

**IVC Course Code : 213**

**OFFICE ASSISTANCESHIP**

**SECOND YEAR**

**(w.e.f.2019 – 20)**

**Intermediate Vocational Course**

**Paper I : SHORTHAND**

**Paper II : ACCOUNTANCY & TALLY**

**Paper III : OFFICE MANAGEMENT & TYPE  
WRITING**



**STATE INSTITUTE OF VOCATIONAL EDUCATION**

**BOARD OF INTERMEDIATE EDUCATION, A.P.**

# *Text Book Development Committee*

## **Paper -I Shorthand**

### **AUTHOR**

**Smt. G. Nagamani**  
**Junior Lecturer in O.A.,**  
**Govt. Vocational Junior College**  
**GUNTUR**

## **Paper-II Accountancy & Tally**

### **AUTHOR**

**Smt. G. Nagamani**  
**Junior Lecturer in O.A.,**  
**Govt. Vocational Junior College**  
**GUNTUR**

## **Paper-III Office Management & Type Writing**

### **AUTHOR**

**Smt. S. Jhansi Rani**  
**Junior Lecturer in O.A.,**  
**Govt. Vocational Junior College**  
**GUNTUR**

### **EDITOR**

**Dr. Subbarao K V**  
**Head of CCP Section**  
**Government Polytechnic for Women,**  
**Kakinada-533003**

# OFFICE ASSISTANCESHIP

## TEXT BOOK DEVELOPMENT COMMITTEE

S.No	Name	Designation	Signature
1	<b>Dr. Subbarao K V</b> <b>Head of CCP Section</b> <b>Government Polytechnic for Women,</b> <b>Kakinada-533003</b>	Editor	
2	<b>Smt. G. Nagamani</b> <b>Junior Lecturer in O.A.,</b> <b>Govt. Vocational Junior College</b> <b>GUNTUR</b>	Author	
3	<b>Smt. G. Nagamani</b> <b>Junior Lecturer in O.A.,</b> <b>Govt. Vocational Junior College</b> <b>GUNTUR</b>	Author	
4.	<b>Smt. S. Jhansi Rani</b> <b>Junior Lecturer in O.A.,</b> <b>Govt. Vocational Junior College</b> <b>GUNTUR</b>	Author	



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# **OFFICE ASSISTANE SHIP**

## **PAPER I**

### **SHORTHAND**

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## **Preface**

At the outset I am very much thankful to the State Institute of Vocational Education and Board of Intermediate Education, A.P., Amaravathi for the innovative and sincere effort of bringing out a manual on Shorthand for the students of “Office Assistantship”. This book I s prepared to enable the student to get extra practice on his/her own apart from the regular teaching in the classroom.

This book consists of 40 lower grade passages (80 wpm) of 7 minutes duration along with shorthand script, as per the pattern of Technical Examinations of SBTET. I hope that this book will prove to be useful for very student up to his lower grade and also to prepare for the competitive examinations. It is my firm belief that this book serves as dictation material to the Lecturers. Every student has to write logograms, phrases, contractions and special contractions once every day, not only as part of preparation for the examinations, but also before writing shorthand passages each day, still he achieves success in his examinations. Best care has been taken to avoid errors and omissions. However, constructive suggestions from learned members are welcome for the improvement of the material for the advancement of the student.

It’s my privilege to express my deepest gratitude to Dr. K.V. Subbarao, Head of Commercial & Computer Practice, Govt. Polytechnic for Women, Kakinada who is an educationist for his valuable suggestions in carrying out the “Manual on Shorthand” successfully.

I am very thankful of the enormous effort of my family members for their encouragement in bringing out this book. I am indebted to my shorthand teachers Smt. Rajeswari garu and Shri Hanumantha Rao garu who have dedication in teaching the subject of Shorthand and their inspirational guidance to come up to this level.

I shall be failing in my duty if I do not thank the valuable cooperation and suggestions offered by my colleagues, friends, I thank the Department of Intermediate Education for providing me an opportunity for taking up this assignment.







**- Nagamani G**

**HALVING PRINCIPLE (Section I):**

After practicing all the exercises in the preceding chapters, you would have maintained uniformity in the length of the stroke, nearly  $\frac{1}{6}^{\text{th}}$  of an inch approximately. Now you have to learn to maintain the difference in length of the full length and half-length strokes.

To manage yourself to maintain the difference, I suggest that the half-length stroke be written at a length lesser than half and more than quarter in length.






- a) The main principle is that only in words of one syllable, when there is no final hook or joined diphthong, light stroke is halved for addition of 't' only and a heavy stroke is halved for 'd' only.

Ex: play  plate but played   
Blow  blood but bloat  treat  but tread 

- b) In words of one syllable also, if there is a final hook or joined diphthong to it.

Ex: bend  bent  spend  spent  proud  doubt 

- c) In words of more than one syllable in all cases any stroke is halved for addition of either t or

d ex: rabbit  rapid  credit  honored  applied  Vowel sign after the

half-length stroke is read next to primary stroke.

When half-length stroke is to be given position, it is written above the line for 1<sup>st</sup> place vowel and

on the line for 2<sup>nd</sup> or 3<sup>rd</sup> place vowel.

Ex: lightly  little 











**Exercise 22:** Write the following in Shorthand.

Apt, pat, pit, pad, plot, split, played, plant, planned, paid, prayed, print, proved, bad, bat, broad, bread, bright, brought, blot, blood, bind, bent, band, blunt, proud, taught, tight, treat, tread, did, died, dried, debt, dint, drift, draft, cheat, chide, jot, jade, cat, cried, crowd, clot, cleaned, client, craft, graft, grade, great, get, God, good, goad, greed, glide, fat, fit, fade, freight, fright, fruit, afraid, frayed, void, vote, thought, threat, thread, east, oust, sheet, shut, shade, drought, doubt, doubts, shrewd, mat, meant, mend, mind, amount, friend, lend, lent, land around, round, rent, right, write, writ, raft, halved, hint, hind, heat, hot, head, hood, wit, watt, wait, weight, wind, wand, want, yet, grand, grant, gained, gland, ground, paint, pained, taint, trained, trend, chained.

The other principles are self-explanatory and they may be read and practiced under the instruction of your teacher.

**HALVING PRINCIPLE (SECTION 2):** This chapter provides special principles to halve certain strokes.

STROKES M, N, L, R:

Halving of	M	N	L(dn)	R(dn)
They are halved and thickened for addition of 'd'	MD	ND	LD	RD
Ex:	Aimed 	End 	Old 	Erred 
Intervening vowel	Can be written		Cannot be written	
Ex;	Made 	Need 	Load 	Road 
Hooks	May be added to MP and Ng and halved for addition of t or d		Cannot be added and LR or RR strokes are not halved to represent 'lert', 'rerd'.	
Ex:	Hampered 	Impugned 		

The other rules are self-explanatory and all the principles supported by the exercises may be practiced under the guidance of your teacher.

DOUBLING PRINCIPLE:

Just as a half-length stroke is suggested to be written shorter than half the length of the stroke, in doubling a stroke it is suggested that the double length stroke is written more than 2 strokes length.

Whereas in doubling a stroke, an additional syllable of ter, der, thr or ture is obtained, there is exception to the strokes MP or MB and Ng in doubling. They are doubled for addition of 'er' only.

Thus, there are alternative forms for MPR or MBR and for NG-Kr or Ng-Gr, viz., the double length form and the hooked form for each.

Whereas MP is written with right motion, NG is written with left motion and so after an upstroke and K, hooked form of MP is convenient and after down strokes and K the hooked form of NG is convenient. Basing upon this facility point of view, the rules for the alternative forms of MPR/MBR are framed and in case of NGR or NG-Kr, the double length form is used when following a circle or upstroke and initially in a word.

The length of the double length strokes creates problem of maintaining linearity, all the down strokes are written through the line as the words with double length strokes are many. But in case of upstrokes, as the words are few, they are written above, on and through lines.

In respect of horizontals, position is same in respect of full length, half-length and double length strokes. The exercises may be practiced after studying the rules in the chapter.

Every rule has importance and is motivated to facilitate the student to improve speed in note-taking and get accuracy in transcription. But, until standard in English language is improved sufficiently, it is suggested that outlines have to be provided with essential vowel signs to many words, because position alone cannot enable the student to decipher all outlines,

as may outlines in the same position represent two or even more words.

Ex: Needed

Ended

Indeed

Fighter

Father

Feature

fitter

fodder

Exercise 23: Write the following words in Shorthand

Fighter, fitter, feeder, feather, feature, after, voter, avoider, venture, offender, lavender, inventor, vendor, voucher, thither, laughter, aster, sister, ouster, shutter, shouter, mother, matter, meter, motor, mender, demander, enter, Centre

Ponder, powder, adopter, captor, spotter, spider, potter, plotter, pleader, better, brighter, broader, bender, binder, tighter, dictator, tractor, actor, sector, scooter, creator, brother, gather, leather, bother, letter, ladder, boulder, solder, lender, calendar, cylinder.

Sorter, disorder, order, orator, Arthur, murder, counter, seconder, scander, grafter, reminder, remainder.

Bomber, bumper, timber, chamber, somber, cumbersome, lumber, humbler, whimper, conquer, conquering, tinker, bunker, drinker, finger, thinker, monger, longer, rancor, singer, sinker, swinger, malingering, linger, anger, Ingersoll, anchorage, anchor, banker.

Daughter, auditor, totter, chatter, cater, litter

### DIPHONES:

There are simple vowels, there are diphthongs (two vowel sounds pronounced in one syllable) and there are two vowels pronounced separately but occurring consecutively. Such consecutive vowels pronounced separately are called as diphones. 'Di' means two and 'phones' means 'sounds'. There are only two signs to represent the combination of a Dot vowel and any other vowel ( ), and a Dash vowel and any other vowel ( ). Thus, there are only two signs to represent all the 144 vowel combinations.

Practice the exercises 95 to 98 in the textbook.

### MEDIAL SEMI CIRCLE (W)

In most cases, initial W is treated as a consonant and final W is ignored as it is not pronounced. But where W comes medially, followed by a vowel, and it is inconvenient to write the stroke W, both the consonant and the vowel are represented by semi-circles written either with left motion or right motion. A left motion semi-circle ' ' represents 'w + any of the dot vowels' while a right motion semi-circle ' ' represents 'w + any dash vowel'. The rules in the textbook are self-explanatory. You may practice the exercises 99 to 102 under the guidance of your teacher.

### PREFIXES:

Most of the abbreviated forms given in the previous chapters are either prefixes or suffixes or terminations, but as they had several rules for practice they are given under separate

chapters.

