for consolidation of financial statements of overseas subsidiaries and the parent entity by expressing the financial information in a single currency called the reporting currency for analyzing and interpreting the financial positions of various subsidiaries of a multinational corporation. Performance evaluation of subsidiaries operating across the globe cannot be made possible without the translation process which significantly assists the global investors to take appropriate economic decisions. The foreign currency translation has broader scope to zoom up foreign trade since the foreign market players become interested in cross-border trade for getting access to global trade information to adopt a consistent translation methodology so that the translated financial reports in a much more understandable and dependable manner. Accounting standards insist on truly reflect the underlying economic circumstances. Accordingly, companies operating internationally are found to undertake translation process so as to restate their assets, liabilities, revenues and expenses relating to the foreign subsidiaries in their domestic currency for which they apply

NSOU • PGCO-X 65 different methods - (i) Single Rate Method and (ii) Multiple Rate Method. Under the multiple rate method, foreign currency translation is undertaken by any of the three methods- (a) Current-Noncurrent Method, (b) Monetary-Nonmonetary Method, and (c) Temporal Method. The foreign currency translation process used to restate the financial information of foreign subsidiaries to keep pace with the reporting currency of a parent entity very often gives rise to some translation gains or losses. These translation gains or losses arise for applying current exchange rate/terminal exchange rate/historical exchange rate for restating the financial information of overseas subsidiaries at par with the reporting currency. The translation gains or losses are treated by three methods- i) Immediate recognition and reflection in the income statement, ii) Deferral method, and iii) Deferral and amortization method. IAS 21 has prescribed

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how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. The principal issues are which exchange rate/s to use and how to report the effects of changes in exchange rates in the financial statements. For this

purpose, IAS 21 has given some key definitions about functional currency, presentation currency, exchange difference and foreign operation as guidelines to follow. IAS 21 in relation to translation of financial statements prescribes that the methods to be adopted for translation purpose would depend on the nature of the foreign operation - (i) integral to the operations of the reporting entity or (ii) non-integral to the operations of the reporting entity.

### 3.8 Key Words

**Consolidation of Financial Statements :** Consolidation of financial statement is the process of merging the diverse financial statements of several overseas units operating under a parent company.

**Foreign Currency Transaction :** It refers to transactions entered into in foreign currencies of different countries engaged in international trade. A foreign currency transaction is one that requires settlement, either payment or receipt, in a foreign currency.

**Monetary Assets and Liabilities :** Assets and liabilities whose amounts are

66 NSOU • PGCO-X fixed by contract in terms of currency of the foreign entity are known as monetary and assets and liabilities.

**Non-current Assets and Liabilities :** Assets and liabilities which do not mature within one year within one operating cycle are known as non-current assets and non-current liabilities

**Non-Monetary Assets and Liabilities :** Assets and liabilities whose amounts are not fixed by contract in terms of currency of the foreign entity are known as monetary and assets and liabilities.

**Settlement Date :** Settlement date is the date on which payment/receipt relating to foreign currency transaction is settled in between the participating nations engaged in foreign trade.

**Single Rate :** The single rate refers to the rate applies a single exchange rate, either the current exchange rate or closing exchange rate, to restate all foreign currency assets and liabilities in the reporting currency. Foreign currency translation significantly helps in restating these in a single rate to prepare globally consolidated financial statements.

### 3.9 Exercises

1. What is meant by foreign currency transaction as per AS 21?
2. When does foreign currency transaction arise ?
3. What are the needs of foreign currency transactions ?
4. State the significance of recording foreign currency transactions.
5. What are the different dates associated with the recording of foreign currency transactions ?
6. What do you mean by foreign currency translation? What are its objectives ?
7. What are the different methods of foreign currency translation ? Explain those.
8. What is the single rate of translation ? State the advantages of using the single rate for translation purpose ?

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9. What do you mean by multiple rate for translation of foreign currency ? What is the current-noncurrent method of translation ?
10. Distinguish between current-noncurrent method and monetary-nonmonetary method of translation.
11. What is meant by temporal method of translating foreign currency?
12. How are the translation gains/losses treated? What are the different methods for treating translation gains/losses?
13. State the immediate recognition and reflection method for treatment of translation gains/losses.
14. Distinguish in brief between the deferral method and deferral and amortization method for treatment of translation gains/losses.
15. What do you mean by non-integral foreign operation?
16. State the translation process for integral foreign operation.
17. State the translation process for non-integral foreign operation.
18. Balance sheet of Zigma Ltd. of USA, an Indian subsidiary as on 31st March 2018 :  
Liabilities USD Assets USD Equity Share Capital 1,20,000 Land & Building 1,00,000 Reserves and Surplus 50,000 Plant & Machinery 1,10,000 Long term Debt 80,000 Inventories (at market price) 60,000 Accounts Payables 30,000 Accounts Receivables 20,000 Other Current Liabilities 20,000 Cash & Bank 10,000 3,00,000 3,00,000  
Translate the above balance sheet into Indian rupees (INR) using different rates of translations assuming the historical rate and current rate of 1US Dollar (USD) are 62 INR and 70 INR respectively.

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### International Transfer Pricing Structure

#### 4.0 Objectives

#### 4.1 Introduction

#### 4.2 Transfer Pricing and International Transfer Pricing- meaning

##### 4.2.1 Objectives of International Transfer Pricing

##### 4.2.2 Significance of International Transfer Pricing

#### 4.3 Technique of Transfer Pricing and its impact on International Tax Burden

#### 4.4 Controlling International Transfer Pricing

##### 4.4.1 International Transfer Pricing and India

#### 4.5 Advance Pricing Agreement

#### 4.6 Safe Harbour

#### 4.7 Summary

#### 4.8 Key Words

#### 4.9 Exercises

4.0 Objectives After studying this unit you can know the

- Concept and meaning of Transfer Pricing
- Significance of adopting transfer pricing
- Different methods of transfer pricing
- Meaning and importance of Advance Pricing Agreement
- Concept of Safe Harbour

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NSOU • PGC0-X 69 4.1 Introduction The primary objectives of international trade through traditional foreign trade or through the modern era of foreign trade with the aid of MNCs, e-commerce etc. is to maximize foreign exchange earnings from foreign markets for the growth of home economy. This concept has motivated the global market players to enter into foreign trade on a large scale in the seemingly borderless foreign economy especially in the epoch of globalization, liberalization and privatization. But due to wide diversity in international taxation policy, MNCs find it really difficult to operate globally through foreign affiliates to attain the objective of maximizing foreign earnings because of the increasing international tax liability and also the frequent changes in tax legislations. In fact, a substantial part of foreign exchange income earned has to be spent by the MNCs to bear the international tax burden. To overcome this deadlock, MNCs have been taking the transfer pricing mechanism as a step to combat with the international tax burden by way of shifting cost from low-tax jurisdiction to high-tax country to attract less tax burden. This shifting of cost from low-tax country to high- tax country arbitrarily helps to reduce taxable profits in high tax country so as to bear less tax burden than would have been payable without availing transfer pricing technique. Transfer pricing mechanism significantly helps MNCs and other foreign traders to pay less tax to the host country (source country) where foreign income is generated and to bring more of after-tax foreign income to home country (country of origin) by manipulating cost adjustment in intra-country transfer of goods and services. This practice has a negative impact in the economy of the source countries since they have to lose their fair share of national income in the form of tax revenue collection which could have earned from MNCs and others who carry on trade in such countries but for the transfer pricing mechanism adopted by them. To tackle the situation, international tax authorities have promulgated the arms' length principle, advance pricing agreement as a safeguard from the loss of tax revenue from the foreign traders operating in the host country. 4.2 Transfer Pricing and International Transfer Pricing-meaning Pricing of goods and services transferred from operations or manufacturing units located in one geographical area to other operations or units located at some other

70 NSOU • PGC0-X places is called transfer pricing. Transfer pricing is a common practice followed MNCs for transferring goods and services among the subsidiaries which trade among themselves or with the parent firm. A transfer price is the price which one segment (sub unit, department, division etc.) of an organization charges for a product or service supplied to another segment of the same organization. This transfer from one segment to another is only an internal transfer of goods and services and not a sale. Transfer pricing is a concept traditionally undertaken for the amount to be charged by one segment of an enterprise for a product or service that is supplied to another segment of the same enterprise with the intention to minimize the tax liability. With the evolution of MNC concept, segments of the enterprise started spreading as independent entities operating in various parts of the globe. Accordingly, the term has evolved to mean price which is charged between two or more entities of a MNC/associated enterprises operating in different countries. In common parlance,

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transfer price is the price at which divisions of a company transact with each other, such as the trade of supplies or labour between

divisions or departments. Enterprises under the common ownership and control, transfer goods and services among them at some intra-company prices arrived at as per direction of the owner entity and this price is termed as transfer price which may be the original cost price of goods and services (for example, cost of manufacture) or may be the intra-company cost (for example, cost plus profit) or any other price as may be determined. Transfer pricing refers to value attached to transfer of goods or services between related parties. Thus, transfer pricing can be defined as the price paid for goods transferred from one economic entity to another, while they are operating under a common ownership in and around the globe, may be within a country or in cross- border. Transfer pricing refers to the process for pricing transaction between enterprises under common ownership and control and is more commonly used in international tax perspectives. In the context of international taxation, the term transfer pricing means the setting or fixing the prices of goods and services transferred by one company to another being interrelated companies in a manner that the ultimate tax burden of the companies as a whole is reduced. Under transfer pricing, the shifting of revenues and expenses (cost) is deliberately entertained through inter-company ties (MNCs operating foreign business with the help of foreign affiliates) gives

NSOU • PGCO-X 71 opportunity to the MNCs to minimize global tax burden. This deliberate shifting of revenue and cost adopted by MNCs to reduce global tax liability is popularly known as transfer pricing activity. Multinational companies (MNCs) enjoy some distinct advantages over the purely domestic companies since the MNCs have more geographical flexibility in locating their production and distribution systems. This geographical flexibility in operating in global sphere provides them unique opportunity to exploit differences among national tax jurisdictions so as to manage and even curtail their overall international tax burden by adopting transfer pricing mechanism.

#### 4.2.1 Objectives of International Transfer Pricing

International transfer pricing refers to the value attached to transfer of goods, services, and technology between MNCs and their foreign affiliates working at different geographical locations. While transferring goods and services, MNCs adopt transfer pricing methodology as a part of their international trade strategy to attain the following objectives:

- (a) To ensure free flow of goods/services in cross-border trade- International transfer pricing is aimed at monitoring the flow of goods and services among the divisions of a company operating across the globe. Setting or fixing transfer pricing for intra-divisional transfers is a crucial issue to continue foreign trade in highly competitive geographical locations.
- (b) To facilitate divisional performance measurement- Another important objective of transfer pricing is to measure the notional transfers/sales of one division to another division of MNCs. Thus, the value of transfer prices used in a division or unit will have a significant effect on the performance evaluation of the division/unit. In fact, transfer pricing becomes necessary when there are internal transfers of goods/services and it is required to appraise the performances of the divisions/units involved in foreign trade under MNCs.
- (c) To emphasize on maximizing foreign exchange earnings- MNCs operating globally with the of foreign affiliates focus on profit maximization in the form of foreign exchange earnings. Transfer pricing helps the process of

72 NSOU • PGCO-X determining the price at which goods are transferred from one profit center to another profit center within the same company to maximize profit.

- (d) To manipulate changes in firms' profitability- Under international transfer pricing, if prices are set too high, the selling global affiliates will be able to earn more and the buying affiliates will face hardship in the global market. However, if international transfer prices are set too low the buying affiliates will receive an unwarranted proportion of the profits. Thus, shifting of profits significantly manipulate profitability of affiliates.
- (e) To minimize global tax burden- The objective of setting international transfer pricing is to adopt cost allocation or shifting of cost from low tax jurisdiction to high tax jurisdiction to reduce international tax burden. The effect of shifting cost is that the profit attributable to one jurisdiction is shifted to another jurisdiction. The main object behind this cost allocation is to minimize international tax liability by reducing profits artificially in high tax jurisdiction so that tax obligation is reduced in a specific tax jurisdiction.

#### 4.2.2 Significance of International Transfer Pricing

The need for transfer pricing arises when intra-firm exchange of goods and services is occurred. In case of international trade, where global corporate enterprises operate foreign trade with the help of their designated affiliates or subsidiaries spread over different geographical locations. The parent entity and the subsidiaries very often make inter-changes of goods, services, technologies etc. at some predefined prices called transfer prices. The fixing of transfer pricing is very much significant to achieve overall success in cross-border trade where companies under common ownership and control run and operate foreign trade in various tax jurisdiction with an emphasis to maximize foreign exchange earnings and to minimize global tax liability. As such, transfer pricing has attracted increasing worldwide significance as may be highlighted below: ❖

Transfer pricing is more a global phenomenon than domestic matter since a group of companies under common ownership and control remain busy in different geographical locations to exploit foreign market for profit maximization.

NSOU • PGCO-X 73 ❖ The global firms i.e. the MNCs and their foreign affiliates are affected by more variables than are usually found in domestic operations. Foreign trade restrictions, frequent changes in foreign currencies, global trade pacts etc. heavily affect the business operations carried on by them across the globe. ❖ International transfer pricing strategies adopted significantly varies from industry to industry, country to country to meet the needs of people living in different geographical locations. ❖ International transfer pricing affects the social, economic, and political issues and relationships involving people and the MNCs operating in a particular country. Depending upon the status of local people, their habits, cultural heritage, standards of living etc., the fixing of transfer pricing policy should be adopted. ❖ International transfer pricing is significantly influenced by the prevailing international tax system since MNCs are highly interested to minimize global tax burden to optimize foreign exchange earnings. ❖ International transfer pricing technique of internal cost allocation among group companies operating globally is very much helpful to shift profits from high tax to low tax countries. 4.3 Technique of Transfer Pricing and its impact on International Tax Burden Business and investment opportunities are becoming increasingly international in the wake of sweeping wave of globalization. However, the tax systems of different countries vary greatly in terms of types and modalities of taxes including diversity in definitions and implications of income and expenses, exemptions, tax concessions, rates and collection procedures etc. This wide diversity in global tax system often prohibits the multinational companies to concentrate on cross-border trade. The overall global trade is hampered due to diverse global tax system and the MNCs try to restrict their foreign trade in those tax jurisdictions where tax burden is low and moderate and international tax administration is not so stringent. To achieve this

74 NSOU • PGCO-X target to reduce tax burden, firms operating globally under different tax jurisdictions incorporate transfer pricing mechanism as a vehicle. Internal allocation of cost between groups of globally operated firms is a suitable vehicle for shifting profits from high tax country to low tax country to minimize overall tax burden. The most common of such cost allocations are deliberate allocation of corporate overheads and administrative expenses at a greater degree to foreign affiliates operating in a high tax jurisdiction. This phenomenal mechanism of shifting cost from low tax to high tax country or shifting of profit or revenue from high tax to low tax country has the remarkable impact on to fabricate the tax burden of a foreign affiliate in particular and the parent entity as a whole engaged in foreign trade. As a strategic approach to manipulate international tax obligation, international transfer prices are fixed deliberately for goods and services transferred by a parent entity to its affiliate or by one affiliate to another and vice-versa. The foreign affiliate of an MNC operating in a low tax country endeavours to shift its production cost and other chargeable overheads to another foreign affiliate of the MNC operating in a high tax country. This increases the cost of production of the affiliate in high tax country and keeps the cost of production of the affiliate in low tax country resulting in decrease in the taxable profit of the affiliate in high tax country and also consequent increase in the taxable profit of the affiliate in low tax country. The impact of the mechanism will be to shoulder ultimate low tax burden for lowering profits in high tax jurisdiction. This way, international transfer pricing mechanism significantly helps multinational companies to minimize global tax burden. To demonstrate the magnificent international transfer pricing mechanism to minimize global tax burden as a whole, let us assume a hypothetical example where Lexus International, a global giant in Hong Kong has two wholly owned foreign affiliates Hexa of Hong Kong, a manufacturing subsidiary and Leva of India, a sales affiliate. It is reported that Hexa-Hong Kong consigns 300 pieces Smart Devices at 3,000 INR each to Leva-India which wholesales at 4,000 INR each. Table-1 exhibits in detail the consolidated total profits after tax (after adjusting inter-company sales and cost) and corporate tax liability of Lexus International ascertained at 4,52,000 INR and 1,08,00 INR respectively assuming corporate tax rate is 10% at Hong Kong (assumed a tax haven) and Indian corporate tax rate is 30%.

NSOU • PGCO-X 75 Table-1: Statement showing International Tax Burden (Figures in INR) Hexa-Hong Kong Leva-India Lexus International Sales 9,00,000 12,00,000 21,00,000 Less : Cost of salesa 5,40,000 9,00,000 14,40,000 Gross Margin 3,60,000 3,00,000 6,60,000 Less : Operating expenses assumed) 60,000 40,000 1,00,000 Profit before tax 3,00,000 2,60,000 5,60,000 Less : Corporate taxb 30,000 78,000 1,08,000 Profit after tax 2,70,000 1,82,000 4,52,000 (a) Assuming cost of sales of Hexa-Hong Kong is 60 % of sales. In case of Leva- India, cost of sales is transfer price of goods received from Hexa-Hong Kong. (b) 10% of 3,00,000 INR and 30% of 2,60,000 INR for Hexa-Hong Kong and Leva-India respectively Now, it is assumed that by adopting transfer pricing mechanism for reducing international tax burden, the transfer price (sale price) of 3,000 INR for inter-firm transfer by Hexa-Hong Kong to Leva-India is manipulated at 3,500 INR per piece of Smart Device. This increase in transfer price (sale price) of Hexa-Hong Kong will increase cost of sales of Leva-India by 1,50,000 INR [300 pieces at 500 INR each] and thus a shifting of cost of 1,50,000 INR is made from Hexa-Hong Kong to Leva- India. Table-2 shows the overall international tax burden of Lexus International is computed at 69,000 INR by adopting transfer pricing mechanism. Table-2 : Statement showing International Tax Burden under Transfer Pricing Mechanism (Figures in INR) Hexa-Hong Kong Leva-India Lexus International Sales 10,50,000 12,00,000 22,50,000 Less : Cost of salesa 6,30,000 10,50,000 16,80,000 Gross Margin 4,20,000 1,50,000 5,70,000 76 NSOU • PGCO-X Less : Operating expenses assumed) 60,000 40,000 1,00,000 Profit before tax 3,60,000 1,10,000 2,70,000 Less : Corporate taxb 36,000 33,000 69,000 Profit after tax 3,24,000 77,000 2,01,000 (a) Assuming cost of sales of Hexa-Hong Kong is 60 % of sales. In case of Leva-India, cost of sales is transfer price of goods received (10,50,000 INR) from Hexa-Hong Kong. (b) 10% of 3,60,000 INR and 30% of 1,10,000 INR for Hexa-Hong Kong and Leva-India respectively Table-3 shows the impact of manipulating transfer pricing in reducing overall tax burden of Lexus International. It is observed that by adopting the transfer pricing mechanism, the overall global tax burden of Lexus International has decreased from 1,08,000 INR to 69,000 INR showing a reduction of 36.1% as a whole. Table-3 : Statement showing reduction in International Tax Burden (Figures in INR) Hexa-Hong Kong Leva-India Lexus International Corporate Tax (as per Table-1) 30,000 78,000 1,08,000 Less : Corporate Tax (as per Table-2) 36,000 33,000 69,000 (Increase)/Decrease in tax burden (6,000) 45,000 39,000 (20%) [57.7%] [36%] Figures in per cent in parentheses show increase in tax burden of Hexa-Hong Kong and decrease in tax burden of Leva-India and Lexus International By adopting transfer pricing mechanism, practically the profit to the tune of 1,50,000 INR has been transferred from Leva-India (operating in high tax country) to Hexa-Hong Kong (operating in a low tax country) since the profit before tax of Leva-India has been computed at 2,60,000 INR (Table-1) as against 1,10,000 INR (Table-2). As a consequence of this shifting of profit of 1,50,000 INR from high tax country to low tax country (from Leva-India, India to Hexa-Hong Kong, Hong Kong) or alternatively by shifting of cost of 1,50,000 INR from low tax country (from Hexa-Hong Kong, Hong Kong) to high tax country ( Leva-India, India), Indian tax liability is reduced by 45,000 INR from 78,000 INR (vide Table-1) to 33,000 INR



NSOU • PGCO-X 77 (vide Table-2), whereas Hong Kong tax liability is increased by 6,000 INR (36,000 INR as per Table-2 as against 30,000 INR as per Table-1). This offers an overall international tax saving in the hands of Lexus International, Hong Kong amounting to 39,000 INR representing Indian tax saving of 45,000 INR minus additional Hong Kong tax liability of 6,000 INR (vide Table-3). This way transfer pricing mechanism effectively helps multinational companies to avail reduction in international tax burden at the cost of host country's tax revenue collection (i.e. India for Leva-India). However, for less developed countries and developing countries like India, transfer pricing mechanism adopted by MNCs goes against the socio-economic development since MNC operations act as a barrier to mobilize tax revenue from the global players operating in the host country. Besides, MNCs operating in the host countries make substantial changes in human psychology of people of the host countries regarding their buying habits, preference for foreign goods over the domestic goods etc. which distort overall domestic production and indigenous industrial development.

#### 4.4 Controlling International Transfer Pricing

The various world economies are in trouble how to check and control the international transfer pricing since it has the grueling impact to disregard the spirit of tax laws to raise tax revenue on international transactions. In the United States, Section 482 of the Internal Revenue Code empowers the Secretary of the Treasury to adopt measures to prevent a shifting of income or deductions between related taxpayers to exploit differences in national tax rates for which it recommended that transfers between related entities should be based on arm's length price. An arm's length price is one that an unrelated party would receive for the same or similar items under identical or similar situations. In line with other global economies, India has also taken measures to control and check transfer pricing to ensure appropriate tax revenue collection from foreign transactions. The presence of multinational companies in India and their ability to allocate profits in different tax jurisdictions by controlling prices in intra-group transactions has prompted to take measures relating to control and management of transfer pricing. Transactions between related entities may have inherent advantage as compared to transactions between unrelated entities. Such advantage may be by 78

NSOU • PGCO-X means of price concessions, extended credit period, reduced interest rates, lower logistics expenses, etc. With the advent of globalization, multinational companies (MNCs) have established presence in all parts of the world and are conducting business seamlessly. They can enjoy the privileges of doing business with related parties whereas companies which deal with unrelated parties in an open market are not able to exploit such benefits. Therefore, in order to ensure safe and fair dealing among all companies and markets, regulations for transfer pricing was highly needed. In addition to price related benefits, MNCs may also bear in mind the goal of minimizing tax burden and maximizing profits but the two tax jurisdictions/countries also need to ensure that they are not losing their fair share of tax revenue in such cases. This has raised an internationally accepted practice on the lines that 'transfer pricing' should be governed by the Arm's Length Principle (ALP) and the transfer price should be the price applicable in case of a transaction of arm's length. In other words, in transaction between associates it should be priced in the same way as a transaction between independent enterprises in an uncontrollable manner. The tax authorities implement transfer pricing regulations and strengthen the enforcement in order to prevent a loss of revenue faced by countries where these companies run and operate as a group member. Thus, to protect each country's fair share in an MNC's total profit, the global tax authorities have established principles under which it can be assumed that related parties deal with each other as if they were independent and this principle is called the arm's length principle.

#### 4.4.1 International Transfer Pricing and India

In the post globalization era, the continued MNC operations in India and the intention of the MNCs to allocate profits in different jurisdictions by controlling prices in intra-group transactions, made the issue of transfer pricing a matter of serious concern for the Indian Government. Just like their global counterparts, the Indian tax authorities presumed the ability or intention of the MNCs to resort to transfer pricing technique to shift profits deliberately from high tax country to low tax country and thereby to avoid Indian tax liability. All these led to the introduction of regulatory framework by Indian Government to check transfer pricing in the country.

NSOU • PGCO-X 79 Accordingly, sections 92 to 92F had been included in the Income-tax Act, 1961 to deal with issues relating to control and regulate the transfer pricing in the country so as to check tax avoidance by MNCs through international transactions. As per section 92B, an international transaction is one which satisfies the following criteria: (a) A transaction between two or more associated enterprises, either or both of whom are non-residents; (b) The transaction is in the nature of purchase, sale or lease of tangible or intangible property, or provision of services, lending or borrowing money or any other transaction having a bearing on the profits, income, losses or assets of such enterprises; (c) It includes a transaction in the nature of mutual agreement or arrangement between such associated enterprises for the allocation or apportionment of any contribution, cost or other expenses in connection with a benefit, service or facility provided in between such enterprises. Section 92F prescribes that arm's length price shall be applied in all international transactions entered between persons other than associated enterprises, in an uncontrolled conditions. Section 92C provides that the arm's length price in an international transaction shall be determined by any one of the following methods as follows : ■ Comparable uncontrolled price method; ■ Resale price method; ■ Cost plus method; ■ Profit split method; ■ Transactional net margin method

4.5 Advance Pricing Agreement Transfer pricing techniques adopted by MNCs in international transactions have much of negative impact on the tax mobilization by the host country where MNCs operate their business functions. The loss of due share of tax revenue that could have

80 NSOU • PGCO-X been raised through international taxation is a serious crisis which needs to be duly met. But the blatant wave of globalization and free trade spurs the MNCs to adopt transfer pricing as a means to avoid or reduce international tax burden. The host countries are in despair to lose their due share of tax revenue. A measure to foil this practice of MNCs to unduly avoid international tax burden has been felt all over the globe. Advance Pricing Agreement (APA) has been emerged as a respite to tackle the situation. Advance Pricing Agreement (APA) is devised as a mechanism whereby taxpayers and taxation authority voluntarily negotiate an agreed transfer price that is binding on both the parties to the agreement. APA is considered beneficial to both the parties of the agreement since by entering into an APA with an associated enterprise (AE), the taxing authority enjoys a certainty of applying for an Advance Pricing Agreement (APA) for settling price in an international transaction with the AE. Under the APA, a specific price for the tentative international transaction is mentioned well in advance and the same price is agreed upon mutually by the taxing authority and the AE to be followed over a certain period for determining tax liability thereof. As such, APA has the potential to reduce litigation between the parties of the agreement. In India, APA is an agreement entered into between a taxpayer or applicant and the Central Board of Direct Taxes (CBDT) to determine the arm's length price of future intra-company transactions. Once an APA has been entered into with respect to an international transaction, the arm's length price with respect to that international transaction, for the period specified in the APA, will be determined only in accordance with the APA and it shall be binding on the person as well as the Income-tax authorities for the specified transaction and period as covered in the APA. The APA is a specific agreement which is designed to provide certainty with regard to determination of arm's length price of the international transaction. As it is an agreement in advance, APA reduces the compliance costs by eliminating the risk of transfer pricing audit and resolving long drawn and time consuming litigation. APA also reduces the burden of record keeping, as the taxpayer knows in advance the required documentation to be maintained to substantiate the agreed terms and conditions of the agreement.

NSOU • PGC0-X 81 4.6 Safe Harbour A safe harbour is a provision of a statute or a regulation that specifies a certain conduct will be deemed not to violate a given rule. In the case of international transactions, a safe harbour simply means that the transfer price which is declared by the assessee shall be accepted by the income-tax authorities. In international transactions, there are increasing numbers of transfer pricing related disputes between the taxation authorities and the taxpayers who are foreign nationals. These litigations often make the tax settlement more complex and time consuming for which the taxing authorities have to wait long for tax collection at the cost of their national fund. Safe harbor rules in such cases may be the most deserving alternatives to mitigate the tax disputes and to accelerate tax collection and settlement. Many countries of the globe follow the safe harbour rule to settle long standing tax disputes. In Indian context also, safe harbour rule is followed as a measure to expedite the tax settlement procedure and to mitigate the increasing number of transfer pricing audits and prolonged tax disputes. As per provision of section 92CB of the Indian Income Act, the determination of arm's length price under section 92C or Section 92CA shall be subject to Safe Harbour rules for which CBDT has been empowered to prescribe safe harbour rules. Safe Harbour means circumstances in which the income-tax authorities shall accept the transfer price declared by the assessee. Safe harbour rule is very much significant for inspiring international transactions and if a country unnecessarily continues tax disputes with foreign nationals, the overall economic development of that country will be lagging behind for the lack of international transactions. It is to be noted that in some cases like inflow of foreign capital and technology, life saving drugs and medicines, new generations products, foreign technician services etc. international transactions are inevitable and cannot be avoided. By applying safe harbour rules, tax disputes relating to international transfer pricing may be required to be settled for the cause of attaining overall socio-economic development.

4.7 Summary In the present era of globalization, liberalization and privatization, there has been much emphasis on international trade. Individual traders, exporting organizations,

82 NSOU • PGC0-X and multinational companies around the globe are found to remain busy in international trade with the objective to earn foreign exchange earnings But due to wide diversity in international taxation policy, their attempts to earn foreign income are largely affected since a substantial part of their foreign income is squashed away to pay international tax liability. They find it really difficult to operate globally to attain the objective of maximizing foreign earnings because of the increasing international tax liability and also the frequent changes in tax legislations. To overcome this impasse, a new concept of transfer pricing has evolved whereby companies operating in different countries undertake the practice of shifting of cost and other expenses from low tax jurisdiction to high tax jurisdiction or of shifting profits from high tax jurisdiction to low tax jurisdiction. This shifting of cost or profits from one country to another has the sparking impact to reduce international tax burden. The MNCs operating with their foreign affiliates spread over different geographical locations in the globe are found to adopt this transfer pricing mechanism successfully to avoid or reduce their global tax burden. In case of intra-firms transfer of goods and services from one unit to another under the common ownership and control, the transfer pricing technique significantly helps the parent global entity to substantially reduce its overall foreign tax liability. However, this practice of tax avoidance availed by MNCs seriously hampers the tax revenue mobilization of countries (host countries) where the MNCs operate their foreign businesses with the help of their foreign affiliates. In fact, the host countries lose their due share of tax revenue which could have earned by them but for the application of transfer pricing technique by MNCs they fail to do so. This had been a matter of great concern to the governments of various countries for unduly sacrificing their due share of tax revenue likely to rise from foreign traders operating business in their tax jurisdiction. The arms' length principle (ALP) has emerged to check the tendency of MNCs to avoid tax obligation by means of transfer pricing methodology. The introduction of ALP has provided that prices of goods and services for intra-company transfer shall be determined for tax purposes based on arms' length price. The arm's length price is the price that is arrived at for transfers of goods and services between two or more persons who are unrelated and is entered into in an uncontrolled manner. Transfer prices often come under the scrutiny of taxation authorities when it is found different from the arm's length price to unrelated parties. This scrutiny by

NSOU • PGCO-X 83 taxation authorities sometimes leads to delay in tax settlements and disgruntlements among the MNCs and other foreign affiliates to operate globally in an uninterrupted manner. To tackle this, advance pricing agreement (APA) has been evolved whereby the taxation authorities and the taxpayers make necessary pricing agreements well in advance that shall be taken into account in case a dispute arises as to the authenticity of arm's length price for determining tax liability. Safe harbour rule is an important tool to mitigate the transfer pricing disputes in international transactions. A safe harbour simply means that the transfer price which is declared by the assessee shall be accepted by the income-tax authorities. Safe harbour rule is very crucial to settling transfer pricing related disputes between the taxation authorities and the taxpayers for the greater interest of motivating international trade for the benefits of both the tax jurisdiction nationals and the global taxpayers. 4.8 Key Words Arm's Length Price (ALP) : An arms' length price is the price which is entered between two or more unrelated parties in an uncontrolled manner. An arms' length price is one that an unrelated party would receive for the same or similar items under identical or similar situations. Advance Pricing Agreement (APA) : APA is regarded as a mechanism whereby taxpayers and taxation authority voluntarily negotiate an agreed transfer price that is binding on both the parties to the agreement. Safe Harbour : A safe harbour is a provision of a statute or a regulation that specifies a certain conduct will be deemed not to violate a given rule. In the case of international transactions, a safe harbour simply means that the transfer price which is declared by the assessee shall be accepted by the income-tax authorities. Transfer Price : A transfer price is the price which one segment (sub unit, department, division etc.) of an organization charges for a product or service supplied to another segment of the same organization. 4.9 Exercises 1. Define transfer pricing.

84 NSOU • PGCO-X 2. What is international transfer pricing? State the objectives of international transfer pricing. 3. What is meant by transfer pricing technique? Highlight the significance of international transfer pricing. 4. What are the objectives of using transfer pricing methodology? 5. Explain the impact of transfer pricing technique on international tax liability. 6. What is an arm's length price? 7. What do you mean by arm's length principle? 8. State the importance of arm's length principle in international transaction. 9. What are the different pricing methods for determining arm's length price? 10. What is an international transaction as per 92B? 11. What is meant by advance pricing agreement? 12. Explain the role of advance pricing agreement in settling disputes in international transaction. 13. What do you mean by safe harbour? 14. State the significance of safe harbour rule in international transaction.

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Unit - 5 □ International Monetary System Structure 5.0 Objectives 5.1 Introduction 5.2 The International Monetary Fund (IMF) 5.3 Nostro, Vostro and Loro Accounts 5.4 Concept of Exchange Rate 5.4.1 Factors Affecting Foreign Exchange Rates 5.4.2 Exchange Rate Quotes 5.4.3 Exchange Rate Quotations and Arbitrage 5.4.4 Determination of Exchange Rates 5.4.5 Classification of Exchange Rate System 5.5 Currency Depreciation, Appreciation, Devaluation and Revaluation 5.5.1 Currency Depreciation and Appreciation 5.5.2 Currency Convertibility 5.5.3 Currency Devaluation and Revaluation 5.5.4 Meaning of Currency Convertibility 5.5.5 Current Account and Capital Account Convertibility of Currency 5.5.6 Convertibility of Indian Rupee 5.5.7 Advantages of Currency Convertibility 5.6 Summary 5.7 Exercise 5.0 Objectives By the end of this lesson, learners will be able to : • describe the role of IMF, 87

88 NSOU • PGCO-X • understand the concept of Nostro, Vostro and Loro accounts, • explain the factors affecting the foreign exchange rates, • compute the direct and indirect exchange rate quotes using bid/ask rates, • explain the determinants and classification of exchange rates, and • describe the concepts of Currency Depreciation, Appreciation, Devaluation, Revaluation and currency convertibility. 5.1 Introduction With the development of increasing integration in global financial markets and the growth in the international trade and financial liberalization, the whole world economies have attracted enormous attention on exchange rate fluctuation and manage exchange rate. After the liberalization, privatization and globalization, the whole world converted in to one nation economy where the national currency plays a vital role for the decision making. The foreign exchange (sometimes abbreviated "forex") market typically conjures up images of a hectic trading room, full of computers and information networks, with traders talking excitedly on telephones. This image is a reality on the trading floors of the world's major banks and other financial institutions that make up the interbank market. It may help to think of the interbank market as the wholesale part of the forex market where banks manage inventories of currencies. There is also a less hectic retail side of the forex market, where the customers of the foreign exchange dealers buy and sell foreign currencies. These customers are the multinational corporations that market goods and services throughout the world and the institutional investors and money managers that invest capital or speculate throughout the world. The foreign exchange market operates 24 hours per day because the major financial centers where currencies are traded are geographically spread out. When it is midnight in London, England, it is morning in the Pacific and Asian markets. The first market activity is in Sydney (Australia) and Wellington (New Zealand), and it is quickly followed by trading in Tokyo and Osaka (Japan), Hong Kong, and Singapore.

NSOU • PGCO-X 89 5.2 The International Monetary Fund (IMF) In the course of its international business activities, an MNC may need financing from an Internationally active bank, use economic information provided by an international organization, operate within a regulatory framework set by local governments or international institutions, and deal with investor relations in several countries. The IMF is an international organization of 190 member countries, based in Washington, DC, which was conceived at a United Nations conference convened in Bretton Woods, New Hampshire, in 1944. The 45 governments represented at that conference sought to build a framework for economic cooperation that would avoid a repetition of the disastrous economic policies that had contributed to the Great Depression of the 1930s. The main goals of the IMF are to ensure the stability of the international monetary and financial system (the system of international payments and exchange rates among national currencies that enables trade to take place between countries), to help resolve crises when they occur, and to promote growth and alleviate poverty. To meet these objectives, the IMF offers surveillance and technical assistance. Surveillance is the regular dialogue about a country's economic condition and policy advice that the IMF offers to each of its members. Technical assistance and training are offered to help member countries strengthen their capacity to design and implement effective policies, including fiscal policy, monetary and exchange rate policies, banking and financial system supervision and regulation, and statistics. Economic crisis often occur when countries borrow excessively from foreign lenders and subsequently experience difficulties financing their balance of payments. The IMF is set up to offer temporary financial assistance to give member countries the breathing room they need to correct balance-of- payment problems. A policy program supported by IMF financing is designed by the national authorities in close cooperation with the IMF, and continued financial support is conditional on effective implementation of this program. This is known as IMF conditionality. The IMF charges market interest rates for these loans. In addition, the IMF also actively works to reduce poverty in countries around the globe, independently and in collaboration with the World Bank and other organizations. Here, loans are 90 NSOU • PGCO-X provided at below-market rates. The IMF's main resources are provided by its member countries, primarily through the payment of quotas, which broadly reflect each country's economic size. 5.3

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Nostro, Vostro and Loro Accounts In interbank transactions, foreign exchange is transferred from one account to another account and from one centre to another

centre. Therefore, the banks maintain three types of current accounts in order to facilitate quick transfer of funds in different currencies. These accounts are Nostro, Vostro and Loro accounts meaning "our", "your" and "their". A bank's foreign currency account maintained by the bank in a foreign country and in the home currency of that country is known as Nostro Account or "our account with you". For example, An Indian bank's Swiss franc account with a bank in Switzerland. Vostro account is the local currency account maintained by a foreign bank/ branch. It is also called "your account with us". For example, Indian rupee account maintained by a bank in Switzerland with a bank in India. The Loro account is an

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account wherein a bank remits funds in foreign currency to another bank for credit to an account of a third bank. 5.4

Concept of

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Exchange Rate Exchange Rate means the price of a nation's currency in terms of another currency. An exchange rate

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has two components, the domestic currency and a foreign currency, and can be quoted either directly or indirectly. In a direct quotation, the price of a unit of foreign currency is expressed in terms of the domestic currency. In an in-direct quotation, the price of a unit of domestic currency is expressed in terms of the foreign currency. An exchange

rate that does not have the domestic currency as one of the two currency components is known as a cross currency, or cross rate. According to Layman, "an

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exchange rate is the price of one country's currency expressed in

another country's currency. In other words, the rate at which one NSOU • PGCO-X 91 currency can be exchanged for another". According to Shapiro, "an

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exchange rate is, simply, the price of one nation's currency in terms of another currency,

often termed the reference currency".

