PAPER – 1 - INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM…ONLY SOME PORTION OF MATERIAL TAKEN TO SHOW WHAT TYPE OF MATERIAL WE HAVE MADE….

INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM
(Updated Upto 31.12.2023)

INDEX

….**multiple objective questions given after every chapter with answers**……….

CHAPTER 1
AN OVERVIEW OF INDIAN ECONOMY

EVOLUTION OF INDIAN ECONOMY

Introduction: As India is going to be commemorating the 75th year of independence this year, it's relevant to look into the path the Indian economy has taken and how this journey has helped India to reach its present state. The evolution of the Indian economy has seen its share of ups and downs, economic crisis to double-digit growth and now eyeing towards becoming a $ 5 trillion economy. The purpose of this discussion is to analyse how much has India really achieved in the last 74 years in fulfilling the aspirations on which it was founded.

State of the Economy at the Time of Independence:
The ruthless exploitation under British colonial rule completely devastated India's economy. India's population was subject to frequent famines, had one of the world's lowest life expectancies, suffered from pervasive malnutrition and was largely illiterate. Cambridge historian Angus Maddison's work shows that India's share of the world income is disaster, from 27% in 1700 AD (compared to Europe's share of 23%) to 3% in 1950.

Evolution of Indian economy-after independence: Five-Year Plans and setting up of Planning Commission : Five-Year Plans (FYPs) were centralised economic and social growth programs. Joseph Stalin, president of the erstwhile USSR, implemented the first Five-Year Plan in the late 1920s. India too followed the socialist path but here the planning was not as comprehensive since the country had both public and private sectors. The planning in India was only about the public sector. The first Five-Year Plan was launched………..

IV. STRUCTURAL CHANGES IN INDIAN ECONOMY
The national income data can be employed to study important structural changes taking place in the Indian economy during the last six decades.
The process of growth of the underdeveloped economy of India began in right earnest with the launch of the First Five Year Plan in April 1, 1951. The First Plan was a modest plan. It aimed largely to restore stability to the economy. Well formulated strategy of growth was launched in the Second Five Year Plan. The subsequent Plans primarily gave primacy to this strategy, although modifications were made in response to the changing…..

Causes of Rapid Increase in Tertiary Sector:
The tertiary, i.e., the non-commodity sector, has been growing at a much faster rate than the commodity sector. This in essence means that income generated in the process of circulation grew at a much faster pace than that in the directly productive process, and thereby resulting in an increase in the share

CHAPTER 2
ECONOMIC PLANNING IN INDIA

MEANING OF ECONOMIC PLANNING:-
Economic planning is a process which involves the following steps:
(i) Preparing a list of the problems facing the economy .
(ii) Rearranging the list on the basis of priority. The top priority issue which needs to be addressed immediately should be placed at number one and so on.
(iii) The next step is to identify the problems which are to be solved in the immediate short run and the other problems which are to be addressed over the long period.
(iv) Fixing a target to achieve the desired goal. The target could be a specified time period within which the problem must be solved. If the problem……….

CHAPTER 9
CLIMATE CHANGE, SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Climate Change, an important issue of our life:
Climate change is a real and undeniable threat to our entire civilization. The effects are already visible and will be catastrophic unless we act now. Through education, innovation and adherence to our climate commitments, we can make the necessary changes to protect the planet. Climate change is now affecting every country on every continent. It is disrupting national economies and affecting lives, costing people, communities and countries……….

Module B

ECONOMIC CONCEPTS RELATED TO BANKING
CHAPTER 1
DEMAND & SUPPLY THEORY

Introduction

Economics may appear to be the study of complicated tables and charts, statistics and numbers, but, more specifically, it is the study of what constitutes rational human behavior in the endeavor to fulfill needs and wants. As an individual, for example, you face the problem of having only limited resources with which to fulfill your wants and needs, so, with your money, you must make certain choices. You'll probably spend part of your money on rent, electricity, and food. Then you might use the rest to go to the movies and/or buy a new pair of jeans. Economists, interested in the choices you make, inquire into why, for instance, you might chose to spend your money on…………

Economics Basics: What Is Economics?

In order to begin our discussion of economics, we need first to understand (1) the concept of scarcity and (2) the two…..