The remaining prefixes and suffixes which frequently occur in English are given in these chapters, Prefixes and Suffixes.

### Initial Com or Con:

There are a number of words beginning with 'com' or 'con' and these prefixes are expressed by a light dot written at the beginning of the following stroke, with few exceptions like Commission, connote, consul.

The position of the outlines depend upon the vowel after 'com' or 'con'.

Ex: Compact  Committee  control 

Exercise 24: Write the following words in Shorthand.

Company, compact, compel, compelled, compete, competition, complete, completion, compete, comprise, comply, comprised, companion, compromise, complicate, complication, combat, combustion, combination, combine, contain, contamination, conduct, conductor, control, controller, continue, contact, contract, contractor, contribute, contribution, contradict, contradiction, contradicted, condemnation, condone, condonation, condole, condolence, condolences, concoct, connect, connection, congratulate, congratulation, congregation, congruity, congress, confess, confession, confuse, confiscation, confection, configuration, conviction, convenience, convent, convention, convulse, concession, consist, conscious, concept, conception, consensus, conscientious, construe, consider, consideration, concede, conceal, conciliation, conceive, concrete, conclude, conclusion, consecutive, condone, comply, compliance, consign, consignor, consignee, commend, commendation, common, command, consent, consigned, convey, convince.

The other prefixes are limited. In their case, the position depends upon the first vowel in the prefix.

The rules may be read under the guidance of your teacher and the exercises thereunder in the text book be practiced.

DIPHONES, MEDIAL SEMI CIRCLES PREFIXES, SUFFIXES & TERMINATIONS:

Excepting the suffix 'ing', the other suffixes given have simple principles which can be adopted easily.

'ing' has two forms, one is the stroke and the other is represented by a . dot written at the bottom of the stroke. Where the stroke is convenient, stroke must be written. The text book suggests that the stroke is generally written and the few cases where 'ing' is represented by a dot are explained.

The rules may be read and the exercises practiced under the guidance of the teacher.

Exercise 25: Write the following words in Shorthand (use dot only where necessary).

Paying, spying, typing, keeping, reaping, leaping, shaping, playing, replying, praying, taping, rubbing, dubbing, hoping, eating, beating, getting, jotting, voting, rating, reaching, reading, leading, lodging, loading, endowing, enjoying, urging, waging, ledgering, managing, catching, fetching, matching, punching, pinching, launching, bunching, taking, talking, packing, backing, breaking, decking, tagging, rigging, scoffing, craving, engraving, cunning, scanning, beginning, gaining, passing, basing, chasing, purchasing, taxing, boxing, facing, refining, showing, saying, leaving, driving, dining, making, deeming, dining, designing, resigning, knowing, lying, carrying, borrowing, marrying, wooing, hoeing.

Spotting, spitting, plating, completing, printing, planting, drafting, brooding, bending, abiding, rotating, tending, chanting, granting, grading, greeting, skating, fighting, avoiding, finding, fitting, feeding, fidgeting, lighting, landing, belting, lending, running, burning, winning, turning, morning, roofing, observing, deserving, weaving, halving, muttering, entering, loitering, conjecturing, thundering.

Putting, speaking, surprising, being, subjecting, remembering, numbering, believing, telling, delivering, cheering, caring, calling, inscribing, giving, coming, going, signifying, thanking, thinking, wishing, influencing, remarking, improving, nearing.

Now, practice all the grammalogues so far covered in phonetic order and write down the following exercises as many times as possible to have a thorough and speedy reproduction.



## Revisionary III

quite — could — accord-ing — cared — guard — great —  
 called — equalled, cold — gold — that — without — wished —  
 cannot — gentleman — gentlemen — particular — opportunity —  
 child — building — told — tried — trade, toward — towards —  
 hand — under — chaired — cheered — sent — third —  
 short — spirit — yard — word — rather, writer — wonderfully —  
 Therefore — school — schooled — selfish-ness — inscribe-d —  
 inscription — instruction — instructive —

Revisionary 8  
 EXERCISE 8

Handwritten shorthand notes for Exercise 8, consisting of multiple lines of cursive shorthand symbols on ruled lines.

EXERCISE 9

Laziness is something that cannot be admired in this age of science. There is a strong opinion in the minds of the present generations that anything can be got without subjecting themselves to a great degree of hard work. But, how is it possible when there is all round growth both in the number of people and their acumen? There is no justification for the young brains to be idle for some time specially in their early years. You have to overhaul your thinking and shall have to put in something more just now. When you wish to master a subject like Shorthand, you have no other go but to master it in its true way. For this purpose, you need to improve your powers both physical and mental. At the same time you have to put away all your laziness and then only you can possibly do something. Those who are successful in this profession believe that hard work alone is the tool with which they could succeed and nothing else. Even when you consider yourself to be not so bright to achieve impossible goals such as this, by pure hard work you can show wonders. Within a short time, it is possible to prove yourself special. "The zealous shall always win and the lazy doom". Moreover, the mastery calls for higher levels of attention and listening skills. You should have keen ears which ought to grab the small remark made in the thick of noise. At first, it may appear to be much more difficult for you to cope with the stress, but you will be able to enjoy the art to your heart's content. A master of shorthand can largely influence many with his deliverance in a group of members. This particular art builds in you the power of reasoning as the same outline is provided for different words and unless you are able to know the difference between these words you will not be able to use the right word at the right place. Thus, if you wish to achieve mastery in this particular subject, you should get rid of laziness. There are truly wonderful ways of overcoming the obstacle by sheer hard work. You will not be surprised to see a stammered speaking as freely as anybody else and this is a good example of the beauty of hard work. I hope that you will follow my advice sincerely and obtain positive results. Unless you do it as a child, in this age of severe rivalry, you may not be able to set an example for others in your family. (436 words)

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840.

## IMPORTANT OUTLINES

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## KEY FOR REVISIONARY EXERCISES

### EXERCISE 8

I am quite surprised to see you all in this particular building which was built by a great King about thousand years ago. This is a wonderful masterpiece and only the third one in the rather long history of our State. The inscription that was on the northern side of the building, according to an important writer, was in the ancient language and called for great study. Those who are aware of this, for some time could guard this as a secret. However, we are told that those gentlemen had come out to tell the truth to the cheer of a number of members who felt the inscription dear. During all these years, we are told; this has been kept under the carpet till today, and just now they called for a meeting of important officials to tell the circumstances in which they were forced to guard it. On behalf of the gentlemen, Mr. Raj, who chaired the meeting, believed that there was instruction to reveal the significant truth and therefore they came out. The inscription tells that there is gold under the statue in the central hall and people who tried to get something at all costs were chased by the spirits. Those who are not selfish and who wished the cheer and growth of the people in general should take the opportunity to bring to light the treasure. Although all this is told in the school books, nothing could be said to be true unless there is subjective valuation of the facts. The child who was short of know-how told to undertake the job and sent shock waves among the many doctors who were in the scene. According to the larger section of the people it is a mere dream that the child cannot succeed as the months ahead are cold and it is difficult to dig even a yard. "How can you believe the words of a child when he thinks that he can do something impossible", everyone asked the members. But, there is something special in the words of the young child as he is blessed with powers of influence and owing to this opinion in general, we are able to believe his words. There is no justification to remark that people who do not have the age should not do something beyond belief. Usually, it is the opinion that gentlemen with enough skill and age on their side generally deliver impossible instructions. I myself had the pleasure to enjoy equally the great success of such golden people. It does not surprise me though that you should surely believe these words. (435 words)

[illegible]

## EXERCISE 10

Today, Bank is an important organ in everyone's life. Not only people keep their dear money in the bank because it is safe, but there are several reasons why they do so. Principally, it is the extra money they get by way of incentive. Even if something is drawn from it, the balance gives you more money, which, I am sure, you cannot afford to miss. There is therefore every necessity for gentlemen to open an account in the bank, see their money cared for, for many years and at the same time grow beyond their imagination. Of course, some people believe otherwise. They are of the view that there is no advantage for doing so during these years when the rates are very low because much less money is earned within a short period. However, they should not forget the fact that their money is safe. The principal way of drawing money is by cheque. But, there are other ways now. Any or all the ways can be tried. I am not surprised that several people are surely aware of these and make use of one or the other forms during their day-to-day business. Apart from the safety, the bank also offers other services for the advantage of its clients. On behalf of its customers, it collects the cheques from other banks. It provides easy credit at significantly low rates. If you have a child, it offers advance for its education too, subject to conditions. All these things are factors which influence one's decision to visit the Banks. According to the figures given out by the Reserve Bank, the number of new private banks given permission during the last year was about ten and in our opinion it may be more this year. But, there is also a complaint that banks take too much liberty of the powers and subject the small business people to untold suffering till they close their accounts. On the other side, there are people in the high society who take undue advantage of the liberal loan facility and fail to repay the same within the short but promised period. This largely affects the effectiveness of the Banks. They will be unable to help those who are in urgent need of assistance. The rate at which the Banks should extend the facilities will be decided by the Reserve Bank, also called the Mother of all Banks, in its credit policy during April and October of every year. The foreigners have the general belief that banks in the Southern States are helpful than those in the Northern region. (432 words)

Some important tips for shorthand writing:

So far you have learnt how to write the outlines as per rules. It is essential to follow the rules, but at the same time the objective of learning shorthand and speed writing can be achieved by implementing the following tips.

- I. **Never violate the basic principles of Shorthand**
  - a. Correct Length of the stroke
  - b. Correct position writing
  - c. Indicate essential / differentiating vowels whenever similar structured outlines occur.
- II. **Practice thoroughly the grammalogues and contractions (both general and special).**
  - a. For this purpose, the grammalogues and contractions arranged in phonetic order (and not in alphabetic order as mentioned in the text book) will be advantageous.
  - b. Practice daily all the above at least twice till you are confident of writing the same at any speed.
  - c. The practice should be in such a way that there is more stress on writing and recollecting the structure of the outline without reference to the English word.
- III. **Practice the following 10 exercises with utmost attention, as they are built on common words occurring in the English language and majority of the examination papers. This should be ensured till you acquire mastery over the words and their outlines.**
- IV. **During this practice concentrate on writing the correct outline in correct position in its correct length i.e. following the basic principles.**
- V. **The objective during this practice is only to apply the theory of Shorthand in writing the outlines.**
- VI. **Do not be hasty to write more speedily at the cost of perfection.**
- VII. **First read the shorthand passage. Whenever you come across any difficulty, refer to the text or the teacher for clarification.**
- VIII. **After writing the dictation at a speed of 40 wpm., try to read the same without the assistance of the text or the teacher.**
- Slowly increase the speed in spells of ten words per minute.**
- IX.
- X. **It is important to realize and indicate the punctuation marks especially full stop.**
  - a. Thorough with the common words occurring in the language
  - b. Writing these words at 60 wpm and identifying the same without difficulty.