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An exchange rate has a base currency and a counter currency. In a direct quotation, the foreign currency is the base currency and the domestic currency is the counter currency. In an indirect quotation, the domestic currency is the base currency and the foreign currency is the counter currency.

Example The rupee/dollar exchange rate is just the number of

rupee that one dollar will buy. If a dollar will buy 100 rupee, the exchange rate would be expressed as 100/ \$, and the rupee would be the reference currency. Equivalently, the dollar/rupee exchange rate is the number of dollars one rupee will buy. Continuing the previous example, the exchange rate would be \$0.01/ (1/100), and the dollar would now be

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the reference currency. Most exchange rates use the US dollar as the base currency and other currencies as the counter currency. However, there are a few exceptions to this rule, such as the euro and Commonwealth currencies like the British pound, Australian dollar and New Zealand dollar. Exchange rates for most major currencies are generally expressed to four places after the decimal, except for currency quotations involving the Japanese yen, which are quoted to two places after the decimal. Exchange rates can be

for spot or forward delivery. A spot rate is the price at which currencies are traded for immediate delivery; actual delivery takes place two days later. A forward rate is the price at which foreign exchange is quoted for delivery at a specified future date. The foreign exchange market, where currencies are traded, is not a physical place; rather, it is an

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electronically linked network of banks, foreign exchange brokers, and dealers whose function is to bring together buyers and sellers of foreign exchange. 5.4.1

Factors Affecting Foreign Exchange Rates Foreign Exchange being a commodity like any other commodities, the exchange rates tend to fluctuate from time to time. There are various factors that cause the 92 NSOU • PGO-X fluctuations in the rates of exchange. These factors can be divided into several following groups. These groups can affect the exchange rates on a short term as well as long-term basis. 1. Fundamental Factors The fundamental factors include all such events that affect the basic economic and fiscal policies of the concerned government. These factors normally affect the long-term exchange rates of any currency. On short-term basis on many occasions, these factors are found to be rather inactive unless the market attention has turned to fundamentals. However, in the long run exchange rates of all the currencies are linked to fundamental causes. The fundamental factors are basic economic policies followed by the government in relation to inflation, balance of payment position, unemployment, capacity utilization, trends in import and export, etc. Normally, other things remaining constant the currencies of the countries that follow sound economic policies will always be stronger. Similarly for the countries which are having balance of payments surplus, the exchange rate will always be favorable. Conversely, for countries facing balance of payment deficit, the exchange rate will be adverse. Continuous and ever growing deficit in balance of payment indicates over valuation of the currency concerned and the dis-equilibrium created can be remedied through devaluation. 2. Political and Psychological Factors Political and psychological factors are believed to have an influence on exchange rates. Many currencies have a tradition of behaving in a particular way for e.g. Swiss franc as a refuge currency. The US Dollar is also considered a safer haven currency whenever there is a political crisis anywhere in the world. 3. Technical Factors The various technical factors that affect exchange rates can be mentioned as under: (a) Capital Movement : The phenomenon of capital movement affecting the exchange rate has a very recent origin. Huge surpluses of petroleum exporting countries due to sudden spurt in the oil prices could not be utilised by these countries for home consumption entirely and needed to be invested elsewhere productively. Movement of these petro dollars, started affecting

NSOU • PGCO-X 93 the exchange rates of various currencies. Capital tended to move from lower yielding to higher yielding currencies and as a result the exchange rates moved. (b) Relative Inflation Rates : It was generally believed until recently that one prima-facie direction for exchange rates to move was in the direction adjusted to compensate the relative inflation rates. For instance, if a currency is already overvalued, i.e., stronger than what is warranted by relative inflation rates, depreciation sufficient enough to correct that position can be expected and vice versa. It is necessary to note that exchange rate is a relative price and hence the market weighs all the relevant factors in a relative term, (in relation to the counterpart countries). The underlying reasoning behind this conviction was that a relatively high rate of inflation reduces a country's competitiveness in international markets and weakens its ability to sell in foreign markets. This will weaken the expected demand for foreign currency (increase in supply of domestic currency and decrease in supply of foreign currency). But during 1981-85 period exchange rates of major currencies did not confirm the direction of relative inflation rates. The rise of the dollar persistently for such a long period discredited this principle. (c) Exchange rate policy and intervention : Exchange rates are also influenced in no small measure by expectation of changes in regulation relating to exchange markets and official intervention. Official intervention can smoothen an otherwise disorderly market but it is also the experience that if the authorities attempt half-heartedly to counter the market sentiments through intervention in the market, ultimately more steep and sudden exchange rate swings can occur. In the second quarter of 1985 the movement of exchange rates of major currencies reflected the change in the US policy in favour of co-ordinated exchange market intervention as a measure to bring down the value of the dollar. (d) Interest rates : An important factor for movements in exchange rates in recent years has been difference in interest rates; i.e. interest differential between major countries. In this respect the growing integration of the financial markets of major countries, the revolution in telecommunication

94 NSOU • PGCO-X facilities, the growth of specialized asset managing agencies, the deregulation of financial markets by major countries, the emergence of foreign exchange trading etc. having accelerated the potential for exchange rates volatility. 4. Speculation Speculation or the anticipation of the market participants many a times is the prime reason for exchange rate movements. The total foreign exchange turnover worldwide is many a times the actual goods and services related turnover indicating the grip of speculators over the market. Those speculators anticipate the events even before the actual data is out and position themselves accordingly to take advantage when the actual data confirms the anticipations. The initial positioning and final profit taking make exchange rates volatile. These speculators many a times concentrate only on one factor affecting the exchange rate and as a result the market psychology tends to concentrate only on that factor neglecting all other factors that have equal bearing on the exchange rate movement. Under these circumstances even when all other factors may indicate negative impact on the exchange rate of the currency if the one factor that the market is concentrating comes out positive the currency strengthens. 5. Others The turnover of the market is not entirely trade related and hence the funds placed at the disposal of foreign exchange dealers by various banks, the amounts which the dealers can raise in various ways, banks' attitude towards keeping open position during the course of a day, at the end of the day, on the eve of weekends and holidays, window dressing operations as at the end of the half year or year, end of the month considerations to cover operations for the returns that the banks have to submit the central monetary authorities etc. — all affect the exchange rate movement of the currencies. 5.4.2 Exchange Rate Quotes Because exchange rates are relative prices, they can be expressed in two ways. Exchange rates can be quoted in direct terms as the domestic currency price of the foreign currency or in indirect terms as the foreign currency price of the domestic currency.

NSOU • PGCO-X 95 Direct quote A currency

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quotation is the price of a currency in terms of another

currency.



For example, \$1 = 48.00, means that one dollar can be exchanged for 48.00. Alternatively, we may pay 48.00 to buy one dollar. A direct quote is the home currency price of one unit foreign currency. Thus, in the aforesaid example, the quote \$1 = 48.00 is a direct-quote for an Indian. For example, in the United Kingdom, people discuss the pound prices of various goods and assets. If you were in the United Kingdom, you might inquire, "How many pounds does it take to purchase that car?" or "What does that car cost?" In each case, you want to know the number of pounds that must be given up to purchase a specific car. An economist would say the answer to these questions is the value of the car in terms of the pound. Now, suppose you were in the United Kingdom, and you wanted to travel to Germany. If you thought you might need 1,000 euros on your trip, it would also be natural for you to inquire, "How many pounds does it take to purchase 1,000 euros?" or "What do 1,000 euros cost?" In each case, you want to know the number of pounds that must be given up to purchase this specific number of euros. Once again, economists would say that the answer is the value of 1,000 euros in terms of the pound. If the pound price of the euro is £0.90 &lt; ;, the pound cost of 1,000 euros is :1,000 \* 1£0.90 &lt; ; 2 = £900. Indirect quotes An indirect quote is the foreign currency price of one unit of the home currency. The quote Re.1 = \$0.0208 is an indirect quote for an Indian. (\$1/ 48.00 = \$0.0208 approximately) For the U.S. dollar, it is common for many exchange rates to be quoted in indirect quotes, such as ¥100 &lt; ; \$ for the Japanese yen or CHF 1.8 &lt; ; \$ for the Swiss franc. These exchange rates represent the amount of foreign currency that is equivalent to 1 dollar, which is also the amount of foreign currency required to purchase 1 dollar. Direct and indirect quotes are reciprocals of each other, which can be mathematically expressed as follows. Direct quote = 1/indirect quote and vice versa

96 NSOU • PGCO-X American Term and European Term Quotes in American terms are the

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rates quoted in amounts of U.S. dollar per unit of foreign currency.			

When the exchange rate is given at number of dollars per unit of foreign currency then this is quotation

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in American terms. While rates quoted in amounts of foreign currency per U.S. dollar are known as quotes in European terms.			

When the quotation is given as number of units of a currency per unit of dollar then this is known as quotation in European terms. For example, U.S. dollar 0.2 per unit of Indian rupee is an American quote while INR 44.92 per unit of U.S. dollar is a European quote. Most foreign currencies in the world are quoted

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in terms of the number of units of foreign currency needed to buy one			

U.S. dollar i.e. the European term. American quote The phrase American quote refers to the dollar price of a foreign currency—that is, the number of dollars it takes to purchase one unit of the foreign currency. Exchange rates of the British pound versus the dollar and the euro versus the dollar are commonly expressed directly in dollars per pound. European quote The indirect method of quoting exchange rates is also commonly referred to as a European quote (the amount of foreign currency needed to buy dollars) because most former European currencies, such as the Deutsche mark and the French franc, were quoted this way relative to the dollar. Direct and Indirect, American and European Quotes In the United States (US) In the United Kingdom (UK) \$ per £ Direct Indirect \$ per £ American American £ per \$ Indirect Direct £ per \$ European European In India In the United States (US) Rupee per \$ Direct Indirect

NSOU • PGCO-X 97 Bid, Offer/Ask and Spread A foreign exchange quotes are two-way quotes, expressed as a 'bid' and an offer' (or ask) price. Bid is the price at which the dealer is willing to buy another currency. Bid rate is the exchange rate at which the authorized dealer of foreign exchange (usually bank) is willing to buy foreign currency. The offer/ask is the rate at which he is willing to sell another currency. Ask rate is the exchange rate at which the authorized dealer of foreign exchange is willing to sell foreign currency. Thus a bid in one currency is simultaneously an offer in another currency. For example, a dealer may quote Indian rupees as 48.80 - 48.90 vis-a-vis dollar. That means that he is willing to buy dollars at 48.80/\$ (sell rupees and buy dollars), while he will sell dollar at 48.90/\$ (buy rupees and sell dollars). The difference between the bid and the offer is called the spread. The offer is always higher than the bid as inter-bank dealers make money by buying at the bid and selling at the offer. % Spread =  $\frac{\text{Offer} - \text{Ask}}{\text{Bid}} \times 100$  It must be clearly understood that while a dealer buys a currency, he at the same time is selling another currency. When a dealer wants to buy a currency, he/she will ask the other dealer a quote for say a million dollars. The second dealer does not know whether the first dealer is interested in buying or selling one million dollars. The second dealer would then give a two-way quote (a bid/offer quote). When the first dealer is happy with the 'ask' price given by the second dealer, he/she would convey "ONE MINE", which means "I am buying one million dollars from you". If the first dealer had actually wanted to sell one million dollars and had asked a quote and he is happy with the 'bid' price given by the second dealer, he/she would convey "ONE YOURS", which means "I am selling one million dollars to you".

Cross Rates It is the exchange rate which is expressed by a pair of currency in which none of the currencies is the official currency of the country in which it is quoted. For example, if the currency exchange rate between a Canadian dollar and a British pound is quoted in Indian newspapers, then this would be called a cross rate since none of the currencies of this pair is of Indian rupee.

98 NSOU • PGCO-X Cross Rate is an exchange rate that is derived from other exchange rates and it does not involve the home currency. Example : Cross rate when transaction costs are not involved : Suppose the exchange rates are : USD/INR=67.02 EUR/INR=74.68 Compute USD/EUR Cross rate. Solution :  $\frac{\text{USD/INR}}{\text{EUR/INR}} = \frac{\text{USD}}{\text{EUR}}$  So,  $\frac{\text{USD}}{\text{EUR}} = \frac{67.02}{74.68} = 0.897$  (It means 1 USD = 0.897 EUR)

5.4.3 Exchange Rate Quotations and Arbitrage Although the term "market rate" is often used it is not true that all banks will have identical quotes for a given pair of currencies at a given point of time. For example if Bank A gives the quote given above : /\$ : 34.85/34.92 At the same time Bank B quotes /\$ : 34.75/34.82 Such a situation will give rise to an arbitrage opportunity. Dollars can be bought at 34.82 from Bank B and sold at 34.85

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to bank A. Thus giving a net profit of 0.03 per dollar without any risk or commitment of capital.

This would lead to a situation where every dealer would like to buy from Bank B and sell to Bank A. However, in an efficient market this would not be allowed to prevail, if at all it does prevail it will be only for a few moments. Two Point Arbitrage If dollars are available in India at /\$ : 34.60/34.75 and at the same time Rupees are available in U.S.A at \$/ : 0.0285/0.0287.

NSOU • PGCO-X 99 In such a situation a trader can buy \$ from India at 34.75 and sell it at U.S.A for 34.84 (1/0.287). Thus making a net profit of 0.09 per dollar. This arbitrage transaction in which the trader buys

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a currency in one market and sells it at a higher price in another market is called "Two Point Arbitrage".

The bid and risk rate for dollars in terms of in U.S.A is computed as follows :  $(\$/\text{ask}) = 1/(\text{\$/bid})$  The ask on the rupee being the bid on the dollar and vice-versa. Problem : A bank in Canada displays the following spot quotation. C\$/\\$ : 1.3690/1.4200 At the same time a bank in New York quotes \\$/C\\$ : 0.7100/0.7234 (a) Is there an arbitrage opportunity? (b) If the Canadian bank lowers its ask rate to 1.3742, Is there an arbitrage opportunity? (c) If you buy one million U.S. \$ from Canada and sell them in U.S.A after the Canadian lowers its ask rate. What is the riskless profit you will make? Solution : (a) If we buy U.S. dollars from Canada we will pay C\$ 1.4200 per U.S. dollar. This can be sold in U.S.A for 1.4085 only there by leaving us with a loss. Hence there is no arbitrage opportunity. \\$/C\\$ : 0.7100/0.7234 C\$/\\$ :  $[\frac{1}{(\text{\$/C}\text{ask})}] / [\frac{1}{(\text{\$/C}\text{bid})}] : [\frac{1}{0.7234}] / [\frac{1}{0.7100}] : 1.3824/1.4085$

100 NSOU • PGCO-X (b) If the Canadian bank lowers its ask rate to 1.3742 we can buy U.S. \$ from Canada for C\$ 1.3742 and sell them in U.S.A for C\$ 1.4085 per U.S. dollar. Thus making an arbitrage profit of 0.0343 Canadian dollars on every U.S. dollar. (c)  $10,00,000 \times 1.3732 = 14,08,500$   $10,00,000 \times 1.4085 = 14,08,500$  Thus if one million U.S. dollars are bought from Canada and sold in America after the Canadian bank lowers its ask rate, the riskless profit that can be made is C\$ 35,300. Three Point Arbitrage Three point arbitrage refers to the transactions wherein a trader deals with three currencies, he starts with currency X, sells it for currency Y, sells currency Y for currency Z, and finally sells currency Z for currency X. After this process he should have more of Z than he began with. For three currencies X, Y and Z The no Arbitrage opportunity condition implies :  $(X/Y)_{bid} \geq (X/Z)_{ask} \times (Z/Y)_{ask}$   $(X/Y)_{ask} \leq (X/Z)_{bid} \times (Z/Y)_{bid}$  Problem : A bank in Wales is currently offering the following quotes: FFr/£ : 7.9970/7.9990 HK\$/£ : 11.9071/11.9091 At the same time a bank in Hong Kong is quoting FFr/HK\$ : 0.6750/0.6770 Is there an Arbitrage opportunity? Solution : One FFr gets  $\text{£}[1/(FFr/\text{£})_{ask}] = \text{£}(1/7.9990) = \text{£}0.1250$

NSOU • PGCO-X 101  $\text{£}[1/(FFr/\text{£})_{ask}]$  gets  $\text{HK}\$[1/(FFr/\text{£})_{ask}] [(FFr/\text{£})_{bid}] = (1/7.9990) (11.9071) = 1.4884$  And finally the amount of FFr is obtained  $\text{FFr}\{[1/(FFr/\text{£})_{ask}][(\text{HK}\$/\text{£})_{bid}(\text{FFr}/\text{HK}\$)_{bid}]\}$   $\text{FFr} [(1/7.9990) (11.9071) (0.6750)] = \text{FFr} 1.0048$  There is an arbitrage opportunity. A riskless profit of FFr 1.0048 per French Franc. Note : Problems given above are not real life situations, these type of arbitrage opportunities seldom appear in the market. Even if it does it will only be for a few moments and efficient traders are bound to take advantage of this situation. Covered Interest Arbitrage Investments abroad have to be converted into home currency on maturity. Exchange rate may have changed in the meanwhile. An investor may make a forward sale of funds to be repatriated on maturity. The process of investing abroad for higher returns and making a forward sale of the proceeds is known as covered interest arbitrage. An investment abroad will be undertaken if the return from interest rate differential exceeds the forward margin (difference between the forward and spot exchange rates). In general terms, the forward rate of the foreign currency will contain a discount (premium) if its interest rate is higher (lower) than that of the home currency. Covered interest arbitrages will go on till the market forces realign the forward margins with the interest rate differentials. Problem : If, –

**82% MATCHING BLOCK 35/150**

**W**

Spot rate : 42.0010 = \$ 1 – 6 month forward rate: 42.8020 = \$ 1 – Annualized interest rate on : 6 month rupee : 12 % 6 month dollar : 8% Calculate the arbitrage possibilities. 102 NSOU • PGCO-X Solution : The rule is that if the interest rate differential is greater than the premium or discount, place the money in the currency that has a higher rate if interest or vice –versa. Given the above data : Negative interest rate differential =  $(12-8) = 4\%$  Forward premia (annualized) =

$$\text{Forwardrate} - \text{Spotrate} = 42.8020 - 42.0010 = 0.8010$$

$$0.8010 \times 100 \times 6 / 12 = 40.05\%$$

**81% MATCHING BLOCK 36/150**

**W**

Negative interest rate differential & forward premia, therefore, there is a possibility of arbitrage inflow in India. Suppose, investment = \$1000 by taking a loan @ 8% in US. Invest in India at spot rate of 42.0010 @ 12 % for six months and cover the principal + interest in the six month forward rate. Principal = \$ 1000 = 42001. Interest on investment for six months =  $42,001 \times 12 / 100 \times 6 / 12 = 2520.06$  Amount at the end of six months = Interest + Principal =  $42001 + 2520.06 = 44,521.06$  Converting the above in dollars at the forward rate =  $\$ 44,521.06 / 42.8020 = \$ 1,040.16$  The arbitrageur will have to pay at the end of six months =  $\$1,000 + (\$1000 \times 8 / 100 \times 6 / 12)$  Hence, the arbitrageur gains  $(\$1040.16 - \$1040) = \$ 0.16$  on borrowing \$1000 for six months.

NSOU • PGCO-X 103 Problem : If, –

**89% MATCHING BLOCK 37/150**

**W**

Spot rate : 44.0030 = \$ 1 – 6 month forward rate : 45.0010 = \$ 1 Annualised interest rate on : – 6 month rupee : 12 % – 6 month dollar : 8% Calculate the arbitrage possibilities. Solution : The rule is that if the interest rate differential is greater than the premium or discount, place the money in the currency that has a higher rate if interest or vice –versa. Given the above data : – Negative interest rate differential = (12 – 8) = 4% – Forward premia (annualised) =

Forwardrate–Spotrate $\times 100 \times 12$  Spotrate $\times 6 = * * (45.0010 - 44.0030) 100 12 44.30 \times 6 = 4.5361\%$  Here,

**84% MATCHING BLOCK 38/150**

**W**

Negative interest rate differential > forward premia, therefore, there is a possibility of arbitrage inflow in US. Suppose, investment = 10,000 by taking a loan @ 12% in India. Invest in US at spot rate of 44.0030 @ 8 % for six months (US \$ 227.257) and cover the principal + interest in the six month forward rate. Amount at the end of six months = Interest + Principal =  $(\$227.257 * 8) / (100 * 6/12) = \$ 236.3473$

**86% MATCHING BLOCK 40/150**

**W**

Sell US \$ at 6 month forward to receive  $236.3473 * 45.0010 = 10635.865$  Return the rupee debt borrowed at 12%. The amount to be refunded is ? 10,600

Profit =  $10635.865 - 10600.000 = 35.865$

104 NSOU • PGCO-X 5.4.4 Determination of Exchange Rates There is no generally accepted theory or model to determine exchange rates. However, there are certain approaches which provide a general framework for analysis of exchange rates which are discussed below : (a) Balance of payments : If payments by a country for its imports of goods and services and invisibles are out of step with its receipts for exports of goods and services and invisible, two possibilities arise. One, foreign currency payments exceed receipts and there is a deficit. This puts the home currency of the country under downward pressure against foreign currencies. Two, there is a surplus and there is an upward pressure on the home currency. In the former case, the home currency tends to depreciate, and in the latter to appreciate, against foreign currencies. (b) Demand and supply : The demand for a foreign currency to pay for imports, etc. and the supply of a foreign currency by way of receipts on account of exports, etc. vary at various rates of exchange. The rate which equilibrates the demand and supply should be the rate of exchange. Imagine a New York City firm exports its products to a German company. The business transaction will be settled in dollars so the American firm obtains revenue in its own currency and can pay its employees' salaries in dollars. To facilitate the transaction, the German firm needs to convert some of its capital from euros to dollars on the foreign exchange market. The supply of euros increases leading to an appreciation of the dollar and depreciation of the euro. It can also be said that the German firm increases the demand for dollars, again causing the dollar to appreciate in comparison to the euro. This transaction would have to be for a very large contract in order for the exchange rate to actually move a pip up or down. (c) Purchasing power parity : This theory maintains that free international trade equalises prices of tradable goods in different countries. So, a product will sell for the same price in common currency in all countries. Different rates of changes in prices i.e. different inflation rates must eventually induce off-setting changes in exchange rates in order to restore approximate price equality. Mathematically, the rate (or the expected rate) of change of the exchange rate should equal the rate (or the expected rate) of change of the

NSOU • PGCO-X 105 inflation rate. Evidence shows that there do exist disparities between changes in observed exchange rates and those in inflation rates in the short- run. But, the theory should hold in the long-run. (d) Interest rate : Interest rates are often highly related with inflation rates, and interest rate differentials between countries may be the result of inflation rate differentials. Therefore, interest rate differentials are also used as an important determinant of exchange rates. Interest rates in a country are determined, under free market conditions, by supply of and demand for money. Funds flow across countries in search of opportunities for higher returns. These flows between any two countries cause opposite changes in demand of and supply for their respective currencies. According to the theory of International Fisher Effect, the exchange rate of a currency with higher interest rate will depreciate to offset the interest rate advantage achieved by foreign investments till an equilibrium is achieved. (e) Relative income levels : If income level in a country rises and that in her trading partner remains unchanged, the demand by the former for the goods of the latter may increase. That is, the former would need more units of currency of the latter, while their supply remains unchanged. This would put upward pressure on the exchange rate of the latter. There can be different configurations of the relative income levels and of corresponding exchange rates. (f) Market expectations : Like other financial markets, foreign exchange markets react to any news that may have an effect on exchange rates in future. Expected developments regarding polity, economy etc. of a country is used to figure out how exchange rates would move. These peeps into the future impinge on the present as well as the future spot rates.

5.4.5 Classification of Exchange Rate System  
(i)

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Fixed Exchange Rate A fixed exchange rate, sometimes (less commonly) called a pegged exchange rate, is a type of exchange rate regime wherein a currency's value is matched to the value of another single currency or to a basket of other currencies, or to another measure of value, such as gold. As the reference value rises and falls, so does the 106

NSOU • PGCO-X currency

**67% MATCHING BLOCK 43/150**

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pegged to it. In addition, fixed exchange rates deprive governments of the use of an independent domestic monetary policy to achieve internal stability. A former president of the Federal Reserve Bank of New York described fixed currencies as follows : "Fixing the value of the domestic currency relative to that of a low-inflation country is one approach central banks have used to pursue price stability. The advantage of an exchange rate target is its clarity, which makes it easily understood by the public. In practice, it obliges the central bank to limit money creation to levels comparable to those of the country to whose currency it is pegged. When credibly maintained, an exchange rate target can lower inflation expectations to the level prevailing in the anchor country. Experiences with fixed exchange rates, however, point to a number of drawbacks. A country that fixes its exchange rate surrenders control of its domestic monetary policy." In certain situations, fixed exchange rates may be preferable for their greater stability. For example, the Asian financial crisis was improved by the fixed exchange rate of the Chinese renminbi, and the IMF and the World Bank now acknowledge that Malaysia's adoption of a peg to the US dollar in the aftermath of the same crisis was highly successful. Following the devastation of World War II, the Bretton Woods system allowed Western Europe to have fixed exchange rates until 1970 with the US dollar. Yet others argue that the fixed exchange rates (implemented well before the crisis) had become so immovable that it had masked valuable information needed for a market to function properly. That is, the currencies did not represent their true market value. This masking of information created volatility which encouraged speculators to "attack" the pegged currencies and as a response these countries attempt to defend their currency rather than allow it to devalue. These economists also believe that had these

countries instituted floating exchange rates, as opposed to

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fixed exchange rates, they may very well have avoided the volatility that caused the Asian financial crisis. Countries like Malaysia adopted increased capital controls believing that the volatility of capital was the result of technology and globalization, rather than fallacious macroeconomic policies which resulted not in better stability and growth in the aftermath of the crisis but sustained pain and stagnation. Countries adopting a fixed exchange rate must exercise careful and strict adherence to policy imperatives, and keep a degree of confidence of the capital markets in the management of such a regime, or otherwise the peg can fail. Such was NSOU • PGO-X 107 the case of Argentina, where unchecked state spending and

international economic shocks disbalanced the system and ended up forcing an extremely damaging devaluation (see Argentine Currency Board, Argentine economic crisis,

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and the Mexican peso crisis). On the opposite extreme, China's fixed exchange rate with the US dollar until 2005

led to

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China's rapid accumulation of foreign reserves, placing an appreciating pressure on the Chinese yuan. A government or central bank using a fixed exchange rate

has linked the value of its currency to the value of another country's currency, or the price of gold. With a fixed exchange rate, a country determines that the value of a single unit of its currency is worth a certain amount of another country's currency. For instance, a small country fixes its currency to the U.S. dollar, saying one unit of its money is worth \$2. To maintain the rate, the country's central bank will buy or sell its own currency on the foreign exchange market in return for U.S. dollars. This will keep the exchange rate steady. But it requires the small country to maintain a large amount of U.S. dollars in reserve so that it can release or absorb extra dollars when necessary. Fixed exchange rates enable a currency's value to remain relatively stable, and can help lower inflation, which encourages investment. But a fixed exchange rate can also cause problems. A smaller country that fixes its currency to a larger country's currency loses its monetary independence, and in some instances, its control. A fixed exchange rate is also known as a pegged exchange rate. A pegged exchange rate occurs when one country fixes its currency's value to the value of another country's currency. It makes the exchange rate between the two countries constant and stable. But pegging an exchange rate has both pros and cons. Advantages of Fixed/Pegged Exchange Rate The biggest advantages come from the effect it has on a country's exports and trade, especially between a nation with low production costs and another country with a stronger currency. A richer, more mature nation may choose to produce its goods in a less mature nation, where production costs are smaller. When those less mature nations translate their earnings into their domestic currencies, they make a larger profit, creating a win/win situation for both countries. A pegged exchange rate also supports a rising standard of living and economic growth. And it protects a 108 NSOU • PGO-X nation from volatile swings in the foreign exchange rate, which reduces the likelihood of a currency crisis. Disadvantages of Fixed/Pegged Exchange Rate Among the disadvantages is the large amount of reserves a central bank has to maintain to make a pegged exchange rate work. Those large reserves can spark higher inflation, which causes prices to rise, creating problems for a country's economic stability. The central bank must also buy or sell its currency on the open market to keep its value in line with the pegged nation's currency.

**100%**

**MATCHING BLOCK 46/150**

**SA**

062-Alfiya khan, foreign exchange risk in fina ...  
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Maintaining a fixed exchange rate Typically, a government wanting to maintain a fixed exchange rate does so by either buying or selling its own currency on the open market. This is one reason governments maintain reserves of foreign currencies. If the exchange rate drifts too far below the desired rate, the government buys its own currency off the market using its reserves. This places greater demand on the market and pushes up the price of the currency. If the exchange rate drifts too far above the desired rate, the opposite measures are taken. Another, less used means of maintaining a fixed exchange rate is by simply making it illegal to trade currency at any other rate. This is difficult to enforce and often leads to a black market in foreign currency. Nonetheless, communist countries are highly successful at using this method due to government monopolies over all money conversion. This is the method employed by the Chinese government to maintain a currency peg or tightly banded float against the US dollar. Throughout the 1990s China was highly successful at maintaining: a currency peg using a government monopoly over all currency conversion between the Yuan and other currencies. Criticisms The main criticism of fixed exchange rate is that flexible exchange rates serve to automatically adjust the balance of trade. When a trade deficit occurs, there will be increased demand for the foreign (rather than domestic) currency which will push up the price of the foreign currency in terms of the domestic currency. That in turn makes the price of foreign goods less attractive to the domestic market and thus pushes down the trade deficit. Under fixed exchange rates, this automatic re- balancing does not occur.

NSOU • PGO-X 109 Despite the negatives, many major and minor economies favour a pegged exchange rate. A country can gain trading advantages while protecting its economic interests, but these advantages come at a price. (ii) Floating Exchange Rate A floating exchange

**95%**

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rate is a country's exchange rate regime where its currency is set by the foreign-exchange market through supply and demand for that particular currency relative to other currencies.

Thus, floating exchange rates change freely and are determined by trading in the forex market. This is in contrast to a "fixed exchange rate" regime.

**75%**

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Floating rate may also refer to a floating interest rate applied to a loan or other lending product. A floating exchange rate or a flexible exchange rate is a type of exchange rate regime wherein a currency's value is allowed to fluctuate according to the foreign exchange market. A currency that uses a floating exchange rate is known as a floating currency.

The opposite of a floating exchange rate is a fixed exchange rate. Many economists think that, in most circumstances, floating exchange rates are preferable to fixed exchange rates. They allow the dampening of shocks and foreign business cycles. However, in certain situations, fixed exchange rates may

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be preferable for their greater stability and certainty. This may not necessarily be true, considering the results of countries that attempt to keep the prices of their currency "strong" or "high"

relative to others, such as the

UK or the Southeast Asia countries before the Asian currency crisis. Canada is the only country whose currency's value is determined absolutely and entirely by the foreign exchange market; in cases of extreme appreciation or depreciation, a central bank will normally

**75%**

**MATCHING BLOCK 52/150**

**SA**

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intervene to stabilize the currency. Thus, the exchange rate regimes of floating currencies may more technically be known as a managed float. A central bank might, for instance, allow a currency price to float freely between an upper and lower bound, a price "ceiling" and "floor". Management by the central bank may take the form of buying or selling large lots in order to provide price support or resistance,

or, in the case of some national currencies, there may be legal penalties for trading outside these bounds. Fear of floating A free floating exchange rate increases foreign exchange volatility. This may  
110 NSOU • PGCO-X cause serious problems, especially in emerging economies. These economies have a financial sector with one or more

**49%**

**MATCHING BLOCK 51/150**

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of following conditions : • high liability dollarization • financial fragility • strong balance sheet effects When liabilities are denominated in foreign currencies while assets are in the local currency, unexpected depreciations of the exchange rate deteriorate bank and corporate balance sheets and threaten the stability of the domestic financial system. For this reason emerging countries appear to face greater fear of floating, as they have much smaller variations of the nominal exchange rate, yet face bigger shocks and interest rate and reserve movements. This is the consequence of frequent free floating countries' reaction to exchange rate movements with

monetary policy and/ or intervention in the foreign exchange market. (iii) Dual and Multiple Exchange Rate When faced with a sudden shock to its economy, a country can opt to implement a dual or multiple foreign-exchange rate system. With this type of system, a country has more than one rate at which its currencies are exchanged. So, unlike a fixed or floating system the dual and multiple systems consist of different rates, fixed and floating, that are used for the same currency during the same period of time. In a dual exchange rate system, there are both fixed and floating exchange rates in the market. The fixed rate is only applied to certain segments of the market, such as "essential" imports and exports and/or current account transactions. In the meantime, the price of capital account transactions is determined by a market driven exchange rate. In a multiple exchange rate system, the concept is the same, except the market is divided into many different segments, each with its own foreign exchange rate, whether fixed or floating. Thus, importers of certain goods "essential" to an economy may have a preferential exchange rate while importers of "non-essential" or luxury goods may have a discouraging exchange rate. Capital account transactions could, again, be left to the floating exchange rate. When faced with a sudden shock to its economy, a country can opt to implement a dual or multiple foreign-exchange rate system. With this type of system, a country



NSOU • PGO-X 111 has more than one rate at which its currencies are exchanged. So, unlike a fixed or floating system the dual and multiple systems consist of different rates, fixed and floating, that are used for the same currency during the same period of time. A multiple system is usually transitional in nature and is used as a means to alleviate excess pressure on foreign reserves when a shock hits an economy and causes investors to panic and pull out. It is also a way to subdue local inflation and importers' demand on foreign currency. Most of all, in times of economic turmoil, it is a mechanism by which governments can quickly implement control over foreign currency transactions. Such a system can buy some extra time for the governments in their attempts to fix the inherent problem in their balance of payments. This extra time is particularly important for fixed currency regimes, which may be forced to completely devalue their currency and turn to foreign institutions for help. Instead of depleting precious foreign reserves, the government diverts the heavy demand for foreign currency to the free-floating exchange rate market. Changes in the free floating rate will reflect demand and supply. The use of multiple exchange rates has been seen as an implicit means of imposing tariffs or taxes. For example, a low exchange rate applied to food imports functions like a subsidy, while the high exchange rate on luxury imports works to "tax" people importing goods which, in a time of crisis, are perceived as non-essential. On a similar note, a higher exchange rate in a specific export industry can function as a tax on profits. While multiple exchange rates are easier to implement, most economists agree that the actual implementation of tariffs and taxes would be a more effective and transparent solution: the underlying problem in the balance of payments could thus be addressed directly. While the system of multiple exchange rates may sound like a viable quickfix solution, it does have negative consequences. More often than not, because the market segments are not functioning under the same conditions, a multiple exchange rate results in a distortion of the economy and a misallocation of resources. For example, if a certain industry in the export market is given a favourable foreign exchange rate, it will develop under artificial conditions. Resources allocated to the industry will not necessarily reflect its actual need because its performance has been unnaturally inflated. Profits are thus not accurately reflective of performance, quality, or supply and demand. Participants of this favored sector are (unduly) rewarded better than other export market participants. An optimal allocation of resources within the economy can thus not be achieved. A multiple exchange rate system can also lead to economic rents for factors of production benefiting from implicit protection. This effect can also open up doors for increased corruption because people gaining may lobby to try and keep the rates in place. This, in turn, prolongs an already inefficient system. Finally, multiple exchange rates result in problems with the central bank and the federal budget. The different exchange rates likely result in losses in foreign currency transactions, in which case the central bank must print more money to make up for the loss. This, in turn, can lead to inflation.

5.5 Currency Depreciation, Appreciation, Devaluation and Revaluation Economic activity is globally unified today

**98%**

**MATCHING BLOCK 53/150**

**SA**

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to an unprecedented degree. Changes in one nation's economy are rapidly transmitted to that nation's trading partners. These fluctuations in economic activity are reflected, almost immediately, in fluctuations in currency values.

Consequently, multinational corporations (MNCs), with their integrated cross-border production and marketing operations, continually face devaluation or revaluation worries somewhere in the world.

5.5.1 Currency Depreciation and Appreciation The terms appreciation and depreciation are typically used to describe changes in exchange rates when exchange rates are allowed to be flexible—that is, to fluctuate freely in response to changes in demand and supply. The fixed rate, which in turn attracts the unwanted attention of currency Devolution in the deliberate downward adjustment of a country's currency value. Devalning a currency reduces the cost a country's expats and can help shyinle trade deficit. Revaluation is the opposite to devaluation.

NSOU • PGCO-X 113 speculators who waste little time in testing the resolve of the central bank to defend the fixed exchange rate. A central bank must have sufficient foreign exchange reserves to be willing to buy all the offered amounts of its currency at the fixed exchange rate. If these forex reserves are insufficient, the bank may have no option but to devalue the currency. Effects on the Economy Devaluation often has an adverse effect on the economy initially, although it eventually results in a substantial increase in exports and a concomitant shrinkage in the current account deficit, a phenomenon known as the J-Curve. In the initial period after devaluation, imports become much more expensive while exports stay stagnant, leading to a larger current account deficit. The lower value of the domestic currency may also result in imported items costing much more, leading to "imported" inflation. Over time, however, the lower domestic currency makes exports more competitive in global markets, while consumers may eschew expensive imports, leading to an improvement in the current account deficit.

5.5.2 Currency Convertibility For the rapid growth of world trade and capital flows between countries convertibility of a currency is desirable. Without free Currency Depreciation is a decrease in the value of a currency relative to another currency.

A depreciated currency is less valuable (less expensive) and therefore can be exchanged for (can buy) a smaller amount of foreign currency. For example,  $\$1/\bullet 1 \rightarrow \$1.20/\bullet 1$  means that the dollar has depreciated against the euro. It now takes \$1.20 to buy one euro, so that the dollar is less valuable. At the same time, the euro has appreciated against the dollar: it is now more valuable. Currency Appreciation is an increase in the value of a currency relative to another currency.