Demand Schedule

It is a list of alternative hypothetical prices and the quantities demanded of a good corresponding to these prices. It refers to the series of quantities an individual is ready to buy at different prices. An imaginary demand schedule of an individual…………..

Demand Curve

When the data presented in the demand schedule can be plotted on a graph with quantities demanded on the horizontal or X – axis and hypothetical prices on the vertical or Y- axis, and a smooth curve….

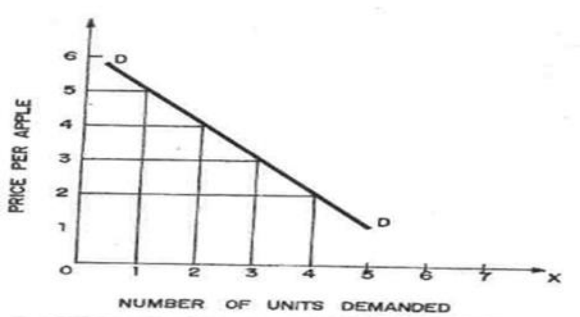

Fig - 1

PAPER 2 – PRINCIPLE & PRACTICES OF BANKING…ONLY SOME PORTION OF MATERIAL TAKEN TO SHOW WHAT TYPE OF MATERIAL WE HAVE MADE….

Updated Upto 31.12.2023

Principles & Practice of Banking
INDEX

….**multiple objective questions given after every chapter with answers**………

CHAPTER 1
BANK & CUSTOMER-PRODUCTS & RELATIONSHIP

I. Bank Deposits & its types
One of the most important functions of any commercial bank is to accept deposits from the public, basically for the purpose of lending. Deposits from the public are the principal sources of funds for banks.
Types of Deposit Accounts
The bank deposits can also be classified into (i) demand deposits and (b) time deposits.
(i) Demand deposits are defined as deposits payable on demand through cheque or otherwise. Demand deposits serve as a medium of exchange, for their ownership can be transferred from one person to another through cheques and clearing arrangements provided by banks. They have no fixed term to maturity. These are mainly current account & savings bank account.

(ii) Time deposits are defined as those deposits which are not payable on demand and on which cheques cannot be drawn. They have a fixed term to maturity. A certificate of deposit (CD) or Term Deposit Receipt, for example, is a time deposit.
Demand and time deposits are two broad categories of deposits. Note that these are only categories of deposits; there are no deposit accounts available in the banks by the names 'demand deposits' or 'time deposits'. Different deposit accounts offered by a bank, depending on their characteristics, fall into one of these two categories. There are several deposit accounts offered by banks in India; but they can be classified into three main categories:

Eligibility: A savings bank account can be opened by eligible person(s) and certain organizations/agencies, as advised by the RBI from time to time. But current accounts can be opened by individuals, partnership firms, private and public limited companies, Hindu Undivided Families (HUFs), specified associates, society trusts, etc. Eligibility criteria for a savings account and a current account are largely similar, but there ………………………..

Minor
A person under the age of 18 years is a minor, if a guardian of his person or property of both has been appointed by a Court or if the superintendence of his property has been assumed by a Court of Wards before the minor assumed the age of 18 years, he remains minor till he completes the age of 21 years (Section 3 of the Indian Majority Act, 1875). A minor has certain disabilities and enjoys certain protections under the law which a banker must take into consideration when dealing with a minor.

Opening the Account: Banks prefer to open a saving bank account and a fixed deposit account of a minor, and would not open his/her current account….

RBI clarification for Minor account by SCB & Primary (Urban) Co-operative Banks dated May 6, 2014:…………….

VI. SHG-Bank Linkage:
Self Help Groups (SHGs) are a homogenous group of 10-20 individuals who come together for saving and internally helping each other in times of need. From one family, only one person can become a member of an SHG.
The SHGs (self help group) registered or unregistered which are engaged in promoting savings…….

FINANCIAL LITERACY: –
The definition of financial literacy and digital financial literacy would be useful in understanding the components of financial literacy and measuring the outcomes of financial literacy initiatives. The OECD/INFE (Organisation for Economic…….