## SPEED SPURT DRILLS @50wpm

## EXERCISE-1

We considered recently a few points regarding shorthand writing. And it may be of interest if we now deal with / those points in a little more detail. You may remember that our first point was that you, as shorthand writers // should not regard any sort of paper as good enough for shorthand notes. If the paper you use is /// of poor quality you are making it less easy for yourself in your attempts to write at a higher rate. Your {1} writing materials should always be of the very best quality, both in your school work and at the office. Also, / you must train yourself to turn over a page very quickly. Otherwise you will find that, by the time you // have turned the page, the reader will be too many words in front of you. It has been found that // many shorthand writers fail to pass shorthand tests simply because they have taken too long to turn over the page, {2} and so have lost several words. It is easy to understand this when you consider that when you are writing / at the rate of 60 words a minute you are writing one word a second when you are writing at // 120 words a minute you are writing two words a second. It is quite clear, therefore, that /// you must not waste 5 or more of your valuable seconds on turning over a page. It must be turned {3} without the waste of one second.

Our next point was that the writer should develop a light and easy touch, / passing very quickly from one outline to the next and from the end of one line to the beginning // of the next. We very often see shorthand writers in the early days of their training, writing much too heavily.

/// Every attempt should be made to overcome this, and it is never too soon to begin. You can find out in {4} the following way whether you yourself are writing too heavily. When you have written a page of shorthand turn to / the back of the page and see whether any marks of your writing show through the paper. If they // do, you will know that you are not writing lightly enough to get the best results. The notes of the good /// shorthand writer can never be seen on the back of the paper.

The third point was that you should have {5} a really good knowledge of the rules of the system and of the special Short Forms, as you cannot hope / to build up a high rate of writing if you do not know the rules of the system. The Short // Forms, by the way, represent large part of any matter which you are likely to be called upon to /// take down in shorthand, and it will be of great value to you if you can write them easily and {6} quickly, without trouble. Read and copy well-written shorthand. In this way you will form in your mind pictures of / the outlines for a great many words. When matter is read out to you these pictures will come at once // to your mind and you will be able to put the outlines on to the paper without loss of time. If, /// when taking down, there is a doubt in your mind as to what is the right outline for a word, write something (7) which represents the sound of the word.

## EXERCISE-1

[illegible]

۱- در صورتی که در یک سال دو بار بارش باشد، بارش را در هر دو سال تقسیم می‌کنند.  
 ۲- در صورتی که در یک سال سه بار بارش باشد، بارش را در هر سه سال تقسیم می‌کنند.  
 ۳- در صورتی که در یک سال چهار بار بارش باشد، بارش را در هر چهار سال تقسیم می‌کنند.  
 ۴- در صورتی که در یک سال پنج بار بارش باشد، بارش را در هر پنج سال تقسیم می‌کنند.  
 ۵- در صورتی که در یک سال شش بار بارش باشد، بارش را در هر شش سال تقسیم می‌کنند.

*[Handwritten notes in Amharic script]*

## EXERCISE-2

A little while ago we considered the rather strange fact that it is very often the people who talk most / about the “good old days” who at other times tell us about the very hard times they had in their // own early days. In-these easy-going days, they say, young people do not know what it is to work really /// hard , and, they continue, it is as a direct result of their own hard work that they are today {1} the men they are. And we, of course, are left in no doubt whatever that we of the present day / can never hope to be as good men and women as our fathers and mothers.

If this is the case, // the country today is in a very bad way. But is it the case? If the young people of /// today are of poorer quality than their fathers and mothers, we may ask whether the old people of today {2} are in their turn of poorer quality than their fathers and mothers, who no doubt had to face even / less easy conditions. Clearly, this cannot be the case, for if we are today any better than the people // of a thousand or two thousand years ago, it is because on the whole the young people at any given /// time have been as good as the old people, and even a little better. The material conditions of life for {3} the masses of the people of this country are better today than they have ever been. People generally have / better food, better houses and better schools. More care is taken to see that young people, as far as possible, // work of a kind which will interest them. And almost all large business houses now provide playing fields /// for their workers.

Not only are these better conditions offered to the people – it is of equal importance to note {4} that the people are making full use of the better conditions. Authorities all over the country have provided schools where / those who are at work during the day may increase their knowledge in their free time, either without charge or // at a very low cost; and the attendances at such schools are growing yearly. Women all over the country and /// in every station of life are learning the food values of different kinds of food, and people generally are moving {5} into the better kind of houses as soon as it is possible for them to do so. More people own / their own houses today than at any time in our history.

It is quite true that to learn to face // up to troubles and a hard life is a valuable part of our training; but even though the material /// conditions of our lives are better, we still have enough troubles to face to overcome in our own times without {6} wishing to turn our steps back into the past in our order to find still more.

That girls and young / women are today in a better position than their mothers were would not be questioned by many. They can lead // very much wider and happier lives, and it is certainly not the women who talk with love about the good /// old days. In the case of men, it is a different story, each one working hard in his youth days. {7}

## EXERCISE-2

[illegible]

### EXERCISE-3

It was a lovely river. It was wide and full of water in both summer and winter. In summer the / water was usually blue and its never-ending movement towards the sea was so peaceful that it could not be // seen except by the most careful observation. In winter the water often ran more quickly and the color became blacker /// but even so it continued to be a good river. It kept well within its high banks, it was clean, {1} and it did not have places that were dangerous for the little sailing ships that used it as a playground. /

Not all rivers are so kind to those who live near them. People used to live near are right on // the banks of rivers because they required clean water for the many purposes of life. Today water can be brought /// to people over considerable distances, and it is not necessary to live near a river to exist. In these days {2} people like to live near rivers because they like to look at them or to sail on them. There are / very few of us who do not find happiness in sitting and watching a large body of water. Houses that // have good views of a river or of the sea or of any other mass of water can usually be /// sold at a high price. There is always a demand for houses in such planning situations.

High point was such {3} a house. It was one of a small number of large houses built on a place of land some 200 / or 300 feet above the river and the little town through which it passed. A young woman sat // at a wide window of high point, reading a book. The evening light played on her golden coloring, and she /// was beautiful. She put down the book and looked out over the well-kept grounds of the house and down {4} to the river.

“How lovely and peaceful it is here, she thought. “There is still enough light for me to / have an hour on the river in flying sails before the day quite dies. We have so few of these // lovely days that we may as well make the best of them when we have the opportunity.”

Perhaps she did /// not use just those words but her thoughts were along those lines as she got up and moved away from {5} the window and towards the open door.

“Penny!” she cried, “Penny!”

“Yes?” came a distant answer.

“What about an hour’s / sail on the river before we go to bed?  
It is such a waste to go early to bed on // a night like this!”

As she was speaking she had run up to her friend’s bedroom. Usually Penny would have /// come running out of her room very quickly at the thought of going on the river, for she dearly loved {6} sailing particularly in the evening or early morning when the lights on the water gave her wonderful ideas for her / water color paintings. Young as she was, she was quite an expert in this art. She loved to spend a // week or to at High point, not only because she liked the company of her golden friend, whom she thought /// was the most beautiful girl she had ever seen, but also because there were wonderful views from the house on all sides. {7}

## EXERCISE-3

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## EXERCISE-4

It is regrettable that we so often hear it said that young people get themselves into situations of trouble and / difficulty simply because they do not know how to spend their time usefully and happily. This is a very poor // state of things when we consider for a moment how many useful and pleasurable things there are for us to /// do today. There are many happy ways of passing the time, both at home and out of doors: there are {1} things we can do to help ourselves and, equally important or even more important, there are many things we can / do to help others.

When I was growing up there was no TV but we had a radio set // and, of course, we have records. There were the old kind of record now known as 78, and one /// side of a record played for about two and a half minutes. My mother liked all of the family to {2} be at home on Sunday evenings; she did not like us to go out but we were free to ask / to the house any of our friends. The number of young people who sat down at table for the evening // meal was sometimes 20 and was always more than 12, so we were a large and happy party. It became

/// our custom when the meal was at an end, to continue to sit round the table for an hour or {3} two while records were played. The machine was not of the electric-save-you trouble kind that we now use / but had a motor that required attention at the end of each side of a record, and, of course, it // played only one record at a time. This meant that one of our number had to take on the responsibility /// of keeping the machine going and putting on the records. My father used to bring home a new record most {4} weekends, so that we had a good many. People used to call out for record they desired to hear, / and no one seemed to want to talk while the record was playing as is done so often now. Therefore, // we were able to hear the records in place and we got to know every detail of them.

We all /// loved this hour or two of record-playing very much, and I know that it lives in the memories of {5} all those who were present on those evenings. We had very good time at very little cost, and no one / had the smallest desire to go out and make life difficult for some other person. On the Saturday evenings we // generally had a party also, but they were much more free and easy, and were certainly not planned with the /// idea of having a peaceful time. We always asked the people next door to come to the parties so that {6} they would not be upset by the sounds that without doubt used from our house. What a good time we / used to have! And it was a good time in which the whole family and any of their friends who // wished to play a part. I expect my mother had to work hard on Fridays, but we all did something /// to help and there is no doubt that everyone seemed to like those weekends. It was surely a pleasing experience. {7}

## EXERCISE-4

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## EXERCISE-5

Time, as we have remarked before, is the most valuable thing that we have to spend. We can use our / time or we can waste it, just as we can use or waste our money. There is one very important // difference between time and money, however. All the people who are reading these words own different amounts of money; no /// two people, in all probability, would be found to have just the same sum, down to the last penny, if {1} all the money to which they had a right were put down on the table. But everyone has the / same amount of time. We all have our 24 hours each day, and for every one of us the // hour will supply just sixty minutes of time, no more and no less, The minute will give us sixty seconds, /// no more and no less, and there is nothing whatever that we can do about it, try as we may. {2} Sometimes we long to make time pass more quickly because we are waiting for something wonderful to happen, and sometimes / we long to make the time pass less quickly because we like the present moment so much. Science, which has // done such wonderful things, has not yet found a way to change this regular passing of time.

It does not /// seem certain, however, that time is really quite the same for every one of us. It is true that we {3} cannot get away from the seconds, minutes and hours of each day, but it is possible that some people have / a feeling for time which is different from that of other people. This may account for the fact that there // are people who seem to be able to get through a great amount of work in quite a short time /// while there are others who, no matter how hard they work, seem to get very little done. This is not {4} the result of any real difference in time itself, however, it is probably owing to a difference in the way / that our minds work. If one person has a mind that is very quick, that sees the point of some // remark at once, that knows the answer to a question almost before the question has been asked – then that person /// is certainly likely to do more in any given time than the person who needs to look this way and {5} that before seeing the point of a remark, and who has to think hard and long before being able to /answer a question. That is a difference in the mind, not in the passing of time.