An appreciated currency is more valuable (more expensive) and therefore can be exchanged for (can buy) a larger amount of foreign currency. For example,  $\$1/\bullet 1 \rightarrow \$0.90/\bullet 1$  means that the dollar has appreciated against the euro. It now takes only \$0.90 to buy one euro, so that the dollar is relatively more valuable. The euro has depreciated against the dollar: it is now relatively less valuable. A depreciated currency is less valuable, and therefore it can buy fewer foreign-produced goods with prices that are quoted in foreign currency terms.

114 NSOU • PGCO-X Example : • How many yen does a Japanese Honda cost?  $\yen3,000,000$  •  $\yen3,000,000 \times \$0.0098/\yen1 = \$29,400$  •  $\yen3,000,000 \times \$0.0100/\yen1 = \$30,000$  A depreciated currency means that imports are more expensive and domestically produced goods and exports are less expensive. A depreciated currency lowers the price of exports relative to the price of imports. An appreciated currency is more valuable, and therefore it can buy more foreign produced goods that are denominated in foreign currency. Example : • How much does a Honda cost ?  $\yen3,000,000$  •  $\yen3,000,000 \times \$0.0098/\yen1 = \$29,400$  •  $\yen3,000,000 \times \$0.0090/\yen1 = \$27,000$  An appreciated currency means that imports are less expensive and domestically produced goods and exports are more expensive. An appreciated currency raises the price of exports relative to the price of imports.

5.5.3 Currency Devaluation and Revaluation Sometimes, the government authorities of a country "fix," or "peg," the exchange rate of their money relative to a foreign money. Discrete changes in the values of exchange rates under such a fixed exchange rate system are called devaluations and revaluations of the currencies. If the monetary authorities increase the domestic currency price of foreign exchange, they are devaluing their money. Such actions increase the domestic currency prices of foreign monies and are often the result of a failure in government policy. Causes of Devaluation and Revaluation While devaluation is far more common than revaluation, both occur because the exchange rate has been fixed at an artificially low or high level. This makes it increasingly difficult for the central bank to defend t and unrestricted convertibility of currencies into foreign exchange trade and capital flows between countries cannot take place smoothly. Therefore, to achieve higher rate of economic growth and

NSOU • PGCO-X 115 thereby to improve living standards through greater trade and capital flows, the need for convertibility of currencies of different nations has been greatly felt. Under Bretton Woods system fixed exchange rate system was adopted by various countries. In order to maintain the exchange rate of their currencies in terms of dollar or gold various countries imposed several controls over the use of foreign exchange. This required some restrictions on the use of foreign exchange and its allocation among different uses, the currency of a nation was converted into foreign exchange on the basis of officially fixed exchange rate. When Bretton Woods system collapsed in 1971, the various countries switched over to the floating foreign exchange rate system. Under the floating or flexible exchange rate system, exchange rates between different national currencies are allowed to be determined through market demand for and supply of them. However, various countries still imposed restrictions on the free convertibility of their currencies in view of their difficult balance of payment situation.

#### 5.5.4 Meaning of Currency Convertibility

By convertibility of a currency we mean currency of a country can be freely converted into foreign exchange at market determined rate of exchange that is, exchange rate as determined by demand for and supply of a currency. For example, convertibility of rupee means that those who have foreign exchange (e.g. US dollars, Pound Sterlings etc.) can get them converted into rupees and vice-versa at the market determined rate of exchange. Under convertibility of a currency there are authorized dealers of foreign exchange which constitute foreign exchange market. The exporters and others who receive US dollars, Pound Sterlings etc. can go to these dealers which are generally banks and get their dollars exchanged for rupees at the market determined rates of exchange. Similarly, under currency convertibility, importers and other who require foreign exchange can go to these banks dealing in foreign exchange and get rupees converted into foreign exchange.

#### 5.5.5 Current Account and Capital Account Convertibility of Currency

A currency may be convertible on current account (that is, exports and imports of merchandise and invisibles) only. A currency may be convertible on both current and capital accounts. We have explained above the convertibility of a currency on current account only.

116 NSOU • PGCO-X By capital account convertibility we mean that in respect of capital flows, that is, flows of portfolio capital, direct investment flows, flows of borrowed funds and dividends and interest payable on them, a currency is freely convertible into foreign exchange and vice-versa at market determined exchange rate. Thus, by convertibility of rupee on capital account means those who bring in foreign exchange for purchasing stocks, bonds in Indian stock markets or for direct investment in power projects, highways steel plants etc. can get them freely converted into rupees without taking any permission from the government. Likewise, the dividends, capital gains, interest received on purchased stock, equity etc. profits earned on direct investment get the rupees converted into US dollars, Pound Sterlings at market determined exchange rate between these currencies and repatriate them. Since capital convertibility is risky and makes foreign exchange rate more volatile, is introduced only sometime after the introduction of convertibility on current account when exchange rate of currency of a country is relatively stable, deficit in balance of payments is well under control and enough foreign exchange reserves are available with the Central Bank.

#### 5.5.6 Convertibility of Indian Rupee

In the seventies and eighties many countries switched over to the free convertibility of their currencies into foreign exchange. By 1990, 70 countries of the world had introduced currency convertibility on current account; another 10 countries joined them in 1991. As a part of new economic reforms initiated in 1991 rupee was made partly convertible from March 1992 under the "Liberalised Exchange Rate Management scheme in which 60 per cent of all receipts on current account (i.e., merchandise exports and invisible receipts) could be converted freely into rupees at market determined exchange rate quoted by authorised dealers, while 40 per cent of them was to be surrendered to Reserve Bank of India at the officially fixed exchange rate. These 40 per cent exchange receipts on current account was meant for meeting Government needs for foreign exchange and for financing imports of essential commodities. Thus, partial convertibility of rupee on current account meant a dual exchange rate system. This partial convertibility of rupee on current account was adopted so that essential imports could be made available at lower exchange rate to

NSOU • PGCO-X 117 ensure that their prices do not rise much. Further, full convertibility of rupees at that stage was considered to be risky in view of large deficit in balance of payments on current account. As even after partial convertibility of rupee foreign exchange value of rupee remained stable, full convertibility on current account was announced in the budget for 1993-94. From March 1993, rupee was made convertible for all trade in merchandise. In March' 1994, even indivisibles and remittances from abroad were allowed to be freely convertible into rupees at market determined exchange rate. However, on capital account rupee remained nonconvertible.

**5.5.7 Advantages of Currency Convertibility**

Convertibility of a currency has several advantages which we discuss briefly:

1. Encouragement to exports : An important advantage of currency convertibility is that it encourages exports by increasing their profitability. With convertibility profitability of exports increases because market foreign exchange rate is higher than the previous officially fixed exchange rate. This implies that from given exports, exporters can get more rupees against foreign exchange (e.g. US dollars) earned from exports. Currency convertibility especially encourages those exports which have low import-intensity.
2. Encouragement to import substitution : Since free or market determined exchange rate is higher than the previous officially fixed exchange rate, imports become more expensive after convertibility of a currency. This discourages imports and gives boost to import substitution.
3. Incentive to send remittances from abroad : Thirdly, rupee convertibility provided greater incentives to send remittances of foreign exchange by Indian workers living abroad and by NRI. further, it makes illegal remittance such 'hawala money' and smuggling of gold less attractive.
4. A self – balancing mechanism : Another important merit of currency convertibility lies in its self-balancing mechanism. When balance of payments is in deficit due to over-valued exchange rate, under currency convertibility, the currency of the country depreciates which gives boost to exports by lowering their prices on the one hand and discourages

118 NSOU • PGCO-X imports by raising their prices on the other. In this way, deficit in balance of payments get automatically corrected without intervention by the Government or its Central bank. The opposite happens when balance of payments is in surplus due to the undervalued exchange rate.

5. Specialisation in accordance with comparative advantage : Another merit of currency convertibility ensures production pattern of different trading countries in accordance with their comparative advantage and resource endowment. It is only when there is currency convertibility that market exchange rate truly reflects the purchasing powers of their currencies which is based on the prices and costs of goods found in different countries. Since prices in competitive environment reflect that prices of those goods are lower in which the country has a comparative advantage, this will encourages exports. On the other hand, a country will tend to import those goods in the production of which it has a comparative disadvantage. Thus, currency convertibility ensures specialization and international trade on the basis of comparative advantage from which all countries derive benefit.
6. Integration of World Economy : Finally, currency convertibility gives boost to the integration of the world economy. As under currency convertibility there is easy access to foreign exchange, it greatly helps the growth of trade and capital flows between the countries. The expansion in trade and capital flows between countries will ensure rapid economic growth in the economies of the world. In fact, currency convertibility is said to be a prerequisite for the success of globalization.

**Currencies and Symbols**

An exchange rate is the relative price of two monies, such as the Japanese yen price of the U.S. dollar, the British pound price of the euro, or the Brazilian real price of the Mexican peso. Rather than write out the full name of these currencies, contractual parties use abbreviations. In banking and commercial transactions, it is important that all parties understand which currencies are being used. Hence, there is a need for standardization of the abbreviations. The International Organization for Standardization (called ISO from the Greek word for equal) sets these standards.

NSOU • PGCO-X 119 Country Currency ISO 4217 Code/ Symbols

Afghanistan Afghani AFN/ Af Argentina Peso ARS \$  
 Australia Dollar AUD/ A \$  
 Bangladesh Taka BDT  
 Bhutan Ngultrum BTN/ Nu  
 Brazil Real BRL/ R\$  
 Britain Pound GBP/ £  
 Canada Dollar CAD/ C \$  
 Chile Peso CLP/ \$ or  
 China Yuan Renminbi CNY/ RMB/ ¥  
 Colombia Peso COP/ \$  
 Cuba Peso CUP/ \$ or \$MN  
 Czech Republic Koruna CZK/Kc  
 Denmark Kroner DKK/ kr  
 Eurozone countries :

Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy,  
 Euro EUR/ •  
 Latvia, Lithuania, Luxembourg, Malta, Netherlands (The), Portugal, Slovakia, Slovenia, Spain  
 Hong Kong Dollar HKD/ HK\$  
 Hungary Forint HUF/ Ft  
 India Rupee INR/ Rp  
 Indonesia Rupiah IDR/ Rp  
 Iran Rial IRR/ Rls.  
 Iraq Dinar IQD

120 NSOU • PGCO-X Country Currency ISO 4217 Code/ Symbols

Israel New Shekel ILS  
 Japan Yen JPY/ ¥  
 Jordan Dinar JOD  
 Kampuchea Riel KHR  
 Kenya Shilling KES/ KSh  
 Korea (North) Won KPW/ W  
 Korea (South) Won KRW/ W  
 Kuwait Dinar KWD/ KD  
 Malaysia Ringgit MYR/ M\$  
 Mexico Peso MXN/ Mex\$  
 Myanmar Kyat MMK/ K  
 Mongolia Tugrik MNT/ T  
 Nepal Rupees NPR/ Rs  
 New Zealand Dollar NZD/ NZ\$  
 Norway Kroner NOK/ kr  
 Pakistan Rupee PKR/ Rs  
 Philippines Peso PHP/ P  
 Poland Zloty PLN/zl

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Russia Rouble RUB Saudi Arabia Riyal SAR/ SR Singapore Dollar SGD/ S\$ South Africa Rand ZAR/ R Sri Lanka Rupee LKR/ Rs Sweden Kronor SEK/ kr Switzerland Franc CHF/

SFr Taiwan New Dollar TWD/ NT\$ Thailand Baht THB/ ?

NSOU • PGCO-X 121 Country Currency ISO 4217 Code/ Symbols Turkey Lira TRY/ TL United Arab Emirates Dirham AED United States of America Dollar USD/ \$ Vietnam Dong VND/ d Zimbabwe Zimbabwe Dollar ZWL/ Z\$ 5.6 Summary The importance of International Monetary Fund in global economy which provides surveillance and technical assistance to foster international monetary and financial stability is discussed in the unit. In this context, to make the interbank transactions smooth, banks maintain three types of current accounts (i.e Nostro, Vostro and Loro) to ensure quick uninterrupted transfer of funds in different currencies between the international banks. In order to determine the exchange rate for the currencies globally, the foreign exchange market (also known as Forex market) has emerged and the fixation of the exchange rates which can be quoted in direct terms or in indirect terms has been explained. Concept and computation of two-way quotes, expressed as a 'bid' and 'offer or ask price' and the difference between bid and ask is called spread is dealt in this unit. The concept of Fixed Exchange Rate, Floating Exchange Rate, Dual/Multiple Exchange Rate, currency appreciation, depreciation, devaluations and revaluations is also explained under this unit with suitable examples. 5.7 Exercise Short Answer type : 1. Discuss in brief the main objectives of IMF. 2. Explain the concept of exchange rate with example. 3. Discuss direct and indirect quotes with examples. 4. What is covered Interest Arbitrage? 5. What do you understand by the term 'cross rates'?

122 NSOU • PGCO-X Long Answer type : 1. Differentiate between Nostro, Vostro and Loro accounts. 2. Explain in brief the various factors affecting the foreign exchange rates. 3. Determine the cross-rate between INR and ZAR based on the following information: INR/USD : 75.37 (one -way spot exchange rate between INR and USD as on 31.03.2020) ZAR/USD : 17.73 (one-way spot exchange rate between ZAR and USD as on 31.03.2020) [Hints : 1 ZAR = (75.37/17.73) INR = 4.25 INR (Answer in Direct Quote) or, 1 INR = (17.73/75.37) ZAR = 0.2352 ZAR (Answer in Indirect Quote)] 4. Write short notes on : (a) Currency Appreciation (b) Currency Depreciation (c) Fixed exchange Rate (d) Floating exchange Rate 5. Discuss in brief the current account and capital account convertibility of currency. Explain the advantages of currency convertibility.

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Unit - 6 □ Foreign Exchange and Derivative Markets. Structure 6.0 Objectives 6.1 Introduction 6.2 Features of Foreign Exchange Market 6.3 Functions of the Foreign Exchange Market 6.4 Participants in Foreign Exchange Market 6.5

Different Types of Foreign Exchange

Markets 6.5.1 Spot

Market 6.5.2 The Forward Market 6.5.3 The Futures Market 6.5.4 The Option Market 6.5.5 The Swaps Market 6.6 Summary

6.7 Exercise 6.0 Objectives By the end of this lesson, learners will be able to: • describe the concept of Foreign Exchange, • understand major types of foreign exchange market, • explain the concept of Derivative Market, • describe the concepts of Spot, Forward, Future, Options and Swaps, • compute various numerical problems relating to the financial derivatives 6.1 Introduction A foreign exchange rate, which is also called a forex rate or currency rate, 123 124 NSOU • PGCO-X represents the value of a specific currency compared to that of another country.

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The Foreign Exchange Market (Forex, FX, or currency market) is a form of exchange for the global decentralized trading of international currencies.

It

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is the market in which individuals, firms and banks buy and sell foreign currencies or foreign exchange.

Financial centres around the world function as anchors of trading between a wide range of buyers and sellers around the clock, with the exception of weekends.

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The foreign exchange market determines the relative values of different currencies. The foreign exchange market assists international trade and investment by enabling currency conversion.

The purpose of the

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foreign exchange market is to permit transfers of purchasing power denominated in one currency to another i.e. to trade one currency for another. For example,

a Japanese exporter sells automobiles to a US dealer for dollars, and a US manufacturer sells machine tools to Japanese company for yen. Ultimately, however, the US company will be interested in receiving dollars, whereas the Japanese exporter will want yen because it would be inconvenient for the individual buyers and sellers of foreign exchange to seek out one another, a foreign exchange market has developed to act as an intermediary. 6.2 Features of Foreign Exchange Market The following features may be found in

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the foreign exchange market: • The foreign exchange market is a worldwide market in which currencies are bought and sold against each other. • It is the largest market in the world. •

The worldwide Foreign Currency Exchange

Market trades several trillion dollars daily. • This daily volume is larger than the combined volume of all the world's stock markets. • It is a 24-hour market due to different time zones. The foreign exchange market is an over the counter (OTC) market place that determines the exchange rate of global currencies.

NSOU • PGCO-X 125 • It opens with the start of the workday on Monday in Sydney and then moves around the world, from one time zone to another until its closure on Friday in the New York. • The market is affected by the variety of factors. • Generally low margins of relative profit are found in this market compared with other markets of fixed income. 6.3

Functions of the Foreign Exchange Market The

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foreign exchange market merely a part of the money market in the financial centers is a place where foreign currencies are bought and sold. The buyers and sellers of claims on foreign money and

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intermediaries together constitute a foreign exchange market. It is not restricted to any given country or a geographical area. Thus, the foreign exchange market is the market for a national currency (

foreign money) anywhere in the world, as the financial centres of the world are united in a single market. The foreign exchange market performs the following important functions: (i) to effect transfer of purchasing power between countries- transfer function; (ii) to provide credit for foreign trade-credit function; and (iii) to furnish facilities for hedging foreign exchange risks-hedging function. (i) Transfer Function : The basic function of the foreign exchange market is to facilitate the conversion of one currency into another, i.e., to accomplish transfers of purchasing power between two countries. This transfer of purchasing power is affected through a variety of credit instruments, such as telegraphic transfers, bank drafts and foreign bills. In performing the transfer function, the foreign exchange market carries out payments internationally by clearing debts in both directions simultaneously, analogous to domestic clearings. (ii) Credit Function : Another function of the foreign exchange market is to provide credit, both national and international so as to promote foreign trade. Obviously, when foreign bills of exchange are used in international payments, a credit for about 3 months, till their maturity, is required. 126 NSOU • PGCO-X (iii) Hedging Function : A third function of the foreign exchange market is to hedge foreign exchange risks. In a free exchange market when

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exchange rates, i.e., the price of one currency in terms of another

currency change, there may be a gain or loss to the party concerned. Under this condition, a person or a firm undertakes exchange risk to a large extent if there are huge amounts of net claims or net liabilities which are to be met in foreign money. 6.4 Participants in Foreign Exchange Market

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Four levels of transactor or participants can be identified in foreign exchange markets. At the first level, are tourists, importers, exporters, investors, etc. These are the immediate users and suppliers of foreign currencies. At the next or second level are the commercial banks which act as clearing houses between users and earners of foreign exchange. At the third level are foreign exchange brokers through whom the nation's commercial banks even out their foreign exchange inflows and outflows among themselves. Finally, at the fourth and highest level is the nation's central bank which acts as the lender or buyer of last resort when the nation's total foreign exchange earnings and expenditures are unequal. The central bank then either draws down its foreign exchange reserves or adds to them.

The following are the participants in Foreign Exchange Market : (i) Companies/Multinational Corporations

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An important part of this market comes from the financial activities of companies seeking foreign exchange to pay for goods or services.

Many multinational companies exchange currencies to meet their import or export commitments or hedge their transactions against fluctuations in exchange rate.

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Commercial companies often trade fairly small amounts compared to those of banks or speculators, and their trades often have little short term impact on market rates. Nevertheless, trade flows are an important factor in the long-term direction of a currency's exchange rate. Some multinational

companies

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can have an unpredictable impact when very large positions are covered due to exposures that are not widely known by other market participants.

NSOU • PGCO-X 127 (ii) Governments Governments sometimes have requirements for foreign currency. This may be for paying staff salaries and local bills of an embassy abroad, or for a foreign currency credit line, most often in dollars, to a third world national government for industrial or agricultural development. In its turn, the third world nation's government will periodically have to pay interest due on any foreign loans with the capital sum eventually having to be repaid. It is more than likely the government would approach the market via its own central bank or a commercial bank. Foreign exchange rates are of particular concern to governments because changes in foreign exchange rates affect the value of products and financial instruments. As a result, unexpected or large changes can affect the health of a nation's markets and financial systems. Exchange rate changes also impact a nation's international investment flow, as well as export and import prices. These factors, in turn, can influence inflation and economic growth. (iii)

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Central banks National central banks play an important role in the foreign exchange markets. They try to control the money supply, inflation, and/or interest rates and often have official or unofficial target rates for their currencies. They can use their often substantial foreign exchange reserves to stabilize the market. Nevertheless, the effectiveness of central bank "stabilizing speculation" is doubtful because central banks do not go bankrupt if they make large losses, like other traders would,

and there is no convincing evidence that they do make a profit trading. The Reserve Bank of India, The Bank of England, the European Central Bank, the Swiss National Bank, the bank of Japan and, to a lesser extent, the Federal Reserve Bank will enter the market to correct what are felt to be unnecessarily large movements, often in conjunction with one another. By their actions, however, they can sometimes create the excesses they are specifically trying to prevent. (iv) Brokering Houses Brokering houses exist primarily to bring buyer and seller together at a mutually agreed price. The broker is not allowed to take a position in a currency and must act purely as a liaison. For this service, they receive a commission from both sides of the transaction, which will vary according to currency handled and from centre to centre. However, the use of live brokers has decreased in recent years, due mostly to the rise of the various interbank electronic brokerage systems.



128 NSOU • PGCO-X (v) International Monetary Market International Monetary Market (IMM) in Chicago trades currencies for contract amounts, which are relatively small in size and for only four specific maturities a year. Originally designed for the small investor, the IMM has grown apace since the early 1970s, and the major banks whose original attitude was somewhat jaundiced, now find that it pays to keep in touch with developments on the IMM, which is often a market leader. (vi) Speculators All the above participants in Foreign Exchange Market tend to have some sort of underlying exposure that has to be covered. Speculators, however, have no underlying exposure to hedge, rather they attempt to fulfil the adage “buy low, sell high” by attempting to trade for trading profit alone. Foreign exchange is an ideal speculative tool, offering volatility, liquidity and easy margin or leverage. This activity is vital to the stability of the markets. Without speculation, hedgers would find the market too illiquid to accommodate their needs. While speculators seek excess profits as a reward for their activities, the process of speculating itself drives the markets towards lower volatility and price stability. No modern commodity, equity, or debt market could operate without the speculators. It is estimated that up to 90% of the daily volume of trading activity in the foreign exchange markets is a result of speculator’s activity, with the balance primarily made up of commercial hedging transactions. (vii)

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Investment management firms Investment management firms (who typically manage large accounts on behalf of customers such as pension funds and endowments) use the foreign exchange market to facilitate transactions in foreign securities. For example, an investment manager holding an international equity portfolio needs to purchase and sell several pairs of foreign currencies to pay for foreign securities purchases. Some investment management firms also have more speculative specialist currency overlay operations, which manage clients’ currency exposures with the aim of generating profits as well as limiting risk. While the number of this type of specialist firms is quite small, many have a large value of assets under management and, hence, can generate large trades.

NSOU • PGCO-X 129 (viii) Retail Clients Alongside these corporates, there is a none-too-significant volume from retail clients. This category includes many smaller companies, hedge funds, companies specialising in investment services linked to foreign currency funds or equities, fixed income brokers, the financing of aid programme by registered worldwide charities and private individuals. With the rise in popularity in online equity investing and a corresponding rise in online fixed income investing, it was only a matter of time before the average retail investor began to see opportunities in the foreign exchange market. Retail investors have been able to trade foreign exchange using highly leveraged margin accounts. The amount of trading, both in total volume and individual trade amounts, remains low and is certainly dwarfed by both the corporate and interbank market. (ix) Non-bank Foreign Exchange Companies Non-bank foreign exchange companies offer currency exchange and international payments to private individuals and companies. These are also known as foreign exchange brokers but are distinct in that they do not offer speculative trading but rather currency exchange with payments (i.e., there is usually a physical delivery of currency to a bank account). These companies’ selling point is usually that they will offer better exchange rates or cheaper payments than the customer’s bank. These companies differ from Money Transfer/Remittance Companies in that they generally offer higher-value services. (x) Money transfer/remittance companies and bureaux de change Money transfer companies/remittance companies perform high-volume low- value transfers generally by economic migrants back to their home country. The four largest markets receiving foreign remittances are India, China, Mexico and the Philippines. The largest and best known provider is Western Union with 345,000 agents globally followed by UAE Exchange. Bureaux de change or currency transfer companies provide low value foreign exchange services for travellers. These are typically located at airports and stations or at tourist locations and allow physical notes to be exchanged from one currency to another. They access the foreign exchange markets via banks or non-bank foreign exchange companies. Structure of Foreign Exchange Market (Source : Bekaert and Hodrick, International Financial Management)

130 NSOU • PGCO-X 6.5 Different Types of Foreign Exchange Markets Foreign exchange markets represent by far the most important financial markets in the world. Their role is of paramount importance in the system of international payments. In order to play their role effectively, it is necessary that their operations/ dealings be reliable. Reliability essentially is concerned with contractual obligations being honored. For instance, if two parties have entered into a forward sale or purchase of a currency, both of them should be willing to honor their side of contract by delivering or taking delivery of the currency, as the case may be. The major foreign exchange markets that exist are : (a) Spot markets, (b) Forward markets, (c) Futures markets, (d) Options markets, and (e) Swaps markets. Futures, Options and Swaps are called derivatives because they derive their value from the underlying exchange rates.

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Spot market refers to the transactions involving sale and purchase of currencies for immediate delivery. In practice, it may take one or two days to settle transactions.

Forward market transactions are meant to be settled on a future date as specified in the contract. Though forward rates are quoted just like spot rates, but actual delivery of currencies takes place much later, on a date in future. Futures market is a localized exchange where derivative instruments called 'futures' are traded. Currency futures are somewhat similar to forward, yet distinctly different. Options are derivative instruments that give a choice to a foreign exchange market operator to buy or sell a foreign currency on or up to a date (maturity date) at a specified rate (strike price). Swaps, as the term suggests, are simply the instruments that permit exchange of two streams of cash flows in two different currencies. The most active foreign exchange market is that of UK (London), followed by that of USA, Japan, Singapore, Switzerland, Hong Kong, Germany, France and Australia. All other markets, combined together, represent only about 15 per cent of the total volume, traded globally.

NSOU • PGCO-X 131 6.5.1 Spot Market Spot transactions in the foreign exchange market are increasing in volume. These transactions are primarily in forms of buying/ selling of currency notes, encashment of travellers' cheques and transfers through banking channels. The last category accounts for the majority of transactions. It is estimated that about 90 per cent of spot transactions are carried out exclusively for banks. The rest are meant for covering the orders of the clients of banks, which are essentially enterprises. The Spot market is the one in which the exchange of currencies takes place within 48 hours. This market functions continuously, round the clock. Thus, a spot transaction effected on Monday will be settled by Wednesday, provided there is no holiday between Monday and Wednesday. As a matter of fact, certain length of time is necessary for completing the orders of payment and accounting operations due to time differences between different time zones across the globe.

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The most common way of stating a foreign exchange quotation is in terms of the number of units of foreign currency needed to buy one unit of home currency. Thus, India quotes its exchange rates in terms of the amount of rupees that can be exchanged for one unit of foreign currency. ●●●●●

Magnitude of Spot Market According to a Bank of International Settlements (BIS) estimate, the daily volume of spot exchange transactions is about 50 per cent of the total transactions of exchange markets. London market is the first market of the world not only in terms of the volume but also in terms of diversity of currencies traded. While London market trades a large number of currencies, the New York market trades, by and large, Dollar (75 per cent of the total), Deutschmark, Yen, Pound Sterling and Swiss Franc only. Amongst the recent changes observed on the exchange markets, it is noted that there is a relative decline in operations involving dollar while there is an increase in the operations involving Deutschmark. Besides, deregulation of markets has accelerated the process of international transactions. ●●●●● Participants in Spot Market Major participants on the spot exchange market are : (i) Commercial banks, (ii) Dealers, brokers, arbitrageurs and speculators, and (iii) Central banks.

132 NSOU • PGCO-X (i) Commercial Banks Commercial banks intervene in the spot market through their foreign exchange dealers either for their own account or for their clients. The

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banks are intermediaries between seekers and suppliers of currency. The role of banks is to enable their clients to change one currency into another. Also, they operate on these markets to make a profit through speculation and the process of arbitrage. Big commercial banks serve as market-makers. They simultaneously quote, bid and ask prices, indicating their willingness to buy and sell foreign currencies at quoted rates.

The purchases and sales of large commercial banks seldom match, leading to large variation in their holdings of foreign currencies exposing them to exchange risk. When they assume the risk deliberately, they act as speculators. However, banks prefer to keep their exposure low and not get into unduly large speculations. (ii) Dealers, Brokers, Arbitrageurs and Speculators Dealers are basically involved in buying currencies when they are low and selling them when they are high. Dealers' operations are wholesale and majority of their transactions are interbank in nature although, once in a while, they may deal with corporates and central banks. They have low transaction costs as well as thin spreads which reflect their long experience in exchange risk management as well as the intense competition among banks. Wholesale transactions account for 90 per cent of the total value of foreign exchange deals. Dealers at the retail level cater to needs of customers wishing to buy or sell foreign exchange. The spread is wide in these transactions. Exchange brokers specialize in playing the role of intermediaries between different banks. They are not very large in number. For example, at the Paris exchange market, there are about 20 brokers. They are not authorized to take a position on the market. Their job is to find a buyer and a seller for the same amount for the given currencies. Their remuneration is in the form of brokerage. They are constantly in liaison with banks and in search of counterparties. A large portion of foreign exchange transactions is conducted through brokers. While they tend to specialize in certain currencies, they virtually handle all major currencies. Brokers exist because they lower the dealers' costs, reduce their risks and provide anonymity.

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Arbitrageurs make gains by discovering price discrepancies that allow them to buy cheap and sell dear.

Their operations are risk-free, in a free and open market, the NSOU • PGCO-X 133 scope for currency arbitrage tends to be low and it is, by and large, accessible only to dealer banks. Unlike arbitrageurs, speculators expose themselves to risk. Speculation gives rise to financial transactions that develop when an individual's expectations differ from the expectations of the market.

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Speculators transact in foreign exchange primarily because of an anticipated but uncertain gain as a result of an exchange rate change.

An open position denominated in foreign currency constitutes speculation. Banks or corporates, when they accept either a net asset or a net liability in foreign currency, are indulging in speculation. Speculators are classified as bulls and bears. A bull expects a currency to become more expensive in the future. He buys the currency either Spot or forward today in the belief that he can sell it at a higher price in the future. Bulls take a long position in the particular currency. A bear expects a particular currency to become cheaper in the future. He sells either Spot or forward today in the hope of buying it back at a cheaper rate in the future. Bears take a short position on a particular currency. (iii) Central Banks

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Central banks intervene in the market to reduce fluctuations of the domestic currency and to ensure an exchange rate compatible with the requirements of the national economy. Their objective is not to make profit out of these interventions but to influence the value of national currency in the interest of country's economic well-being.

For example, if rupee shows signs of depreciating, central bank may release (sell) a certain amount of foreign currency. This increased supply of foreign currency will halt the depreciation of rupee. The reverse operation may be done to stop rupee from appreciation. ●●●● How a currency is described ● A currency is described either by a symbol (e.g., \$, £, ¥ and for US dollar, British pound sterling, Euro-zone euro, Japanese yen and Indian rupee respectively) or ● by a three-letter ISO Code (ISO 4217) (e.g., USD, GBP, EUR, JPY and INR for describing US dollar, British pound sterling, Euro-zone euro, Japanese yen and Indian rupee respectively).

134 NSOU ● PGCO-X ●●●● How quotations are given Currency pairs : ● In a currency pair, say, USD/INR = 63.50 the currency to the left of the slash is called the base currency, and the currency to the right of the slash is called the quote or the counter currency. ● A foreign exchange quotation is given by stating

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the number of units of 'quote currency' that can be exchanged for one unit of '			

base currency' ●

When the price for a currency is quoted, this is done in relation to another. For example, if the quotation is as follows : USD/JPY = 120.20, it means that 1 US dollar can be exchanged for 120.20 Japanese yen. ● In a currency pair, the currency to the

left of the slash is called the base currency, and the currency to the right of the slash is called the

quote or the counter currency. ● A foreign exchange quotation is given by stating the number of units of 'quote currency' (also known as price currency or payment currency) that can be exchanged for one unit of 'base currency' (also known as unit currency or transaction currency). Quotations in American terms and European terms ● In the

interbank market where trade involves dollars, quotes may be either in American terms or European terms. ● Quotes in American terms are given as number of dollars per unit of foreign currency. ● Quotes in

<b>83%</b>	<b>MATCHING BLOCK 77/150</b>	<b>SA</b>	FMG-403 International Finance.pdf (D164737611)
European terms are given as number of units of a currency per			

unit of the US dollar. ● Quotation in terms of foreign currency per unit of US dollars (i.e., in European terms) is mostly prevalent in the interbank market ● Where the currencies involved are the EUR, the GBP and other British commonwealth, the quotation is given in American terms. ● In quotations involving the EUR and the GBP and other British Commonwealth currencies, the EUR is the base currency.

NSOU ● PGCO-X 135 Direct and Indirect Quotation ● Direct quotation – It is the amount of home currency equivalent to one unit (sometimes 100 units) of the foreign currency, e.g., 75.35/• when quoted from India or \$1.4526/£, when quoted from New York. ● Indirect quotation – It is the amount of foreign currency required for one unit of the local (or home) currency, e.g., \$1.5534/£ when quoted from London. ● The indirect quote is also known as the reciprocal quote since it is the reciprocal of the direct quote. Bid-ask rate ● Quotations are always given in pairs, e.g., \$1.5534-1.5536/£. ● The first rate is the buy rate or

<b>37%</b>	<b>MATCHING BLOCK 78/150</b>	<b>SA</b>	14691e0019 - a study on comparative trend anal ... (D20963459)
the bid rate, i.e., the rate at which the foreign exchange dealer is willing to buy foreign currency. ● The bid rate is therefore the rate at which the			

customer has to sell foreign currency. ● The second rate is, the ask or offer rate, i.e., the rate at which the foreign exchange dealer (usually the bank) is willing to sell foreign currency. ● The customer has to buy foreign currency at the ask rate. ● The bid rate is always is less than the ask rate.

**62% MATCHING BLOCK 82/150**

**SA**

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Bid-ask spread • The bid-ask spread is the difference between the ask rate and the

bid rate. • The spread may be expressed in absolute terms as the number of basis points or in terms of a percentage  
 Example : Suppose the dollar is quoted as \$1.5536-1.5540/£. The spread is equal to \$ 0.0004 or 4 basis points.

Percentage spread- It

is the difference between the ask price and the bid price

expressed as a percentage of the ask price.

136 NSOU • PGCO-X Per cent spread =  $\frac{\text{Ask price} - \text{Bid price}}{\text{Ask price}} \times 100$   $\frac{1.5540 - 1.5536}{1.5540} \times 100 = 0.0257\%$

••••• Cross Rate It is an exchange rate that is computed from two other rates. Calculation of cross rates where transactions costs do not exist Suppose the following quotations are available. USD/INR = 63.91 EUR/INR = 75.35  
 EUR/USD cross rate =  $\frac{\text{EUR /INR}}{\text{USD/INR}} = \frac{75.35}{63.91} = 1.1790$  USD/INR 63.91 Calculation of cross rates where transactions costs do exist Suppose the following quotations are available. USD/INR = 63.91-94 EUR/INR = 75.35-39 EUR/USD cross rate  
 EUR/USD bid rate =  $\frac{\text{EUR/INR bid} \times \text{INR/USD bid}}{\text{bid ask EUR/INR}} = \frac{75.35 \times 94}{63.91} = 1.1784$  USD/INR 63.94 EUR/USD ask rate =  $\frac{\text{EUR/INR ask} \times \text{INR/USD ask}}{\text{ask bid EUR /INR}} = \frac{75.39 \times 96}{63.91} = 1.1796$  USD/INR 63.91 EUR/USD cross rate =  $\frac{1.1784 - 96}{1.1784 - 96} = 1.1784 - 96$  • Determination of Cross Exchange Rates

NSOU • PGCO-X 137 At the retail forex market, home currency can be easily exchanged directly against some major currencies of the world but in some cases an user might require to know the exchange rate prevailing for other not so popular currencies which are not quoted directly against the home currency and is quoted against the most frequently traded currencies. To illustrate, an Indian can easily find out from the currency dealers' the exchange rate prevailing for USD, GBP, EUR, JPY, AED, SGD, THB, AUD and accordingly an individual can exchange the home currency to obtain any of the quoted currencies but to know the exchange rate for ARS (Argentine peso) or PHP (Philippines Peso) or ZAR (South African Rand) against INR (Indian rupee) from a local currency dealer is not possible. The reason is at the retail level, dealers deal with only such currencies which are frequently exchanged. So, to obtain the relevant exchange rate prevailing between INR and ZAR we can work out indirectly the value of the exchange rate based on the following 3 steps : Step 1 : Find the spot exchange rate between INR and USD (if exchange rate quote is given directly) Step 2 : Find the spot exchange rate between ZAR and USD (if exchange rate quote is given directly) Step 3 : Work out the exchange rate between ZAR and INR (known as cross- rate) based on the above 2 given spot- exchange rates. One must clearly understand that out of the above 2 exchange rates involving 3 currencies, one of the currencies is a common currency for the given 2 exchange rate i.e. in this case it is USD. Let us again clarify the steps to determine the cross-rate between INR and ZAR with a different common currency now, say, EUR. Step 1 : Find the spot exchange rate between INR and EUR (if exchange rate quote is given directly) Step 2 : Find the spot exchange rate between ZAR and EUR (if exchange rate quote is given directly) Step 3 : Work out the exchange rate between ZAR and INR (known as cross- rate) based on the above 2 given spot- exchange rates.

138 NSOU • PGCO-X Both the approaches using USD or EUR (as the common currency) which are the most frequently traded currencies will lead to the same answer of the value of the exchange rate (cross-rate) between ZAR and INR.

**62% MATCHING BLOCK 79/150**

**W**

Example : If the Indian rupee is the home currency and the foreign currency is the US Dollar then what is the exchange rate between the rupee and the US dollar? Solution : US\$ 0.0217/1 reads "0.0217 US dollar per rupee." This means that for one Indian rupee one can buy 0.0217

US dollar.

**82% MATCHING BLOCK 80/150**

**W**

In this method, known as the European terms, the rate is quoted in terms of the number of units of the foreign currency for one unit of the domestic currency. This is called an indirect quote. The alternative method, called the American terms, expresses the home currency price of one unit of the foreign currency. This is called a direct quote. This means the exchange rate between the

US dollar and rupee can be expressed as : 46.08/US\$ reads “46.08 per US dollar.”