CHAPTER 3
Operational Aspects of Other services by bank, Garnishee and set off rule

Cash Management Services and Its Importance:
Introduction:
Now a day, technology has become the key in every successful bank. Cash Management is a term that refers to the concentration, collection and Disbursement of cash. The important task for managers is to maintain the flow of cash. Originally it is a paper based system involves security risk, the huge processing cost, cash management Services in India has faced a huge change . Banks is now thinking about the customer's…..

Obligation of Bank to maintain Secrecy of Account:
The account of the customer in the books of the bank records all of his financial transactions with the latter and the gives the true state of his financial position. If any of these facts is made known to others, the customers reputation may suffer and he may incur losses also. The banker is, therefore, under an obligation to take utmost………….

IV. What is lien?
A lien is the right of a creditor in possession of goods, securities or any other assets belonging to the debtor to retain them until the debt is repaid,

CHAPTER 5
LENDING BY BANKS
What you should know:
- Importance of loans & borrowings
- Types of loans/credit facilities
- Types of working capital finance
- Non Fund Base Working Capital Loans

- Export finance & norms relating to export finance
- Long term loans
- Priority Sector Lending & its norms
- Prudential Norms for Income recognition, asset classification and provisioning (NPA guidelines)
- Financial Inclusion

Regulation of Bank Finance in case of Working Capital:-

Concerned about such a distortion in credit allocation, the Reserve Bank of India (RBI) has been trying, particularly from the mid 1960s onwards, to bring a measure of discipline among industrial borrowers and to redirect credit to the priority sectors of the economy. From time to time, the RBI issues guidelines and directives relating to matters like the norms for inventory and receivables, the maximum permissible bank finance, the form of assistance, the information and reporting system, and the credit monitoring mechanism. The important guidelines and directives have stemmed from the recommendations of various committees such as the Dehejia Committee, the Tandon Committee, the Chore Committee, and the Marathe Committee.

However, in recent years, in the wake of financial liberalisation, the RBI has given freedom to the boards of individual banks in all matters relating to working capital financing.

II. Projected Balance Sheet (PBS) Method

In which the corporate is asked to project its balance sheet including the requirements for bank finance. The Bank validates these requirements through time-series and ratio analyses and sanctions the limits, if the level of finance projected by the corporate is found acceptable. Otherwise, the corporate is requested to alter its business plans and funding pattern.

II. Cash Budget Method

The corporate is required to project its cash receipts and expenditure. Whenever, the expenditure overshoots the incomes, the Bank finance steps in to fill the gap. Many other banks, however, have continued with the method of Maximum Permissible Bank Finance (MPBF)

III. Turnover Method:

In this method, projection of annual turnover is required to be made. RBI clarified that Turnover means 'Gross Sales' which will include excise duty also. After that arriving of project turnover, as per RBI guidelines the working capital to be assessed will be at 25% of projected turnover however, RBI stipulates that bank finance will be at minimum of 20 per cent of the projected turnover and rest 5% should come from borrower.

IV How to calculate Drawing Power (DP):

The following is the example for calculation of DP:

……………………………..

PLUS AROUND 250+ MCQ'S

PAPER 2 – ACCOUNTING & FINANCE FOR BANKERS - ONLY SOME PORTION OF MATERIAL TAKEN TO SHOW WHAT TYPE OF MATERIAL WE HAVE MADE….

ACCOUNTING & FINANCIAL MANAGEMENT FOR BANKERS (Updated Upto 31.12.2023)

INDEX

….**multiple objective questions given after every chapter with answers**……….

CHAPTER 1
BASICS OF ACCOUNTS

What you should Know?
What is Accounting, its nature, purpose & definition.
Objective of Accounting, its subdivisions.
Basic concepts
Conventions of accounting
Golden Rule of Accounting
……………….

Generally Accepted Accounting Principles (GAAP): Concepts and Conventions

Evolution of accounting is spread over several centuries and during this period certain rules, procedures and conventions have come to be accepted as useful. These rules etc. represent a consensus view of the profession for good accounting practices and procedures and are commonly referred to as Generally Accepted Accounting Principles (GAAP). It means the set of rules and practices followed in recording transactions and preparing the financial statements (profit and loss account and balance sheet). The GAAP provide a set of guidelines to be observed by the accounting profession for preparing and reporting the accounting information and can be broadly classified into two categories – concepts and conventions.