Much of our time // is spent at work, in school, office or home, but it is a poor day that offers us no time /// at all to spend how we like, and the way we spend those few hours that we have to ourselves {6} differs from person to person. In these days quite a considerable part of people's free time is spent in watching / TV. Before the coming of TV people spent more time with the radio. Before the radio came there // were the pictures, and before that there were books. All these ways of spending time now exist /// together, and we have many ways of keeping ourselves interested. It has always been considered respectable to read important books. {7}

## EXERCISE-5

[illegible]

## EXERCISE-6

Sometimes it seems that the more we know and the more we learn, the less remarkable we consider our learning / and our knowledge to be. When other people can do something that we ourselves cannot do we think that those // people must be very wonderful indeed; we think that they must be of much more worth than we ourselves are. /// Yes, as soon as we can do that same thing we think nothing of it, and begin to look round {1} for something new to learn or to do.

It even seems that we act in this same way in our / thoughts about the new goods and the new machines that are so often and so readily put before us in // these days. It is, perhaps, difficult to continue to find each new thing so very remarkable when new and better /// things follow one another at such a great rate. We still find ourselves greatly interested, however, when something quite new {2} comes along. The first plane to fly over water looks a very poor thing if we see it now, but / it certainly caused more talk and general interest than the largest and most modern plane causes today, let it have // four engines or eight engines, or as many as the engineers wish. Planes are no longer new, and they are /// hardly even news. The public expects its engineers and its men of science to bring out newer and larger and {3} better planes. For what does the public pay taxes if not for such things, one might ask?

The first man / made object to free itself from the earth's pull and to fly off to the outer distances may be worth // several times in the newspaper. The second such object may be much bigger and it may leave the earth much /// more quickly, but because it is not the first it cannot hope to get the interest of the public in {4} the same way.

In those days we have the most wonderful machines to do for us addition, division and other / sums. A thousand sums in a second is nothing to such a machine. Quickly and still more quickly the figures // fly, but the public hardly cares. It is probable that there was much more interest three hundred years ago in /// the first adding machine ever made. That first machine was made by a young man in the attempt to lessen {5} the labors of his father, who was responsible for taxation and who worked long hours adding up figures. Further machines / followed, and it is interesting to note that all those early machines were made by people working by themselves, all // on their own. In these days the usual thing is for organized workers to act together in such matters.

The /// first machine could work only addition or take away sums, but in a few years a machine was made that {6} could be used for division and that represented a most important step in the development of such machines. The quick / development of this country during the Machine Age, a hundred or more years ago, brought with it a growing demand // for adding machines. Business and industrial growth took place side by side with the growth in the size of the /// banks and the increased use of the credit system. It was natural that the time soon came to most banks. {7}

## EXERCISE-6

[illegible]

Handwritten notes in Amharic script, likely related to the historical context or details of the manuscript.

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$\frac{1}{2} = 110$ 
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## EXERCISE-7

Today we have so many different means of getting comfortably and quickly from one place to another that we perhaps / do not value some of these means as much as we ought. In the early days of man's development he // had to walk or to run if he desired to get from one place to another. Then after many years, /// he discovered that he could sit on the back of an animal if he moved on land, and in this {1} way he sat at ease while the animal labored for him. The animal used naturally differed in different countries. A / very important development came when men discovered that they could move across water. The object that carried them over the

// water in those far – off days could not be called a ship as we understand that word today. Poor as /// the methods may have been, however, they did let men reach places that would be otherwise cut off by water. {2} For thousands of years there was no development beyond this. There existed no quick means of movement. Life was simple / and hard.

But things do not stand still. We must, we are told, move onwards or move back, and men // seem always to have desired to move forward. No matter what point they reach, they always see something more calling /// them onwards. Out of this desire for a better material life came good roads, big ships, railways, motor-cars and {3} planes. So used are we to wonderful plans and to powerful motor-cars that we are in danger of under - / valuing the railway, that rather out of date method of moving across the country! Few people in these days use // the railway for pleasure; they use it because it is a useful means of getting somewhere reasonably quickly. If a

/// friend tells us that he is going some-where by plane we are immediately interested. If he tells us that he {4} has bought a handsome new car and is going to such and such a place we are likely to be / interested. If he is going overseas in one of the large and modern ships all his friends will want to // see him off. Let him go to rail, however, and no one will take the smallest interest in him. Railways /// are alright in their way, but they are not 'news!'

Yet the railway has played an important part in {5} the greatness of our country. Railways have quite a long history if we go back to the times when the / trains were led by horses, but they have a history of only a hundred or so years when we speak // of the railway in its modern form. The present heavy railway, with great engines and iron or steel railway lines, /// was developed in this country, and from here it was soon sent to most parts of the world. The English {6} built railways were found not only in this country but in other countries overseas, and in a remarkably short time / engines were carrying trains full of people and goods at rates as high as those used today.

These rates do // not seem very remarkable today, used as we are to hearing of planes moving at five hundred or a thousand /// miles an hour, but they seemed very remarkable to people a hundred years ago when there were no motor cars. {7}

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## EXERCISE-8

It seems to me that there are three principal ways in which we can learn to do things or to / understand things – looking, reading or hearing. We can watch things done by other people, and copy their movements and actions. // This is the way in which we learn when we are very young. Babies, and all young animals, of course, /// are very quick to copy the acts of their mothers, and in this way they learn a very great amount {1} in a remarkably short time. We continue throughout our lives to learn in this way for we are always seeing / others do certain things in certain ways and then making some attempt to carry out like acts ourselves. When we // grow up however, we are able to make observations within much wider limits and we are free to learn great /// numbers of things simply by watching. Not only can we see the life going on round about us, but we {2} have also brought right into the home the moving picture and the TV set. There is perhaps, no more / interesting and successful method of learning about other countries than to watch moving pictures that have been taken in those // places. Most of us find it much easier to remember what we have seen than to remember what we have ///read in a book or have been told. Even a very good writer, telling us of scenes and doings in {3} far – off lands cannot bring to our minds so clear a picture of those countries as can a quite short / moving picture. That is why many schools use both TV and the moving picture in the course of instruction // in subjects as different from one another as history and science. In such subjects mere reading is not enough to /// give a complete picture of the material under consideration.

We can, then, use our eyes when we want to learn, {4} using our powers of seeing and of observation. We must also however, use our powers of hearing. To most of / us this is a difficult way of learning, and we have often to work quite hard to master the art // of learning through hearing, an exception is of course, the subject of languages, for clearly there is no better way /// to learn a language than to hear other people speaking it. Mere book knowledge of a language is a poor {5} thing, for a language does not really live until it is used. When, however, we are dealing with ideas learning / through hearing becomes more difficult. We have to learn first to pay attention. How often does a teacher say: “Pay // attention, please!” And how necessary are the words if no notes are being taken the words once said have gone /// forever. If they live at all it must be in the memories of those who have heard the words. {6} When we first go to school we think we are learning to write and to read and to do little / sums, but in fact we are also learning something of even more importance: we are learning to pay attention, to // hear what the teacher says, and to hold it in our memories. The person who is able to pay attention /// is a much better learner than the person whose mind is always going off into the other fields of thought. {7}

## EXERCISE-8

۱۔ اے میرے دوست! میں نے تجھے بہت سے خط لکھے ہیں۔  
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۱۔ اے میرے دوست! میں نے تجھے بہت سے خط لکھے ہیں۔  
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## EXERCISE-9

From the lives of great men we learn many things, much that is of value to us in our own / lives. Not the least important thing, perhaps, which the life of almost any great man teaches us is that we // have time to do those things which we most want to do. As young people we talk lightly of what /// we would do if only we had the time: as old people we look back upon lost opportunities and wish {1} that we had had the time to follow this course of action, that line of training. But again and again, / as we read the stories of the lives of those who have done great things, of those whose names will // be forever remembered, the knowledge is forced upon us that our trouble is not that we have too little /// time but that we have too little desire. Our desire to move in a certain direction is not strong enough {2} to influence us to take the necessary steps, to use for that purpose the hours which are being spent in / other and possibly less profitable ways. If the desire to act and the will to work are there, then we // shall find both the time and the opportunity.

These thoughts come to the mind upon reading a recently published book /// in which the writer tells in outline the story of the lives of fifteen great men. From the many remarkable {3} men who have lived during the past five hundred years the writer has taken those men who, by their thought / and by their labor, were able to discover a great principle some deep truth about the laws of nature which // had not before been known men who in this way added greatly to the knowledge and learning of the world /// and so took all men one big step forward in the long march towards a better understanding of the forces {4} which govern our world. It is not possible to read this book or indeed any book of this nature without / feeling an increased respect for the power of man's mind, an increased respect for his learning, for his continued attempts // to find the truth even when faced with great difficulties.

The life of each of these men, it need hardly /// be said differs in detail. Some of them showed themselves even as children to have reasoning powers beyond what we {5} regard as usual: others were just simple children showing no special powers of any kind during their early years. Some / were one idea men, working only in their special field: others developed remarkable minds and became better than most men // in most field of learning. But common to them all was the power to work for very long hours, hours /// spent in deep thought, in careful planning, in the perfecting of ideas, and the putting of results together piece by {6} piece to make the whole - a whole which was to surprise the world. Most of them lived to an old / age, few dying before reaching seventy years of age and several living to be over eighty. Naturally, the thought must // come: Was there any connection between these two facts? Did these men work beyond the powers of common people because /// they were strong in body beyond the common person? Or did they owe their long lives because they lived for {7} their ideas.

## EXERCISE-9

*(Handwritten notes in English script)*

[illegible]

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840.

## EXERCISE-10

Paper itself has come to us from the Far East where it was first used, but the word paper has / come down to us from the Near East and different forms of the word are found in several languages. Paper // is certainly one of the most common things in the modern world. Everyday masses of it are used: every /// day masses of it are burnt: and everyday masses more of it made and supplied to the waiting {1} people of the world.

People always want paper and the manufacturer of it need not fear that the demand for / his product will fall off. Without paper our modern life would, at least for a time, come to a complete // stop. It is indeed very much to be questioned whether our modern life could ever have come about had there /// been no paper or some other product of a like nature which was cheap, lasting, and serviceable.

Without paper we {2} could not write letters to one another. Millions of letters are written every day, some very important and some of / little importance, and they are written on paper. Before the use of paper, writing had first been done // by cutting the characters out of stone and later by using materials which cost so much that only such people /// as Kings and army leaders could have them. The common people could not write and it would have been useless {3} had they been able to write because there would have been nothing on which to write. And of course, we / can see at once how impossible it would be to teach people to write if there was no cheap material // on which to write.