**80% MATCHING BLOCK 81/150**

**W**

Hence, a relationship between US dollar and rupee can be expressed in two different ways which have the same meaning : • One can buy 0.0217 US dollars for one Indian rupee. • 46.08 Indian rupees are needed to buy one

US dollar. 6.5.2 The Forward Market A forward exchange rate occurs when buyers and sellers of currencies agree to deliver the currency at some future date. They agree to transact

**76% MATCHING BLOCK 84/150**

**SA**

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a specific amount of currency at a specific rate at a specified future date. The

forward exchange rate is set and agreed by the parties and remains fixed for the contract period regardless of the fluctuations in the spot exchange rates in future. The forward exchange transactions can be understood by an example. A US exporter of computer peripherals

**60% MATCHING BLOCK 83/150**

**W**

might sell computer peripherals to a German importer with immediate delivery but not require payment for 60 days. The NSOU • PGCO-X 139 German importer has an obligation to pay the required dollars in 60 days, so he may enter into a contract with a trader (typically a local banker) to deliver Euros for dollars in 60 days at a forward rate – the rate today for future delivery.

So, a

**52% MATCHING BLOCK 85/150**

**SA**

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forward exchange contract implies a forward delivery at specified future date of one currency for a specified amount of another currency.

The exchange rate is agreed today, though the actual transactions of buying and selling will take place on the specified date only. The forward rate is not the same as the spot exchange rate that will prevail in future. The actual spot rate that may prevail on the specified date is not known today and only the forward rate for that day is known. The actual spot rate on that day will depend upon the supply and demand forces on that day. The actual spot rate on that day may be lower or higher than the forward rate agreed today. An Indian exporter of goods to London could enter into a forward contract with his banker to sell pound sterling 90 days from now. This contract can also be described as a contract to purchase Indian Rupees in exchange for delivery of pound sterling. In other words, foreign exchange markets are the only markets where barter happens – i.e., money is delivered in exchange for money! Like the Spot exchange market, the Forward exchange market is not located at any specific place. The banks selling or buying currencies forward constitute the Forward market. This market fixes the rates at which currencies will be exchanged on a future date. The Forward market primarily deals in currencies that are frequently used and are in demand in the international trade, such as US dollar, Pound Sterling, Deutschmark, French franc, Swiss franc, Belgian franc, Dutch Guilder, Italian lira, Canadian dollar and Japanese yen. There is little or almost no Forward market for the currencies of developing countries. Forward rates are quoted with reference to Spot rates as they are always traded at a premium or discount vis-a-vis Spot rate in the inter-bank market. The bid-ask spread increases with the forward time horizon. ●●●● Importance of Forward Markets The Forward market can be divided into two parts—Outright Forward and Swap market. The Outright Forward market resembles the Spot market, with the difference that the period of delivery is much greater than 48 hours in the Forward market. A major part of its operations is for clients or enterprises who decide to cover against exchange risks emanating from trade operations. The Forward Swap market comes 140 NSOU ● PGCO-X second in importance to the Spot market and it is growing very fast. The currency swap consists of two separate operations of borrowing and of lending. That is, a Swap deal involves borrowing a sum in one currency for short duration and lending an equivalent amount in another currency for the same duration. US dollar occupies an important place on the Swap market. It is involved in 95 per cent of transactions. Major participants in the Forward market are banks, arbitrageurs, speculators, exchange brokers and hedgers. Commercial banks operate on this market through their dealers, either to cover the orders of their clients or to place their own cash in different currencies. Arbitrageurs look for a profit without risk, by operating on the interest rate differences and exchange rates. Speculators take risk in the hope of making a gain in case their anticipation regarding the movement of rates turns out to be correct. As regards brokers, their job involves match making between seekers and suppliers of currencies on the Spot market. Hedgers are the enterprises or the financial institutions who want to cover themselves against the exchange risk. ●●●●

Quotations on Forward Markets Forward rates are quoted for

**67%**

**MATCHING BLOCK 86/150**

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different maturities such as one month, two months, three months, six months and one year. Usually, the maturity dates are

closer to month-ends. Apart from the standardized pattern of maturity periods, banks may quote different maturity spans, to cater to the market/client needs. The quotations may be given either in outright manner or through Swap points. Outright rates indicate complete figures for buying and selling. Quotation for Odd Number of Days Normally, forward quotations are made for standard maturity periods such as 1 month, 2 months, 3 months, 6 months and 9 months. For odd (broken) period, the rates can be negotiated. However, a convenient way is to interpolate the rates between two standard dates. Cost of Carry model – The relationship between forward and spot price can be summarized in terms of cost of carry which is computed as follows : Cost of Carry = Storage Cost + Interest paid to finance the asset – Income earned on the asset. Using Continuously Compounding Risk Free (CCRF) rate of interest, we get the following relationship between Forward price (F) and current Spot price (S<sub>0</sub>) under Cost of Carry model :

NSOU • PGCO-X 141  $F = S_0 e^{rt}$  Where,  $r$  = CCRF rate of interest  $t$  = contract period/ time till expiration of the contract  
 Assumptions under Cost of Carry model 1. The market is perfect. 2. There is no truncation cost. 3. All the assets are divisible. 4. Only one price prevails. 5. There are no restrictions in short selling. Example : Consider a 6 months forward contract on 100 shares with a price of Rs. 38 each. The CCRF rate of interest is 10% p.a. The share is expected to yield a dividend of Rs. 1.50 in 4 months from now. Calculate the forward price. Given  $e^{0.05} = 1.0513$  and  $e^{-0.0333} = 0.9672$   
 We know that for dividend paying share,  $F = (S_0 - I) e^{rt}$  Where,  $F$  = Required Forward/Contract Price  $S_0$  = Current Spot price  $r$  = CCRF rate of interest  $t$  = contract period/ time till expiration of the contract  $I$  = PV of dividend receivable after 4 months on 100 shares. = Rs.  $(1.50 \times 100) e^{-rt} = 150 \times e^{-0.1 \times 4/12} = 150 \times e^{-0.0333} = Rs. 150 \times 0.9672 = Rs. 145$  (approx) Therefore,  $F = Rs. [(38 \times 100) - 145] e^{0.1 \times 6/12} = 3655 e^{0.05} = 3655 \times 1.0513 = Rs. 3843$  (approx) Example : An exporter has sold goods worth £ 1 lakh to a customer in UK. Current spot price is Rs. 79.34/£. Expected date of collection is after 3 months when expected spot price of £ is Rs. 79. Forward price quoted by bank for 3 months is Rs. 79.27/£.

142 NSOU • PGCO-X In this situation, the following hedging technique should be adopted by the exporter to avoid loss due to exchange rate fluctuation : (i) To enter into a short forward contract to sell £ 1 lakh at Rs. 79.27/£ after 3 months. (ii) To realize £ 1 lakh after 3 months and sell at agreed price in forward market to get Rs. 79,27,000 (Rs. 79.27 × 1 lakh)  
 Note : Without such forward contract his selling price in the spot market would have been Rs. 79 lakh (Rs. 79 × 1 lakh). Additional price realized from forward contract is Rs. 27,000 (Rs. 79,27,000 – 7,00,000). This is treated as gain from forward contract. 6.5.3 The Futures Market Currency Futures were launched in 1972 on the International Money Market (IMM) at Chicago. They were the first financial Futures that developed after coming into existence of the floating exchange rate regime. It is to be noted that commodity Futures (com, oats, wheat, soyabeans, butter, egg and silver) had been in use for a long time. The Chicago Board of Trade (CBOT), established in 1948, specialised in future contract of cereals. The Chicago Mercantile Exchange (CME) started with the future contracts of butter and egg. Later on, other Currency Future markets developed at Philadelphia (Philadelphia Board of Trade), London (London International Financial Futures Exchange (LIFFE)), Tokyo (Tokyo International Financial Futures Exchange), Sydney (Sydney Futures Exchange), and Singapore International Monetary Exchange (SIMEX). The volume traded on the Futures market is much smaller than that traded on Forward market. However, it holds a very significant position in USA and UK (especially London) and it is developing at a fast rate. There are three types of participants on the currency futures market: floor traders, floor brokers and broker-traders. Floor traders operate for their own accounts. They are the speculators whose time horizon is short-term. Some of them are representatives of banks or financial institutions which use futures to supplement their operations on Forward market. They enable the market to become more liquid. In contrast, floor brokers, representing the brokers' firms, operate on behalf of their clients and, therefore, are remunerated through commission. The third category, called broker-traders, operate either on the behalf of clients or for their own

NSOU • PGCO-X 143 accounts. Enterprises pass through their brokers and generally operate on the Future markets to cover their currency exposures. They are referred to as hedgers. They may-be either in the business of export-import or they may have entered into the contracts for borrowing or lending. ●●●● Characteristics of Futures Contracts The major features of future contracts are as follows : (i) Organised Futures Exchanges All futures contracts are traded in organised exchanges. These exchanges are actually auction markets having a trading floor. Individuals, corporations and even market-making commercial banks trade through brokers or exchange members, who receive the orders to buy or sell and transmit this to the floor of the exchange. Trading takes place in designated areas, known as 'pits,' on the floor of the futures exchange through a system of open outcry in which traders announce bids to buy (i.e., take long positions) and offers to sell (i.e., take short positions) contracts. Long positions are matched with short positions. Trading also takes place on electronic trading platform as the GLOBEX in the case of the CME. In April 2001, CME expanded its foreign exchange coverage by offering electronic access to its full range of currency contracts virtually 24-hours a day via the GLOBEX electronic trading platform. This electronic trading access occurs "side-by-side" with floor trading in CME's currency pits during floor trading hours. (ii) Selected currencies Futures are available only in certain currencies like the British pound (BP), Canadian dollar (C1), Swiss franc (E1), Japanese yen (J1), Australian dollar (AD), New Zealand dollar (NE), South African Rand (RA), Russian ruble (RU), Swedish kronor (SKr), Norwegian krone (NKr), Brazilian real (BR), Chinese Renminbi (RMB), Indian rupee (SIR), and the Euro (EC) all against the US dollar. Cross-rate futures like AD/CD, AD/JY, AD/NE, BP/JY, BP/SF, CD/JY, EC/AD, EC/BP, EC/ CD, EC/JY, EC/NKr, EC/SF, EC/SKr, and SF/JY are also offered by the CME. Euro- paired and cross-currency futures are available in the New York Board of Trade (NYBOT). In India, futures are available in only four currencies – US dollar, euro, British pound and Japanese yen.



144 NSOU • PGCO-X (iii) Standardised Amounts Futures are traded in standardised sizes, e.g., one futures contract in the Chicago Mercantile exchange is for 62,500 pounds sterling, 100,000 Canadian dollars, 125,000 Euro, 100,000 Brazilian reals, 12,500,000 Japanese yen, 2,500,000 Russian rubles, 500,000 Mexican pesos, 125,000 Swiss francs, 100,000 Australian dollars, 2,000,000 Norwegian kroner, 2,000,000 Swedish kronor and 5,000,000 Indian rupees. (iv) Standardised value dates Futures contracts have only few value dates. For example, most currency contracts at CME are traded on the March quarterly cycle and go through a physical delivery process four times a year, i.e., on the third Wednesday of March, June, September and December. However, the Mexican peso and the South African rand are traded on all 12 calendar months. There are also two “cash-settled” contracts – the Brazilian real, traded on all twelve calendar months, and the Russian ruble, traded on the March quarterly cycle. In India the trading cycle is 12 months and it is cash-settled. (v) Clearing House Each futures exchange has an exchange clearinghouse whose purpose is to match and record all trades and to guarantee contract performance. In most of the futures exchange, the exchange clearinghouse is an independently incorporated organization but in some cases it is simply a department of the exchange. A contract between two parties gets split up into two contracts – a contract to buy and a contract to sell, the clearing house acting as the ‘seller’ and the ‘buyer’ in the two cases respectively. The clearinghouse thereby guarantees both sides of the two-sided contract. (vi) Margin requirement A buyer or a seller of a futures contract is required to post a margin in a margin account with his/ her broker who in turn posts a margin with a clearing member and the latter posts it with the clearing house of the exchange. Margins are deposits required to ensure that a clearing member can cover potential losses with his or her trading positions. Margins help to ensure that clearing members can meet their obligations to their customers and to CME Clearing. The margins vary according to the product and market volatility. The margin is now called performance bond. Margin NSOU • PGCO-X 145 may be posted either by depositing cash or, in the case of large institutional traders, by pledging collateral in the form of marketable securities or by presenting a letter of credit issued by a bank. Brokers sometimes pay interest on funds deposited in a margin account. If the actual margin falls below the maintenance level, the trader will be required to replenish it to the initial level. Such a demand is called a margin call. The additional deposit is called variation margin. In case of failure to make a variation margin payment, the broker will immediately liquidate some or all of the customer’s positions. In most cases the brokers require their customers to maintain minimum balances in their margin accounts in excess of the requirements of the exchange. If profit is generated, the trader will be able to withdraw excess funds from his account. (vii) Transactions costs Brokers charge commissions for their services instead of profiting from the bid- ask spread. Though commissions vary according to the type and size of the contract, in general, the cost is low. (viii) Daily settlement – marking to market Settlement, in case of futures contract, is made on a daily basis. The procedure is known as ‘marking to market’, which simply means that, at the close of every day, the futures contract is re-priced. This becomes the new price at the beginning of the next day. The difference between the opening and closing prices per day is transferred to the trader’s margin account. (ix) Delivery under futures contract Delivery is rare. Only about 1 per cent of futures traded in the US are actually delivered. Majority of the currency futures contracts is liquidated by entering into reversing contracts. For example, an investor who has gone long on 7th July on a September futures contract can liquidate the contract by taking a short position on 22nd August on a September futures contract. In India, delivery of foreign currency is not permitted and all futures contracts are cash settled in rupees. (x) Minimum price movement (Tick) Prices on futures contracts have a minimum amount by which they can move. The minimum amounts are established by the futures exchanges and are known as “ticks.”

146 NSOU • PGC0-X Example : An investor has bought a futures contract on the stock of Maruti Udyog Ltd. at Rs. 410. Each contract consists of 400 shares. The initial margin is set by the exchange at 4%, while the maintenance margin is 90% of initial margin. Clearing prices of the stock for the next 10 days are given below : Day 1 2 3 4 5 6 7 8 9 10 Price (Rs.) 410 420 400 390 440 441 450 460 455 465 Assume that on the 10 th day, the Investor squares off his position at Rs. 465. Find out the gain or losses of long and short positions of the investor. You are required to show necessary calculations. Solution : Contract Value = R. 410 × 400 shares = Rs. 1,64,000 Initial Margin = 4% of contract value = Rs. 1,64,000 × 4% = Rs. 6560. Maintenance Margin = 90% of initial margin = 90% of 6560 = Rs. 5904. If margin balance falls below maintenance margin, i.e. Rs. 5904, there will be margin call to restore the balance to initial margin. Note : In case of long position contract, initial price represents purchase price and clearing price represents selling price. So the increase in clearing price represents the increase in selling price leading to profit situation and decrease represent loss situation. Situation is opposite in case of short position contract. Table showing calculation for daily settlement (Long Position)

Day	Share	Total Profit/ Margin balance before Margin	Final Price	Amount (Loss)	margin call	Call Margin (Share Balance Price × 400 shares)
0	410	1,64,000	—	6,560	—	6,560
1	410	1,64,000	—	6,560	—	6,560
2	420	1,68,000	4,000	6,560 + 4,000 = 10,560	—	10,560
3	400	1,60,000	(8,000)	10,560 - 8,000 = 2,560	6,560 - 2,560 = 4,000	6,560

NSOU • PGC0-X 147 Day Share Total Profit/ Margin balance before Margin Final Price Amount (Loss) margin call Call Margin (Share Balance Price × 400 shares)

Day	Share	Total Profit/ Margin balance before Margin	Final Price	Amount (Loss)	margin call	Call Margin (Share Balance Price × 400 shares)
4	390	1,56,000	(4,000)	6,560 - 4,000 = 2,560	6,560 - 2,560 = 4,000	6,560
5	440	1,76,000	20,000	6,560 + 20,000 = 26,560	—	26,560
6	441	1,76,400	400	26,560 + 400 = 26,960	—	26,960
7	450	1,80,000	3,600	26,960 + 3,600 = 30,560	—	30,560
8	460	1,84,000	4,000	30,560 + 4,000 = 34,560	—	34,560
9	455	1,82,000	(2,000)	34,560 - 2,000 = 32,560	—	32,560
10	465	1,86,000	4,000	32,560 + 4,000 = 36,560	—	36,560

Total 22,000 8,000 Here, total profit = Closing Margin - Initial Margin - Margin Call Paid = 36,560 - 6,560 - 8,000 = Rs. 22,000. Table showing calculation for daily settlement (Short Position)

Day	Share	Total Profit/ Margin balance before Margin	Final Price	Amount (Loss)	margin call	Call Margin (Share Balance Price × 400 shares)
0	410	1,64,000	—	6,560	—	6,560
1	410	1,64,000	—	6,560	—	6,560
2	420	1,68,000	(4,000)	6,560 - 4,000 = 2,560	6,560 - 2,560 = 4,000	6,560
3	400	1,60,000	8,000	6,560 + 8,000 = 14,560	—	14,560
4	390	1,56,000	4,000	14,560 + 4,000 = 18,560	—	18,560
5	440	1,76,000	(20,000)	18,560 - 20,000 = (1,440)	6,560 - (-1,440) = 8,000	6,560
6	441	1,76,400	(400)	6,560 - 400 = 6,160	—	6,160

148 NSOU • PGC0-X Day Share Total Profit/ Margin balance before Margin Final Price Amount (Loss) margin call Call Margin (Share Balance Price × 400 shares)

Day	Share	Total Profit/ Margin balance before Margin	Final Price	Amount (Loss)	margin call	Call Margin (Share Balance Price × 400 shares)
7	450	1,80,000	(3,600)	6,160 - 3,600 = 2,560	6,560 - 2,560 = 4,000	6,560
8	460	1,84,000	(4,000)	6,560 - 4,000 = 2,560	6,560 - 2,560 = 4,000	6,560
9	455	1,82,000	2,000	34,560 - 2,000 = 32,560	—	32,560
10	465	1,86,000	(4,000)	8,560 - 4,000 = 4,560	6,560 - 4,560 = 2,000	6,560

Total (22,000) 22,000 Here, total profit = Closing Margin - Initial Margin - Margin Call Paid = 6,560 - 6,560 - 22,000 = (Rs. 22,000). 6.5.4 The Option Market

**96% MATCHING BLOCK 87/150**

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Currency Option is a financial instrument that gives its holder a right but no obligation to buy or sell a currency sometime in the future.

Options are traded on over the counter (OTC) as well as on organized market. OTC market can be further subdivided into two parts : retail market and wholesale market. The retail market consists of individual clients as well as enterprises who buy Options from banks to cover against exchange risk. These clients are generally financial institutions and portfolio managers, apart from big enterprises.

**100% MATCHING BLOCK 88/150**

**SA** OSOU\_U-10\_OREIGN EXCHANGE MARKET.docx (D120109724)

The wholesale market comprises of commercial banks and investment banks.

They operate on 'OTC' Option market to cover the positions for their clients or for speculative purposes. The OTC Options markets represent a significant volume of transactions and they are developing very rapidly. In terms of volume of transactions, USA, UK and Japan are on top, followed by Switzerland, Singapore and France. On the OTC Options market, operations are carried out either directly between counterparties or through a broker. As indicated above, there are different categories of operators, such as enterprises who cover their receivables and payables and future cash flows, banks which profit by speculating, and above all, arbitrageurs who make profit by taking advantage of price distortions on different markets. All the operations on OTC market are carried out by telephone or by the system of Reuter or Telerate and may take place round the clock.

NSOU • PGCO-X 149 ●●●●● Important Features of Currency Options (i) Option on OTC market is a contract between two parties. This contract gives

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the buyer of the Option contract a right—and not an obligation—to buy or sell a certain amount of

a currency

at

price fixed in advance. This right can be exercised either on a fixed maturity date or during the period up to maturity date. The buyer of an Option desires to avoid a risk while the seller of an Option is ready to assume that risk.

**95% MATCHING BLOCK 89/150**

**W**

There are two types of Options: call and put Options. A

buyer (also called holder) of a call Option acquires a right to buy currency A at a certain price against currency B. Likewise; a buyer of put Option acquires a right to sell currency A against currency B at a pre-fixed price. It should be noted that a rupee call Option that gives the holder the right to buy rupees against dollar is also a dollar put Option, giving the holder the right to sell dollar against rupee. (ii) When the right to use an Option is exercised on a fixed date (i.e. the date of maturity), the Option is said to be European Option. On the other hand, when the right to use an Option can be exercised any time during the life of the Option, up to the date of maturity, it is referred to as American Option. As stated earlier, it is the buyer of the Option who chooses to exercise or not to exercise his Option. To acquire that right, he pays a premium (or price) to the seller of the Option. As a result, the seller (writer) of the Option is under an obligation to buy or sell the amount of currency to the holder of the Option if the latter chooses to exercise his Option. The positions of buyer and seller of Options are different. While the buyer of an Option runs a risk of loss limited to the amount of premium paid and a possibility of unlimited gain. On the other hand, the seller of an Option has a risk of unlimited loss and the possibility of a gain limited to the amount of premium. (iii) On the OTC market, the size of an Option contract is of the order of 5 million dollars or, even more, with the amounts going beyond 100 million dollars on interbank markets. (iv) The currencies traded on the OTC market are those that are actively traded on Spot and Forward market. These are major currencies such as US dollar, Pound sterling, Deutschmark, Japanese yen, Swiss franc, French franc, Canadian dollar, Euro, etc. (v) The price of currency fixed in the contract is called exercise price. This price is chosen by buyer on the OTC market. It is generally close to

150 NSOU • PGCO-X Forward price in case of European Option. The Option price (called premium) is paid upfront at the beginning, by the buyer to the seller of Option. This premium puts the seller under obligation to act as per the choice of the buyer. On the OTC market, the premium is expressed in percentage, for example, 3 per cent of the amount of the Option. (vi) The maturity period-of an Option is limited. It may go up to 5 years. The delivery of currency takes place after two working days of the exercise of the Option. Options can be repurchased or resold, thus permitting the buyer to forego his right or seller to be relieved of his obligation, as the case may be, before the date of maturity. But the Option itself can become defunct when it is either exercised or has attained maturity. Normally, on the OTC Market, an Option can be resold only to the bank from which it was purchased. Example : Mr. X was bullish about ABC Co. Ltd. He buys 1000 shares at current market price of Rs. 210 per share. Fearing a fall in the market price he has bought option contract involving 1000 shares with exercise price of Rs. 212 at a premium of Rs. 7.80 per share. Calculate his profit/loss under different spot prices: Rs. 190, 195, 200, 205, 210, 215, 220 and 225. Also compute Break Even Point. Table showing profit/loss from strategy of long stock and long put

Spot Price	Exercise Price	Gross Profit from Stock	Gross Premium	Net Profit
190	212	22,000	7,800	14,200
195	212	17,000	7,800	9,200
200	212	12,000	7,800	4,200
205	212	7,000	7,800	0
210	212	2,000	7,800	(5,800)
215	212	0	7,800	(7,800)
220	212	0	7,800	(7,800)
225	212	0	7,800	(7,800)

NSOU • PGCO-X 151 Required Break Even Point = Purchase Price + Premium = Rs. (210 + 7.8) = Rs. 217.8 Here, NE means Not Exercised. ●●●● Spread Spread refers to the simultaneous buying of an Option and selling of another in respect of the same underlying currency. Spreads are often used by traders in banks. A spread is said to be vertical spread or price spread if it is composed of buying and selling of an Option of the same type with the same maturity with different strike prices. Spreads are called vertical simply because in newspapers, quotations of Options for different strike prices are indicated one above the other. They combine the anticipations on the rates and the volatility. On the other hand, horizontal spread combines simultaneous buying and selling of Options of different maturities with the same strike price. When a call option is bought with a lower strike price and another call is sold with a higher strike price, the maximum loss in this combination is equal to the difference between the premium earned on selling one option and the premium paid on buying another. This combination is known as bullish call spread. The opposite of this is a bearish call. Example : An investor decides to create a bull spread by

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the way of buying a call option on a stock with an exercise price of		

Rs. 100 and for a premium of Rs. 5/share and selling a call option with exercise price of Rs. 110 and premium of Rs. 2/share. Calculate the profit/loss if on the settlement day spot prices of the security is Rs. 95, Rs. 106 and Rs. 113. Also compute Break Even Point (BEP). Table showing calculation of profit/loss from bull spread with call option

Spot Price	Exercise Price	Gross Profit from Long Call	Gross Profit from Short Call	Net Profit
95	110	0	0	(5)
106	110	6	0	1
113	110	13	0	8

\* First think from long call point of view and then reverse Here, BEP = Long call strike price + Net premium cost = Rs. (100 + 3) = Rs. 103.

152 NSOU • PGCO-X ●●●●● Covering Exchange Risk with Options A currency option enables an enterprise to secure a desired exchange rate while retaining the possibility of benefiting from a favorable evolution of exchange rate. Effective exchange rate guaranteed through the use of options is a certain minimum rate for exporters and a certain maximum rate for importers. Exchange rates can be more profitable in case of their favorable evolution. Apart from covering exchange rate risk, Options are also used for speculation on the currency market. ●●●●● Organized Market of Currency Options Apart from the OTC markets for currency Options, there exist organized currency option markets. They developed after equity Options. In 1982, stock exchanges of Montreal and Philadelphia introduced standardized currency options. Thereafter, Chicago Mercantile Exchange, LIFFE of London, Sydney Futures Exchange, MATIF of Paris and some others started trading in standardized currency Options. On organized markets, two types of Options exist: Options on cash or on spot, and Options on currency futures. The Option on cash (or physical currency) confers the buyer the right—and not an obligation—to buy or sell the currency on spot at an agreed rate till the date of maturity. The Option on currency futures gives the holder a right to buy or sell a future contract of a foreign currency on a future date at an agreed rate. The volume traded on organized markets continues to grow. Yet, it is much less than that on the OTC Options market which offers a greater number of choices. Banks are very active participants on the organized market. USA, France and UK are leading countries where organized markets of Options exist. The major participants on the organized markets are brokers, enterprises and banks that are active on OTC markets as well.

6.5.5 The Swaps Market Swaps involve exchange of a series of payments between two parties. Normally, this exchange is affected through an intermediary financial institution. Though swaps are not financing instruments in themselves, yet they enable obtainment of desired form of financing in terms of currency and interest rate. Swaps are over-the-counter instruments. The market of currency swaps has been developing at a rapid pace for the last fifteen years. As a result, this is now the second most important market after the spot currency market. In fact, currency swaps have succeeded parallel loans which had developed in countries where exchange control was in operation.

NSOU • PGCO-X 153 In parallel loans, two parties situated in two different countries agreed to give each other loans of equal value and same maturity, each denominated in the currency of the lender. While initial loan was given at spot rate, reimbursement of principal as well as interest took into account forward rate. However, these parallel loans presented a number of difficulties. For instance, default of payment by one party did not free the other party of its obligations of payment. In contrast, in a swap deal, if one party defaults, the counterparty is automatically relieved of its obligation. Likewise, despite the compensation of loans, they figured in balance sheets of enterprises. Owing to these limitations, currency swaps gained in importance. Currency swaps can be divided into three categories: (a) fixed-to-fixed currency swap, (b) floating-to-floating currency swap, and (c) fixed-to-floating currency swap. A fixed-to-fixed currency swap is an agreement between two parties who exchange future financial flows denominated in two different currencies. A currency swap can be understood as a combination of simultaneous

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spot sale of a currency and a forward purchase of the same		

amounts of currency. This double operation does not involve currency risk. In the beginning of exchange contract, counterparties exchange specific amount of two currencies. Subsequently, they settle interest according to an agreed arrangement. During the life of swap contract, each party pays the other the interest streams and finally they reimburse each other the principal of the swap. A simple currency swap enables the substitution of one debt denominated in one currency at a fixed rate to a debt denominated in another currency also at a fixed rate. It enables both parties to draw benefit from the differences of interest rates existing on segmented markets. A similar operation is done with regard to floating-to-floating rate swap. A fixed-to-floating currency coupon swap is an agreement between two parties by which they agree to exchange financial flows denominated in two different currencies with different type of interest rates, one fixed and other floating. Thus, a currency coupon swap enables borrowers (or lenders) to borrow (or lend) in one currency and exchange a structure of interest rate against another—fixed rate against variable rate and vice versa. The exchange can be either of interest coupons only or of interest coupons as well as principal. For example, one may exchange US dollars at fixed rate for French francs at variable rate. These types of swaps are used quite frequently.

154 NSOU • PGCO-X ●●●●● Participants in Swap Deals Participants in swap markets are : (a) financial institutions, (b) big enterprises, and (c) international organizations and public sector institutions. Financial institutions play a very important role in swap operations. They influence, to a very great extent, the structure of operations and price of swaps. Currency swaps are useful to financial institutions as they enable them to make loans and accept deposits in the currency of their customers' choice. A financial institution may participate in the swap deal either as a broker, counterparty or an intermediary. When the financial institution acts as a broker only it when is not counterparty in the deal. It should search for counterparties; facilitate negotiations, while preserving the anonymity of counterparties. In the role of a counterparty, the financial institution incurs various risks—credit risk, market risk and delivery risk. When the bank or financial institution is counterparty to a swap, it tries to arrange another swap having symmetrical features against another company so as to balance its flows and reduce its own risk. Thus, if it has entered into a Dollar-Euro fixed-to-fixed swap with a German company, it will try to find an American company that would like a Euro- Dollar fixed-to-fixed swap involving the same amount and for the same duration. As an intermediary, the financial institution or the bank plays the role of counterparty as well as a broker at the same time. When the bank is counterparty or an intermediary, it is required to make quite complex arrangements in terms of several counterparties so as to reduce its own risks. Margins on swaps have diminished. They are lower even for currencies that are highly traded. Depending on the currencies involved in a swap, a bank may gain 5 to 12 basis points. The second categories of participants are enterprises. They are mostly multinationals, but there may also be big and medium enterprises with good ratings. French Public enterprises such as SNCF (French Railways) and EDF (French Electricity Company) take recourse to swap markets in order to obtain more favorable interest rates. For example, in May 1994, SNCF issued bonds worth 150 billion Italian lira on international capital market which it exchanged with an American enterprise for French francs through a swap contract. Currency swaps involve a long position in one bond, combined with a short position in another bond. They may also be considered as portfolio of forward contracts. Enterprises use them when they have excess in one currency and shortage in another. Sometimes, subsidized loans

NSOU • PGCO-X 155 available for promoting exports may be swapped for a desired foreign currency. Thirdly, other institutions such as World Bank and nation states also often take recourse to currency swaps and currency coupon swaps. ●●●●● Important Features of Swap Contracts Minimum size of a swap contract is of the order of 5 million US dollar or its equivalent in other currencies. But there are swaps of as large a size as 300 million US dollar, especially in the case of Eurobonds. The US dollar is the most sought after currency in swap deals. The dollar-yen swaps represent 25 per cent of the total while dollar-deutschemark account for 20 per cent of the total. The swaps involving Euro are also likely to be widely prevalent in European countries. Life of a swap is between two and ten years. As regards the rate of interest of the swapped currencies, the choice depends on the anticipation of enterprises. Interest payments are made on annual or semi-annual basis. ●●●●● Process of Swap Deals If there are two enterprises which have symmetrical requirement of capital, in two different currencies, a swap is possible. ●●●●● Pricing a Currency Swap As is clear from its definition, a swap is equivalent to borrowing and lending simultaneously. So the value (or price) of a swap should be equal to the difference between the present values of all inflows and all outflows. Pricing problem of a swap is essentially to find out as to what rate should be quoted so that the two series of cash flows have equal present value. For example, a bank is willing to swap 10 per cent fixed on French franc with 8 per cent fixed on an equivalent US dollar principal for 3 years. This means that the present value of franc payments at 10 per cent is equal to the present value of the dollar payments at 8 per cent, both expressed in a common currency. ●●●●● Reasons for Currency Swap Contracts At any given point of time, there are investors and borrowers who would like to acquire new assets/liabilities to which they may not have direct access or to which their access may be costly. For example, a company may retire its foreign currency loan prematurely by swapping it with home currency loan. The same can also be achieved by direct access to market and by paying penalty for premature payment.

156 NSOU • PGCO-X A swap contract makes it possible at a lower cost. Some of the significant reasons for entering into swap contracts are given below:

- Hedging Exchange Risk Swapping one currency liability with another is a way of eliminating exchange rate risk. For example, if a company (in UK) expects certain inflows of deutschemarks, it can swap sterling liability into deutschemark liability.
- Differing financial Norms The norms for judging credit-worthiness of companies differ from country to country. For example, Germany or Japanese companies may have much higher debt-equity ratios than what may be acceptable to US lenders. As a result, a German or Japanese company may find it difficult to raise a dollar loan in USA. It would be much easier and cheaper for these companies to raise a home currency loan and then swap it with a dollar loan.
- Credit Rating Certain countries such as USA attaches greater importance to credit rating than some others like those in continental Europe. The later look, inter-alia, at company's reputation and other important aspects. Because of this difference in perception about rating, a well reputed company like IBM even with lower rating may be able to raise loan in Europe at a lower cost than in USA. Then this loan can be swapped for a dollar loan.
- Market Saturation If an organization has borrowed a sizable sum in a particular currency, it may find it difficult to raise additional loans due to 'saturation' of its borrowing in that currency. The best way to tide over this difficulty is to borrow in some other 'unsaturated' currency and then swap. A well-known example of this kind of swap is World Bank-IBM swap. Having borrowed heavily in German and Swiss market, the WB had difficulty raising more funds in German and Swiss currencies. The problem was resolved by the WB making a dollar bond issue and swapping it with IBM's existing liabilities in deutschemark and Swiss franc.

Example : XYZ ltd. operating in USA requires \$34 lakhs for expansion purposes. Similarly

NSOU • PGCO-X 157 ABC Ltd. operating in Britain requires £ 20 lakhs. The interest rates prevailing in USA is 9% for both \$ and £ whereas in Britain the interest rates are 12% and 8% for borrowing in \$ and £ respectively. Assuming 1 £ = \$ 1.70 and the loan requirement is 6 months for both the parties, examine whether currency swap agreement beneficial? XYZ Ltd. requires \$ 34 lakhs and ABC Ltd. requires £ 20 lakhs which is equivalent to \$ 34 lakhs (£ 20 lakhs x \$ 1.70). So both the parties requires same principal amount. Benefit on interest rate £ Borrowing Rate \$ Borrowing Rate ABC Ltd. 12% 8% XYZ Ltd. 9% 9% Competitive advantage 3% 1% Here, XYZ Ltd. enjoys 3% benefit in £ loan and ABC Ltd. enjoys 1% benefit on \$ loan, i.e. both the parties enjoy competitive advantage. So as per the competitive advantage, XYZ Ltd. will borrow in terms of £ and ABC Ltd. will borrow in \$ and swap. Computation of net mutual benefit Company Intention Borrow Pays (5) Net Cost Cost without Net Benefit (1) (2) (3) (6) swap (7) (8) = (7- 6) ABC Ltd. Borrow £ \$ @ 8% £ @ 9% 9% 12% 3% XYZ Ltd. Borrow \$ £ @ 9% \$ @ 8% 8% 9% 1% Net Benefit of ABC Ltd. = £ 20 lakhs x 3% x 6/12 = £ 30,000 Net Benefit of XYZ Ltd. = \$ 34 lakhs x 1% x 6/12 = \$ 17,000 It shows that the currency swap agreement is beneficial for both the parties. 6.6 Summary

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The foreign exchange market assists international trade and investment by enabling currency conversion.

The purpose of the foreign exchange market is to  
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of purchasing power denominated in one currency to another i.e. to trade one currency for another.