Concepts and Conventions in accounting: Basic concepts:
Accounting principles are built on a foundation of a few basic concepts. These concepts are so basic that most accountants do not consciously think of them; they are regarded as being self-evident. Non-accountants will not find these concepts to be self-evident. Some accounting theorists argue that certain of the present concepts are wrong and should be changed. But in order to understand accounting, as it now exists, one must understand what the underlying concepts currently are.

The different aspects are :—
1. Business Entity Concept
2. Money Measurement Concept
3. Cost Concept
4. Going Concern Concept
5. Dual-aspect Concept
6. Realisation Concept
7. Accrual Concept
8. Accounting Period Concept

1. Business Entity Concept:
This concept assumes that, for accounting purposes, the business enterprise and its owners are two separate independent entities. Thus, the business and personal transactions of its owner are separate. For example, if the owner of a shop, who has started a business paid Rs. 10,000 for school fees of his daughter, then this fees will not be treated as business expenditure and will be treated as personal expenditure of owner and hence required to be recorded as withdrawal of capital. Without such a distinction the affairs of the shop will be mixed with the personal affairs of the owner and records fail to show the true profit from business activity.
For a company the distinction is easier as legally the company is a distinct entity from the persons who own it. Therefore, an entity is a business organisation or activity in relation to which accounting reports are compiled. It may include universities, voluntary organisations, government and non-business units
Significance: The following points highlight the significance of business entity concept:
a. This concept helps in ascertaining the profit of the business as only the business expenses and revenues are recorded and all the private and personal expenses are ignored.
b. This concept restraints accountants from recording of owner's private/ personal transactions

2. Money Measurement Concept:
This concept assumes that all business transactions must be in terms of money, that is in the currency of a country. In our country such transactions are in terms of rupees.
The advantage of doing this is that money provides common denominators by means of which variety of facts can be expressed as numbers that can be added and subtracted. This enables addition and subtraction of varied items since money provides the common denominator.
Thus, as per the money measurement concept, transactions which can be expressed in terms of money are recorded in the books of accounts. For example, sale of goods worth Rs.400000, purchase of raw materials Rs.200000, Rent Paid Rs.10000 etc. are expressed in terms of money, and so they are recorded in the books of accounts. But the transactions which cannot be expressed in monetary terms are not recorded in the books of accounts. For example, sincerity, loyalty, honesty of employees are not recorded in books of accounts because these cannot be measured in terms of money although they do affect the profits and losses of the business concern.

Significance: The following points highlight the significance of money measurement concept:
a. This concept guides accountants what to record and what not to record.
b. It helps in recording business transactions uniformly.
c. If all the business transactions are expressed in monetary terms, it will be easy to understand the accounts prepared by the business enterprise.
d. It facilitates comparison of business performance of two different periods of the same firm or of the two different firms for the same period.

3. Cost Concept:
Cost concept states that all assets are………………………..

How to record and maintain journal:
In the above section we have discussed the nature of business transactions and the manner in which they are analyzed and classified. The primary emphasis was the "why" rather than the "how" of accounting operations; we aimed at an understanding of the reason for making the entry in a particular way. We showed the effects of transactions by making entries in T accounts. However, these entries do not provide the necessary data for a particular transaction, nor do they provide a chronological record of transactions. The missing information is furnished by the use of an accounting form known as the *journal*
The *journal*, or *day book*, is the book of original entry for accounting data. Afterward, the data is transferred or posted to the ledger, the book of subsequent or secondary entry. The various transactions are evidenced by sales tickets, purchase invoices, check stubs, and so on. On the basis of this evidence, the transactions are entered in chronological order in the journal. The process is called *journalizing*.
A number of different journals may be used in a business. For our purposes, they may be grouped into general journals and specialized journals. To illustrate journalizing, we here use the *general journal*, whose standard form is shown be low.

Journalizing
We describe the entries in the general journal according to the numbering in the table above:
1. *Date*. The year, month, and day of the first entry are written in the date column. The year and month do not have to be repeated for the additional entries until a new month occurs or a new page is needed.
2. *Description*. The account title to be debited is entered on the first line, next to the date column. The name of the account to be credited is entered on the line below and indented.
3. *P.R. (Posting Reference)*. Nothing is entered in this column until the particular entry is posted, that is, until the amounts are transferred to the related ledger accounts. The posting process will be described in the next section.
4. *Debit*. The debit amount for each account is entered in this column. Generally, there is only one item, but there could be two or more separate items.
5. *Credit*. The credit amount for each account is entered in this column. Here again, there is generally only one account, but there could be two or more accounts involved with different amounts.
6. *Explanation*. A brief description of the transaction is usually made on the line below the credit. Generally, a blank line is left between the explanation and the next entry.