Today, we in this country all go to school as children and there we learn to /// write and to read, and as soon as we can write and read simple words we begin to learn other {4} things until most of us end up by knowing something about quite a number of things. Some know more and / some know rather less, but it is just about impossible to find anyone in this country today who has not // had the opportunity to learn. And for this happy state of things we generally thank the Government. Little more than /// a hundred years ago it was by no means a natural thing for all children to go to school: but {5} the Governments that have followed one another throughout the years have made it more and more possible for young people / to go to school until we have reached the state today when we believe that not only should all children // go to school and so learn to read and to write. But we believe further that all children should be /// given the opportunity to receive higher education if they show themselves able to take advantage of such training.

The Governments {6} have been very wise and helpful in passing all the Acts which have brought us to this happy state, but / the fact is that it was really the supply of cheap paper in great amounts that made it possible for // us all to learn. Can we picture what school life would be like without our notebooks and our instruction books? /// There would stand a teacher and facing him would sit twenty or so little children longing to read and write. {7}

## EXERCISE-10

ከፍተኛው የሥራ ጥራ ለማረጋገጥ የሚያስፈልገው የሥራ ጥራ ነው።  
 ይህም የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ ነው።

የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ ነው።  
 ከፍተኛው የሥራ ጥራ ለማረጋገጥ የሚያስፈልገው የሥራ ጥራ ነው።

የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ ነው።  
 ከፍተኛው የሥራ ጥራ ለማረጋገጥ የሚያስፈልገው የሥራ ጥራ ነው።  
 ይህም የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ ነው።

የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ ነው።  
 ከፍተኛው የሥራ ጥራ ለማረጋገጥ የሚያስፈልገው የሥራ ጥራ ነው።  
 ይህም የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ ነው።  
 ከፍተኛው የሥራ ጥራ ለማረጋገጥ የሚያስፈልገው የሥራ ጥራ ነው።  
 ይህም የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ ነው።

የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ ነው።  
 ከፍተኛው የሥራ ጥራ ለማረጋገጥ የሚያስፈልገው የሥራ ጥራ ነው።  
 ይህም የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ የሥራ ጥራ ነው።  
 ከፍተኛው የሥራ ጥራ ለማረጋገጥ የሚያስፈልገው የሥራ ጥራ ነው።

Now you have reached a stage of writing the outlines for any word based on the principles of Shorthand at speed of 60 wpm.

It is time now to improve your skill of writing the shorthand more speedily. The following tips are offered to acquire more speed without compromising on the basic principles.

It is not possible to acquire speed by writing individual words. For this, you have to write two or three words together by forming phrases.

Here, 'a phrase is grouping of words together'. But this grouping should not affect the following essential features.

- a) It should be facilitative
- b) It should not go too far above or below the line of writing.
- c) Most importantly, it should be easy to identify or read back.

For this purpose, the principles applied in Special Contractions can be of immense help. Remember, these rules are applied to single words. Now, we shall apply the same in the case of group of words also.

Thus, whenever you want to write a phrase, try to adopt the following techniques.

- i. To the extent possible the first two or three strokes in the first word should be written while some of the strokes in the other words can be eliminated.
- ii. Never compromise on the important aspect of confining to the line of writing. For this purpose, you should not join too many words for the sake of facility, if it goes too far above or below the line of writing. In that case, you may split the phrase into two.
- iii. The phrase you are writing must be facilitative to write at any rate of speed. Thus, the new phrase should be practiced number of times first slowly and later picking up the speed till you can write the phrase with ease and without compromise on the quality and deciphering features.
- iv. Thus, you may form your own phrases because you know your strengths and weaknesses in writing and deciphering the outlines.
- v. In the passages, applying the above rules certain short forms have been used. Try to understand the principle and the logic involved in forming them and apply them. For the convenience, in the last line of every passage, such short forms/phrases have been reproduced.

Now, practice the following passages from 11 to 25, with emphasis on forming phrases and acquiring speed @ 70 and 80 wpm.

During this stage, try to observe the formation of phrases. Whenever you fail to understand the rule/logic involved, discuss with the teacher. When you understand the principle behind the formation of the phrase in the shorthand passage, it is not difficult to apply the same while writing at varied speeds.

Never forget to indicate the punctuation marks especially full stop. Indication of the full stop at the end of a sentence will reduce your transcription errors to a great extent.

## SPEED SPURT DRILLS @60wpm

## EXERCISE-11

Friends, I-have-great-pleasure in meeting you all on-the occasion of-your completing the training-course in-this-/-institution. You-have come from various districts for-the purpose of-this training. You-will-be going back to-your // places and-taking charge of-your duties in-your area. At-this juncture, I-think it-is-necessary for-me /// to-tell-you some-important things you-will-have to-remember while discharging your work.

As you all know, one-{1}-of-your duties is to see that-the children of school going age in-the villages attend school without fail. / It-is also a fact that some parents are-not willing to-send their children to school even at-the // age of seven. You-will-have to-meet them and-convince them that educating a child is-their main responsibility. /// you- can get-the co-operation of-the teachers also for-this purpose. If-you-are-able-to explain to-the {2} mother that her child will-be looked after properly during school hours, she-will send her child to school. When-/-you visit-the villages you-may come across older people who-have-not learnt to-read or write. You-should // tell them that-it-is better for-them to attend-the Adult-Education Centers and become literate. There-is also /// another item of work which-you-have to-do in-the villages under your care. It-is -the health care {3} of the children.

You-may-be aware of-the-fact-that-the children die due to-many diseases that can-/-be prevented. This happens because of-the ignorance of-the-mothers There-are facilities to-protect-the children from various // diseases. If prompt and timely steps are taken, they can-be saved from-their sufferings. It-is one-of-your /// duties to educate-the people in villages so-that-the children may-not-be made to-suffer from diseases.

There-{4}-is also a need to see that-the people in villages are-able-to get pure drinking water. In-this-/-matter also, you-can-play a great role and help-the people. I-am-sure that-you-will keep // in mind all-that I-have-said now.

I-hope that-the training which-you-have received here, will help-you /// to perform your duties to-the best-of-your-ability. I-wish-you all-success in-your endeavor. Thank-you, {5}

Letter-from Messrs. Giri Agencies, Salem to-Messrs. Hari Traders, Madurai.

Dear Sirs, We write this letter to remind you / of-your outstanding accounts with-us. We would-like to request you to send us your cheque within a week // in payment of-those accounts. In-spite-of-our several letters to-you recently, we-have-not received any reply /// from-you. When your representative called on us, some months back, he stated that-he-would settle-the accounts as-{6}-early-as-possible. We-are-sorry that-there-was no action on-his part. We-are-not in-a-position / to understand your silence.

You-will-remember that our relations with-you have-been very pleasant during-the past. In-/-view of -that, we-did-not-want to-take any action in-the-matter against you. We-hope-you-will- ///-not compel us to resort to any steps that will spoil our good relationship. Expecting your early response. Yours-faithfully, {7}

## EXERCISE-11

1.  $\frac{1}{x^2} = x^{-2}$   
 $\frac{d}{dx} x^{-2} = -2x^{-3} = -\frac{2}{x^3}$

[illegible]

1.  $\frac{1}{x^2} = x^{-2}$   
 $\frac{d}{dx} x^{-2} = -2x^{-3} = -\frac{2}{x^3}$

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$\frac{1}{x^2} = x^{-2}$

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$\frac{1}{2} \times \frac{1}{2} = \frac{1}{4}$   
 $\frac{1}{2} \times \frac{1}{3} = \frac{1}{6}$   
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## EXERCISE-12

Ladies-and-Gentlemen, At-the-outset, I-would-like to-thank-you for-the opportunity that-has-been given to-/me to-speak on-the food problem in-the-country. In-this-connection, I-would-like to-bring to-your // notice that-the-Government have-been taking all necessary steps to-solve-the issues arising out-of this problem. As /// you know, the people of-this-country generally expect that-the-Government should continue to-grant food subsidy, as-a-{1}-matter-of-right. Taking-into -consideration, the needs of-the people, the Government are opening ration shops in rural as-/-well-as urban areas.

I-want to-make-it clear that though a large-number-of measures are being taken // by-the-Government there-has-been a growing demand for a lot more to-be done. I-hope-that-you-are-/// -aware of-the-fact-that it-is very necessary to-supply food articles at subsidized rates only to-those-who {2} live below poverty line. You-may-be surprised to know-that a good portion of-the subsidy is being utilized / by-the rich section of-the people also. Of-course, there-are a large-number-of bogus ration cards among-//the general public. In-my-opinion, these have to-be identified and weeded out as-soon-as-possible. I-hope-///-you will-agree-with me when I-say this. In-spite-of all-our best efforts, nature is also against {3} us so-far-as rains are concerned. There-has-been failure of monsoon for-a-long-time. At-the-same-/-time, the drought situation on-account-of-this, is creating great problems for-the-Government. You-have to-bear-in-//mind that-they-have to-take relief measures so-far-as-the people living in-the drought affected areas are /// concerned.

I-hope-and-trust that-the coupon system that-has-been introduced recently for-the issue of-rice to-{4}-the general public will go a long-way in helping the Government to cut-down, to a certain extent, the / subsidy that-has-been given during-the-last-few-years. As-a-matter-of-fact, the most-important thing is // that-the people should also realize-the difficulties faced by-the-Government in-that matter. I-do-not-want to-///-take much of-your time and-I-would-like to conclude my speech, once-again thanking-you for-this opportunity {5}.

Letter-from Gopal and Sons, Mumbai to Ravi and Company, Chennai.

Dear-Sirs, We-are-in-receipt-of-your-letter / and-we-thank-you for-your continued support. We-would like-to inform-you that-the goods required by-you // will-be sent to-you as-early-as-possible.

We-are-very-happy to-receive your order. But, at-the-///-same-time, we-regret very-much to know that-the goods sent by us last-month have-not reached-you {6} in good condition. As you-are-aware, we-are taking all efforts to send-the goods in-time and-in / good condition. We would -like to apologize for what-has happened now. We-shall-be very-much obliged if-you // kindly bear with-us for-this particular mistake. We shall take back-the damaged goods and replace them. We- would-///-like-to-assure-you that-we-will see that-this kind of-problem does-not recur in-future. Yours-faithfully, {7}



[illegible]

Handwritten musical notation on five-line staves, featuring various notes, rests, and bar lines.