The Foreign Exchange Market performs three types of functions like Transfer Function, Credit Function and Hedging Function. The major Foreign Exchange Markets are Spot Market, Forward Market, Future Market, Option Market and Swap Market. Forward, Futures, Options and Swaps are called derivatives because they derive their value from the underlying exchange rates are discussed in detail here with suitable numerical problems. 6.7 Exercise 1. A foreign currency dealer quotes the following exchange rates : (i) INR/AED : 17.823/45 (ii) INR/THB : 1.16/35 (iii) INR/CAD : 34.42/78 You as a customer is interested to purchase 10,000 units of THB and then would like to convert THB so obtained into AED. Determine the amount of AED. 2. Determine the exchange rate between GBP and CAD using the following given rates : (i) USD/GBP : 1.63 – 1.74 (ii) CAD/USD : 1.123 – 1.245 3. Find the cross-rates between Pound Sterling and Arab Emirate Dinar based on the following exchange rate quotations: (i) CAD/GBP : 1.823/36 (ii) AED/CAD : 0.8334/48 4. Consider a three months forward contract on a non-dividend paying share which is available at Rs. 70. If CCRF rate of interest is 8% p.a. what would be the contract price? (e 0.02 = 1.0202) 5. Assume that 3 months future contract of nifty has spot price of Rs. 1090. CCRF rate of return is 12% p.a. and CCRF rate of yield on underlying asset is 4% p.a. Lot size is 200 shares. Find the value of future contract. NSOU • PGCO-X 159 6. An importer has purchased goods worth \$ 20,000 from a customer in USA. Current spot price is Rs. 72.34/\$. Expected date of payment is after 3 months when expected spot price of \$ is Rs. 74.32. Forward price quoted by bank for 3 months is Rs. 73.37/\$. What should the importer do protect himself the exchange rate fluctuation? 7. An investor has bought a futures contract on the stock of Tata Motors Ltd. at Rs. 1100. Each contract consists of 200 shares. The initial margin is set by the exchange at 4%, while the maintenance margin is 90% of initial margin. Clearing prices of the stock for the next 10 days are given below: Day 1 2 3 4 5 6 7 8 9 10 Price (Rs.) 1100 1200 1240 1390 1220 1140 1450 1124 1355 1465 Assume that on the 10th day, the Investor squares off his position at Rs. 1465. Find out the gain or losses of long and short positions of the investor. You are required to show necessary calculations. 8. Mr. Alen was bullish about XY Co. Ltd. He buys 500 shares at current market price of Rs. 110 per share. Fearing a fall in the market price he has bought option contract involving 500 shares with exercise price of Rs. 112 at a premium of Rs. 7 per share. Calculate his profit/loss under different spot prices: Rs. 120, 125, 100, 105, 110, 115, 120 and 125. Also compute Break Even Point. 9. An investor decides to create a bull spread by

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the way of buying a call option on a stock with an exercise price of

Rs. 200 and for a premium of Rs. 7/share and selling a call option with exercise price of Rs. 210 and premium of Rs. 3/share. Calculate the profit/loss if on the settlement day spot prices of the security is Rs. 195, Rs. 206 and Rs. 213. Also compute Break Even Point (BEP). 10. MM Ltd. operating in UK requires £ 20 lakhs for expansion purposes. Similarly GC Ltd. operating in USA requires \$ 30 lakhs. The interest rates prevailing in UK is 8% for both \$ and £ whereas in USA the interest rates are 11% and 6% for borrowing in \$ and £ respectively. Assuming 1 £ = \$ 1.50 and the loan requirement is 6 months for both the parties, examine whether currency swap agreement beneficial ? 160 NSOU • PGCO-X Unit - 7  Parity Condition in International Finance Structure 7.0 Objectives 7.1 Introduction 7.2 Parity Conditions in International Finance 7.3 Purchasing Power Parity (PPP) Theory 7.3.1 Purchasing Power Parity and Baseball Bats 7.3.2 Purchasing Power Parity and the Long Run 7.3.3 Absolute form of PPP 7.3.4 Relative version of the PPP 7.3.5 Criticism of Purchasing Power Parity (PPP) Theory 7.4 Theory

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of Interest Rate Parity (IRP) 7.4.1 Types of Interest Rate Parity 7.4.2 Implications of Interest Rate Parity Theory 7.4.3 Limitations of Interest Rate Parity

Model 7.5 Fisher Effect 7.6 International Fisher Effect 7.7 Comparison of PPP, IRP and IFE Theories 7.8 Parity Relationships 7.8.1 Assumptions underlying International Financial Management 7.8.2 The Equilibrium Framework 7.9 Unbiased Forward Rate (URF) Theory 7.10 Summary 7.11 Exercise 160



NSOU • PGC0-X 161 7.0 Objectives By the end of this lesson, learners will be able to: • describe the concept of Parity Condition in International Finance, • understand the important theories of the Equilibrium Framework, • explain the concepts of Purchasing Power Parity, Interest Rate Parity, Fisher Effect and International Fisher Effect, • differentiate between PPP, IRP and IFE, • explain the Parity relationships in International Finance, and ••••• compute various numerical problems relating to the Parity Conditions in International Finance. 7.1 Introduction It is necessary to know long-term future exchange rates in order

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to take strategic decisions concerning investment and management of foreign subsidiaries. These predictions of future rates will be written in the strategic plan of the group as a whole, comprising the parent as well as the different subsidiaries. Besides long-term future rates, it is equally important to estimate exchange rate in medium term, that is, over a period of one year, because cash flows of subsidiaries consist of domestic as well as foreign

currencies. Short-term prediction on the other hand, is necessary for managing exchange exposure on day-to-day basis. Generally graphs and charts are used for short-term prediction while fundamen- tals are used for predicting medium and long term rates. Fundamentals consist of factors like interest rates,

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inflation, economic growth, and money supply. It is reasonable to assume that these factors will have some impact on exchange rate. The effect of each of them may not always be distinctly clear, yet the fact is that each of the fundamental factors has an influence on the evolution of exchange rates. From the above, the significance of prediction of future exchange rate is apparent. Theorists have been trying to explain exchange rate variations and to predict their future course. Several theories have been propounded

to this effect.

162 NSOU • PGC0-X These theories, by and large, use factors such as

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inflation, interest rates and balance of payment deficit. The four important theories are : (1) Purchasing Power Parity (PPP), and (2) Interest Rate Parity (IRP). (3)

Fisher Effect (4) International Fisher Effect 7.2 Parity Conditions in International Finance Parity Conditions provide an intuitive explanation of the movement of prices and interest rates in different markets in relation to exchange rates. The derivation of these conditions requires the assumption of Perfect Capital Markets (PCM). • No transaction costs • No taxes • Complete certainty Note – Parity Conditions are expected to hold in the long-run, but not always in the short term. We shall now examine a simple yet elegant set of equilibrium (or parity) conditions that should apply to product prices, interest rates, and spot and forward exchange rates if the markets are not impeded. These parity conditions provide the foundation for much of the theory and practice of international finance. In competi- tive markets, characterized by numerous buyers and sellers having low-cost access to information, exchange-adjusted prices of identical tradable goods and financial assets must be within transactions costs of equality worldwide. This idea, referred to as the law of one price, is enforced by international arbitrageurs who follow the profit-guaranteeing dictum of “buy low, sell high” and prevent all but trivial deviations from equality. Similarly, in the absence of market imperfections, risk-adjusted expected returns on financial assets in different markets should be equal. Five key theoretical economic relationships, which are depicted in the following figure, result from these arbitrage activities. This framework emphasizes the links among prices, spot exchange rates, interest rates, and forward exchange rates.

NSOU • PGC0-X 163 According to the diagram, if inflation in, say, France is expected to exceed inflation in the United States by 3 per cent for the coming year, then the French franc should decline in value by about 3 per cent relative to the \$. By the same token, the one- year forward French franc should sell at a 3 per cent discount relative to the U.S. \$. Similarly, one-year interest rates in France should be about 3 per cent higher than one-year interest rates on securities of comparable risk in the United States. Expected percentage change of spot exchange rate of foreign currency –3% Forward discount or premium on foreign currency –3% Interest rate differential + 3% Expected inflation rate differential + 3% Interest rate parity Purchasing power parity Fisher effect International Fisher effect Unblased forward rate 7.3 Purchasing Power Parity (PPP) Theory The first original reference of PPP Theory was made by David Ricardo. However, Gustav Cassel popularized this theory in 1918. According to PPP theory, when exchange rates are of a fluctuating nature, the rate of exchange between two currencies in the long run will be fixed by their respective purchasing powers in their own nations. Purchasing Power Parity theory is based on the premise that the same product cannot have different prices in two different markets at any given point of time. This theory assumes restriction free movements of goods and absence of incidental costs such as transportation. According to this theory, if a product costs Rs 100 in India and \$ 2.5 in USA, then one US \$ has to be equal to Rs 40. That is, a sum of Rs 100 has the same purchasing

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power as the sum of \$ 2.5. 164 NSOU • PGC0-X This theory was first enunciated by Gustav Cassel, a Swedish economist. He said that the purchasing power of a currency is determined by the amount of goods and services that can be purchased with one unit of that currency.

If there is more than one currency, the exchange rates between them should be such that they provide the same purchasing power to different currencies. In case

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the existing rate is such that purchasing power parity does not exist, it is a situation of disequilibrium. It is expected that the exchange rate among different currencies

conforms eventually to purchasing power parity. Though this theory is conceptually sound, there are a number of factors

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which prevent it from predicting exchange rate in practice. Some of the major factors in this regard are : (i) Trade restrictions, (ii) Government restrictions on exchange rates, (iii) Continuation of long-term flows despite the disequilibrium between purchasing power parity and exchange rates, (iv) Lack of definition of the relevant rate of inflation and price levels. For example, it is important to establish whether price indices should be based on only those commodities that are traded internationally or on all commodities. The PPP takes into account only the movement of goods and not that of capital. In operational terms, it is concerned only with the current account segment of Balance of Payments and not the total BOP. If a currency is an instrument of payment for other countries,

as is

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the case with the US \$, then exchange rate may evolve in a manner independent of price level of the country concerned, i.e. USA. The PPP theory is ideal for predicting exchange rates in

specific situations such as high rate of inflation or monetary disturbances.

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In these specific situations, the response of individuals to changes in value of real and monetary assets is expected to be strong and the prediction of exchange rates by the PPP theory may

turn out to be realistic. Foreign currency is demanded by the people because it has some purchasing power in its own nation. Also domestic currency has a certain purchasing power, because it can buy some amount of goods/ services in the domestic economy. Thus, when home currency is exchanged for any foreign currency, in fact the domestic purchasing power is being exchanged for the purchasing power of that foreign

NSOU • PGCO-X 165 currency. This exchange of the purchasing power takes place at some specified rate where purchasing of two currencies nations gets equalized. Thus, the relative purchasing power of the two currencies determines the exchange rate. The exchange rate under this theory is in equilibrium when their domestic purchasing powers at that rate of exchanges are equivalent e.g., Suppose certain bundle of goods/ services in U.S.A. costs U.S. \$ 10 and the same bundle in India costs, ₹ 450/- then the exchange rate between Indian Rupee and U.S. \$ is  $\$1 = ₹45$ . Because this is the exchange rate at which the parity between the purchasing power of two nations is maintained. A change in the purchasing power of any currency will reflect in the exchange rates also. Hence under this theory the external value of the currency depends on the domestic purchasing power of that currency relative to that of another currency. In short, what this means is that a bundle of goods should cost the same in Canada and the United States once you take the exchange rate into account.

7.3.1. Purchasing Power Parity and Baseball Bats First suppose that one U.S. \$ (USD) is currently selling for ten Mexican Pesos (MXN) in foreign exchange market. In the United States wooden baseball bats sell for \$40 while in Mexico they sell for 150 pesos. Since  $1 \text{ USD} = 10 \text{ MXN}$ , then the bat costs \$40 USD if we buy it in the U.S. but only 15 USD if we buy it in Mexico. Clearly there's an advantage of buying the bat in Mexico, so consumers are much better off going to Mexico to buy their bats. If consumers decide to do this, we should expect to see three things happen: 1. American consumers desire Mexican Pesos in order to buy baseball bats in Mexico. So they go to an exchange rate office and sell their American \$s and buy Mexican Pesos. This will cause the Mexican Peso to become more valuable relative to the U.S. \$. 2. The demand for baseball bats sold in the United States decreases, so the price American retailers charge goes down. 3. The demand for baseball bats sold in Mexico increases, so the price Mexican retailers charge goes up. Eventually these three factors should cause the exchange rates and the prices in

166 NSOU • PGCO-X the two countries to change such that we have purchasing power parity. If the U.S. \$ declines in value to  $1 \text{ USD} = 8 \text{ MXN}$ , the price of baseball bats in the United States goes down to \$30 each and the price of baseball bats in Mexico goes up to 240 pesos each, we will have purchasing power parity. This is because a consumer can spend \$30 in the United States for a baseball bat, or he can take his \$30, exchange it for 240 pesos (since  $1 \text{ USD} = 8 \text{ MXN}$ ) and buy a baseball bat in Mexico and be no better off. 7.3.2. Purchasing Power Parity and the Long Run Purchasing-power parity theory tells us that price differentials between countries are not sustainable in the long run as market forces will equalize prices between countries and change exchange rates in doing so. You might think that my example of consumers crossing the border to buy baseball bats is unrealistic as the expense of the longer trip would wipe out any savings you get from buying the bat for a lower price. However it is not unrealistic to imagine an individual or company buying hundreds or thousands of the bats in Mexico then shipping them to the United States for sale. It is also not unrealistic to imagine a store like Walmart purchasing bats from the lower cost manufacturer in Mexico instead of the higher cost manufacturer in Mexico. In the long run having different prices in the United States and Mexico is not sustainable because an individual or company will be able to gain an arbitrage profit by buying the good cheaply in one market and selling it for a higher price in the other market. Since the price for any one good should be equal across markets, the price for any combination or basket of goods should be equalized. Why is a \$ worth ₹ 48.80, JPY 122.18, etc. at some point of time? One possible answer is that these exchange rates reflect the relative purchasing powers of the currencies, i.e. the basket of goods that can be purchased with a \$ in the US will cost ₹ 48.80 in India and ¥ 122.18 in Japan. There are two forms of the PPP theory: 1. Absolute form of PPP 2. Relative form 7.3.3. Absolute form of PPP

The Absolute Form of  
the PPP

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is based on the 'law of one price' which states that

people all over the world are willing to pay the same price for the same type  
NSOU • PGCO-X 167 of goods and services. It shows how

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the exchange rate between the currencies of two countries is related to the price levels of the two countries. If the cost of a representative basket of goods and services

in the home country were the same as that in the foreign country, then absolute PPP would hold. If  $S_0$  is the spot exchange rate and  $P_h$  and

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$P_f$  are the prices of the representative basket of goods and services

of the home country and foreign country respectively, then,  $S_0 = P_h / P_f$  The exchange rate must adjust in such a manner that the domestic price level and the foreign price (converted at the spot rate) become equal. An increase in  $P_h$  must be compensated by a corresponding increase in  $P_f$ . Otherwise,  $S_0$  would increase implying depreciation in the value of the home currency. In Equilibrium Form :  $S = \alpha P_D / P_F$  Where,  $S$  = spot rate  $P_D$  = is the price level in India, the domestic market.  $P_F$  = is the price level in the foreign market, the US in this case.  $\alpha$  = Sectorial price and sectorial shares constant. For example, a cricket bat sells for ₹ 1000 in India. The transportation cost of one bat from Ludhiana to New York costs ₹ 100 and the import duty levied by the US on cricket bats is ₹ 200 per bat. Then the sectorial constant for adjustment would be  $1000/1300 = 0.7692$ . Example :  $P_h = \text{Rs.}100$  and  $P_f = \$2$ , then  $S_0$  will be  $\text{Rs. } 50/\$$  Since  $S_0 = P_h / P_f$  If  $P_h$  increases to 102 due to inflation, then either  $P_f$  should increase to  $\$2.1$  or  $S_0$  should increase to  $\text{Rs.}51/\$$

Limitations of Absolute form of PPP • The assumption is that free trade will equalise the price of a commodity in different countries. Otherwise, arbitrage opportunities would arise in the international markets for real goods and services

168 NSOU • PGCO-X • The absolute version of PPP ignores the effect of transportation costs, quotas, tariffs, etc. on free trade • Free trade does not happen in reality and price of products and services in different countries is not equal • Absolute PPP is therefore unlikely to hold if these imperfections do exist

7.3.4. Relative version of the PPP The relative PPP is a weaker relationship than absolute PPP. It shows that the rate of change in the spot exchange rate between two countries will tend to equal the difference in the inflation rates between the two countries. This version of the PPP is popularly used. It becomes extremely messy if one were to deal with millions of products and millions of constants. One way to overcome this is to use a weighted basket of goods in the two countries represented by an index such as Consumer Price Index. However, even this could break down because the basket of goods consumed in a country like Finland would vary with the consumption pattern in a country such as Malaysia making the aggregation an extremely complicated exercise. The relative form of the Purchasing Power Parity tries to overcome the problems of market imperfections and consumption patterns between different countries. A simple explanation of the Relative Purchase Power Parity is given below : Assume the current exchange rate between INR and USD is ₹ 50 / \$1. The inflation rates are 12% in India and 4% in the US. Therefore, a basket of goods in India, let us say costing now ₹ 50 will cost one year hence ₹  $50 \times 1.12 = ₹ 56.00$ . A similar basket of goods in the US will cost USD 1.04 one year from now. If PPP holds, the exchange rate between USD and INR, one year hence, would be ₹  $56.00 = \$1.04$ . This means, the exchange rate would be ₹  $53.8462 / \$1$ , one year from now. This can also be worked backwards to say what should have been the exchange rate one year before, taking into account the inflation rates during last year and the current spot rate. Expected spot rate = Current Spot Rate x expected difference in inflation rates  $E(S_1) = S_0 \times (1 + I_d) / (1 + I_f)$  Where

NSOU • PGCO-X 169 E (S1) is the expected Spot rate in time period 1 S0 is the current spot rate (Direct Quote) I d is the inflation in the domestic country (home country) I f is the inflation in the foreign country According to Relative PPP, any differential exchange rate to the one propounded by the theory is the 'real appreciation' or 'real depreciation' of one currency over the other. For example, if the exchange rate between INR and USD one year ago was ` 45.00. If the rates of inflation in India and USA during the last one year were 10% and 2% respectively, the spot exchange rate between the two currencies today should be  $S_0 = 45.00 \times (1 + 10\%)/(1 + 2\%) = ` 48.53$  However, if the actual exchange rate today is ` 50,00, then the real appreciation of the USD against INR is ` 1.47, which is  $1.47/45.00 = 3.27\%$  and this appreciation of the USD against INR is explained by factors other than inflation. PPP is more closely approximated in the long run than in the short run, and when disturbances are purely monetary in character.

7.3.5. Criticism of Purchasing Power Parity (PPP) Theory 1. Limitations of the Price Index : As seen above in the relative version the PPP theory uses the price index in order to measure the changes in the equilibrium rate of exchange. However, price indices suffer from various limitations and thus theory too. 2. Neglect of the demand / supply Approach : The theory fails to explain the demand for as well as the supply of foreign exchange. The PPP theory proves to be unsatisfactory due to this negligence, as in actual practice the exchange rate is determined according to the market forces such as the demand for and supply of foreign currency. 3. Unrealistic Approach : Since the PPP theory uses price indices which itself proves to be unrealistic. The reason for this is that the quality of goods and services included in the indices differs from nation to nation. Thus, any comparison without due significance for the quality proves to be unrealistic.

170 NSOU • PGCO-X 4. Unrealistic Assumptions : It is yet another valid criticism that the PPP theory is based on the unrealistic assumptions such as absence of transport cost. Also it wrongly assumes that there is an absence of any barriers to the international trade. 5. Neglects Impact of International Capital Flow : The PPP theory neglects the impact of the international capital movements on the foreign exchange market. International capital flows may cause fluctuations in the existing exchange rate. 6. Rare Occurrence : According to critics, the PPP theory is in contrast to the Practical approach. Because, the rate of exchange between any two currencies based on the domestic price ratios is a very rare occurrence. Despite these criticisms the theory focuses on the following major points : 1. It tries to establish relationship between domestic price level and the exchange rates. 2. The theory explains the nature of trade as well as considers the BOP (Balance of Payments) of a nation. 7.4. Theory of Interest Rate Parity (IRP) Interest Rate Parity (IRP) theory is used to analyse

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the relationship between the spot rate and a corresponding forward (future) rate of currencies.

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The IPR theory states interest rate differentials between two different currencies will be reflected in the premium or discount for the forward exchange rate on the foreign currency if there is no arbitrage - the activity of buying shares or currency in one financial market and selling it at a profit in another.

The theory further states size

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of the forward premium or discount on a foreign currency should be equal to the interest rate differentials between the countries in comparison.

Interest Rate Parity is a theory which states that 'the size of the forward premium (or discount) should be equal to the interest rate differential between the two countries of concern". When interest rate parity exists, covered interest arbitrage (means foreign exchange risk is covered) is not feasible because any interest rate advantage in the foreign country will be offset by the discount on the forward rate.

NSOU • PGC0-X 171 Thus, the act of covered interest arbitrage would generate a return that is no higher than what would be generated by a domestic investment. The Interest Rate Parity equation is given by :  $(1 + r_d) = F / S \times (1 + r_f)$   
 Where :  $r_d$  = The interest rate in the domestic currency or the base currency  $r_f$  = The interest rate in the foreign currency or the quoted currency  $S$  = The current spot exchange rate  $F$  = The forward foreign exchange rate  $(1 + r_d) =$  Amount that an investor would get after a unit period by investing a rupee in the domestic market at  $r_d$  rate of interest and  $F / S \times (1 + r_f) =$  Amount that an investor by investing in the foreign market at  $r_f$  that the investment of one rupee yield same return in the domestic as well as in the foreign market. Examples : For our illustration purpose consider investing € 1000 for 1 year. We'll consider two investment cases viz: Case I : Domestic Investment in the U.S.A., consider the spot exchange rate of \$1.2245/€ 1. So we can exchange our € 1000 @ \$1.2245 = \$1224.50 Now we can invest \$1224.50 @ 3.0% for 1 year which yields \$1261.79 at the end of the year. Case II : Foreign Investment Likewise we can invest € 1000 in a foreign European market, say at the rate of 5.0% for 1 year. But we buy forward 1 year to lock in the future exchange rate at \$1.20025/€ 1 since we need to convert our € 1000 back to the domestic currency, i.e. the U.S. \$. So € 1000 @ of 5.0% for 1 year = € 1051.27 Then we can convert € 1051.27 @ \$1.20025 = \$1261.79 Thus, in the absence of arbitrage, the Return on Investment (ROI) is same regardless of our choice of investment method.

172 NSOU • PGC0-X 7.4.1.

Types of Interest Rate Parity There are two types of IRP : 1. Covered Interest Rate Parity (CIRP)

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Covered Interest Rate theory states that exchange rate forward premiums (discounts) offset interest rate differentials between two sovereigns.			

Interest rate parity describes a no-arbitrage relationship between spot and forward exchange rates and the two nominal interest rates associated with these currencies. The relationship is called covered interest rate parity.

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In another words, covered interest rate theory holds that interest rate			

differen- tials

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between two countries are offset by the spot/forward currency premiums as otherwise investors could earn a pure arbitrage profit. Covered Interest Rate			

Ex- amples

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Assume Google Inc., the U.S. based multi-national company, needs to pay its European employees in € in a month's time. Google Inc. can achieve this in several ways viz : • Buy € forward 30 days to lock in the exchange rate. Then Google can invest in \$s for 30 days until it must convert \$			

s

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to € in a month. This is called covering because now Google Inc. has no exchange rate fluctuation risk. • Convert \$			

s

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to € today at spot exchange rate. Invest € in a European bond (in €) for 30 days (equivalently loan out € for 30 days) then pay			

its obligation in € at the end of the month. Under

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this model Google Inc. is sure of the interest rate that it will earn, so it may convert fewer \$			

s

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to € today as its € will grow via interest earned. This is also called covering because by converting \$			

s

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to € at the spot, the risk of exchange rate fluctuation is eliminated.			

If  $(1 + r_d) = F / S \times (1 + r_f)$ , covered interest parity holds. There is no scope for covered interest arbitrage if  $(1 + r_d) \neq F / S \times (1 + r_f)$ , covered interest parity does not hold. There is scope for covered interest arbitrage and funds will move from home country to foreign country if  $(1 + r_d) < F / S \times (1 + r_f)$ . Funds will move from foreign country to home country if  $(1 + r_d) > F / S \times (1 + r_f)$ .  
NSOU • PGCO-X 173 2.

<b>100%</b>	<b>MATCHING BLOCK 120/150</b>	<b>SA</b>	FMG-403 International Finance.pdf (D164737611)
Uncovered Interest Rate Parity (UIP) Uncovered Interest Rate theory states that expected appreciation (depreciation) of a currency is offset by lower (higher) interest.			

In the above example of covered interest rate, the other method that Google Inc. can implement is:

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Google Inc. can also invest the money in \$s today and change it for € at the end of the month. This method is uncovered because the exchange rate risks persist in this transaction. Covered Interest Rate			

vs. Uncovered Interest Rate Recent empirical research has identified that uncovered interest rate parity does not hold, although violations are not as large as previously thought and seems to be currency rather than time horizon dependent. In contrast, covered interest rate parity is well established in recent decades amongst the OECD economies for short-term instruments. Any apparent deviations are credited to transaction costs. 7.4.2

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Implications of Interest Rate Parity Theory If IRP theory holds then arbitrage

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not possible. No matter whether an investor invests in domestic country or foreign country, the rate of return will be the same as if an investor invested in the home country when measured in domestic currency. If domestic interest rates are less than foreign interest rates, foreign currency must trade at a forward discount to offset any benefit of higher interest rates in foreign country to prevent arbitrage. If foreign currency does not trade at a forward discount or if the forward discount is not large enough to offset the interest rate advantage of foreign country, arbitrage opportunity exists for domestic investors. So domestic investors can benefit by investing in the foreign market. If domestic interest rates are more than foreign interest rates, foreign currency must trade at a forward premium to offset any benefit of higher interest rates in domestic country to prevent arbitrage. 7.4.3.

Limitations of Interest Rate Parity Model In recent years the interest rate parity model has shown little proof of working. In many cases, countries with higher interest rates often experience currency appreciation due to higher demands and higher yields and have nothing to do with risk-less arbitrage.

174 NSOU • PGCO-X 7.5. Fisher Effect Interest rates and inflation are objects of financial fascination around the world. The Fisher effect is a theory about the relationship between the two, basically stating that when one rises, so does the other.

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The Fisher Effect is an economic hypothesis stating that the real interest rate is equal to the nominal rate minus the expected rate of inflation.

It states that, in response to a change in the money supply, the nominal interest rate changes in tandem with changes in the inflation rate in the long run. For example, if monetary policy were to cause inflation to increase by 5 percentage points, the nominal interest rate in the economy would eventually also increase by 5 percentage points. In order to understand the Fisher effect, it's crucial to understand the concepts of nominal and real interest rates.

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In the late 1930s, U.S. economist Irving Fisher wrote a paper which posited that a country's interest rate level rises and falls in direct relation to its inflation rates. Fisher mathematically expressed this theory in the following way :  $R_{\text{Nominal}} = R_{\text{Real}} + R_{\text{Inflation}}$  The equation states that a country's current (nominal) interest rate is equal to a real interest rate adjusted for the rate of inflation. In this sense, Fisher conceived of interest rates, as the prices of lending, being adjusted for inflation in the same manner that prices of goods and services are adjusted for inflation. For instance, if a country's nominal interest rate is six per cent and its inflation rate is two

per cent, the country's real interest rate is four per cent ( $6\% - 2\% = 4\%$ ). In simple terms: an increase in inflation will result in an increase in the nominal interest rate. For example, if the real interest rate is held at a constant 5.5% and inflation increased from 2% to 3%, the Fisher Effect indicates that the nominal interest rate would have to increase from 7.5% (5.5% real rate + 2% inflation rate) to 8.5% (5.5% real rate + 3% inflation rate). The difference in the nominal interest rates would therefore be due to differences in the levels of inflation in different countries. This explains why, in equilibrium, interest rate differentials must be equal to inflation rate differentials. The Fisher Effect is stated as –

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The forward rate of one currency will contain a premium (or discount) that is determined by the differential in interest rates between the two countries. As a result, covered interest arbitrage will provide a return that is no higher than a domestic return. The spot rate of one currency w.r.t. another will change in reaction to the differential in inflation rates between two countries. Consequently, the purchasing power for consumers when purchasing goods in their own country will be similar to their purchasing power when importing goods from foreign country. The spot rate of one currency w.r.t. another will change in accordance with the differential in interest rates between the two countries. Consequently, the return on uncovered foreign money market securities will on average be no higher than the return on domestic money market securities from the perspective of in-

vestors in the home country.

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Theory Interest Rate Parity (IRP) Purchasing Power Parity (PPP) International Fisher Effect (IFE)

Key Variables

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Forward rate Premium (or discount) Percentage change in spot exchange rate. Percentage change in spot exchange rate

Basis Interest rate differential Inflation rate differential.

Interest rate differential

NSOU • PGCO-X 179 7.8 Parity Relationships 7.8.1 Assumptions underlying International Financial Management Neo-classical assumptions regarding well-functioning markets have given rise to equilibrium theories about international trade and common pricing (parity) links between international capital markets, foreign exchange markets and product and factor markets. 7.8.2. The Equilibrium Framework The parity relationships can be stated as follows : • Inflation rate differential = Expected spot rate change The theorem explaining this relationship is the Purchasing Power Parity (PPP) Theorem • Expected spot rate change = Forward premium or discount This relationship is explained by the Unbiased Forward Rate (UFR) Theorem • Forward premium or discount = Interest rate differential The theorem underlying this relationship is the Interest Rate Parity (IRP) Theorem • Interest rate differential = Inflation rate differential The Fisher Effect explains this relationship • Interest rate differential = Expected spot rate change The International Fisher Effect explains this relationship

180 NSOU • PGCO-X Parity relationships These relationships imply that between two countries A and B : If the annual inflation in country A is anticipated to be 2% higher than in country B then • The currency value of country A would be expected to decline by 2% as compared to the currency value of country B in the spot market • The currency of country A would be expected to sell in the one-year forward market at a discount of 2% as compared to the currency of country B • The one-year interest rate in country A would be expected to be 2% higher than that in country B 7.9. Unbiased Forward Rate (URF) Theory The forward rate may be considered to be an unbiased predictor of the future spot rate. Any anticipated difference between the forward rate and the future spot rate Interest Rate Parity Theory Arbitrage between Ecurrency & currency markets Purchasing Power Partiy Theory Arbitrage markets for goods and services Expected spot rate charge Inflation rate differential Forward Premium Discount Interest rate differential Arbitrage within and between spot and forward markets Arbitrage between domestics capital markets Fisher Effect Arbitrage between international financial markets Unbiased Forward rate Theory International Fisher Effect ←—————→



182 NSOU • PGCO-X 7.11 Exercises Theoretical Questions 1. Discuss the concept of parity condition in international Finance. 2. Differentiate between absolute purchasing power parity and relative purchasing power parity with the help of suitable examples. 3. Explain with the help of an example the concept of interest rate parity. 4. Discuss the concept of covered interest rate parity how it differs from uncovered interest rate parity. 5. Explain with the help of an example the theory of International fisher effect 6. What do you mean by unbiased forward rate theory? Numerical Questions 1. The interest rate on £ is 5% it and the interest rate on \$ is 8%. The £ spot rate is \$ 1.6730 and the one-year forward rate of £ is \$ 1.7120. Comment whether interest rate parity condition holds. 2. The Spot Exchange rate of pound today is \$ 1.5640 and the three months forward rate is \$ 1.55. Assuming parity relationship holds and if interest rate is 6% in USA what should be the corresponding interest rate in UK? 3. The interest rate on € deposits is 4.75- 4.5% p.a. While the interest rate on \$ deposits are 7.45-7.30% p.a. The current spot rate is € 0.7580-620 / \$ and the one year forward rate is € to 0.7460-520 / \$. Assuming parity relationship holds is there any arbitrage opportunity? 4. The rupee \$ exchange rate now is rupees 45 per \$. Expected inflation rate in India is 5% and that of us is 4%. What will be the spot rate? Also show that purchasing power parity holds. 5. The spot exchange rate between Danish krone and USD is \$ 0.20 / krone. The one year forward rate quoted by a large US bank is \$ 0.21 / krone. The interest rate on Danish krone is 8% per year and inflation rate is 4%.

NSOU • PGCO-X 183 (a) What is the implied interest rate on USD deposits if covered interest rate parity holds? (b) What is the inflation rate in US expected to be if the interest rate parity holds? 6. The rate of inflation in USA is likely to be 3% p.a. And in Istanbul is likely to be 6.5% p.a. The current spot rate of USD in Istanbul is Lyra 4.40/\$. Find the expected exchange rate of USD in Istanbul after three years from now. 7. You are a treasurer of US MNC with operations all over the world 1 subsidiary is located in Papua New Guinea and it uses the local currency Kina which was \$0.75/kina. On 1st January 2001 if inflation rate in US was 5% and inflation rate in Papua is 3% what was the exchange rate in 1st January 2002 if purchasing power parity holds?

184 NSOU • PGCO-X Unit - 8 Foreign Exchange Risk Management Structure 8.0 Objectives 8.1 Introduction 8.2 Foreign Exchange Risk 8.2.1 Transaction Risk 8.2.2 Translation risk 8.2.3 Economic Exposure 8.3 Hedging Currency Risk 8.3.1 Internal Techniques 8.3.2 External Techniques 8.4 Strategies for exposure management 8.4.1 Low Risk: Low Reward 8.4.2 Low Risk : Reasonable Reward 8.4.3. High Risk : Low Reward 8.4.4 High Risk : High Reward 8.5. Practical Problems on forward market hedge and money market hedge 8.6 Summary 8.7 Exercises 8.8 Suggested Readings 8.0 Objectives By the end of this unit, learners will be able to : • describe the concept of Foreign Exchange Risk in International Finance, 184

NSOU • PGCO-X 185 • understand the important types and techniques of Exposure Management, • explain the concepts of Strategic and Operational response under risk management, • compute various numerical problems relating to forward market hedge and money market hedge under Foreign Exchange Risk Management. 8.1 Introduction Due to variation in exchange rate, over a period of time the value of assets and liabilities or cashflows of an enterprise, that are denominated in foreign currencies undergo a change in their value, as measured in domestic currency. This variability in the value of assets and liabilities or cash flows is referred to as exchange rate risk. When the inflow and the outflow of assets and liabilities as well as claims and counterclaims in a foreign currency are matched against each other, then there is no net exposure. In such a situation, there is no foreign exchange risk. But foreign exchange risk results from an open position - the position can be either long or short. When an enterprise owns a net claim (or an asset) in foreign currency, it is said to be long; and when it has a liability in foreign currency, it is said to be short. Fluctuations in exchange rates leading to variations in the value of assets and liabilities warrant management or hedging of risk. The word 'hedging' means taking steps to reduce risk. 'Hedging' the risk and 'covering' the risk can be used synonymously. In other words, whatever we do to minimize our financial risk or currency risk is known as hedging. For example, travellers

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going to visit another country have the risk that if that country's currency appreciates against their own their trip will be more expensive. An exporter who sells his product in foreign currency has the risk that if the value of that foreign currency falls then the revenues in the exporter's home currency will be lower.

Exchange rate risk or foreign currency risk is the possibility that currency fluctuations can affect a company's expected further operating cash flows. The risk arises due to change in price of one currency in relation to another.

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An importer who buys goods priced in foreign currency has the risk that the foreign currency will appreciate thereby making the local currency cost greater than expected.

Fund Managers and companies who own foreign assets are exposed to fall in the currencies where they own the assets. This is because if they were to sell those assets their exchange rate would have a negative effect on the home currency value. 8.2. Foreign Exchange Risk Foreign exchange risk arises when we deal in the foreign currency. Essentially, what it means is that if exchange rate changes, it affects the amount of cashflow, converted into domestic currency. There are three types of exchange risks. These are : (1) Transaction risk, (ii) Translation or Consolidation risk, and (iii) Economic risk. Moment in time when exchange rate charges

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Transaction exposure Impact of setting outstanding obligation entered into before change in exchange rates but to be settled after

the change in exchange rates Time Translation exposure Accounting-based charges in consolidated financial statements caused by a change in exchange rates Operating exposure Change in expected cash flows arising because of an unexpected charge in

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062-Alfiya khan, foreign exchange risk in fina ...  
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exchange rates 8.2.1 Transaction Risk Transaction risk is related to either (i) trade transactions, that is, exports and imports, or (ii) financial operations such as borrowing and lending in foreign currencies, or (iii) payment or receipt of dividends and interests. In other words, a transaction risk occurs when a company is committed to a foreign currency denominated transaction.

An exchange rate change in the currency of denomination  
NSOU • PGCO-X 187 of any such contract will result in a direct transaction exchange rate risk to the firm. It measures  
the effect of an exchange rate change on outstanding obligations that

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existed before exchange rates changed but were settled after the exchange rate changes.

This is also known as Transaction Exposure. Example : If an Indian exporter has a receivable of \$100,000 due in six months hence and if the dollar depreciates relative, to the rupee a cash loss occurs. Conversely, if the dollar appreciates relative to the rupee, a cash gain occurs. The above example illustrates that whenever a firm has foreign currency denominated receivables or payables, it is subject to transaction risk and their settlements will affect the firm's cash flow position. Thus, it deals with the changes in the cashflow which arise from existing contractual obligation. In fact, the transaction exposures are the most common ones amongst all the exposures. Let's take an example of a company which exports to US and the export receivables are also denominated in USD. While doing budgeting the company had assumed USD/INR rate of Rs. 62 per USD. By the time the exchange inward remittance arrives. USD/INR could move down to 57 leading to wiping off of commercial profit for exporter. Such transaction risk arises whenever a business has foreign currency denominated receipts or payments. The risk is an adverse movement of the exchange rate from the time the transaction is budgeted till the time the exposure is extinguished by sale or purchase of the foreign currency against the domestic currency.

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refers to gains or losses caused by the translation of foreign currency assets and liabilities into the currency of the parent company for consolidation purposes.

Translation risk principally impacts a company's balance sheet and results from the translation of foreign assets and liabilities into the company's home currency for accounting purposes consolidating financial statements, the translation could be done either at the end-of-the-period exchange rate or at the average exchange rate of the period, depending on the accounting regulations affecting the parent company. Thus, while income statements are usually translated at the average exchange rate over the period, balance sheet exposures of foreign

188 NSOU • PGCO-X subsidiaries are often translated at the prevailing current exchange rate at the time of consolidation. This occurs when the financial statements of a company's foreign subsidiaries are consolidated into the parent's statements and translated into the parent's reporting base currency. As a matter of fact, investors and financial institutions have an interest in knowing the consolidated position of the whole group in domestic currency. For example, a Swiss food company has an American subsidiary in the sweet business. The subsidiary company had an asset value of Swiss francs 52.5 million (or \$35 million) at the beginning of the year, when the exchange rate was sfr1.50 per \$1. There was no change in the asset value of the subsidiary during the year due to operational reasons. In that time, however, the Swiss franc strengthened to sfr1.43 per \$1. The asset value of the sweet company on the Swiss company's balance sheet has dropped to sfr 500,50,000 (\$35 million at 1.43), a loss of SFR 2 450 000 (52,500,000 minus 500,50,000), simply from the translation of the Swiss company's long-term investment in the American sweet company from dollars to Swiss francs. Again, this exposure can be eliminated or mitigated through the use of foreign exchange products such as a forward contract or a currency option. The exchange risk also affects the estate of an enterprise. For instance, a French company, selling a building owned by its Indonesian subsidiary, would obtain a lower price in Euros than that it would have got by selling it before the devaluation of Indonesian Rupiah in 1997. Different methods of translation are used by different enterprises. These are : (a) current/non-current method, (b) monetary/ non-monetary method, (c) closing (or current) rate method, and (d) temporal method (a) Current/Non-Current Method Based on the length of life of an asset or liability, this method uses closing rate for converting current assets and liabilities, and historic rates for converting non-current assets and liabilities Historic rate is the exchange rate which was used at the time of acquisition of an asset or incurring of a liability or when these items entered the balance sheet. The exchange position that results from this method corresponds to the working capital of the enterprise. An appreciation of foreign currency results in a translation gain if the working capital is positive (current assets are more than current liabilities) and a translation loss if the working capital is negative. Reverse

NSOU • PGC0-X 189 is true in the case of a depreciation of foreign currency. It is possible to modify the exchange position by modifying the factors that affect the working capital. As regards the income statement, its constituent items are converted at the mean rate for the period of the income statement. Exception is made for the figures relating to revenues and expenses linked with long term assets and liabilities (say depreciation and amortization) which are converted using historic rates, that is, at the rates as per the corresponding balance-sheet items. In other words, different revenue and expense items may be translated at different rates, under this method. (b) Monetary/Non-Monetary Method This method makes, a distinction between monetary assets and liabilities and nonmonetary ones. The monetary accounts consist of long-term debt, receivables, payables and cash. The non-monetary accounts are physical assets and liabilities such as inventories and fixed assets. Monetary assets and liabilities are converted by using closing rates while non-monetary ones are converted at histone rates. The figures of income statement are converted by using the mean rate of the period, except those related to revenues and expenses linked to non-monetary assets and liabilities which are converted at histone rates. Generally, depreciation expense and cost of goods sold fall in the latter category. These

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are translated at the same rate as the corresponding balance-sheet items.