Journal Format:-

Date	Particulars	P.R	Debit Amt.	Credit Amt.

Transaction1. Amit started business on 1.4.2012 with capital Rs 5,00,000.
Transaction Analysis: This transaction affects Amit's capital account and cash account. Capital account is the proprietor's personal account and the liability for business and hence by our rule liability increased credit that account will be applicable. And since Cash account an asset is also increased the rule says 'Debit the asset if increased' will be applicable. Therefore, the journal entry for this transaction will be

		Rs.	Rs.
Cash Account …………….	Dr	5,00,000	

To Amit's Capital Account Cr 5,00,000
(Amit started business with cash)

Transaction 2. April I 2012. He opened a savings bank account with State Bank of India with Rs 3,00,000.
Transaction Analysis: The two accounts affected by this transaction are cash account and bank account. Cash a/c is asset and bank a/c is also asset. The rule for says 'Debit if asset increased and credit if asset decreased. Here bank is increased, Bank account will be debited. Since cash from the business is going out i.e decreased in asset, cash account will be credited. Therefore, the journal entry will be

		Rs.	Rs.
Bank Account……………..	Dr	3,00,000	
To Cash Account	Cr		3,00,000
(deposited cash into bank)			

………..
Illustration 3. Enter the following transactions in the journal of M/s. Harish & Co., and post them into the ledger and balance the ledger accounts.

2012	Rs.
Mar. 1 Started business with cash	90,000
Mar 2. Paid into Bank	50,000
Mar 3. Purchased goods for cash	30,000
Mar 5. Purchased furniture and paid by cheque	10,000
Mar 7. Sold goods for cash	19,000

The Journal will be as follows:

Mar . 1 Cash A/c……………………...…………	Dr.	90,000	
To Capital A/c	Cr		90,000
(Started business)			
Mar . 2 Bank A/c……………………….... ………	Dr.	50,000	
To Cash	Cr		50,000
(Paid to bank)			
Mar . 3 Purchases A/c………………… ..………	Dr.	30,000	
To Cash A/c	Cr.		30,000
(Purchased goods)			

……………………
<u>Practice Exercise:</u>
Prepare Trial Balance & Financial statements for the exercises given in Page no. 28 & 29 by using ledger drawn by you for that exercise.

1. Given below are the ledger balances of a management consultancy firm:
Capital Rs.4,00,000, Computer Rs. 25,000, Air conditioner and furniture Rs. 1,00,000, Fixed Deposits Rs.2,00,000, Salaries Rs.8,00,000, Fees received Rs. 12,00,000, Travelling expenses Rs.1,50,000, Rent and office expenses Rs.2,40,000, Cash balances Rs. 1,80,000. Bank overdraft Rs. 95,000.
The total of trial balance will be
(a) Rs. 16,00,000. (b) Rs. 16,95,000. (c) Rs. 14,50,000. (d) Rs. 15,00,000.
……………………………………..

CHAPTER 7
DEPRECIATION

Introduction:
In accrual system of accounting, depreciation on fixed assets is calculated on some suitable basis and charged against periodic revenue in the process of determination of profit. Allocation of expenses which were incurred on account of purchasing fixed assets, although subjective, is essential for determination

of business income because when replacement will be due, money set aside by way of depreciation can be used. In this way continuity of the business can be maintained. However. It is questionable whether amount set aside by way of depreciation will be sufficient to replace an asset in future because of price rise and another economic reasons.
In this Unit we shall discuss various methods of charging depreciation.

Meaning of Depreciation
Depreciation may be described as a permanent, continuing and gradual shrinkage in the book value of fixed assets. It is based on the cost of assets consumed in a business and not on its market value.
…………………………………………………………..