Handwritten practice on lined paper showing various cursive letters and combinations, including 'y', 'z', 'a', 'b', 'c', 'd', 'e', 'f', 'g', 'h', 'i', 'j', 'k', 'l', 'm', 'n', 'o', 'p', 'q', 'r', 's', 't', 'u', 'v', 'w', 'x', 'y', 'z'.

Reason, N.Y., Lx

[illegible]
$$a, b = 4; 5; c = 4; d = 8; e = 6; f = 2$$

## EXERCISE-13

Mr. Speaker, Sir, I-thank-the Honorable-Members who-have participated in-the debate. I-do-not-think that anybody / will say that I-am wrong if I-say that-there-has-been general satisfaction in-the-country about-the // Budget. Now, I-shall deal-with some of-the points raised during-the course of-the debate. First, I-would-/-like to-take-up-the industrial-sector. In-that sector we-have-the public-sector and-the private-sector. I-{1}-am sure that-we-are happy that-the public sector is becoming more-and-more-important in-the-matter of-/-production.

If-we-have a good year now, so-far-as-the industrial sector is concerned, it-is mainly because // of-the part played by-the public-sector. So, there-is-no-doubt that-there-should-be more investment in-///-the public-sector. We-have provided for-that. But i-am-sorry that-it-is not understood by-some Honorable-{2}-Members how we-can stop giving any incentive to-the people in-the private-sector. If-they say that-we-/-cannot depend upon-the private-sector people and-that-there-is-no use of giving incentives to-them, then I-/-can understand the argument. But, their policy is-that-there-should-be no private-sector at-all. As-we-know, /// our policy is to-have mixed economy. If there-should-be a change, it-is possible for-us to-make {3} a change. But, at-the-same-time, I-would-like to point-out that-we-want to function in a / mixed economy at -least for-some-time.

In-this-connection, I-may inform-the House that I-had consultation with-/-the business community before formulating-the plans. It-is-only after-that, it-was decided to-give incentives to-the /// private sector. It-has-to be seen now whether it-will-be-able-to deliver-the goods or it-will {4} justify-the criticism which-the Honorable-Members have-made. I-know-that-we-cannot rely upon-the private-sector. So, / it-is-not as-if-it-is my view that-the private-sector should always-be supported. If-we-find // that-it does-not function well, we-may have to scrap it. So, it-is for-these people to function /// in-such a way that-they justify their existence. If-they do-not function well, they will face the consequences. {5}

Letter from Paul and Company, Hyderabad, to-Messrs. Raja and Company, New Delhi.

Dear-Sirs, Thank-you for-your-letter ordering / supply of-some articles. We assure you that-they-will-be sent by lorry in two or three days. In-/-this-connection, we-would-like to inform-you that-the prices will-be a bit higher than those given in-///-the price-list, which-has already-been sent to-you, since the prices have recently been increased. We-hope-you-{6}-will-not mind-the inconvenience caused-to-you in-this-regard. We-are-sure that our business relationship will-continue / to-be as good as in-the past.

We-take-this opportunity to inform-you that-we-are-not selling // solar water heaters. You-will-be-glad-to-know-that-the cost of maintenance is very-low. They-will-be /// ideal for hotels and canteens. If-you-are interested in-them, you-may-write to us for details. Yours-faithfully, {7}

Handwritten notes in Urdu script, likely related to the study of the Quran or Islamic history. The text is dense and covers several lines.

## EXERCISE-14

Sir, It-gives-me-great-pleasure to-take part in-the workshop on 'Academic Leadership' organized by the University / Grants Commission and Osmania University. I-thank-the organizers for-their invitation and giving me very-good opportunity to-be-//-present in-the workshop. You-will-be-glad-to-know-that-the discussions have-been held with-the teachers, parents /// and public representatives over-the New Education Policy. As-a-matter-of-fact, all-the suggestions and social interactions have-{1}-been taken into account, in-the guidelines in-this-regard. In-this-connection, it-is-necessary to inform that more / and more suggestions have -been received, for introduction of English medium in-the government schools, with a view to enable-//-the weaker sections of-the society to-get admissions.

I-am-sure, that-you-will-be-glad-to-know-that // large-number-of students have-been able -to secure very-good marks and appeared for-the national level educational institutions {2} in technology, and management during-the-last three-years. In-this context, the statistics published by-the State-Government, showed / that-the students from rural areas and districts are well placed with-the sound knowledge and top ranks. It-is // very happy to inform that-the Government of India, has ordered for removal of interviews in-the non-gazette posts. /// There -is-no-doubt, that-this will enable our young men and women, in taking up the examinations. There-is {3} a lot of scope for-the provision of qualitative education. It-is-not-only for-the State-government, but also / the private and corporate sector to-look for-the development of skills and knowledge, so-as-to enable our boys // and girls to-be-able-to develop leadership qualities in their studies. It-will help in-the formulation of plans /// in-this-regard.

Again and again, it-is-needless to say that team work is-the most-important guiding principle {4} in-this-matter, and with a view to develop leadership among-the boys and girls. We have to provide inspiration / with positive attitude and national integrity, in-our society. Once again, I-would-like to-thank-the organizers for-this opportunity, and I-wish your workshop /// to-present more-and-more papers on-the development of academic and leadership qualities in our young men and women. {5}

Dear-Sir, We-are-in-receipt-of-your-letter dated third instant and-we-thank-you very-much for-the same. We-would-like to draw-your-kind attention to-the rule six of-our sale agreement, in -which we-//-have agreed to-render service after sales for a period of-three years, free of cost, during-the warranty period. We-///-would-be very much thankful, if-you-could kindly provide accommodation to-our service engineers visiting your factory, for {6} annual maintenance service. We-are-very-much-pleased to inform-you that-we-have recently received-the best servicing branch / in-our customer services from-the Chairman of-the National Consumers Commission.

Assuring you of-our best services at-all-//-times with-the same spirit and our total support in-the business relations in-the-years to come. We-would-//-be very-much thankful to-you for a line in reply, in-this-regard. Thanking you, Yours-truly, Marketing Manager. {7}

## EXERCISE-14

१. मन्त्रालय में एक नया विभाग शुरू किया गया है।  
 इस विभाग का काम है कि वे सभी विभागों से  
 सूचनाएँ एकत्रित करें और उन्हें एक ही जगह पर  
 रख दें। इससे काम आसानी से हो सकेगा।  
 यह विभाग बहुत ही महत्वपूर्ण है।  
 इस विभाग के अध्यक्ष का नाम श्री. वि. पी. शर्मा है।  
 वे बहुत ही योग्य व्यक्ति हैं।  
 इस विभाग के अंतर्गत दो उप-विभाग हैं।  
 एक उप-विभाग सूचनाओं का संग्रहण करता है।  
 दूसरा उप-विभाग सूचनाओं का विश्लेषण करता है।  
 इस विभाग के काम में बहुत ही सफलता मिली है।  
 इस विभाग के द्वारा बहुत ही महत्वपूर्ण सूचनाएँ  
 प्राप्त हुई हैं।  
 इस विभाग के काम में बहुत ही सफलता मिली है।  
 इस विभाग के द्वारा बहुत ही महत्वपूर्ण सूचनाएँ  
 प्राप्त हुई हैं।

## EXERCISE-15

Dear Students,

I-wish to-express my happiness to-be in-your midst and to-exchange some of-my views / with -you. I-would-like-to-state at-the-outset that I-am much impressed by-the beauty of-this--city. I -am-also aware of-the fact that this-city is well-known for its educational institutions which attract students /// from all parts of-the-country. I-would also like to-place on record my appreciation for-the student community {1} which-has given color and life to-this function. I-am-very-happy to participate in-the centenary celebrations of--this educational institution which -is one of-the oldest in-this-city.

I-am-told that this institution had a // humble beginning when it-was started a hundred years-ago. I-am-also aware that-it-was established to educate /// a few girls of-this area and-its surrounding. It-is-a-matter-of-great-satisfaction for all of us {2} that-it-has become a famous institution of-learning and-it-is considered as one of-the best performing schools in-the whole country. This educational institution is very well-known for its standard of education. This has become possible because // of-the hard work and dedication of its staff and also students. I-hope that this school will continue its /// good work in-the field of education in-the years to come. You-are all aware of-the fact that {3} education alone helps the students to understand-the world and to become better individuals. On-this-occasion I-think-it--is-my duty to advise-you to prepare yourself for a very bright future.

I-hope-that-you-will appreciate--the fact that women make up about half-the population of-our country. A nation cannot progress without educating /// and empowering its women. It-is-important for primary and secondary schools to provide more support to-their students so--that they-may become self-confident and strong. At-this juncture, I-would-like-to-stress-the need to-improve--the economic condition of women, particularly in villages and rural areas. There-is-no -doubt that-this could-be done // through-the activities of women self-help group. I-believe-that an educated woman can better care of-her /// family. With-these-words, I-express my good wishes to-you for success in-the-years to-come. Thank-you. {5}

Letter dated 15<sup>th</sup> February 2019 from James and Company, Kolkata to Messrs. Kesavan and Brothers, Hyderabad.

Dear Sirs, / We-are-in-receipt-of-your-letter dated 20<sup>th</sup> January, 2019 wherein you have pointed out the // delay on our part in sending-the goods ordered by-you and-the difficulties you faced on-account of-the /// delay on our part. We-wish to-bring to-your-kind attention {6} the circumstances which prevented us from sending-the goods ordered promptly. There-was a labor problem which resulted in-the / strike of-the workers and-the consequent stoppage of production. The labor problem has now been solved and production has // already begun. We -hope-that-there-will-be no further dispute with labor. The workers are now prepared to work /// overtime to increase-the production. We-would-like to assure-you that such delays will-not occur. Yours-faithfully, {7}

## EXERCISE-15

[illegible]

## EXERCISE-16

Mr. Speaker, Sir, I-wish to congratulate-the Honorable Finance-Minister on his bold step in coming forward with taxation / proposals for-the purpose of improving the financial position of-the State. At-the-same-time, I-must also express // my views in respect of certain taxation proposals with-which I-do-not agree. The Honorable-Finance-Minister himself has ///

expressed his opinion on-the floor of-the House that he-was prepared to become unpopular by imposing certain new {1} taxes for-the benefit of-the people of-the State. I-am happy that-he-is willing to drop from / taxation some of-the articles which-are-the basic necessities of-life of-the common man. Of-course, we-are // all aware that-he-is always responsive to public opinion and he-will-take a decision after-the report of-///-the Select Committee is received.