Thus, it is possible that the cost of goods sold may be translated at a different rate from that used to translate sales. (c) Closing Rate Method As per this method all figures are converted by using closing or current rate. Under this method, if a firm's foreign-currency denominated assets exceed its foreign-currency denominated liabilities, a depreciation of foreign currency will result in a loss and appreciation will result in a gain. (d) Temporal

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Method This method is a modified version of the monetary/non-monetary method with the difference that

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method, inventory is translated at the current rate. Income statement items are normally translated at an average rate. However, cost of goods sold and depreciation are translated at historic rates.

It is, thus, evident that the methods used give different results as regards the consolidation position and figures 190 NSOU • PGC0-X obtained for consolidation gain or loss are also different. Many companies do not provide cover against consolidation risk because they think of it as a simple accounting position. There are others which like to cover this risk. Depending on the method of conversion used, different strategies will be required to reduce the translation risk. For example, companies would try to reduce working capital if the foreign currency is likely to depreciate in the event of their using current/non-current methods. 8.2.3 Economic Exposure Economic Risk and Economic exposure refer to the extent to which the economic value of a company can decline due to changes in exchange rate. It is

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the overall impact of exchange rate changes on the value of the firm.

The essence of economic exposure is that exchange rate changes significantly alter the cost of a firm's inputs and the prices of its outputs and thereby influence its competitive position substantially. In essence,

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economic risk concerns the effect of exchange rate changes on revenues (domestic sales and exports) and operating expenses (cost of domestic inputs and imports).

Economic risk is usually applied to the present value of future cash flow operations of a firm's parent company and foreign subsidiaries.

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Identification of the various types of currency risk, along with their measurement,

is essential to develop a strategy for managing currency risk. The measurement of operating exposure is difficult as it is not possible to ignore the effect of inflation while considering the impact of exchange rate change. The effect of these currency- induced changes on corporate revenues and costs depends on the extent of the company's international operations, its competitive environment and its degree of operational flexibility. In order to-manage these relative price changes, the company may adjust its production process or marketing mix. Moreover, a company may try to shift out of currencies which are moving against its long-term profitability. For example, over the period 1985-95, a UK company would have increased its earnings in sterling if it had bought imports denominated in US dollars and sold its exports denominated in Deutschmarks. This is because during this period, Pound sterling was appreciating.

NSOU • PGCO-X 191 Effects of Local Currency Fluctuations on Company's Economic Exposure (Cash inflow) Variables influencing the inflow of cash in local Revaluation Devaluation currency impact impact Local sale, relative to foreign Decrease Increase Company's export in local currency Decrease Increase Company's export in foreign currency Decrease Increase Interest payments from foreign investments Decrease Increase Effects of Local Currency Fluctuations on Company's Economic Exposure (Cash outflow) Variables influencing the inflow of cash in local Revaluation Devaluation currency impact impact Company's import of material the same denoted in local currency Remain the same Remain the same Company's import of material Decrease Increase denoted in foreign currency Interest on foreign debt Decrease Increase 8.3. Hedging Currency Risk A hedge is a type of derivative, or a financial instrument, that derives its value from an underlying asset.

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Hedging is a way for a company to minimize or eliminate foreign exchange risk.

There are a range of hedging instruments that can be used to reduce risk. Broadly these techniques can be divided into two parts (A) Internal Techniques and (B) External Techniques 8.3.1. Internal Techniques Internal hedging techniques are the techniques those are available within the business itself. These typically should always be considered before resorting to external methods as they can be cheap and relatively straightforward. These techniques explicitly do not involve transaction costs and can be used to completely or partially offset the exposure. These techniques can be further classified as follows :

192 NSOU • PGCO-X Companies engaged in exporting and importing, whether of goods or services, are concerned with decisions relating to the currency in which goods and services are invoked. Trading in a foreign currency gives rise to transaction exposure. Although trading purely in a company's home currency has the advantage of simplicity, it fails to take account of the fact that the currency in which goods are invoiced has become an essential aspect of the overall marketing package given to the customer. Sellers will usually wish to sell in their own currency or the currency in which they incur cost. This avoids foreign exchange exposure but buyers' preferences may be for other currencies. Many markets, such as oil or aluminium, in effect require that sales be made in the same currency as that quoted by major competitors, which may not be the seller's own currency. In a buyer's market, sellers tend increasingly to invoice in the buyer's ideal currency. The closer the seller can approximate the buyer's aims, the greater chance he or she has to make the sale. The seller's ideal currency is either home or one which is stable relative to it but often the seller is forced to choose the market leader's currency. Whatever the chosen currency, it should certainly be one with a deep forward market. For the buyer, the ideal currency is usually its own or one that is stable relative to it, or it may be a currency of which the purchaser has reserves. (i) Leading and Lagging : Leading and Lagging refer to adjustments at the time of payments in foreign currencies. Leading is the payment before due date while lagging is delaying payment post the due date. These techniques are aimed at taking advantage of expected devaluation and/or revaluation of relevant currencies. Lead and lag payments are of special importance in the event that forward contracts remain inconclusive. For example, Subsidiary b in B country owes money to subsidiary a in country A with payment due in three months' time and with the debt denominated in US dollar. On the other side, country B's currency is expected to devalue within three months against US dollar, vis-à-vis country A's currency. Under these circumstances, if company b leads pays early it will have to part with less of country B's currency to buy US dollars to make payment to company A. Therefore, lead is attractive for the company. When we take reverse the example-revaluation expectation- it could be attractive for lagging.

NSOU • PGCO-X 193 (ii) Netting : Netting involves associated companies, which trade with each other. The technique is simple. Group companies merely settle inter affiliate indebtedness for the net amount owing. Gross intra-group trade, receivables and payables are netted out. The simplest scheme is known as bilateral netting and involves pairs of companies. Each pair of associates nets out their own individual positions with each other and cash flows are reduced by the lower of each company's purchases from or sales to its netting partner. Bilateral netting involves no attempt to bring in the net positions of other group companies. Netting basically reduces the number of intercompany payments and receipts which pass over the foreign exchanges. Fairly straightforward to operate, the main practical problem in bilateral netting is usually the decision about which currency to use for settlement. Netting reduces banking costs and increases central control of intercompany settlements. The reduced number and amount of payments yield savings in terms of buy/sell spreads in the spot and forward markets and reduced bank charges. Investor A Investor A Investor B Investor B Investor A owes \$50,000 Investor A owes \$110,000 Investor B pays Investor A \$60,000 Fig. 2 Process of Netting Here, we provide a simple example of how netting is used in the real world. Investor A owes \$50,000 to Investor B, and Investor B owes \$110,000 to Investor A. In such a case, we are assuming the settlement date of both transactions and the currency of exchange is the same. Instead of Investor A and B making two separate payments to each other, the transaction values can be netted.

194 NSOU • PGCO-X As a result, Investor B would pay \$60,000 (net amount) to Investor A, whereas Investor A does not need to pay anything to Investor B. It is an example of settlement or payment netting. It is important to note that if the currencies in our example were different, then such a type of netting would not be used. (iii) Matching : Matching refers to the process in which a company matches its currency inflows with its currency outflows with respect to amount and timing. When a company has receipts and payments in same foreign currency due at same time, it can simply match them against each other. Hedging is required for unmatched portion of foreign currency cash flows. This kind of operation is referred to as natural matching. Parallel matching is another possibility. When gains in one foreign currency are expected to be offset by losses in another, if the movements in two currencies are parallel is called parallel matching. Although netting and matching are terms which are frequently used interchangeably, there are distinctions. Netting is a term applied to potential flows within a group of companies whereas matching can be applied to both intra-group and to third-party balancing. Both Netting and Matching presuppose that there are enabling Exchange Control regulations. For example, an MNC subsidiary in India cannot net its receivable(s) and payable(s) from/to its associated entities. Receivables have to be received separately and payables have to be paid separately. (iv) Price Variation : Price variation involves increasing selling prices to counter the adverse effects of exchange rate change. This tactic raises the question as to why the company has not already raised prices if it is able to do so. In some countries, price increases are the only legally available tactic of exposure management. Let us now concentrate to price variation on intercompany trade. Transfer pricing is the term used to refer to the pricing of goods and services, which change hands within a group of companies. As an exposure management technique, transfer price variation refers to the arbitrary pricing of intercompany sales of goods and services at a higher or lower price than the fair price, arm's length price. This fair price will be the market price if there is an existing market or, if there is not, the price which would be charged to a third party customer. Taxation authorities,

NSOU • PGCO-X 195 customs and excise departments and exchange control regulations in most countries require that the arm's length pricing should be used. (v) Asset and Liability Management : This technique can be used to manage balance sheet, income statement or cash flow exposures. Concentration on cash flow exposure makes economic sense but emphasis on pure translation exposure is misplaced. Hence our focus here is on asset liability management as a cash flow exposure management technique. In essence, asset and liability management can involve aggressive or defensive postures. In the aggressive attitude, the firm simply increases exposed cash inflows denominated in currencies expected to be strong or increases exposed cash outflows denominated in weak currencies. By contrast, the defensive approach involves matching cash inflows and outflows according to their currency of denomination, irrespective of whether they are in strong or weak currencies. 8.3.2. External Techniques External hedging techniques are the techniques those available outside the business. External methods are slightly costlier and complex than the internal techniques. Under this category range of various financial products are used which can be categorized as follows: (i) Money Market Hedging At its simplest, a money market hedge is an agreement to exchange a certain amount of one currency for a fixed amount of another currency, at a particular date. For example, suppose a business owner in India expects to receive 1 million USD in six months. This Owner could create an agreement now (today) to exchange 1Million USD for INR at roughly the current exchange rate. Thus, if the USD dropped in value by the time the business owner got the payment, he would still be able to exchange the payment for the original quantity of U.S. dollars specified. Advantages and Disadvantages of Money Market Hedge: Following are the advantages and disadvantages of this technique of hedging. Advantages (a) Fixes the future rate, thus eliminating downside risk exposure.



196 NSOU • PGCO-X (b) Flexibility with regard to the amount to be covered. (c) Money market hedges may be feasible as a way of hedging for currencies where forward contracts are not available. Disadvantages include (a) More complicated to organise than a forward contract. (b) Fixes the future rate - no opportunity to benefit from favourable movements in exchange rates (ii) Derivative Instruments A derivative transaction is a bilateral contract or payment exchange agreement whose value is derived from the value of one or more underlying, which can be commodities, precious metals, currency, bonds, stocks, stocks indices, etc.. Today, derivatives transactions cover a broad range of underlying - interest rates, exchange rates, commodities, equities and other indices. The term derivative is also used to refer to a wide variety of other instruments. These have payoff characteristics, which reflect the fact that they include derivatives products as part of their make-up. Transaction risk can also be hedged using a range of financial derivatives products which include: Forwards, futures, options, swaps, etc. These instruments are discussed in detailed manner in following pages Forward Contract Hedging The change in value in a forward contract is broadly equal to the change in value in the underlying. Forwards differ from options in that options carry a different payoff profile. Forward contracts are unique to every trade. They are customized to meet the specific requirements of each end-user. The characteristics of each transaction include the particular business, financial or risk - management targets of the counterparties. Forwards are not standardized. The terms in relation to contract size, delivery grade, location, and delivery date and credit period are always negotiated. In a forward contract, the buyer of the contract draws its value at maturity from its delivery terms or a cash settlement. On maturity, if the price of the underlying is higher than the contract price the buyer makes a profit. If the price is lower, the buyer suffers a loss. The gain to the buyer is a loss to the seller.

NSOU • PGCO-X 197 ❖ Forwards Rates :

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A forward rate is an interest rate applicable to a financial transaction that will take place in the future. The forward rate is different from the spot rate.

Depending upon whether the forward rate is greater than the spot rate, given the currency in consideration, the forward may either be at a 'discount' or at a 'premium'. Forward premiums and discounts are usually expressed as annual percentages of the difference between the spot and the forward rates. ❖ Premium : If the forward rates are greater than spot rate then it is to be said in premium. When a currency is costlier in forward or say, for a future value date, it is said to be at a premium. In the case of direct method of quotation, the premium is added to both the selling and buying rates. Premium = Forward rate – Spot Rate. ❖ Discount : If the currency is cheaper in forward or for a future value date, it is said to be at a discount. In case of direct quotation, the discount is deducted from both the selling and buying rate. The following example explains how to calculate Premium / Discount both under Indirect/Direct quotes. Discount = Spot rate – Forward rate. Calculation of Premium and Discount of a currency To calculate the Premium or Discount of a currency vis-à-vis another, we need to find out how much each unit of the first currency can buy units of the second currency. For example, • For instance, if the Spot rate between INR and USD is 55 to a dollar and the six months forward rate is 60 to a dollar, it is clear the USD is strengthening against the Rupee and hence is at a premium which also means that Rupee is at discount. The premium of USD against INR is 5 for six months in absolute terms. However, forward premium is always expressed as an annual percentage. Therefore, this premium is calculated as  $[(\text{Forward Rate} - \text{Spot rate}) / (\text{Spot rate})] \times (12/6) = (60 - 55) / (55) \times 12/6 = 18.18\%$

198 NSOU • PGCO-X Rupee is at discount and to calculate the discount, we need to find out how many dollars each Rupee can buy today and six months from now. Therefore, the Spot rate of USD in terms of INR today is USD 1/55 = \$ 0.01818 and six months from now is USD 1/60 = \$ 0.01667. The discount is calculated as  $[(\text{Forward Rate} - \text{Spot rate}) / (\text{Spot rate})] \times 100 \times (12/6) = (0.01667 - 0.01818) / 0.01818 \times 12/6 = - 0.00151 / 0.01818 \times 12/6 = - 16.61\%$  The minus sign implies that the Rupee is at discount. Another important point to be noted in the above example is that the forward premiums do not equal forward discount always. In the aforesaid example, for instance, the rupee is trading at a discount of 16.67% while the dollar is trading at a premium of 18.18%. • Let's say you are in Swiss market and the CHF/USD spot exchange rate is 0.9880 and 3-month forward exchange rate is 0.9895. It means that right now it takes 0.9880 Swiss Francs to buy 1 US Dollar and in 3 months it will take 0.9895 Swiss Francs to buy 1 dollar, i.e. 0.0015 Swiss Francs more per 1 US Dollar. It shows that the foreign currency i.e., the US Dollar is trading at a forward premium because it takes more Swiss Francs to buy US Dollar in future. The CHF is trading at forward discount because 1 Swiss Franc is worth less in future.  $[(\text{Forward Rate} - \text{Spot rate}) / (\text{Spot rate})] \times (12/3) = [(0.9895 - 0.9880) / 0.9880] \times 100 \times 12/3 = + 0.61\%$  The plus sign implies that the USD is at premium. 8.4. Strategies for exposure management A company's attitude towards risk, financial strength, nature of business, vulnerability to adverse movements, etc. shapes its exposure management strategies.

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There can be no single strategy which is appropriate to all businesses. Four separate strategy options are feasible

for exposure management.

NSOU • PGCO-X 199 Exposure Management Strategies High Reward Low Reward

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All Exposures Left Unhedged All Exposures Hedged Active Trading Selective Hedging Low Risk High Risk 8.4.1 Low Risk : Low Reward This option involves automatic hedging of exposures in the forward market as soon as they arise, irrespective of the attractiveness or otherwise of the forward rate. The merits of this approach are that yields and costs of the transaction are known and there is little risk of cash flow destabilization. Again, this option doesn't require any investment of management time or effort. The negative side is that automatic hedging at whatever rates are available is hardly likely to result into optimum costs. At least some

management seems

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to prefer this strategy on the grounds that an active management of exposures is not really their business. In the floating rate era, currencies outside their home countries, in terms of their exchange rate, have assumed the characteristics of commodities. And business whose costs depend significantly on commodity prices can hardly afford not to take views on the price of the commodity. Hence this does not seem to be an optimum strategy. 8.4.2 Low Risk : Reasonable Reward This strategy requires selective hedging of exposures whenever forward rates are attractive but keeping exposures open whenever they are not. Successful pursuit 200

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of this strategy requires quantification of expectations about the future and the rewards would depend upon the accuracy of the prediction. This option is similar to an investment strategy of a combination of bonds and equities with the proportion of the two components depending on the attractiveness of prices. In foreign exchange exposure terms, hedged positions are similar to bonds (known costs or yields) and

un-hedged

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ones to equities (uncertain returns). 8.4.3. High Risk : Low Reward Perhaps the worst strategy is to leave all exposures

un-hedged.

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The risk of destabilization of cash flows is very high. The merit is zero investment of managerial time or effort. 8.4.4. High Risk : High Reward This strategy involves active trading in the currency market through continuous cancellations and re-bookings of forward contracts. With exchange controls relaxed in India in recent times, a few of the larger companies are adopting this strategy. In effect, this requires the trading function to become a profit center. This strategy, if it has to be adopted, should be done in full consciousness of the risks. 8.5

Practical Problems on forward market hedge and money market hedge

1. HDIL Ltd. is a listed real estate development company in India, with significant operations in the Mumbai Metropolitan Region has an export exposure of HKD 12,00,000 payable August 31, 2014. Hong Kong Dollar (HKD) is not directly quoted against Indian Rupee. The current spot rates are : INR/GBP INR. 82.05 HKD/GBP HKD 9.93 It is estimated that Hong Kong Dollar will depreciate to 10.89 level and Indian Rupee to depreciate against GBP to Rs. 84.83. Forward rates for August 2014 are

NSOU • PGCO-X 201 INR/GBP INR. 86.33 HKD/GBP HKD 10.77 Required : (i) Calculate the expected loss, if the hedging is not done. How the position will change, if the firm takes forward cover? (ii) If the spot rates on August 31, 2014 are: INR/ GBP = Rs. 82.09 HKD /GBP = HKD 9.99 Is the decision to take forward cover justified? Solution : Since the direct quote for ¥ and INR is not available it will be calculated by cross exchange rate as follows : INR/GBP × GBP/HKD = INR/HKD 82.05/9.93 = 8.2628 Spot rate on date of export 1HKD = INR 8.2628 Expected Rate of HKD for August 2014 = Rs. INR7.7897 (INR 84.83/HKD 10.89) Forward Rate of HKD for August 2014 = INR 8.0158 (INR 86.33/HKD 10.77) (i) Calculation of expected loss without hedging Value of export at the time of export (INR 8.2628 × HKD 12,00,000) INR 99,15,360 Estimated payment to be received on Aug. 2014 (INR 7.7897 × HKD 12,00,000) INR 93,47,640 Loss INR 5,67,720

202 NSOU • PGCO-X Hedging of loss under Forward Cover INR Value of export at the time of export (Rs. 8.2628 × HKD 12,00,000) INR 99,15,360 Payment to be received under Forward Cover (INR 8.0158 × HKD 12,00,000) INR 96,18,960 Loss INR 2,96,400 By taking forward cover loss is reduced to INR 2,96,400. (ii) Actual Rate of HKD on August 2014 = INR 8.2172 (INR 82.09/HKD 9.99) Value of export at the time of export (INR 8.2628 × HKD 12,00,000) INR 99,15,360 Estimated payment to be received on Aug. 2014 (INR 8.2172 × HKD 12,00,000) INR 98,60,640 Loss INR 54,720 The decision to take forward cover is still justified

2. A company is considering hedging its foreign exchange risk. It has made a purchase on 1st. January, 2008 for which it has to make a payment of British Pound GBP 73,500 on September 30, 2008. The present exchange rate is 1 GBP £ = INR 82.3953. It can purchase forward 1 1 GBP £ at INR 81.5375. The company will have to make a upfront premium of 2% of the forward amount purchased. The cost of funds to the company is 11% per annum and the rate of corporate tax is 45%. Ignore taxation. Consider the following situations and compute the Profit/Loss the company will make if it hedges its foreign exchange risk : (i) If the exchange rate on September 30, 2008 is INR 84.5000 per £. (ii) If the exchange rate on September 30, 2008 is INR 83.0000 per £.

NSOU • PGCO-X 203 Solution INR Present Exchange Rate INR 82.3953 = 1 GBP If company purchases £ 73,500 forward premium is £ 119860  $73,500 \times 81.5375 \times 2\%$  Interest on INR 119860 for 9 months at 11% 9888 Total hedging cost 129748 If exchange rate is INR 84.50/GBP Then gain (INR 84.5000 – INR 81.5375) for £ 73,500 217744 Less : Hedging cost 129748 Net gain 87996 If £ = INR 83.0000 Then loss (81.5375 – 83.00) for £ 73,500 107494 Add: Hedging Cost 129748 Total Loss 237242 3. A Company in India has shipped product to USA amounting to US\$ 50,000 to be payable after 3 months. The spot rate US\$ is Rs.48.2550. Since the cash settlement will take place after 3 months, the open position of US\$50,000 is a transaction risk for the Company. The Company asks for a forward quotation to a bank for hedging the risk. The Bank has given following information about the forward market. Spot rate : US\$1 : 48.2550/3500 3 month forward rate : 2500/3000 Using the above information, prepare the hedging strategy for the Company. Solution : The Company has open position for receivable of US\$50,000 to be settled after

204 NSOU • PGCO-X 3 month. Any appreciation of rupee against US\$ is a risk for the company. Expecting appreciation of rupee the Company planned to go for sell of forward contracts. The Company would sell US\$ 50,000, 3 month forward and the rate would be as follows : Current Spot : Selling rate : Rs.48.2550 Add 3 month forward rate : Rs. 0.2500 3 month forward sell rate : Rs. 48.5050 After 3 months, the company would surrender the US\$ 50,000 and get an exchange rate of Rs.48.5050 per US\$. If the rupee appreciated beyond 48.5050, then the company would be profitable. However, if rupee depreciated to 48.6500, than the company would be the loser. In this case the company may go for cancellation of forward contract by paying the required transaction cost. Forward Contract can be cancelled by the holder of the contract. In the case of cancellation, the party needs to pay exchange margin. 4. Walgreens Boots Alliance sold Omani Rial 3,22,500 value spot to your customer at Rs.167.43 per OMR & covered yourself in Uk stock exchange

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on the same day, when the exchange rates were GBP 1 = OMR 0.4901 0.4941 Local inter-bank market rates for GBP were Spot GBP 1 = Rs. 80.71 80.86 Calculate cover rate and ascertain the profit or loss in the transaction. Ignore brokerage. Solution : The bank (Dealer) covers itself by buying from the market at market

selling rate. Rupee – GBP selling rate Rs. 80.86 Omani Rial – GBP OMR 0.4901 Rupee – Hong Kong cross rate Rs. 80.86 /0.4901, i.e. Rs.164.9867 Profit / Loss to the Bank

NSOU • PGCO-X 205 Amount received from customer (3,22,500 × 167.43) Rs. 539,96,175 Amount paid on cover deal (3,22,500 × 164.9867) Rs. 532,08,211 Profit to Bank Rs. 7,87,964 5. ABC Ltd. of USA has exported goods worth Can \$ 3,90,000 receivable in 9 months. The exporter wants to hedge the receipt in the forward market. The following information is available : Spot Exchange Rate Rs. 64.56/\$ Interest Rate in USA 1.25% Interest Rate in Indian 8% The forward rates truly reflect the interest rates differential. Find out the gain/loss to USA exporter if Indian Rs. spot rates (i) declines 1.5%, (ii) gains 5.5% or (iii) remains unchanged over next 6 months. Solution : Forward Rate  $64.56 \left[ \frac{1 + (0.08) \times 9/12}{1 + (0.0125) \times 9/12} \right] = \text{Rs.}67.7980$  (i) If spot rate decline by 1.5% Spot Rate = Rs. 64.56 × 1.015 =Rs.65.5284/\$ £ receipt as per Forward Rate ( $\$ 3,90,000 / \text{Rs.}67.7980$ ) = \$5752 £ receipt as per Spot Rate ( $\$ 3,90,000 / \text{Rs.}65.5284$ ) = \$5952 Loss due to forward contract = \$200 (ii) If spot rate gains by 5.5% Spot Rate = Rs. 64.56 × 1.055 =Rs.68.1108/\$ £ receipt as per Forward Rate ( $\$ 3,90,000 / \text{Rs.}67.7980$ ) = \$5752 £ receipt as per Spot Rate ( $\$ 3,90,000 / \text{Rs.}68.1108$ ) = \$5725 Gain due to forward contract = \$27 (iii) If spot rate remains unchanged £ receipt as per Forward Rate ( $\$ 3,90,000 / \text{Rs.}67.7980$ ) = \$5752

206 NSOU • PGC0-X E receipt as per Spot Rate (\$ 3,90,000/ Rs.64.56) = \$6041 Loss due to forward contract = \$289 6. Drehr Brewery, a company operating in Hungary is a landlocked country in Central Europe, has today effected sales to an Indian FMCG company, the payment being due 6 months from the date of invoice. The invoice amount is 227 lakhs Hungarian Forint (HUF). At today's spot rate, it is equivalent to Rs. 53.92 lakhs. It is anticipated that the exchange rate will decline by 11% over the 6 months period and in order to protect the HUF payments, the importer proposes to take appropriate action in the foreign exchange market. The 6 months forward rate is presently quoted as 3.91 HUF per rupee. You are required to calculate the expected loss and to show how it can be hedged by a forward contract. Solution : Spot rate of Rs. 1 against HUF = 227 lakhs HUF/Rs. 53.92 lakhs = 4.21 HUF 6 months forward rate of Re. 1 against yen = 3.91 HUF Anticipated decline in Exchange rate = 11%. Expected spot rate after 6 months = 4.21 HUF – 11% of 4.21 = 4.21 HUF – 0.46 HUF = 3.75 HUF per rupee Rs. (in lakhs) Present cost of 227 lakhs HUF 53.92 Cost after 6 months: 227 lakhs HUF / 3.75 HUF 60.53 Expected exchange loss 6.61 If the expected exchange rate risk is hedged by a Forward contract : Rs. (in lakhs) Present cost 53.92 Cost after 6 months if forward contract is taken 227 lakhs HUF/3.91 HUF 58.06 Expected loss 4.14

NSOU • PGC0-X 207 Note : If the exchange rate risk is not covered with forward contract, the expected exchange loss is Rs. 6.61 lakhs. This could be reduced to Rs. 4.14 lakhs if it is covered with Forward contract. Hence, taking forward contract is suggested. 7. Barclays is a British multinational bank and financial services company headquartered in London. It is a universal bank with operations in retail, wholesale and investment banking. Barclays provides financial services across the Globe. The Company raised an invoice amount is ₹ 6,77,500. Credit period is three months. Exchange rates in London are : Spot Rate (¥/£) 145.4967 – 145.5007 3-month Forward Rate (¥/£) 148.7859 – 148.7890 Rates of interest in Money Market : Deposit Loan ¥ 9% 11% £ 5% 8% Compute and show how a money market hedge can be put in place. Compare and contrast the outcome with a forward contract. Solution : In ¥ The borrowing rate is 11% per annum or 2.75% per quarter. Amount to be borrowed: ¥ 6, 77,500 / 1.0275 = ¥ 6, 59,367.40 Convert : Sell ¥ and buy £. The relevant rate is the Ask rate, namely, ¥ 145.5007 per £, (Note : This is an indirect quote). Amount of £s received on conversion is 4531.71 (¥6, 59,367.40 / ¥ 145.5007). Invest : £ 4531.71 will be invested at 5% for 3 months and get £ 4588.36 Settle : The liability of ¥ 6, 59,367.40 at interest of 2.75 per cent quarter matures to ¥ 6, 77,500 receivable from customer. Using forward rate, amount receivable is = ¥6, 77,500/ 148.7890 = £4553.43 Amount received through money market hedge = £ 4588.36 Gain = £ 4588.36 – £4553.43 = £34.93

208 NSOU • PGC0-X So, money market hedge is beneficial for the exporter. 8. Bhawal Steel Agency, are engaged in the manufacturing, supplying, exporting and importing of a wide range of Stainless Steel products etc. from Brazil and Slovak Republic and exports such products to Singapore and Australia after processing. The company has receivables of SGD 3,50,000 and payables of AUD \$ 2,45,00 three months from now. The following rates exchanges rates are available in the market: Exchanges Rates Rs. / SGD Rs. /AUD\$ Spot 46.9580 – 47.0080 49.6825 – 49.7025 Three month forward 47.0680 – 47.0880 49.7225 – 49.7425 The current rates (per annum) are as under Maturity Rupee (%) SGD(%) AUD\$(%) 3 months 7.00/8.00 3.00/3.20 5.00/5.20 The company is considering to cover the exposure either through the forward market or money market. You are required to advise the company as to which alternative should be better for covering both the payable and receivable. Solution : Receivable- SGD 3,50,000 3 month Alternative - I forward cover : Sell SGD 3,50,000 3m forward @ 47.0680 Inflow after 3 months = 3,50,000 × Rs.47.0680 = Rs.164,73,800 Alternative -II Money market cover (Borrow- sell-invest) Step I Borrow the PV of SGD 3,50,000 at 3.20% ∴ PV of SGD = SGD 3,50,000/1.008 = SGD 3,47,222 Step II Sell SGD 3,47,222 @ 46.9580 Getting = SGD 3,47,222 × Rs. 46.9580/SGD = Rs. 163,04,861

NSOU • PGC0-X 209 Step III Invest Rs. 163,04,861 @ 7% i.e. 1.75% Inflow =163,04,861 × 1.0175 = Rs.165,90,196 Since Rs. inflow is higher in alternative II, Firm should choose money market cover. Payable AUD 2,45,000 after 3 months Alternative - I forward cover : Buy AUD 2,45,000 for 3 month forward at 49.7425 So, outflow after 3 month = Rs.49.7425 × AUD 2,45,000 = Rs.121,86,913 Alternative II Money market Cover (Invest- Buy- Borrow) Step I : Invest the PV of \$ 100,000 @ 5/4 i.e., 1.25% AUD 245,000 / 1.0125 = AUD 2,41,975 Step II : Buy AUD 2,41,975 spot at Rs.49.7025 Requiring [ 2,41,975 × Rs.49.7025 ] = Rs. 120,26,778 Step III : Borrow Rs. 1,20,26,778 at 8/4 i.e., 2% So outflow after 3 month Rs. 120, 26,778 × 1.02 = Rs. 122, 67,313 Since Rupee outflow is lower under alternative I forward cover is recommended. 8.6

Summary The risk involved in Foreign Exchange Market, which arises due to variation in exchange rates and the value of assets or liabilities or cash flows of an enterprise changes, is referred as Exchange Rate Risk. But when the inflow and the outflow of assets and liabilities as well as claims and counterclaims in a foreign currency are matched against each other, then there is no net exposure. In such a situation, there is no foreign exchange risk. So, while dealing in foreign currency there can be arise three types of Foreign Exchange Risk these are Transaction, Translation or

210 NSOU • PGC0-X Consolidation Risk and Economic Risk. To minimize or eliminate the risk exposure, hedging is used. There are ranges of hedging instruments that can be used to reduce risk and the techniques are including Internal and External Techniques. External Techniques includes Money Market Hedging and derivatives Instrument which are explained in this unit with suitable numerical illustrations. Along with the techniques, there are four different strategies available for Exposure Management which includes Low Risk-Low Reward, Low Risk-Reasonable Reward, High Risk Low Reward and High Risk-High Reward which are also discussed under this unit. 8.7 Exercise Theoretical Questions 1. Does foreign currency exchange hedging both reduce risk and increase expected value? 2. Explain, and list several arguments in favour of currency risk management and several against. 3. Explain the concept of money market hedge. 4. Explain the concept of forward market hedge. 5. What is the break-even reinvestment rate when comparing forward and money market alternatives? Numerical Questions 1. Pacific Leather Goods Ltd. an Indian manufacturer exports leather goods to USA. The company is exporting 5000 units at a price of \$60. The company has imported some specialty chemicals from Europe to produce the export items. The cost of chemicals per unit of leather good stands at Euro 10. The fixed overhead cost per unit comes at Rs. 250 and other variable overheads, including the freight cost, add up to Rs. 1250 per unit. The payments for both exports and imports are due in six months. The current exchange rate are as follows : Rs./\$ 46.90 Rs./Euro 40.40 After six months (at the time of settlement of payments) the exchange rate turns out as follows : NSOU • PGC0-X 211 Rs./\$ 47.90 Rs./Euro 41.25 You are required to : (i) Calculate the loss/gain due to transaction exposure. (ii) Based on the following additional information calculate the losses/ gains due to transaction and operating exposure if the contracted export price per unit is Rs. 2700 : (a) The current exchange rate changes to Rs./\$ : 47.50 and Rs./Euro : 40.80 (b) Price elasticity of demand for the company's product in the USA is estimated to be 1.60. (c) The payments are to be settled at the end of sixth month. 2. ZPS Co, whose home currency is the dollar, took out a fixed-interest peso bank loan several years ago when peso interest rates were relatively cheap compared to dollar interest rates. ZPS Co does not have any income in pesos. Economic difficulties have now increased peso interest rates while dollar interest rates have remained relatively stable. ZPS Co must pay interest on the dates set by the bank. A payment of 5,000,000 pesos is due in six months' time. The following information is available : Spot rate 12.500–12.582 pesos per \$ Six-month forward rate 12.805–12.889 pesos per \$ Interest rates which can be used by ZPS Co: Borrow Deposit Peso interest rates 10.0% 7.5% Dollar interest rates 4.5% 3.5% What is the dollar cost of a forward market hedge? 3. An investor plans to exchange \$1,000 into euros now, invest the resulting euros for 12 months, and then exchange the euros back into dollars at the end of the 12-month period.

**76%**

**MATCHING BLOCK 149/150**

**W**

The spot exchange rate is €1.415 per \$1 and the euro interest rate is 2% per year. The dollar interest rate is 1.8% per year.

Compared to making a dollar investment for 12 months, at what 12-month forward exchange rate will the investor make neither a loss nor a gain?

212 NSOU • PGC0-X Suggested Readings 1. Apte, P.G., International Finance, Tata McGraw Hill. 2. Choi, Fredrick, D., Meek, G. K., International Accounting, Person. 3. Douppnik, T. S., Perera, H., International Accounting, McGraw-Hill international edition. 4. Das Mohapatra, A. K. International Accounting, Eastern Economy Edition, PHI Learning Private Limited, New Delhi, Second Edn., 2012. 5. Frederick D.S. Choi & Gary K. Meek, International Accounting, Pearson Education, New Delhi, Fifth Edn., 2005 6. Levi, M. D., International Fiance, Routledge. 7. R. Srivastava, International Finance, Oxford University Press. 8. Rathore, S. International Accounting, PHI Learning Private Limited, New Delhi. 9. Shapiro, A. C., Multinational Financial Mangement, Wiley. 10. Saudagaran, S. M. International Accounting, A User Perspective, Taxman India, New Delhi.

### Hit and source - focused comparison, Side by Side

<b>Submitted text</b>	As student entered the text in the submitted document.
<b>Matching text</b>	As the text appears in the source.