Illustration 3
The balance of furniture and fixtures as on 1st, April, 2012 was Rs.10,000. Furniture of Rs.5,000 was purchased on 1st,October, 2012. Depreciation is charged @ 10% on W.D.V. method. The depreciation for the year ended 31st, March, 2013 will be
(a) Rs.1,500 (b) Rs.1,250 (c) Rs.1,750 (d) None of the above.
Solution:

Date	Particular	J.F	Amount Rs	Date	Particulars	J.F	Amount Rs
2012 Apr 01	Bal b/d.		10,000.00	2013 Mar 31.	Depreciation		1,249.31

……………………
Illustration 4: A Ltd. Company purchase machinery on 1st, April, 2012 for Rs.1,00,000. The depreciation on this machinery is charged @ 10% per annum on straight line method. On 30th,October, 2013 machinery is sold for Rs.89,000. The profit or loss on sale of such machinery is:
(a) Profit of Rs.5,835 (b) Loss of Rs.4,863 (c) Profit of Rs. 4,863 (d) Loss of Rs.1,000.
Solution:…………………………………….

MODULE C
CHAPTER 3
TIME VALUE OF MONEY

A. Why Mathematics in Banking
To calculate interest on deposits and advances
To calculated yield on bonds in which banks have to invest substantial amount.
To calculate depreciation
To decide on buying/selling rates of foreign currencies
To calculate minimum capital required by the bank
To appraise loan proposals

B. Time Value of Money
Let me take a simplistic example to make my point. Imagine you have Rs 1,00,000 with you and you have the following options (inflation rate is 5%):
Give it to a friend who will return Rs 1,00,000 after one year.
Put it in a Savings account which gives you 5% annualized return.
Invest in a Mutual Fund/Stock which can give you a return ranging from -50% to +50% (Isn’t it like trying to hit a sixer and getting caught on the boundary!!)
……………………………

Effective interest rate (continuously compounding interest):
The effective interest rate, effective annual interest rate, annual equivalent rate (AER) or simply effective rate is the interest rate on a loan or financial product restated from the nominal interest rate as an interest rate with annual compound interest payable in arrears.
………………………………………..

Future Value:
The Future Value of a cash flow represents the amount, at some time in the future, that an investment made today will grow to if it is invested to earn a specific interest rate. For example, if you were to deposit Rs.100 today in a bank account to earn an interest rate of 10% compounded annually, this investment will grow to Rs.110 in one year. This can be shown as follows: …………………………….

Present Value:
Present Value describes the process of determining what a cash flow to be received in the future is worth in today's rupee. Therefore, the Present Value of a future cash flow represents the amount of money today which, if invested at a particular interest rate, will grow to the amount of the future cash flow at that time in the future. The process of finding present values is called *Discounting* and the interest rate used to calculate present values is called the *discount rate*…………………………….

Illustration:-
a) You can make two different investments. The interest you receive on the first investment is Rs.110 per year for three years. You receive Rs.330 on the second investment in the third year and nothing in the first two years. If your discount rate is 6%, what should you pay for each of these investments?
Solution:…………………………………………..

Multiple Choice Question Set 1:

1. Which method of depreciation is approved as per the income tax rules?
a) Sinking fund method b) Written Down Value Method c) Annuity Method d) None of the above

2. Capital A/c is a _______ A/c.
a) Personal b) Real c) Nominal d) None

3. Cash A/c is a ________ A/c.
a) Personal b) Real c) Nominal d) None

4. Which is not only a subsidiary book, but also a principal book?
a) Cash book b) Sales book c) Purchase book d) Bills receivable book

5. The principle "Debit the receiver and credit the giver" is related to_____
a) Personal a/c b) Real a/c c) Nominal a/c d) None
…..
47. Mr. X is admitted as a partner with capital of Rs.1,00,000 and Rs.25,000 as goodwill for his 1/3rd share. The old partners A & B will sacrifice in the ratio of 2:3. What amount A will receive as his share of goodwill.
a) 15,000 b) 20,000 c) 10,000 d) 5,000
…………….
56. Krishna Ltd. Issued 1,50,000 shares of Rs.100 each, at discount of 10% Mr.Ram to whom 300 shares were allotted, failed to pay the final call of Rs.30 per share and hence all his shares were forfeited. At the time of forfeiture, what amount will be transferred to share forfeiture account.
a) Rs.9,000 b) Rs.18,000 c) Rs.21,000 d) Rs.27,000
……………………..

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