I-wish to-refer to-the Bill which deals with-the levy of entertainment tax {2} on cinemas. We-are all aware that any taxation proposal is unpopular. Even though I-am-not sure about-the / financial position of cinema theatres, I-feel that-it-is proper to allocate-the amounts collected as entertainment tax from // cinemas to-the local bodies like Municipalities or Corporations or Panchayat Boards from whose areas the collection is made. By-///-this measure, we-can assure-the local bodies with necessary finance to-meet their requirements.

I-want to say one {3} more thing in-this-connection. Even if-the Government get all-the moneys through the several taxation measures, the Government / will require more finances because the expenditure on education, health, public works etc. is increasing year after year due to // cost of living and salaries to employees in-the several departments of-the Government. The local bodies also require finance /// for performing their functions and the Government should come forward to help them in ample measure to-the maximum extent {4} possible. In-this-connection, I-want to remind the Government that by doing so, we-can make-the local bodies / to-have sufficient financial resources and thereby I discourage them from coming to-the Government very often with a request for // some grant or other financial help. The State has-the responsibility to see that local bodies are-able-to function /// in a better way without

depending on-the Government for-their financial needs. With these words, I-support the Bill. {5} Letter from Nathan and Company, Hyderabad, to Messrs. Moses and Company, Mumbai dated 5<sup>th</sup> January 2018.

Dear / Sirs, We-are-very-pleased to inform-you that we-have now introduced our new brand ceiling and table fans. // We-would-like-to-inform-you that-the-present model is very-much improved in quality and design as compared /// to our previous models. The price is reasonable and the products will have a good market among the lower middle {6} class people. We-have already received several inquiries from different parts of India. We-would like to offer a generous / discount of fifteen percent and one month's credit to all our dealers. We-are-sure that-you-will take // advantage of-this offer and place your orders at-your earliest convenience. We-wish to assure-you that we-will-///-be in-a-position to execute your orders promptly and-with

great care and to-your entire satisfaction.

Yours-faithfully, {7}



[illegible]

## EXERCISE-17

Mr. Chairman, Sir, I-would-like to-make a few observations on-the Budget that-has-been presented to-the / House by-the Honorable the Minister for Finance. Even though-the ruling-party has given a pledge that-it-would-/-not resort to any fresh taxation, we-are-surprised to-find that-they-have now taxed-many consumer goods with-/-the result that-the cost of-living will go up. In-the-result, the lower middle-classes and-the upper {1} middle classes will-be hard hit. Of-course, there-is a deficit of rupees six crores. But, it-would-have-/-been left uncovered, without resorting to any additional taxation even though-the deficit-is to-the extent of nearly rupees twenty crores. This-is so in /// many other States also and-that-is really commendable. If-there-is a deficit in-the Budget, we-may ask-{2}-the Central-Government to-give us some aid and-they-will also come forward to help us. Whatever be the / justification, any additional taxation will put-the poor people to suffering. This could-have-been avoided by-the-Government easily. // With regard to-land ceiling, a few-years back, the government gave wide publicity and gave plenty of opportunities to-/-the land owners to dispose off their excess lands. The ceiling then prescribed was thirty standard acres. Now, the Government {3} have brought down-the ceiling to fifteen standard acres. My-own submission is-that if-the Government all of a / sudden bring-down-the ceiling, the middle class people will-be put to suffering. I-do-not-see any reason // why-the Government want to harass certain categories of-people.

As-a-matter-of-fact, the reduction of ceiling will /// result in decrease in food production. There-can-be very-little or no procurement of food grains. Ultimately, the Government will-{4}-have to face-the problem of food deficit. The cost of cultivation has gone up. The motors which-are used / for pump sets by-the villagers are taxed heavily. We-are giving concessions to industrialists. I-would-like to appeal // to-the Honorable-Minister to-extend such concessions to-the agriculturalists also. This-will give-them incentives to step up /// food production. I-am-quite-sure that-the Government will look into-the problem of crop and cattle insurance also.{5}

Letter dated 3<sup>rd</sup> June 2018, from Anjan Stores, Pune to Nandan Stores, 6, Gandhi Road, Chennai.

Dear-Sir, We-are-/-glad-to-hear from-our marketing assistant that-you-are-interested in purchasing a wet grinder. We-thank-you for-/-the keen interest that you-have taken in-our wet grinder. We-are aware of-the great care that-is /// taken by-people in purchasing-the right grinder. It-will-be used day after day for many years. Therefore, we-{6} -are-sure that it-can-be bought only after serious consideration. In-view of-this, we usually give a free / demonstration at-the residence of-the customers on request. If-you indicate your convenience, our staff will call on-you // and give a free demonstration. In-this-way, you-can satisfy yourself about-the quality of-the machine. At-the-/-same-time, it-will also give us an opportunity to show why you -should choose our wet grinder. Yours-faithfully, {7}

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## EXERCISE-18

Ladies-and-Gentleman, I-thank-you for-the-opportunity that-has-been given to-me to-speak about-the unity / of-the-country. Though there-may-be large-number-of issues to-be dealt-with, I -would-like to-/-make only a brief speech. Of-course, there-are differences among-the people. But, I-am-sure, even these do-///-not oppose national unity. I-would-like to point-out that every group seeks to gain a special favor for {1} its group and because of-this, some-times the growth of-the-country is prevented.

It-will-be seen that-the / forces working for-the unity of-our-country are strong. It-is difficult to-break-up this unity. In-this-//-connection, I-would-like to-make-it clear that it-is-not right to say that our problems are easy /// to solve. As you-are very-well aware, they-are very difficult and every major problem in-the-world today {2} is difficult and-probably their solution will depend on national as-well-as international factors. At-this juncture, I-would-/-like to-state that-there-is-no-great or serious danger of external forces. At-the-same-time, we should // realize that to-protect oneself is to-rely on one's own strength as to-have a policy of /// peace. I-think-you-will-agree-with me when I-say that risks have to-be taken whatever to-the {3} path we follow. It-is right to say that-we-are prepared to-take them. I-believe that-there-is-/-indeed no other-way.

I also firmly believe that if a race or a nation or an individual follows a // wrong path, he-will-have to bear-the consequences. So-far-as I-am-concerned, I-am-sure that-we-///-cannot exist in isolation. So, it-is a good thing to establish a close relationship and to-march together. In-{4}-this-connection, I-may-tell-you that-the more freedom the States have, the better their growth and development will-/-be. They-will learn to-stand on-their-own feet and thus increase-the strength of-the entire country. You-///-may-remember that no external enemy can harm us. There-is a great-deal of strength in us, if only /// we-can recognize that strength, and-we-can face-the enemy unitedly. Let-us take a pledge in-that direction.

Letter-from Raja and-Company, Mumbai, to-Messrs. Raman and-Company, Chennai.

Dear-Sirs, We-thank-you for-your-letter / of-the tenth-instant. We-have-noted-the contents. We-are very-sorry for-the delay in sending-the goods. // We-would-like-to-inform-you that-the delay was due to-the sudden break-down of-our machinery. It-///-has really put us to great difficulties. We could-not resume our work till after seven days. Though our people {6} worked sincerely, it-was-not possible for-us to-deliver your-goods in-time.

We-would-like to appreciate your / gesture in extending-the date of-delivery. We-have-great-pleasure in informing you that our representative will meet-you // in person along-with-the goods ordered by-you and to-take your further orders. We-///-would-like-to-assure-you that-we-may-be in-a-position to give best satisfaction in-future. Yours-faithfully, {7}

## EXERCISE-18

१. ६५१३-५५५५ (२६१३५, ५५५५-५५५५)  
 २. ५५५५-५५५५ (५५५५-५५५५)  
 ३. ५५५५-५५५५ (५५५५-५५५५)  
 ४. ५५५५-५५५५ (५५५५-५५५५)  
 ५. ५५५५-५५५५ (५५५५-५५५५)  
 ६. ५५५५-५५५५ (५५५५-५५५५)  
 ७. ५५५५-५५५५ (५५५५-५५५५)  
 ८. ५५५५-५५५५ (५५५५-५५५५)  
 ९. ५५५५-५५५५ (५५५५-५५५५)  
 १०. ५५५५-५५५५ (५५५५-५५५५)  
 ११. ५५५५-५५५५ (५५५५-५५५५)  
 १२. ५५५५-५५५५ (५५५५-५५५५)  
 १३. ५५५५-५५५५ (५५५५-५५५५)  
 १४. ५५५५-५५५५ (५५५५-५५५५)  
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 २१. ५५५५-५५५५ (५५५५-५५५५)  
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 २९. ५५५५-५५५५ (५५५५-५५५५)  
 ३०. ५५५५-५५५५ (५५५५-५५५५)

## EXERCISE-19

Ladies-and-Gentleman, I-am-glad to-be here to open this Hostel to-day. I-thank all-those-who -have / given me this opportunity. I-am one-of-those-who-are interested in-the welfare of boys-and-girls. It-//gives-me-great-pleasure that-this Hostel has-been established in a rural area. As Minister in-charge of Rural /// Development, I-shall-be-glad if-there-is any improvement in-the standard-of-living of-the people in-the {1} rural areas. I-am-sure, that-the people here will take advantage of-this facility and see that-they also / take-part in national development.

Now, I-am aware that-it-is-my duty to-help-you as-much-as-//-possible so-that you-may-be-able-to-make rapid progress. There-is-no-doubt that-you-are in-need /// of good roads in-order-that you-may-make-the Hostel very useful. On-this-occasion, I-would-like to {2} assure-you that-the-Government will do all-that-is-necessary as-early-as-possible so-far-as this-matter / is concerned. We-will make necessary steps to-provide electricity and-water-supply to-the Hostel immediately. It-is-not // as if-you-should-be satisfied with-the Hostel alone. I-shall-be-happy if-you-can take active interest /// in opening more-and-more schools-and-colleges not-only here but all-over-the-country. It-is-necessary that-{3}-the boys-and-girls should get good education so - that-they-may play a useful role in-the progress of-/-the-country.

At-the-same-time, I-think-you-will-agree-that we should do whatever is necessary to-provide // opportunities for employment. That-is-why I-want-the children to-be well-educated. But that-is-not-enough. They /// should-be-able-to develop-the country in all possible ways. So, I-would-like to point-out that-they {4} should-have craft training. In-this-connection, I-have-no-doubt that-you-are aware of-the efforts made by-/-the Government in-this-regard. I-am-certain that-you realize that jobs in offices alone will-not solve-the // problem of unemployment. It-is for-the purpose of-providing employment that-the-Government are doing their best to-promote /// cottage and village industries. In-conclusion, I-thank-you all once-again for having started the Hostel in-this-place. {5}

Letter-from-the Chief Secretary to Government, Chennai to all District Collectors.