<b>1/150</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>65% MATCHING TEXT</b>	24 WORDS
<p>the financial statements of the foreign entities into the reporting currency of the parent company and thereafter to record the gains and losses of the translation</p> <p><b>W</b> <a href="https://www.accountingtools.com/articles/foreign-currency-translation.html">https://www.accountingtools.com/articles/foreign-currency-translation.html</a></p>		<p>the financial statements of the foreign entity into the reporting currency of the parent company. • Record gains and losses on the translation</p>		
<b>2/150</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>77% MATCHING TEXT</b>	33 WORDS
<p>buys or sells on credit goods/services whose prices are denominated in foreign currency; (ii) borrows or lends fund and the amount payable or receivable are denominated in foreign currency; (iii) is a party to an unperformed</p> <p><b>W</b> <a href="https://fxcpe.com/Examples/FX-Terms-Glossary">https://fxcpe.com/Examples/FX-Terms-Glossary</a></p>		<p>Buys or sells in cash or on credit goods or services whose prices are denominated in foreign currency. B) Borrows or lends funds and the amounts payable or receivable are denominated in a foreign currency. C) Is a party to an unperformed</p>		
<b>3/150</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>85% MATCHING TEXT</b>	14 WORDS
<p>functional currency is the currency of primary economic environment in which the enterprise operates.</p> <p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>		<p>Functional currency is the currency of the primary economic environment in which the entity operates.</p>		
<b>4/150</b>	<b>SUBMITTED TEXT</b>	52 WORDS	<b>34% MATCHING TEXT</b>	52 WORDS
<p>at the rate of exchange at the date of the transaction. Thereafter at each subsequent balance sheet date, foreign currency monetary amounts should be reported using the closing rate and non-monetary items carried at historical cost should be reported using the exchange rate at the date of the transaction while non-monetary items carried at fair value</p> <p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>		<p>at the ends of subsequent reporting periods 13 At the end of each reporting period (a) foreign currency monetary items shall be translated using the closing rate; (b) non-monetary items that are measured in terms of historical cost in a foreign currency be translated using the exchange rate at the date of the transaction; and 9 (c) non- monetary items that are measured at fair value</p>		
<b>5/150</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>48% MATCHING TEXT</b>	32 WORDS
<p>the currency in which the reporting entity prepares its financial statements. This currency is usually the domestic currency of the country 50 NSOU • PGCO-X in which the company is domiciled and</p> <p><b>W</b> <a href="https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation">https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation</a></p>		<p>the currency in which the parent firm prepares its own financial statements./; This currency is normally the home country currency, e., the of the country in which the parent is located and</p>		

<b>6/150</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>100% MATCHING TEXT</b>	27 WORDS
<p>An exchange rate "is the ratio between a unit of one currency and the amount of another currency for which that unit can be exchanged at a particular time."</p> <p><b>W</b> <a href="http://ruby.fgcu.edu/courses/cpacini/courses/acg6255/ch6intlacctg.pdf">http://ruby.fgcu.edu/courses/cpacini/courses/acg6255/ch6intlacctg.pdf</a></p>		<p>An exchange rate is the ratio between a unit of one currency and the amount of another currency for which that unit can be exchanged at a particular time.</p>		
<b>7/150</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>52% MATCHING TEXT</b>	18 WORDS
<p>in different countries prepare and present their financial statements denominated in the currency of the country where they operate</p> <p><b>W</b> <a href="https://www.wallstreetmojo.com/exchange-rate-risk/">https://www.wallstreetmojo.com/exchange-rate-risk/</a></p>		<p>in many countries and each subsidiary reports their financial statements in the currency of the country in which they operate.</p>		
<b>8/150</b>	<b>SUBMITTED TEXT</b>	62 WORDS	<b>87% MATCHING TEXT</b>	62 WORDS
<p>Foreign Currency Translation and IAS 21 The objective of IAS 21 is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. The principal issues are which exchange rate/s to use and how to report the effects of changes in exchange rates in the financial statements. For this</p> <p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>		<p>foreign currency. The objective of this Standard is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. 2 The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements. Scope 3 This</p>		
<b>9/150</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>81% MATCHING TEXT</b>	15 WORDS
<p>parent company's reporting currency at the current exchange rate prevailing on the balance sheet date.</p> <p><b>W</b> <a href="https://www.wallstreetmojo.com/foreign-currency-translation/">https://www.wallstreetmojo.com/foreign-currency-translation/</a></p>		<p>parent company's functional currency at the current rate or the exchange rate prevailing on the balance sheet date</p>		
<b>10/150</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>97% MATCHING TEXT</b>	20 WORDS
<p>Exchange Difference—The difference resulting from translating a given number of units of one currency into another currency at different exchange rates.</p> <p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>		<p>Exchange difference is the difference resulting from translating a given number of units of one currency into another currency at different exchange rates.</p>		



<b>11/150</b>	<b>SUBMITTED TEXT</b>	26 WORDS	<b>51% MATCHING TEXT</b>	26 WORDS
<p>are translated at current exchange rate. Non-monetary assets and liabilities like fixed assets, long-term investments, term loans and advances are translated at historical rates. Income statement items</p>		<p>are translated at the current exchange rate non-monetary assets and liabilities under Temporal Method consist of primarily inventory and fixed assets are translated at historical rates Income Statement items</p>		
<p><b>W</b> <a href="https://quizlet.com/135990791/fin-435-final-flash-cards/">https://quizlet.com/135990791/fin-435-final-flash-cards/</a></p>				
<b>12/150</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>69% MATCHING TEXT</b>	22 WORDS
<p>A subsidiary, associate, joint venture, or branch whose activities are based in a country or currency other than that of the reporting entity.</p>		<p>a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.</p>		
<p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>				
<b>13/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>59% MATCHING TEXT</b>	21 WORDS
<p>monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements</p>		<p>monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements</p>		
<p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>				
<b>14/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>59% MATCHING TEXT</b>	21 WORDS
<p>monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements</p>		<p>monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements</p>		
<p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>				
<b>15/150</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>70% MATCHING TEXT</b>	16 WORDS
<p>reporting entity's net investment in a foreign operation are to be recognized in profit and loss</p>		<p>reporting entity's net investment in a foreign operation (see paragraph 15) shall be recognised in profit or loss</p>		
<p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>				

<b>16/150</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>78% MATCHING TEXT</b>	16 WORDS
<p>Functional Currency—The currency of the primary economic environment in which the entity operates. Presentation Currency—The currency in</p> <p><b>W</b> <a href="https://policies.latrobe.edu.au/document/view.php?id=248">https://policies.latrobe.edu.au/document/view.php?id=248</a></p>		<p>Functional Currency is the currency of the primary economic environment in which the entity operates. The functional in</p>		
<b>17/150</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>60% MATCHING TEXT</b>	19 WORDS
<p>the revenue and expenses items of a foreign entity whose functional currency is the currency of a hyperinflationary economy</p> <p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>		<p>The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy</p>		
<b>18/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>59% MATCHING TEXT</b>	21 WORDS
<p>a foreign operation is disposed of, the cumulative amount of the exchange differences recognized and accumulated in the separate component of equity</p> <p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>		<p>a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity,</p>		
<b>19/150</b>	<b>SUBMITTED TEXT</b>	49 WORDS	<b>97% MATCHING TEXT</b>	49 WORDS
<p>how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. The principal issues are which exchange rate/s to use and how to report the effects of changes in exchange rates in the financial statements. For this</p> <p><b>W</b> <a href="https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf">https://www.mca.gov.in/Ministry/pdf/Ind_AS21.pdf</a></p>		<p>how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. 2 The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements. Scope 3 This</p>		
<b>20/150</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>62% MATCHING TEXT</b>	16 WORDS
<p>and expenses items should be translated at the rate prevailing on the date of transaction. However,</p> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>		<p>and expenses are to be translated at the actual exchange rates prevailing on the date of the transactions. However,</p>		

<b>21/150</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>79% MATCHING TEXT</b>	24 WORDS
<p>transfer price is the price at which divisions of a company transact with each other, such as the trade of supplies or labour between</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>22/150</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>100% MATCHING TEXT</b>	23 WORDS
<p>Nostro, Vostro and Loro Accounts In interbank transactions, foreign exchange is transferred from one account to another account and from one centre to another</p> <p><b>SA</b> 14691e0019 - a study on comparative trend analysis of INR vis-a-vis USD,GBP,EUR and jpy.docx (D20963459)</p>				
<b>23/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>92% MATCHING TEXT</b>	21 WORDS
<p>account wherein a bank remits funds in foreign currency to another bank for credit to an account of a third bank. 5.4</p> <p><b>SA</b> 14691e0019 - a study on comparative trend analysis of INR vis-a-vis USD,GBP,EUR and jpy.docx (D20963459)</p>				
<b>24/150</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>87% MATCHING TEXT</b>	18 WORDS
<p>Exchange Rate Exchange Rate means the price of a nation's currency in terms of another currency. An exchange rate</p> <p>Exchange Rate' An exchange rate the price of a nation's currency in terms of another currency. an exchange rate</p> <p><b>W</b> <a href="https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918">https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918</a></p>				
<b>25/150</b>	<b>SUBMITTED TEXT</b>	57 WORDS	<b>92% MATCHING TEXT</b>	57 WORDS
<p>has two components, the domestic currency and a foreign currency, and can be quoted either directly or indirectly. In a direct quotation, the price of a unit of foreign currency is expressed in terms of the domestic currency. In an in-direct quotation, the price of a unit of domestic currency is expressed in terms of the foreign currency. An exchange</p> <p>has two components, the domestic currency and a foreign currency, and can be quoted either directly or indirectly. In a direct quotation, the price of a unit of foreign currency is expressed in terms of the domestic currency. In an indirect quotation, the price of a unit of domestic currency is expressed in terms of the foreign currency. Exchange</p> <p><b>W</b> <a href="https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918">https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918</a></p>				

<b>26/150</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>81% MATCHING TEXT</b>	15 WORDS
<p>exchange rate is, simply, the price of one nation's currency in terms of another currency,</p> <p><b>W</b> <a href="https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918">https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918</a></p>		<p>exchange rate is the price of a nation's currency in terms of another currency.</p>		
<b>27/150</b>	<b>SUBMITTED TEXT</b>	46 WORDS	<b>100% MATCHING TEXT</b>	46 WORDS
<p>An exchange rate has a base currency and a counter currency. In a direct quotation, the foreign currency is the base currency and the domestic currency is the counter currency. In an indirect quotation, the domestic currency is the base currency and the foreign currency is the counter currency.</p> <p><b>W</b> <a href="https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918">https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918</a></p>		<p>An exchange rate has a base currency and a counter currency. In a direct quotation, the foreign currency is the base currency and the domestic currency is the counter currency. In an indirect quotation, the domestic currency is the base currency and the foreign currency is the counter currency.</p>		
<b>28/150</b>	<b>SUBMITTED TEXT</b>	76 WORDS	<b>97% MATCHING TEXT</b>	76 WORDS
<p>the reference currency. Most exchange rates use the US dollar as the base currency and other currencies as the counter currency. However, there are a few exceptions to this rule, such as the euro and Commonwealth currencies like the British pound, Australian dollar and New Zealand dollar. Exchange rates for most major currencies are generally expressed to four places after the decimal, except for currency quotations involving the Japanese yen, which are quoted to two places after the decimal. Exchange rates can be</p> <p><b>W</b> <a href="https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918">https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918</a></p>		<p>the counter currency. Most exchange rates use the US dollar as the base currency and other currencies as the counter currency. However, there are a few exceptions to this rule, such as the euro and Commonwealth currencies like the British pound, Australian dollar and New Zealand dollar. Exchange rates for most major currencies are generally expressed to four places after the decimal, except for currency quotations involving the Japanese yen, which are quoted to two places after the decimal. Furthermore, exchange rates can also be</p>		
<b>29/150</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>quotation is the price of a currency in terms of another</p> <p><b>W</b> <a href="https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation">https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation</a></p>		<p>quotation is the price of a currency stated in terms of another. &amp;gt;/</p>		
<b>30/150</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>87% MATCHING TEXT</b>	11 WORDS
<p>exchange rate is the price of one country's currency expressed in</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				

<b>31/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
<p>electronically linked network of banks, foreign exchange brokers, and dealers whose function is to bring together buyers and sellers of foreign exchange. 5.4.1</p> <p><b>W</b> <a href="http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf">http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf</a></p>		<p>electronically linked network of banks foreign exchange brokers and dealers whose function is to bring together buyers and sellers of foreign exchange. 2.</p>		
<b>32/150</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>in terms of the number of units of foreign currency needed to buy one</p> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>		<p>in terms of the number of units of foreign currency needed to buy one</p>		
<b>33/150</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>rates quoted in amounts of U.S. dollar per unit of foreign currency.</p> <p><b>SA</b> 14691e0019 - a study on comparative trend analysis of INR vis-a-vis USD,GBP,EUR and jpy.docx (D20963459)</p>				
<b>34/150</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>100% MATCHING TEXT</b>	20 WORDS
<p>in American terms. While rates quoted in amounts of foreign currency per U.S. dollar are known as quotes in European terms.</p> <p><b>SA</b> 14691e0019 - a study on comparative trend analysis of INR vis-a-vis USD,GBP,EUR and jpy.docx (D20963459)</p>				
<b>35/150</b>	<b>SUBMITTED TEXT</b>	84 WORDS	<b>82% MATCHING TEXT</b>	84 WORDS
<p>Spot rate : 42.0010 = \$ 1 – 6 month forward rate: 42.8020 = \$ 1 – Annualized interest rate on : 6 month rupee : 12 % 6 month dollar : 8% Calculate the arbitrage possibilities. 102 NSOU • PGC0-X Solution : The rule is that if the interest rate differential is greater than the premium or discount, place the money in the currency that has a higher rate if interest or vice –versa. Given the above data : Negative interest rate differential = (12-8) = 4% Forward premia (annualized) =</p> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>		<p>Spot Rate: month forward rate: Rs 42.8020 = \$1 Annualised interest rate on 6 month rupee : 12 per cent Annualised interest rate on 6 month per cent. the arbitrage possibilities. Solution: The rule is that if the interest rate differential is greater than the premium or discount, place the money in the currency that has a higher rate of interest or vice versa. Given the above data, Negative interest rate differential = (12 – 8) = 4% Forward Premia (annualised) =</p>		

**36/150**

**SUBMITTED TEXT**

173 WORDS

**81% MATCHING TEXT**

173 WORDS

Negative interest rate differential & forward premia, therefore, there is a possibility of arbitrage inflow in India. Suppose, investment = \$1000 by taking a loan @ 8% in US. Invest in India at spot rate of 42.0010 @ 12 % for six months and cover the principal + interest in the six month forward rate. Principal = \$ 1000 = 42001. Interest on investment for six months =  $42,001 \times 12 / 100 \times 6 / 12 = 2520.06$  Amount at the end of six months = Interest + Principal =  $42001 + 2520.06 = 44,521.06$  Converting the above in dollars at the forward rate =  $\$ 44,521.06 / 42.8020 = \$ 1,040.16$  The arbitrageur will have to pay at the end of six months =  $\$1,000 + (\$1000 \times 8 / 100 \times 6 / 12)$  Hence, the arbitrageur gains  $(\$1040.16 - \$1040) = \$ 0.16$  on borrowing \$1000 for six months.

negative interest rate differential & forward premia. Hence, there is a possibility of arbitrage inflow in India. Let us evaluate the arbitrage possibility for an investment of \$1000 by taking a loan @ 8% in US. An arbitrageur would invest in India at the spot rate of Rs 42.0010 @ 12% for six months and cover the principal + interest in the six months forward rate. The calculations are shown below: Principal: \$1000 = Rs 42,001 Interest on investment for six months =  $\text{Rs } 42,001 \times 12 / 100 \times 6 / 12 = \text{Rs } 2520.06$  So amount at the end of six months = Interest + Principal =  $\text{Rs } (2520.06 + 42,001) =$  Converting the above in dollars at the forward rate =  $\$44,521.06 / 42.8020 = \$1,040.16$  The arbitrageur will have to pay at the end of six months =  $\$1,000 + (\$1,000 \times 8 / 100 \times 6 / 12) = \$ 1000 + \$40 = \$ 1040$  Hence, the arbitrageur gains  $(\$1,040.16 - \$1,040) = \$0.16$  on borrowing \$1,000 for six months. 100

**W** [https://www.acecollege.in/CITS\\_Upload/Downloads/Books/1087\\_File.pdf](https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf)

**37/150**

**SUBMITTED TEXT**

86 WORDS

**89% MATCHING TEXT**

86 WORDS

Spot rate : 44.0030 = \$ 1 – 6 month forward rate : 45.0010 = \$ 1 Annualised interest rate on : – 6 month rupee : 12 % – 6 month dollar : 8% Calculate the arbitrage possibilities. Solution : The rule is that if the interest rate differential is greater than the premium or discount, place the money in the currency that has a higher rate if interest or vice –versa. Given the above data : – Negative interest rate differential =  $(12 - 8) = 4\%$  – Forward premia (annualised) =

Spot Rate: month forward rate: Rs 42.8020 = \$1 Annualised interest rate on 6 month rupee : 12 per cent Annualised interest rate on 6 month dollar: 8 per cent. Calculate the arbitrage possibilities. Solution: The rule is that if the interest rate differential is greater than the premium or discount, place the money in the currency that has a higher rate of interest or vice versa. Given the above data, Negative interest rate differential =  $(12 - 8) = 4\%$  Forward Premia (annualised) =

**W** [https://www.acecollege.in/CITS\\_Upload/Downloads/Books/1087\\_File.pdf](https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf)

<b>38/150</b>	<b>SUBMITTED TEXT</b>	71 WORDS	<b>84% MATCHING TEXT</b>	71 WORDS
	<p>Negative interest rate differential &amp; forward premia, therefore, there is a possibility of arbitrage inflow in US. Suppose, investment = 10,000 by taking a loan @ 12% in India. Invest in US at spot rate of 44.0030 @ 8 % for six months (US \$ 227.257) and cover the principal + interest in the six month forward rate. Amount at the end of six months = Interest + Principal = <math>(\\$227.257 * 8) / (100 * 6/12) = \\$ 236.3473</math></p> <p><b>W</b> <a href="https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation">https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation</a></p>		<p>Negative interest rate differential &amp; forward premia, therefore, there is a possibility of arbitrage inflow in US. &amp; /li&amp; /ul&amp; /li&amp; Suppose, investment = Rs 10,000 by taking a loan @ 12% in India. &amp; /li&amp; /ul&amp; /li&amp; Invest in US at spot rate of Rs 44.0030 @ 8 % for six months (US \$ 227.257) and cover the principal + interest in the six month forward rate. &amp; /li&amp; /ul&amp; • 53. Solution to Illustration 2 &amp; /ul&amp; Amount at the end of six months = Interest + Principal &amp; /</p>	
<b>39/150</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>66% MATCHING TEXT</b>	20 WORDS
	<p>to bank A. Thus giving a net profit of 0.03 per dollar without any risk or commitment of capital.</p> <p><b>W</b> <a href="https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf">https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf</a></p>		<p>to A at \$1.4550 for a net profit of \$0.0002 per pound without any risk or commitment of capital.</p>	
<b>40/150</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>86% MATCHING TEXT</b>	27 WORDS
	<p>Sell US \$ at 6 month forward to receive 236.3473* 45.0010 = 10635.865 Return the rupee debt borrowed at 12%. The amount to be refunded is ? 10,600</p> <p><b>W</b> <a href="https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation">https://www.slideshare.net/robinkapoor/the-foreign-exchange-market-presentation</a></p>		<p>Sell US \$ at 6 month forward to receive 236.3473* 45.0010 = Rs 10635.865 &amp; /li&amp; /ul&amp; /li&amp; Return the rupee debt borrowed at 12%. The amount to be refunded is</p>	
<b>41/150</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>92% MATCHING TEXT</b>	19 WORDS
	<p>a currency in one market and sells it at a higher price in another market is called "Two Point Arbitrage".</p> <p><b>W</b> <a href="https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf">https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf</a></p>		<p>a currency in one market and selling it at a higher price in another market is called 'Two-Point Arbitrage'.</p>	

**42/150**

**SUBMITTED TEXT**

59 WORDS

**64% MATCHING TEXT**

59 WORDS

Fixed Exchange Rate A fixed exchange rate, sometimes (less commonly) called a pegged exchange rate, is a type of exchange rate regime wherein a currency's value is matched to the value of another single currency or to a basket of other currencies, or to another measure of value, such as gold. As the reference value rises and falls, so does the 106

Fixed exchange rate A fixed exchange rate, sometimes (less commonly) called a pegged exchange scale, is a sort of exchange rate system wherein a currency's worth is coordinated to the estimation of another single currency or to a container of different monetary standards, or to another proportion of significant worth, for example, gold. As the reference esteem rises and falls, so does the

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<b>43/150</b>	<b>SUBMITTED TEXT</b>	292 WORDS	<b>67% MATCHING TEXT</b>	292 WORDS
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pegged to it. In addition, fixed exchange rates deprive governments of the use of an independent domestic monetary policy to achieve internal stability. A former president of the Federal Reserve Bank of New York described fixed currencies as follows : "Fixing the value of the domestic currency relative to that of a low-inflation country is one approach central banks have used to pursue price stability. The advantage of an exchange rate target is its clarity, which makes it easily understood by the public. In practice, it obliges the central bank to limit money creation to levels comparable to those of the country to whose currency it is pegged. When credibly maintained, an exchange rate target can lower inflation expectations to the level prevailing in the anchor country. Experiences with fixed exchange rates, however, point to a number of drawbacks. A country that fixes its exchange rate surrenders control of its domestic monetary policy." In certain situations, fixed exchange rates may be preferable for their greater stability. For example, the Asian financial crisis was improved by the fixed exchange rate of the Chinese renminbi, and the IMF and the World Bank now acknowledge that Malaysia's adoption of a peg to the US dollar in the aftermath of the same crisis was highly successful. Following the devastation of World War II, the Bretton Woods system allowed Western Europe to have fixed exchange rates until 1970 with the US dollar. Yet others argue that the fixed exchange rates (implemented well before the crisis) had become so immovable that it had masked valuable information needed for a market to function properly. That is, the currencies did not represent their true market value. This masking of information created volatility which encouraged speculators to "attack" the pegged currencies and as a response these countries attempt to defend their currency rather than allow it to devalue. These economists also believe that had these

pegged to it. What's more, fixed exchange rate deny legislatures of the utilization of an autonomous monetary financial arrangement to accomplish inner stability. A previous leader of the Federal Reserve Bank of New York portrayed fixed monetary forms as follows; "Fixing the value of the domestic currency relative to that of a low-inflation country is one approach central banks have used to pursue price stability. The advantage of an exchange rate target is its clarity, which makes it easily understood by the public. In practice, it obliges the central bank to limit money creation to levels comparable to those of the country to whose currency it is pegged. When credibly maintained, an exchange rate target can lower inflation expectations to the level prevailing in the anchor country. Experiences with fixed exchange rates, however, point to a number of drawbacks. A country that fixes its exchange rate surrenders control of its domestic monetary policy." In specific circumstances, fixed exchange rates might be best for their more noteworthy stability. For instance, the Asian money related emergency was improved by the fixed conversion standard of the Chinese renminbi, and the IMF and the World Bank presently recognize that Malaysia's selection of a peg to the US dollar in the fallout of a similar emergency was profoundly effective. Following the annihilation of World War II, the Bretton Woods framework permitted Western Europe to have fixed trade rates until 1970 with the US dollar. However others contend that the fixed trade rates (executed well before the emergency) had become so immovable that it had covered significant data required for a market to work appropriately. That is, the monetary standards didn't represent their actual market esteem. This masking of information created instability which urged theorists to "assault" the pegged monetary standards and as a reaction these nations endeavour to safeguard their currency rather than permit it to degrade. These market analysts also believe that had these

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<b>44/150</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>76% MATCHING TEXT</b>	18 WORDS
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and the Mexican peso crisis). On the opposite extreme, China's fixed exchange rate with the US dollar until 2005

and the Mexican peso emergency). On the contrary extreme, China's fixed exchange scale with the US dollar until 2005

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45/150	SUBMITTED TEXT	23 WORDS	40% MATCHING TEXT	23 WORDS
	China's rapid accumulation of foreign reserves, placing an appreciating pressure on the Chinese yuan. A government or central bank using a fixed exchange rate		China's fast collection of foreign reserves, putting an acknowledging pressure on the Chinese Yuan. Maintaining a fixed exchange rate Typically, a government wanting to maintain a fixed exchange rate	
<b>SA</b>	062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)			

46/150	SUBMITTED TEXT	262 WORDS	100% MATCHING TEXT	262 WORDS
	Maintaining a fixed exchange rate Typically, a government wanting to maintain a fixed exchange rate does so by either buying or selling its own currency on the open market. This is one reason governments maintain reserves of foreign currencies. If the exchange rate drifts too far below the desired rate, the government buys its own currency off the market using its reserves. This places greater demand on the market and pushes up the price of the currency. If the exchange rate drifts too far above the desired rate, the opposite measures are taken. Another, less used means of maintaining a fixed exchange rate is by simply making it illegal to trade currency at any other rate. This is difficult to enforce and often leads to a black market in foreign currency. Nonetheless, communist countries are highly successful at using this method due to government monopolies over all money conversion. This is the method employed by the Chinese government to maintain a currency peg or tightly banded float against the US dollar. Throughout the 1990s China was highly successful at maintaining: a currency peg using a government monopoly over all currency conversion between the Yuan and other currencies. Criticisms The main criticism of fixed exchange rate is that flexible exchange rates serve to automatically adjust the balance of trade. When a trade deficit occurs, there will be increased demand for the foreign (rather than domestic) currency which will push up the price of the foreign currency in terms of the domestic currency.' That in turn makes the price of foreign goods less attractive to the domestic market and thus pushes down the trade deficit. Under fixed exchange rates, this automatic re-balancing does not occur.		Maintaining a fixed exchange rate Typically, a government wanting to maintain a fixed exchange rate does so by either buying or selling its own currency on the open market. This is one reason governments maintain reserves of foreign currencies. If the exchange rate drifts too far below the desired rate, the government buys its own currency off the market using its reserves. This places greater demand on the market and pushes up the price of the currency. If the exchange rate drifts too far above the desired rate, the opposite measures are taken. Another, less used means of maintaining a fixed exchange rate is by simply making it illegal to trade currency at any other rate. This is difficult to enforce and often leads to a black market in foreign currency. Nonetheless, communist countries are highly successful at using this method due to government monopolies over all money conversion. This is the method employed by the Chinese government to maintain a currency peg or tightly banded float against the US dollar. Throughout the 1990s China was highly successful at maintaining: a currency peg using a government monopoly over all currency conversion between the Yuan and other currencies. Criticisms The main criticism of fixed exchange rate is that flexible exchange rates serve to automatically adjust the balance of trade. When a trade deficit occurs, there will be increased demand for the foreign (rather than domestic) currency which will push up the price of the foreign currency in terms of the domestic currency.' That in turn makes the price of foreign goods less attractive to the domestic market and thus pushes down the trade deficit. Under fixed exchange rates, this automatic re-balancing does not occur.	
<b>SA</b>	062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)			

<b>47/150</b>	<b>SUBMITTED TEXT</b>	108 WORDS	<b>40% MATCHING TEXT</b>	108 WORDS
	<p>fixed exchange rates, they may very well have avoided the volatility that caused the Asian financial crisis. Countries like Malaysia adopted increased capital controls believing that the volatility of capital was the result of technology and globalization, rather than fallacious macroeconomic policies which resulted not in better stability and growth in the aftermath of the crisis but sustained pain and stagnation. Countries adopting a fixed exchange rate must exercise careful and strict adherence to policy imperatives, and keep a degree of confidence of the capital markets in the management of such a regime, or otherwise the peg can fail. Such was NSOU • PGCO-X 107 the case of Argentina, where unchecked state spending and</p>		<p>fixed trade rates, they might just have kept away from the instability that caused the Asian financial emergency. Nations like Malaysia received expanded capital controls accepting that the instability of capital was the aftereffect of innovation and globalization, as opposed to fraudulent macroeconomic arrangements which came about not in better stability and development in the outcome of the emergency however continued agony and stagnation. Nations embracing a, fixed exchange rates must exercise cautious and exacting adherence to policy goals, and keep a level of certainty of the capital markets of the executives of such a system, or in any case the peg can come short. Such was the situation of Argentina, where unchecked state spending and</p>	
	<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>			

<b>48/150</b>	<b>SUBMITTED TEXT</b>	59 WORDS	<b>75% MATCHING TEXT</b>	59 WORDS
	<p>Floating rate may also refer to a floating interest rate applied to a loan or other lending product. A floating exchange rate or a flexible exchange rate is a type of exchange rate regime wherein a currency's value is allowed to fluctuate according to the foreign exchange market. A currency that uses a floating exchange rate is known as a floating currency.</p>		<p>Floating rate may also refer to a floating interest rate applied to a loan or other lending product. A floating exchange rate or an flexible exchange rate is a sort of exchange rate system wherein a currency's worth is permitted to vary as indicated by the foreign exchange market. A currency that utilizes a floating exchange scale is known as a floating currency.</p>	
	<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>			

<b>49/150</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>50% MATCHING TEXT</b>	29 WORDS
	<p>be preferable for their greater stability and certainty. This may not necessarily be true, considering the results of countries that attempt to keep the prices of their currency "strong" or "high"</p>		<p>be best for their more prominent security and assurance. This may not really be valid, considering the consequences of nations that endeavour to keep the costs of their currency "strong" or "high"</p>	
	<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>			

<b>50/150</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>95% MATCHING TEXT</b>	27 WORDS
<p>rate is a country's exchange rate regime where its currency is set by the foreign-exchange market through supply and demand for that particular currency relative to other currencies.</p>				
<p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				

<b>51/150</b>	<b>SUBMITTED TEXT</b>	90 WORDS	<b>49% MATCHING TEXT</b>	90 WORDS
<p>of following conditions : • high liability dollarization • financial fragility • strong balance sheet effects When liabilities are denominated in foreign currencies while assets are in the local currency, unexpected depreciations of the exchange rate deteriorate bank and corporate balance sheets and threaten the stability of the domestic financial system. For this reason emerging countries appear to face greater fear of floating, as they have much smaller variations of the nominal exchange rate, yet face bigger shocks and interest rate and reserve movements. This is the consequence of frequent free floating countries' reaction to exchange rate movements with</p>				
<p>of following conditions • high liability dollarization • financial fragility • strong balance sheet effects At the point when liabilities are named in foreign monetary forms while assets are in the local cash, sudden devaluations of the exchange rate decay bank and corporate accounting reports and threaten the stability of the local domestic financial framework. Therefore developing nations seem to confront bigger dread of floating, as they have a lot littler varieties of the nominal exchange rate, yet face greater stuns and interest rate and reserve movement (Calvo and Reinhart, 2002). This is the outcome of incessant free floating nations' response to exchange rate developments with</p>				
<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>				

<b>52/150</b>	<b>SUBMITTED TEXT</b>	66 WORDS	<b>75% MATCHING TEXT</b>	66 WORDS
<p>intervene to stabilize the currency. Thus, the exchange rate regimes of floating currencies may more technically be known as a managed float. A central bank might, for instance, allow a currency price to float freely between an upper and lower bound, a price "ceiling" and "floor". Management by the central bank may take the form o f buying or selling large lots in order to provide price support or resistance,</p>				
<p><b>SA</b> FAYAD Jad.docx (D22005793)</p>				

53/150	SUBMITTED TEXT	28 WORDS	98% MATCHING TEXT	28 WORDS
<p>to an unprecedented degree. Changes in one nation's economy are rapidly transmitted to that nation's trading partners. These fluctuations in economic activity are reflected, almost immediately, in fluctuations in currency values.</p>				
<p><b>SA</b> 019_FOREX MANAGEMENT AND CURRENCY DERIVATIVES.PDF (D142523013)</p>				

54/150	SUBMITTED TEXT	24 WORDS	39% MATCHING TEXT	24 WORDS
<p>Russia Rouble RUB Saudi Arabia Riyal SAR/ SR Singapore Dollar SGD/ S\$ South Africa Rand ZAR/ R Sri Lanka Rupee LKR/ Rs Sweden Kronor SEK/ kr Switzerland Franc CHF/</p>				
<p>RUSSIA Ruble RUB 70.33237 70.62273 +0.4128% SAUDI ARABIA Riyal SAR 3.750989 3.751197 +0.0055% SINGAPORE Dollar SGD 1.347791 1.346132 -0.1231% SLOVAKIA Euro EUR 0.862028 0.859526 -0.2902% SOUTH AFRICA Rand ZAR 15.10210 15.21268 +0.7322% SPAIN Euro EUR 0.862028 0.859526 -0.2902% SWEDEN Krona SEK 8.590469 8.546031 -0.5173% SWITZERLAND Franc CHF 0.918570 0.912930 -0.6140%</p>				
<p><b>W</b> <a href="http://www.exchangerate.com/">http://www.exchangerate.com/</a></p>				

55/150	SUBMITTED TEXT	28 WORDS	64% MATCHING TEXT	28 WORDS
<p>Unit - 6 <input type="checkbox"/> Foreign Exchange and Derivative Markets. Structure 6.0 Objectives 6.1 Introduction 6.2 Features of Foreign Exchange Market 6.3 Functions of the Foreign Exchange Market 6.4 Participants in Foreign Exchange Market 6.5</p>				
<p>Unit 3: Foreign Exchange Market and Exchange CONTENTS Objectives Introduction 3.1 Evolution of Foreign Exchange Market 3.1.1 Information and Communication Systems 3.1.2 Functions of the Foreign Exchange Market 3.1.3 Participants in the Foreign Exchange Market 3.2</p>				
<p><b>W</b> <a href="https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN...">https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN ...</a></p>				

56/150	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
<p>is the market in which individuals, firms and banks buy and sell foreign currencies or foreign exchange.</p>				
<p>is the market in which individuals firms and banks buy and sell foreign currencies or foreign exchange.</p>				
<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>				

<b>57/150</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>100% MATCHING TEXT</b>	22 WORDS
<p>The foreign exchange market determines the relative values of different currencies. The foreign exchange market assists international trade and investment by enabling currency conversion.</p>		<p>The foreign exchange market determines the relative values of different currencies. The foreign exchange market assists international trade and investment by enabling currency conversion.</p>		
<p><b>W</b> <a href="https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf">https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf</a></p>				
<b>58/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>50% MATCHING TEXT</b>	21 WORDS
<p>foreign exchange market is to permit transfers of purchasing power denominated in one currency to another i.e. to trade one currency for another. For example,</p>		<p>foreign exchange market aims at permitting the transfer of purchasing power denominated in one currency to another whereby one currency is traded for another currency. For example,</p>		
<p><b>W</b> <a href="http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf">http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf</a></p>				
<b>59/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
<p>The Foreign Exchange Market (Forex, FX, or currency market) is a form of exchange for the global decentralized trading of international currencies.</p>				
<p><b>SA</b> OSOU_U-10_OREIGN EXCHANGE MARKET.docx (D120109724)</p>				
<b>60/150</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>88% MATCHING TEXT</b>	33 WORDS
<p>foreign exchange market merely a part of the money market in the financial centers is a place where foreign currencies are bought and sold. The buyers and sellers of claims on foreign money and</p>		<p>Foreign exchange market merely a part of the money market in the financial centers. It is a place where foreign moneys are bought and sold. The buyers and sellers of claim on foreign money and</p>		
<p><b>W</b> <a href="http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf">http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf</a></p>				
<b>61/150</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>100% MATCHING TEXT</b>	29 WORDS
<p>intermediaries together constitute a foreign exchange market. It is not restricted to any given country or a geographical area. Thus, the foreign exchange market is the market for a national currency (</p>		<p>intermediaries together constitute a foreign exchange market. It is not restricted to any given country or a geographical area. Thus the foreign exchange market is the market for a national currency</p>		
<p><b>W</b> <a href="http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf">http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf</a></p>				

<b>62/150</b>	<b>SUBMITTED TEXT</b>	30 WORDS	<b>90% MATCHING TEXT</b>	30 WORDS
<p>the foreign exchange market: • The foreign exchange market is a worldwide market in which currencies are bought and sold against each other. • It is the largest market in the world. •</p>				
<p><b>SA</b> Comprehensive Project edit.docx (D103071437)</p>				

<b>63/150</b>	<b>SUBMITTED TEXT</b>	119 WORDS	<b>96% MATCHING TEXT</b>	119 WORDS
<p>Four levels of transactor or participants can be identified in foreign exchange markets. At the first level, are tourists, importers, exporters, investors, etc. These are the immediate users and suppliers of foreign currencies. At the next or second level are the commercial banks which act as clearing houses between users and earners of foreign exchange. At the third level are foreign exchange brokers through whom the nation's commercial banks even out their foreign exchange inflows and outflows among themselves. Finally, at the fourth and highest level is the nation's central bank which acts as the lender or buyer of last resort when the nation's total foreign exchange earnings and expenditures are unequal. The central bank then either draws down its foreign exchange reserves or adds to them.</p>				
<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>				

<b>64/150</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>87% MATCHING TEXT</b>	12 WORDS
<p>exchange rates, i.e., the price of one currency in terms of another</p>				
<p><b>W</b> <a href="https://www.cfainstitute.org/en/membership/professional-development/refresher-readings/currency-e...">https://www.cfainstitute.org/en/membership/professional-development/refresher-readings/currency-e ...</a></p>				

<b>65/150</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>88% MATCHING TEXT</b>	22 WORDS
<p>An important part of this market comes from the financial activities of companies seeking foreign exchange to pay for goods or services.</p>				
<p><b>SA</b> TANVI_RATHOD_MMS 48_FINAL_BLACKBOOK..docx (D111377740)</p>				

<b>66/150</b>	<b>SUBMITTED TEXT</b>	41 WORDS	<b>98% MATCHING TEXT</b>	41 WORDS
<p>Commercial companies often trade fairly small amounts compared to those of banks or speculators, and their trades often have little short term impact on market rates. Nevertheless, trade flows are an important factor in the long-term direction of a currency's exchange rate. Some multinational</p>				
<p><b>SA</b> TANVI_RATHOD_MMS 48_FINAL_BLACKBOOK..docx (D111377740)</p>				

<b>67/150</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>100% MATCHING TEXT</b>	22 WORDS
<p>can have an unpredictable impact when very large positions are covered due to exposures that are not widely known by other market participants.</p>				
<p><b>SA</b> TANVI_RATHOD_MMS 48_FINAL_BLACKBOOK..docx (D111377740)</p>				

<b>68/150</b>	<b>SUBMITTED TEXT</b>	70 WORDS	<b>98% MATCHING TEXT</b>	70 WORDS
<p>Central banks National central banks play an important role in the foreign exchange markets. They try to control the money supply, inflation, and/or interest rates and often have official or unofficial target rates for their currencies. They can use their often substantial foreign exchange reserves to stabilize the market. Nevertheless, the effectiveness of central bank "stabilizing speculation" is doubtful because central banks do not go bankrupt if they make large losses, like other traders would,</p>				
<p><b>SA</b> TANVI_RATHOD_MMS 48_FINAL_BLACKBOOK..docx (D111377740)</p>				



69/150	SUBMITTED TEXT	105 WORDS	96% MATCHING TEXT	105 WORDS
<p>Investment management firms Investment management firms (who typically manage large accounts on behalf of customers such as pension funds and endowments) use the foreign exchange market to facilitate transactions in foreign securities. For example, an investment manager holding an international equity portfolio needs to purchase and sell several pairs of foreign currencies to pay for foreign securities purchases. Some investment management firms also have more speculative specialist currency overlay operations, which manage clients' currency exposures with the aim of generating profits as well as limiting risk. While the number of this type of specialist firms is quite small, many have a large value of assets under management and, hence, can generate large trades.</p>				
<p><b>SA</b> TANVI_RATHOD_MMS 48_FINAL_BLACKBOOK..docx (D111377740)</p>				

70/150	SUBMITTED TEXT	50 WORDS	100% MATCHING TEXT	50 WORDS
<p>The most common way of stating a foreign exchange quotation is in terms of the number of units of foreign currency needed to buy one unit of home currency. Thus, India quotes its exchange rates in terms of the amount of rupees that can be exchanged for one unit of foreign currency. ●●●●●</p>		<p>The most common way of stating a foreign exchange quotation is in terms of the number of units of foreign currency needed to buy one unit of home currency. Thus, India quotes its exchange rates in terms of the amount of rupees that can be exchanged for one unit of foreign currency.</p>		
<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>				

71/150	SUBMITTED TEXT	26 WORDS	100% MATCHING TEXT	26 WORDS
<p>Spot market refers to the transactions involving sale and purchase of currencies for immediate delivery. In practice, it may take one or two days to settle transactions.</p>				
<p><b>SA</b> OSOU_U-10_OREIGN EXCHANGE MARKET.docx (D120109724)</p>				

<b>72/150</b>	<b>SUBMITTED TEXT</b>	62 WORDS	<b>100% MATCHING TEXT</b>	62 WORDS
<p>banks are intermediaries between seekers and suppliers of currency. The role of banks is to enable their clients to change one currency into another. Also, they operate on these markets to make a profit through speculation and the process of arbitrage. Big commercial banks serve as market-makers. They simultaneously quote, bid and ask prices, indicating their willingness to buy and sell foreign currencies at quoted rates.</p> <p><b>SA</b> Forex.docx (D155077539)</p>				
<b>73/150</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>100% MATCHING TEXT</b>	16 WORDS
<p>Arbitrageurs make gains by discovering price discrepancies that allow them to buy cheap and sell dear.</p> <p><b>SA</b> Forex.docx (D155077539)</p>				
<b>74/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
<p>Speculators transact in foreign exchange primarily because of an anticipated but uncertain gain as a result of an exchange rate change.</p> <p><b>SA</b> Forex.docx (D155077539)</p>				
<b>75/150</b>	<b>SUBMITTED TEXT</b>	51 WORDS	<b>100% MATCHING TEXT</b>	51 WORDS
<p>Central banks intervene in the market to reduce fluctuations of the domestic currency and to ensure an exchange rate compatible with the requirements of the national economy. Their objective is not to make profit out of these interventions but to influence the value of national currency in the interest of country's economic well- being.</p> <p><b>SA</b> Forex.docx (D155077539)</p>				
<b>76/150</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>90% MATCHING TEXT</b>	15 WORDS
<p>the number of units of 'quote currency' that can be exchanged for one unit of '</p> <p><b>SA</b> 14691e0019 - a study on comparative trend analysis of INR vis-a-vis USD,GBP,EUR and jpy.docx (D20963459)</p>				

<b>77/150</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>83% MATCHING TEXT</b>	12 WORDS
<p>European terms are given as number of units of a currency per</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				

<b>78/150</b>	<b>SUBMITTED TEXT</b>	28 WORDS	<b>37% MATCHING TEXT</b>	28 WORDS
<p>the bid rate, i.e., the rate at which the foreign exchange dealer is willing to buy foreign currency. • The bid rate is therefore the rate at which the</p> <p><b>SA</b> 14691e0019 - a study on comparative trend analysis of INR vis-a-vis USD,GBP,EUR and jpy.docx (D20963459)</p>				

<b>79/150</b>	<b>SUBMITTED TEXT</b>	48 WORDS	<b>62% MATCHING TEXT</b>	48 WORDS		
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none; vertical-align: top;"> <p>Example : If the Indian rupee is the home currency and the foreign currency is the US Dollar then what is the exchange rate between the rupee and the US dollar? Solution : US\$ 0.0217/1 reads "0.0217 US dollar per rupee." This means that for one Indian rupee one can buy 0.0217</p> </td> <td style="width: 50%; border: none; vertical-align: top;"> <p>example, if the Indian rupee is the home currency and the foreign currency is the French franc (FF) the exchange rate between the rupee and the French franc might be stated FF 0.1462/Rs 1 reads "0.1462 French franc per rupee." This means that for one Indian rupee one can buy 0.1462</p> </td> </tr> </table> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>					<p>Example : If the Indian rupee is the home currency and the foreign currency is the US Dollar then what is the exchange rate between the rupee and the US dollar? Solution : US\$ 0.0217/1 reads "0.0217 US dollar per rupee." This means that for one Indian rupee one can buy 0.0217</p>	<p>example, if the Indian rupee is the home currency and the foreign currency is the French franc (FF) the exchange rate between the rupee and the French franc might be stated FF 0.1462/Rs 1 reads "0.1462 French franc per rupee." This means that for one Indian rupee one can buy 0.1462</p>
<p>Example : If the Indian rupee is the home currency and the foreign currency is the US Dollar then what is the exchange rate between the rupee and the US dollar? Solution : US\$ 0.0217/1 reads "0.0217 US dollar per rupee." This means that for one Indian rupee one can buy 0.0217</p>	<p>example, if the Indian rupee is the home currency and the foreign currency is the French franc (FF) the exchange rate between the rupee and the French franc might be stated FF 0.1462/Rs 1 reads "0.1462 French franc per rupee." This means that for one Indian rupee one can buy 0.1462</p>					

<b>80/150</b>	<b>SUBMITTED TEXT</b>	64 WORDS	<b>82% MATCHING TEXT</b>	64 WORDS		
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none; vertical-align: top;"> <p>In this method, known as the European terms, the rate is quoted in terms of the number of units of the foreign currency for one unit of the domestic currency. This is called an indirect quote. The alternative method, called the American terms, expresses the home currency price of one unit of the foreign currency. This is called a direct quote. This means the exchange rate between the</p> </td> <td style="width: 50%; border: none; vertical-align: top;"> <p>In this method, known as the European terms, the rate is quoted in terms of the number of units of the foreign currency for one unit of the domestic currency. This is called an indirect quote. The alternative method, called the American terms, expresses the home currency price of one unit of the foreign currency. For example, continuing with the same example, the exchange rate between the</p> </td> </tr> </table> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>					<p>In this method, known as the European terms, the rate is quoted in terms of the number of units of the foreign currency for one unit of the domestic currency. This is called an indirect quote. The alternative method, called the American terms, expresses the home currency price of one unit of the foreign currency. This is called a direct quote. This means the exchange rate between the</p>	<p>In this method, known as the European terms, the rate is quoted in terms of the number of units of the foreign currency for one unit of the domestic currency. This is called an indirect quote. The alternative method, called the American terms, expresses the home currency price of one unit of the foreign currency. For example, continuing with the same example, the exchange rate between the</p>
<p>In this method, known as the European terms, the rate is quoted in terms of the number of units of the foreign currency for one unit of the domestic currency. This is called an indirect quote. The alternative method, called the American terms, expresses the home currency price of one unit of the foreign currency. This is called a direct quote. This means the exchange rate between the</p>	<p>In this method, known as the European terms, the rate is quoted in terms of the number of units of the foreign currency for one unit of the domestic currency. This is called an indirect quote. The alternative method, called the American terms, expresses the home currency price of one unit of the foreign currency. For example, continuing with the same example, the exchange rate between the</p>					

<b>81/150</b>	<b>SUBMITTED TEXT</b>	39 WORDS	<b>80% MATCHING TEXT</b>	39 WORDS
<p>Hence, a relationship between US dollar and rupee can be expressed in two different ways which have the same meaning : • One can buy 0.0217 US dollars for one Indian rupee. • 46.08 Indian rupees are needed to buy one</p>		<p>Hence, a relationship between FF and rupee can be expressed in two different ways which have the same meaning (1) one can buy 0.1462 French francs for one Indian rupee or (2) Rs 6.84 Indian rupees are needed to buy one</p>		
<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>				
<b>82/150</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>62% MATCHING TEXT</b>	15 WORDS
<p>Bid-ask spread • The bid-ask spread is the difference between the ask rate and the</p>				
<p><b>SA</b> TANVI_RATHOD_MMS 48_FINAL_BLACKBOOK..docx (D111377740)</p>				
<b>83/150</b>	<b>SUBMITTED TEXT</b>	66 WORDS	<b>60% MATCHING TEXT</b>	66 WORDS
<p>might sell computer peripherals to a German importer with immediate delivery but not require payment for 60 days. The NSOU • PGCO-X 139 German importer has an obligation to pay the required dollars in 60 days, so he may enter into a contract with a trader (typically a local banker) to deliver Euros for dollars in 60 days at a forward rate – the rate today for future delivery.</p>		<p>might sell to a US importer with immediate delivery but not require payment for 30 days. The importer has an obligation to pay the required francs in 30 days, so he or she may enter into a contract with a trader to deliver dollars for francs in 30 days at a forward rate – the rate today for future delivery.</p>		
<p><b>W</b> <a href="https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN...">https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN ...</a></p>				
<b>84/150</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>76% MATCHING TEXT</b>	15 WORDS
<p>a specific amount of currency at a specific rate at a specified future date. The</p>				
<p><b>SA</b> CP Shreya 2016 Bilkish 2026.docx.pdf (D103340857)</p>				
<b>85/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>52% MATCHING TEXT</b>	21 WORDS
<p>forward exchange contract implies a forward delivery at specified future date of one currency for a specified amount of another currency.</p>				
<p><b>SA</b> OSOU_U-10_OREIGN EXCHANGE MARKET.docx (D120109724)</p>				

<b>86/150</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>67% MATCHING TEXT</b>	20 WORDS
<p>different maturities such as one month, two months, three months, six months and one year. Usually, the maturity dates are</p> <p><b>SA</b> Forex.docx (D155077539)</p>				
<b>87/150</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>96% MATCHING TEXT</b>	25 WORDS
<p>Currency Option is a financial instrument that gives its holder a right but no obligation to buy or sell a currency sometime in the future.</p> <p><b>SA</b> SLM_71.doc (D128242760)</p>				
<b>88/150</b>	<b>SUBMITTED TEXT</b>	10 WORDS	<b>100% MATCHING TEXT</b>	10 WORDS
<p>The wholesale market comprises of commercial banks and investment banks.</p> <p><b>SA</b> OSOU_U-10_FOREIGN EXCHANGE MARKET.docx (D120109724)</p>				
<b>89/150</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>95% MATCHING TEXT</b>	11 WORDS
<p>There are two types of Options: call and put Options. A</p> <p>There are two types of options: call options and put options. A</p> <p><b>W</b> <a href="https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN...">https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN ...</a></p>				
<b>90/150</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>the way of buying a call option on a stock with an exercise price of</p> <p>the value of a call option on a stock with an exercise price of ` 100</p> <p><b>W</b> <a href="https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN...">https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN ...</a></p>				
<b>91/150</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>spot sale of a currency and a forward purchase of the same</p> <p>spot sale of a currency and a forward purchase of the same</p> <p><b>W</b> <a href="https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf">https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf</a></p>				

<b>92/150</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>The foreign exchange market assists international trade and investment by enabling currency conversion.</p> <p><b>W</b> <a href="https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf">https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf</a></p>		<p>The foreign exchange market assists international trade and investment by enabling currency conversion.</p>		
<b>93/150</b>	<b>SUBMITTED TEXT</b>	16 WORDS	<b>65% MATCHING TEXT</b>	16 WORDS
<p>of purchasing power denominated in one currency to another i.e. to trade one currency for another.</p> <p><b>W</b> <a href="http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf">http://www.bimkadapa.in/materials/17E00407%20IFM%20-2.5%20Units.pdf</a></p>		<p>of purchasing power denominated in one currency to another whereby one currency is traded for another</p>		
<b>94/150</b>	<b>SUBMITTED TEXT</b>	15 WORDS	<b>80% MATCHING TEXT</b>	15 WORDS
<p>the way of buying a call option on a stock with an exercise price of</p> <p><b>W</b> <a href="https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN...">https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN ...</a></p>		<p>the value of a call option on a stock with an exercise price of ` 100</p>		
<b>95/150</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>54% MATCHING TEXT</b>	22 WORDS
<p>of Interest Rate Parity (IRP) 7.4.1 Types of Interest Rate Parity 7.4.2 Implications of Interest Rate Parity Theory 7.4.3 Limitations of Interest Rate Parity</p> <p><b>W</b> <a href="https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN...">https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN ...</a></p>		<p>of Interest Rate Parity (IRP) There are two types of interest rate parity. These are: (1) Covered Interest Rate Parity and (2) Uncovered Interest Rate Parity.</p>		
<b>96/150</b>	<b>SUBMITTED TEXT</b>	68 WORDS	<b>64% MATCHING TEXT</b>	68 WORDS
<p>to take strategic decisions concerning investment and management of foreign subsidiaries. These predictions of future rates will be written in the strategic plan of the group as a whole, comprising the parent as well as the different subsidiaries. Besides long-term future rates, it is equally important to estimate exchange rate in medium term, that is, over a period of one year, because cash flows of subsidiaries consist of domestic as well as foreign</p> <p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>		<p>to take vital decisions concerning investment and the board of foreign subsidiaries. These forecasts of future rates will be composed in the strategic plan of the gathering all in all, including the parent as well as the different subsidiaries. Other than long term future rates, it is similarly essential to evaluate exchange rate in medium term, that is, over a time of one year, since cash flows of auxiliaries comprise of domestic as well as foreign</p>		

<b>97/150</b>	<b>SUBMITTED TEXT</b>	80 WORDS	<b>48% MATCHING TEXT</b>	80 WORDS
<p>inflation, economic growth, and money supply. It is reasonable to assume that these factors will have some impact on exchange rate. The effect of each of them may not always be distinctly clear, yet the fact is that each of the fundamental factors has an influence on the evolution of exchange rates. From the above, the significance of prediction of future exchange rate is apparent. Theorists have been trying to explain exchange rate variations and to predict their future course. Several theories have been propounded</p>		<p>inflation, economic growth, and money supply. It is sensible to accept that these variables will have some effect on exchange rates. The impact of every one of them may not generally be particularly clear, yet the truth of the matter is that every one of the major elements has an effect on the advancement of exchange rates. From the abovementioned, the hugeness of forecast of future exchange rates is obvious. Theorists have been attempting to clarify exchange rate varieties and to foresee their future course. A few hypotheses have been propounded</p>		
<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>				
<b>98/150</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>86% MATCHING TEXT</b>	23 WORDS
<p>inflation, interest rates and balance of payment deficit. The four important theories are : (1) Purchasing Power Parity (PPP), and (2) Interest Rate Parity (IRP). (3)</p>		<p>inflation, interest rates and balance of payment deficit. The two significant theories are (1) Purchasing Power Parity (PPP), and (2) Interest Rate Parity (IRP).</p>		
<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>				
<b>99/150</b>	<b>SUBMITTED TEXT</b>	49 WORDS	<b>40% MATCHING TEXT</b>	49 WORDS
<p>power as the sum of \$ 2.5. 164 NSOU • PGO-X This theory was first enunciated by Gustav Cassel, a Swedish economist. He said that the purchasing power of a currency is determined by the amount of goods and services that can be purchased with one unit of that currency.</p>		<p>power as the aggregate of \$ 2.5. This hypothesis was first articulated by Gustav Cassel, a Swedish business analyst. He said that the buying intensity of a currency is dictated by the measure of goods and ventures that can be bought with one unit of that currency.</p>		
<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>				
<b>100/150</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>55% MATCHING TEXT</b>	18 WORDS
<p>the buyer of the Option contract a right—and not an obligation—to buy or sell a certain amount of</p>				
<p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				

<b>101/150</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>57% MATCHING TEXT</b>	27 WORDS
<p>the existing rate is such that purchasing power parity does not exist, it is a situation of disequilibrium. It is expected that the exchange rate among different currencies</p>		<p>the current rate is such that buying power equality doesn't exist, it is a circumstance of disequilibrium. It is normal that the exchange rate among various currencies</p>		
<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>				
<b>102/150</b>	<b>SUBMITTED TEXT</b>	118 WORDS	<b>80% MATCHING TEXT</b>	118 WORDS
<p>which prevent it from predicting exchange rate in practice. Some of the major factors in this regard are : (i) Trade restrictions, (ii) Government restrictions on exchange rates, (iii) Continuation of long-term flows despite the disequilibrium between purchasing power parity and exchange rates, (iv) Lack of definition of the relevant rate of inflation and price levels. For example, it is important to establish whether price indices should be based on only those commodities that are traded internationally or on all commodities. The PPP takes into account only the movement of goods and not that of capital. In operational terms, it is concerned only with the current account segment of Balance of Payments and not the total BOP. If a currency is an instrument of payment for other countries,</p>		<p>which keep it from predicting exchange rate in practice. Some of the major factors in such manner are; (i) Trade restrictions, (ii) Government restrictions on exchange rates, (iii) Continuation of long-term flows despite the disequilibrium between purchasing power parity and exchange rates, (iv) lack of definition of the relevant rate of inflation and price levels. For example, it is important to establish whether price indices should be based on only those commodities that are traded internationally or on all commodities. The PPP considers just the movement of goods and not that of capital. In operational terms, it is concerned distinctly with the present account segment of Balance of Payments and not the total BOP. In the event that a currency is an instrument of payment for different countries,</p>		
<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>				
<b>103/150</b>	<b>SUBMITTED TEXT</b>	33 WORDS	<b>57% MATCHING TEXT</b>	33 WORDS
<p>the case with the US \$, then exchange rate may evolve in a manner independent of price level of the country concerned, i.e. USA. The PPP theory is ideal for predicting exchange rates in</p>		<p>the case with the US dollar, at that point exchange rate may advance in a way independent of price level of the nation concerned, for example USA. The PPP hypothesis is perfect for anticipating exchange rates in</p>		
<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>				
<b>104/150</b>	<b>SUBMITTED TEXT</b>	32 WORDS	<b>39% MATCHING TEXT</b>	32 WORDS
<p>In these specific situations, the response of individuals to changes in value of real and monetary assets is expected to be strong and the prediction of exchange rates by the PPP theory may</p>		<p>In these particular circumstances, the reaction of people to changes in estimation of genuine and fiscal resources is relied upon to be solid and the expectation of trade rates by the PPP hypothesis may</p>		
<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>				



<b>105/150</b>	<b>SUBMITTED TEXT</b>	11 WORDS	<b>100% MATCHING TEXT</b>	11 WORDS
<p>is based on the 'law of one price' which states that</p> <p><b>SA</b> theses.docx (D3519078)</p>				
<b>106/150</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>53% MATCHING TEXT</b>	29 WORDS
<p>the exchange rate between the currencies of two countries is related to the price levels of the two countries. If the cost of a representative basket of goods and services</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>107/150</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>76% MATCHING TEXT</b>	14 WORDS
<p>P f are the prices of the representative basket of goods and services</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>108/150</b>	<b>SUBMITTED TEXT</b>	50 WORDS	<b>100% MATCHING TEXT</b>	50 WORDS
<p>The IPR theory states interest rate differentials between two different currencies will be reflected in the premium or discount for the forward exchange rate on the foreign currency if there is no arbitrage - the activity of buying shares or currency in one financial market and selling it at a profit in another.</p> <p>The IPR theory states interest rate differentials between two different currencies will be reflected in the premium or discount for the forward exchange rate on the foreign currency if there is no arbitrage - the activity of buying shares or currency in one financial market and selling it at a profit in another. 10.</p> <p><b>W</b> <a href="https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf">https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf</a></p>				
<b>109/150</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>78% MATCHING TEXT</b>	14 WORDS
<p>the relationship between the spot rate and a corresponding forward (future) rate of currencies.</p> <p><b>SA</b> CURRENCY DERIVATIVES.docx (D40639616)</p>				

<b>110/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>43% MATCHING TEXT</b>	21 WORDS
<p>of the forward premium or discount on a foreign currency should be equal to the interest rate differentials between the countries in comparison.</p> <p><b>SA</b> CURRENCY DERIVATIVES.docx (D40639616)</p>				
<b>111/150</b>	<b>SUBMITTED TEXT</b>	17 WORDS	<b>100% MATCHING TEXT</b>	17 WORDS
<p>Covered Interest Rate theory states that exchange rate forward premiums (discounts) offset interest rate differentials between two sovereigns.</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>112/150</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>In another words, covered interest rate theory holds that interest rate</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>113/150</b>	<b>SUBMITTED TEXT</b>	22 WORDS	<b>100% MATCHING TEXT</b>	22 WORDS
<p>between two countries are offset by the spot/forward currency premiums as otherwise investors could earn a pure arbitrage profit. Covered Interest Rate</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>114/150</b>	<b>SUBMITTED TEXT</b>	52 WORDS	<b>84% MATCHING TEXT</b>	52 WORDS
<p>Assume Google Inc., the U.S. based multi-national company, needs to pay its European employees in € in a month's time. Google Inc. can achieve this in several ways viz : • Buy € forward 30 days to lock in the exchange rate. Then Google can invest in \$s for 30 days until it must convert \$</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				

<b>115/150</b>	<b>SUBMITTED TEXT</b>	20 WORDS	<b>97% MATCHING TEXT</b>	20 WORDS
<p>to € in a month. This is called covering because now Google Inc. has no exchange rate fluctuation risk. • Convert \$</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>116/150</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>83% MATCHING TEXT</b>	27 WORDS
<p>to € today at spot exchange rate. Invest € in a European bond (in €) for 30 days (equivalently loan out € for 30 days) then pay</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>117/150</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
<p>this model Google Inc. is sure of the interest rate that it will earn, so it may convert fewer \$</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>118/150</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>94% MATCHING TEXT</b>	18 WORDS
<p>to € today as its € will grow via interest earned. This is also called covering because by converting \$</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>119/150</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>95% MATCHING TEXT</b>	12 WORDS
<p>to € at the spot, the risk of exchange rate fluctuation is eliminated.</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>120/150</b>	<b>SUBMITTED TEXT</b>	21 WORDS	<b>100% MATCHING TEXT</b>	21 WORDS
<p>Uncovered Interest Rate Parity (UIP) Uncovered Interest Rate theory states that expected appreciation (depreciation) of a currency is offset by lower (higher) interest.</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				

<b>121/150</b>	<b>SUBMITTED TEXT</b>	35 WORDS	<b>88% MATCHING TEXT</b>	35 WORDS
<p>Google Inc. can also invest the money in \$s today and change it for € at the end of the month. This method is uncovered because the exchange rate risks persist in this transaction. Covered Interest Rate</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>122/150</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Implications of Interest Rate Parity Theory If IRP theory holds then arbitrage</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>123/150</b>	<b>SUBMITTED TEXT</b>	134 WORDS	<b>100% MATCHING TEXT</b>	134 WORDS
<p>not possible. No matter whether an investor invests in domestic country or foreign country, the rate of return will be the same as if an investor invested in the home country when measured in domestic currency. If domestic interest rates are less than foreign interest rates, foreign currency must trade at a forward discount to offset any benefit of higher interest rates in foreign country to prevent arbitrage. If foreign currency does not trade at a forward discount or if the forward discount is not large enough to offset the interest rate advantage of foreign country, arbitrage opportunity exists for domestic investors. So domestic investors can benefit by investing in the foreign market. If domestic interest rates are more than foreign interest rates, foreign currency must trade at a forward premium to offset any benefit of higher interest rates in domestic country to prevent arbitrage. 7.4.3.</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				
<b>124/150</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>100% MATCHING TEXT</b>	25 WORDS
<p>The Fisher Effect is an economic hypothesis stating that the real interest rate is equal to the nominal rate minus the expected rate of inflation.</p> <p><b>SA</b> FMG-403 International Finance.pdf (D164737611)</p>				

<b>125/150</b>	<b>SUBMITTED TEXT</b>	114 WORDS	<b>91% MATCHING TEXT</b>	114 WORDS
	<p>The forward rate of one currency will contain a premium (or discount) that is determined by the differential in interest rates between the two countries. As a result, covered interest arbitrage will provide a return that is no higher than a domestic return. The spot rate of one currency w.r.t. another will change in reaction to the differential in inflation rates between two countries. Consequently, the purchasing power for consumers when purchasing goods in their own country will be similar to their purchasing power when importing goods from foreign country. The spot rate of one currency w.r.t. another will change in accordance with the differential in interest rates between the two countries. Consequently, the return on uncovered foreign money market securities will on average be no higher than the return on domestic money market securities from the perspective of in-</p>		<p>The forward rate of one currency with respect to another will contain a premium (or discount) that is determined by the differential in interest rates between the two countries. As a result, covered interest arbitrage will provide a return that is no higher than a domestic return. The spot rate of one currency with respect to another will change in reaction to the differential in inflation rates between the two countries. Consequently, the purchasing power for consumers when purchasing goods in their own country will be similar to their purchasing power when importing goods from the foreign country. The spot rate of one currency with respect to another will change in accordance with the differential in interest rates between the two countries. Consequently, the return on uncovered foreign money market securities will, on an be no higher than the return on domestic money market securities from the perspective of investors in</p>	
	<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>			

<b>126/150</b>	<b>SUBMITTED TEXT</b>	7 WORDS	<b>100% MATCHING TEXT</b>	7 WORDS
	<p>Theory Interest Rate Parity (IRP) Purchasing Power Parity (PPP) International Fisher Effect (IFE)</p>		<p>Theory Interest Rate Parity (IRP) Purchasing Power Parity (PPP) International Fisher Effect (IFE)</p>	
	<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>			

<b>127/150</b>	<b>SUBMITTED TEXT</b>	9 WORDS	<b>100% MATCHING TEXT</b>	9 WORDS
	<p>Forward rate Premium (or discount) Percentage change in spot exchange rate. Percentage change in spot exchange rate</p>		<p>Forward rate premium (or discount) Percentage change in spot exchange rate Percentage change in spot exchange rate</p>	
	<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>			

<b>128/150</b>	<b>SUBMITTED TEXT</b>	51 WORDS	<b>97% MATCHING TEXT</b>	51 WORDS
<p>going to visit another country have the risk that if that country's currency appreciates against their own their trip will be more expensive. An exporter who sells his product in foreign currency has the risk that if the value of that foreign currency falls then the revenues in the exporter's home currency will be lower.</p>		<p>going to visit another country the risk that if that country's currency appreciates against their own, their trip will be more expensive. An exporter who sells his product in foreign currency has the risk that if the value of that foreign currency falls then the revenues in the exporter's home currency will be lower.</p>		
<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>				
<b>129/150</b>	<b>SUBMITTED TEXT</b>	25 WORDS	<b>100% MATCHING TEXT</b>	25 WORDS
<p>An importer who buys goods priced in foreign currency has the risk that the foreign currency will appreciate thereby making the local currency cost greater than expected.</p>		<p>An importer who buys goods priced in foreign currency has the risk that the foreign currency will appreciate thereby making the local currency cost greater than expected.</p>		
<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>				
<b>130/150</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>92% MATCHING TEXT</b>	18 WORDS
<p>Transaction exposure Impact of setting outstanding obligation entered into before change in exchange rates but to be settled after</p>		<p>Transaction Exposure Impact of setting outstanding obligations entered into before change in exchange rates but to be settled after</p>		
<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>				
<b>131/150</b>	<b>SUBMITTED TEXT</b>	53 WORDS	<b>94% MATCHING TEXT</b>	53 WORDS
<p>exchange rates 8.2.1 Transaction Risk Transaction risk is related to either (i) trade transactions, that is, exports and imports, or (ii) financial operations such as borrowing and lending in foreign currencies, or (iii) payment or receipt of dividends and interests. In other words, a transaction risk occurs when a company is committed to a foreign currency denominated transaction.</p>		<p>Exchange Risk 1.1 Transaction Risk: Transaction risk is related to either (i) trade transactions, that is, exports and imports or (ii) financial operations such as borrowing and lending in foreign currencies, or (iii) payment or receipt of dividends and interests. In other words, a transaction exposure occurs when a company is committed to a foreign currency denominated transaction.</p>		
<p><b>SA</b> 062-Alfiya khan, foreign exchange risk in financial institutions - Copy.docx (D135728834)</p>				

132/150	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
	existed before exchange rates changed but were settled after the exchange rate changes.		existed before exchange rates changed but were settled after the exchange rate changes.	
	<b>W</b> <a href="https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN...">https://www.lpude.in/SLMs/Master%20of%20Business%20Administration/Sem_4/DMGT549_INTERNATIONAL_FIN ...</a>			

133/150	SUBMITTED TEXT	24 WORDS	94% MATCHING TEXT	24 WORDS
	refers to gains or losses caused by the translation of foreign currency assets and liabilities into the currency of the parent company for consolidation purposes.		refers to gains or losses caused by the translation of foreign currency assets and liabilities into the currency of the parent company for accounting purposes.	
	<b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a>			

134/150	SUBMITTED TEXT	111 WORDS	97% MATCHING TEXT	111 WORDS
	In the late 1930s, U.S. economist Irving Fisher wrote a paper which posited that a country's interest rate level rises and falls in direct relation to its inflation rates. Fisher mathematically expressed this theory in the following way : $R_{\text{Nominal}} = R_{\text{Real}} + R_{\text{Inflation}}$ The equation states that a country's current (nominal) interest rate is equal to a real interest rate adjusted for the rate of inflation. In this sense, Fisher conceived of interest rates, as the prices of lending, being adjusted for inflation in the same manner that prices of goods and services are adjusted for inflation. For instance, if a country's nominal interest rate is six per cent and its inflation rate is two			
	<b>SA</b> FMG-403 International Finance.pdf (D164737611)			

135/150	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	are translated at the same rate as the corresponding balance-sheet items.		are translated at the same rate as the corresponding balance sheet items. 7.3.2	
	<b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a>			

<b>136/150</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>85% MATCHING TEXT</b>	14 WORDS
<p>Method This method is a modified version of the monetary/non-monetary method with the difference that</p> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>		<p>Method This method is a modified version of the monetary/non-monetary method. The only difference is that</p>		
<b>137/150</b>	<b>SUBMITTED TEXT</b>	29 WORDS	<b>76% MATCHING TEXT</b>	29 WORDS
<p>method, inventory is translated at the current rate. Income statement items are normally translated at an average rate. However, cost of goods sold and depreciation are translated at historic rates.</p> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>		<p>method inventory is always translated at the historical Under the temporal method, income statement items are normally translated at an average exchange rate for the period. However, cost of goods sold and depreciation are translated at historical rates.</p>		
<b>138/150</b>	<b>SUBMITTED TEXT</b>	13 WORDS	<b>100% MATCHING TEXT</b>	13 WORDS
<p>the overall impact of exchange rate changes on the value of the firm.</p> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>		<p>the overall impact of exchange rate changes on the value of the firm</p>		
<b>139/150</b>	<b>SUBMITTED TEXT</b>	23 WORDS	<b>89% MATCHING TEXT</b>	23 WORDS
<p>economic risk concerns the effect of exchange rate changes on revenues (domestic sales and exports) and operating expenses (cost of domestic inputs and imports).</p> <p><b>W</b> <a href="https://www.differencebetween.com/difference-between-foreign-exchange-risk-and-vs-exposure/">https://www.differencebetween.com/difference-between-foreign-exchange-risk-and-vs-exposure/</a></p>		<p>Economic risk is concerned with the effect of exchange rate changes on revenues (domestic sales and exports) and operating expenses (cost of domestic inputs and imports).</p>		
<b>140/150</b>	<b>SUBMITTED TEXT</b>	12 WORDS	<b>100% MATCHING TEXT</b>	12 WORDS
<p>Identification of the various types of currency risk, along with their measurement,</p> <p><b>SA</b> Li Lei o Nian nian masterthesis revised.doc (D685688)</p>				



<b>141/150</b>	<b>SUBMITTED TEXT</b>	14 WORDS	<b>100% MATCHING TEXT</b>	14 WORDS
<p>Hedging is a way for a company to minimize or eliminate foreign exchange risk.</p> <p><b>SA</b> CURRENCY DERIVATIVES.docx (D40639616)</p>				

<b>142/150</b>	<b>SUBMITTED TEXT</b>	18 WORDS	<b>100% MATCHING TEXT</b>	18 WORDS		
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> <p>There can be no single strategy which is appropriate to all businesses. Four separate strategy options are feasible</p> </td> <td style="width: 50%; border: none;"> <p>there can be no single strategy which is appropriate to all businesses. Four separate strategy options are feasible. 123</p> </td> </tr> </table> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>					<p>There can be no single strategy which is appropriate to all businesses. Four separate strategy options are feasible</p>	<p>there can be no single strategy which is appropriate to all businesses. Four separate strategy options are feasible. 123</p>
<p>There can be no single strategy which is appropriate to all businesses. Four separate strategy options are feasible</p>	<p>there can be no single strategy which is appropriate to all businesses. Four separate strategy options are feasible. 123</p>					

<b>143/150</b>	<b>SUBMITTED TEXT</b>	90 WORDS	<b>90% MATCHING TEXT</b>	90 WORDS		
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> <p>All Exposures Left Unhedged All Exposures Hedged Active Trading Selective Hedging Low Risk High Risk 8.4.1 Low Risk : Low Reward This option involves automatic hedging of exposures in the forward market as soon as they arise, irrespective of the attractiveness or otherwise of the forward rate. The merits of this approach are that yields and costs of the transaction are known and there is little risk of cash flow destabilization. Again, this option doesn't require any investment of management time or effort. The negative side is that automatic hedging at whatever rates are available is hardly likely to result into optimum costs. At least some</p> </td> <td style="width: 50%; border: none;"> <p>All Exposures Left Unhedged Active Trading All Exposures Hedged Selective Hedging High Risk Low Reward High Reward Risk Figure 7.1 Low Risk: Low Reward This option involves automatic hedging of exposures in the forward market as soon as they arise, irrespective of the attractiveness or otherwise of the forward rate. The merits of this approach are that yields and costs of the transaction are known and there is little risk of cash flow destabilisation. Again, this option doesn't require any investment of management time or effort. The negative side is that automatic hedging at whatever rates are available is hardly likely to result into optimum costs. At least some</p> </td> </tr> </table> <p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>					<p>All Exposures Left Unhedged All Exposures Hedged Active Trading Selective Hedging Low Risk High Risk 8.4.1 Low Risk : Low Reward This option involves automatic hedging of exposures in the forward market as soon as they arise, irrespective of the attractiveness or otherwise of the forward rate. The merits of this approach are that yields and costs of the transaction are known and there is little risk of cash flow destabilization. Again, this option doesn't require any investment of management time or effort. The negative side is that automatic hedging at whatever rates are available is hardly likely to result into optimum costs. At least some</p>	<p>All Exposures Left Unhedged Active Trading All Exposures Hedged Selective Hedging High Risk Low Reward High Reward Risk Figure 7.1 Low Risk: Low Reward This option involves automatic hedging of exposures in the forward market as soon as they arise, irrespective of the attractiveness or otherwise of the forward rate. The merits of this approach are that yields and costs of the transaction are known and there is little risk of cash flow destabilisation. Again, this option doesn't require any investment of management time or effort. The negative side is that automatic hedging at whatever rates are available is hardly likely to result into optimum costs. At least some</p>
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<b>144/150</b>	<b>SUBMITTED TEXT</b>	94 WORDS	<b>99% MATCHING TEXT</b>	94 WORDS
	<p>to prefer this strategy on the grounds that an active management of exposures is not really their business. In the floating rate era, currencies outside their home countries, in terms of their exchange rate, have assumed the characteristics of commodities. And business whose costs depend significantly on commodity prices can hardly afford not to take views on the price of the commodity. Hence this does not seem to be an optimum strategy. 8.4.2 Low Risk : Reasonable Reward This strategy requires selective hedging of exposures whenever forward rates are attractive but keeping exposures open whenever they are not. Successful pursuit 200</p>		<p>to prefer this strategy on the grounds that an active management of exposures is not really their business. In the floating rate era, currencies outside their home countries, i.e., in terms of their exchange rate, have assumed the characteristics of commodities. And business whose costs depend significantly on commodity prices can hardly afford not to take views on the price of the commodity. Hence this does not seem to be an optimum strategy. Low Risk: Reasonable Reward This strategy requires selective hedging of exposures whenever forward rates are attractive but keeping exposures open whenever they are not. Successful pursuit</p>	
	<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>			

<b>145/150</b>	<b>SUBMITTED TEXT</b>	61 WORDS	<b>95% MATCHING TEXT</b>	61 WORDS
	<p>of this strategy requires quantification of expectations about the future and the rewards would depend upon the accuracy of the prediction. This option is similar to an investment strategy of a combination of bonds and equities with the proportion of the two components depending on the attractiveness of prices. In foreign exchange exposure terms, hedged positions are similar to bonds (known costs or yields) and</p>		<p>of this strategy requires quantification of expectations about the future: and the rewards would depend upon the accuracy of the prediction. This option is similar to an investment strategy of a combination of bonds and equities with the proportion of the two components depending on the attractiveness of prices. In forex exposure terms, hedged positions are similar to bonds (known costs or yields) and</p>	
	<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>			

<b>146/150</b>	<b>SUBMITTED TEXT</b>	19 WORDS	<b>100% MATCHING TEXT</b>	19 WORDS
	<p>ones to equities (uncertain returns). 8.4.3. High Risk : Low Reward Perhaps the worst strategy is to leave all exposures</p>		<p>ones to equities (uncertain returns). High Risk: Low Reward Perhaps the worst strategy is to leave all exposures</p>	
	<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>			

<b>147/150</b>	<b>SUBMITTED TEXT</b>	84 WORDS	<b>96% MATCHING TEXT</b>	84 WORDS
	<p>The risk of destabilization of cash flows is very high. The merit is zero investment of managerial time or effort.</p> <p>8.4.4. High Risk : High Reward This strategy involves active trading in the currency market through continuous cancellations and re-bookings of forward contracts. With exchange controls relaxed in India in recent times, a few of the larger companies are adopting this strategy. In effect, this requires the trading function to become a profit center. This strategy, if it has to be adopted, should be done in full consciousness of the risks. 8.5</p>		<p>The risk of destabilisation of cash flows is very high. The merit is zero investment of managerial time or effort.</p> <p>High Risk: High Reward This strategy involves active trading in the currency market through continuous cancellations and re-bookings of forward contracts. With exchange controls relaxed in India in recent times, a few of the larger companies are adopting this strategy. In effect, this requires the trading function to become a profit centre. This strategy, if it is to be adopted, should be done in full consciousness of the risks. 124</p>	
	<p><b>W</b> <a href="https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf">https://www.acecollege.in/CITS_Upload/Downloads/Books/1087_File.pdf</a></p>			
<b>148/150</b>	<b>SUBMITTED TEXT</b>	27 WORDS	<b>55% MATCHING TEXT</b>	27 WORDS
	<p>A forward rate is an interest rate applicable to a financial transaction that will take place in the future. The forward rate is different from the spot rate.</p>			
	<p><b>SA</b> Forex.docx (D155077539)</p>			
<b>149/150</b>	<b>SUBMITTED TEXT</b>	24 WORDS	<b>76% MATCHING TEXT</b>	24 WORDS
	<p>The spot exchange rate is €1.415 per \$1 and the euro interest rate is 2% per year. The dollar interest rate is 1.8% per year.</p>		<p>the spot exchange rate for the euro is 1.25 USD/EUR, the euro interest rate is 4% per year, and the dollar interest rate is 3% per year,</p>	
	<p><b>W</b> <a href="https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918">https://www.brainscape.com/flashcards/20-currency-exchange-rates-6551597/packs/10103918</a></p>			
<b>150/150</b>	<b>SUBMITTED TEXT</b>	51 WORDS	<b>65% MATCHING TEXT</b>	51 WORDS
	<p>on the same day, when the exchange rates were GBP 1 = OMR 0.4901 0.4941 Local inter-bank market rates for GBP were Spot GBP 1 = Rs. 80.71 80.86 Calculate cover rate and ascertain the profit or loss in the transaction. Ignore brokerage. Solution : The bank (Dealer) covers itself by buying from the market at market</p>			
	<p><b>SA</b> 019_FOREX MANAGEMENT AND CURRENCY DERIVATIVES.PDF (D142523013)</p>			