Sir, You-are-aware that after a drought, / we-have-now rains. It-is reported that many roads have-been affected in-all-parts of-the State on-//-account-of-this. It-is-the desire of-the-Government that-they should-be restored to good condition as-early-///-as-possible. So, necessary steps may-be taken for-this purpose.

It-is-necessary that-there-should-be pure water {6} supplied to-the people. If-this-is-not done, it-may lead to-many diseases. It-is-said that-there-is difficulty in regard to-this-matter in-some-places. It-is-requested that necessary steps may-be taken in-//-this-regard. It-seems that-there-are difficulties in-regard to-supply of food when there-are floods. I-am /// directed to-request that-the situation may-be watched and necessary measures taken in-respect-of-this-matter. Yours-faithfully, {7}

## EXERCISE-19

[illegible]

## EXERCISE-20

Mr. Deputy-Speaker, Sir, I-thank-you-very-much for giving me this opportunity to say a few-words on-/the Budget that-has-been presented. I-shall-be failing in-my duty if I-do-not mention here the // valuable contribution made by-the sons and-daughters of India for-the attainment of-this new status.

Sir, the first /// subject that I-would-like to touch upon is-the cost of-living index which-is showing no signs of {1} going-down. Unless it-is brought down by increasing food production. I -do-not-think that-the economic crisis that-/is facing-the country can-be successfully tide over. Honorable-members are well-aware-that in-the field of long-//-term foundation for food production, we-have-made great-progress. It-is-true that Nature has-been most unkind in ///

recent years and drought has adversely affected-the progress in food production. I-want to-stress that-it-is high {2} time that-we should make vigorous efforts to speed up production in every-way possible. The handloom industries are receiving / greater attention and sympathy at-the-hands of-the Government. As-the handloom industry is facing hardships, I-want that-the // Government should concentrate more on-this. Honorable-Members will agree-with me that-the handloom weavers who-are working /// hard must get equal-attention at-the-hands of Government in-the-matter of supply of-materials and education of-{3}-their children. I-would-like to say that industrialization is closely connected with power supply and availability of raw-materials. / I-am of-the view that power is-the backbone for industrial and agricultural progress. The State-Government have-been // laying great emphasis on power development. In-spite-of great difficulties, the Government have-been carrying-out progressive and welfare /// schemes in-the power-sector.

But I-am-sorry to say that in-spite-of increase in power availability, it- {4} has-not-been possible to-meet-the entire requirement. I-think-it-is because of rapid increase in-demand as-/well-as continuous failure of monsoons. I-want to urge upon-the Government that-there-is-need to shift from // conventional electric power generation to-the solar power generation. With-these few-words, I generally welcome all-the schemes in-///-this Budget and-I congratulate-the Government on having produced a good Budget within-the limited resources available. Thank-you, {5}

Letter-from Bharat Stores, Madurai to-Messrs. Raghavan Sons, North Street, Chennai.

Dear-Sirs, We invite your-attention to-your / enquiry of-the 7<sup>th</sup> April regarding our latest silk products. We-are-glad to-state that-we-are one-of-//-the leading manufacturers of silk saris and are dealing in-these goods for a long-time. We-assure-you that-///-the quality of saris is very-good. We-are happy to inform-you that-we-have a large-number-of {6} regular customers and-there-has-been no complaint. We-are confident that-you-will also-be satisfied with-the quality / of-our goods. As-the Pongal festival is fast approaching, we request you kindly to place your order, so that // we-may supply the saris in-time. We-are happy to inform-you that-we-shall give-you a special /// discount of two percent in-addition to trade discount of five percent. Awaiting your favorable response. Yours-faithfully, {7}



## EXERCISE-20

[illegible]

## SPEED SPURT DRILLS @70wpm

## EXERCISE-21

It-is-a-matter-of-great-pleasure for-me that I-have-been able-to associate myself with-this conference. / You-are well-aware of-my interest in-the work of-this Society from its very inception and my interest // in it has grown with-the years. I-am-glad-to see that during-the-last-four-years of-its /// existence, the Society has made considerable progress and-its utility and service have-been generally recognized. I-am-also glad {1} to see that your work published in your books has-been recognized not-only in-this-country but in other / countries as-well. It-is indeed inspiring to know-that all-those-who-are interested in agriculture take a keen // interest in-the work of a Society like-this. We-know-that-the whole question of-planning is dependent more /// or less on correct statistical data. When-we deal-with a vast country like India, with-its great differences in- {2}-the quality of-the soil and-in-the nature of-the people, we-have-to-be very careful in collecting / statistics which-would give us correct data for making plans for-the future. Last-year I-drew-the attention to // some aspects of agricultural statistics. I mentioned-to-you that I-would welcome statistics with regard to-the cost of /// agricultural production. You have been planning-the method of sample surveys and-I-understand that you have-been-able-to {3} devise a plan which gives correct data.

So far, you-have confined your work only to-some-crops. But I-/feel that our information on agricultural production will-not-be complete until we-have covered all-the crops. You-have // also very largely confined your activities to statistics regarding produce and you-have not covered-the area under cultivation. Unless /// we-know-the correct cultivation under various crops, we-cannot get complete figures about-the production from all-crops in {4} these areas.

It-is, therefore, a good thing that a scheme has-been drawn up by-the Government, which-will / help-you collect these statistics. The difficulty in collecting information regarding-the area under cultivation is very-great. We-have // also a system of-land revenue administration by-which-the Officers collect such information. The information that-is collected by /// them is expected to-be correct. But it requires supervision. There-are other areas where-the work is more difficult.

Dear-Sir, I-am-in-receipt-of-your-letter dated tenth instant. Thank-you very-much for-your invitation extended / to-me, through which I-have-been requested to-be present as Chief Guest for-the inauguration of-the All // India Industrial Exhibition at Hyderabad. Though I wanted to-be -present at-the function, it-will-not-be possible for-///-me to-do-so. Because, you-are well-aware of-the fact that-the Budget sessions of-the State Assembly {6} will begin from next-week of-this-month. However, I-will sincerely try to attend the function, if-the circumstances / permit me. It-gives-me very-great-pleasure to know-that your Society has-been running various educational institutions for-///-the-last eighty years in all-parts-of-the State imparting traditional and technical education to-the students belonging to /// socially and economically backward sections of the Society. There-is every need to emulate your Society.

Thank-you,

Yours-faithfully, {7}

## EXERCISE-21

[illegible]

## EXERCISE-22

Sir, it-is always a difficult task to justify any taxation. Taxation has always-been very-much disliked and-there-/is-no surprise about it. But, in-spite-of-the difficult task, I-am-glad-that-our officers have-been // carrying on-their work well. I-agree-that-there-are some-cases where they-may go wrong or over-do. If /// specific instances are brought to-the notice of-the Government, certainly the matter will-be gone into. When attempts are {1} made to evade-the tax, certain vigorous steps should-be taken to-deal-with such attempts. When this-is done / people think it-is harassment. I-may-tell-the House that I-am always prepared to-go into genuine cases // of harassment. The topics mentioned in-the discussion are four or five. There-is-the question whether perishable articles should-///-be exempt from tax, whether foodstuffs should-be exempt from taxation and whether-the rate-of-taxation on-certain luxury {2} articles should-be increased. With regard to-the general aspect of-the question, the Taxation Enquiry Commission is going into-/the whole matter.

The Government are awaiting-the Report of-the Commission. However, that does-not mean that-the Government // are-not going to-look into any individual, small cases where action is necessary. I-hope-the Commission will go /// into all aspects of-the question and-its Report will -be very valuable, with regard to-the increase in-the {3} rate-of-tax on luxury articles, we-have-heard several suggestions. I-may-tell-the House that-there-is already / a higher rate-of-tax for things like motor vehicles, wireless sets, etc. How far these goods can-be further // taxed is a question which has-to-be examined.

We-cannot-be loading these articles with further tax. They cannot /// stand-it. As regards-the suggestion for levy of a higher tax on luxury goods, I-am in-favor of {4} levying it because they-are not essential articles. People who-have money over-and-above what-they actually require should-/be taxed a little more. This-is quite reasonable. Suppose they-want to buy costly items of toilet. Then a // lot of-money will-be going-out of-our hand. I-would-like these articles to-be taxed heavily but /// motor vehicles cannot-bear a heavy taxation because today motor car is-the common conveyance of-the poor people also.

Letter-from The General Machines Company, Ahmedabad, to-Messrs. John and Company, Pune.

Dear-Sirs, We-thank-you for-your / enquiry dated-the 3<sup>rd</sup> April. We enclose a copy of-our catalogue and pricelist for-your information. In-this-//connection, we-are-pleased to-state-that in-view of-your order, we-are-prepared to-give-you 25 /// percent discount on our actual-prices. We-are-sure that-you-will-be very-much satisfied with-it. The {6} terms of payment and delivery will-be found on page 7 of-our catalogue. We-hope-and-trust that-our / prices and terms will give-you complete satisfaction. We-have a number-of customers throughout-the country and-they-have-//been pleased with-the goods supplied by us. We-have-no-doubt that-you-will also have-the same satisfaction /// once you-receive-the goods from us. We look forward to-your esteemed order at-an-early-date.

Yours-faithfully, {7}

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## EXERCISE-23

Sir, We-had a general discussion on-the Supplementary-Demands some-time back and-now Honorable-Members had another occasion / to-have a discussion on-this particular Demand. As Honorable-Member said that it-was-not good to-bring a // second Supplementary -Demand in-the-course of-the-year. Some-time back I explained-the matter. It-is easy for-///-the -Government to put up our-own Demand-in-the original estimates. We-could-have done that. But we-are {1} trying to see that-we get-the approval of-the-House when certain schemes are sanctioned. If-the expenditure is / on a scheme newly taken-up in-the-course of-the-year, then we-say that-it-is New Service. // That-is-the procedure in regard to Supplementary-Estimates. It -is inevitable for Government to move supplementary-Demands. Of-course, /// Members can ask us to-come before-the Legislature before-the scheme is actually implemented. But-that-is a different {2} point.

One Honorable-Member said that-the Guest Houses should-be better furnished and-that first-class hospitality should-be / shown to-the guests who arrived here. We-are thankful to-him for-his suggestion. After-all, it-is-necessary // that guests who-come from foreign countries and various places must-be received appropriately. Every State spends a large sum /// of-money on -the tours for visitors. It-must-not-be said that-we-do-not-want to-maintain {3} Guest House. But if-we maintain a Guest House, it-is desirable that-the State Guest House should-have proper / furniture and-it-should-be maintained at a high level. So, we-shall see what-can-be done with regard // to-the Guest Houses.

On-this-occasion, the question of-the tours of Ministers was raised. One Honorable-Member said /// that-we-were not touring enough. Sometimes we get tired when-we come back after a tour. There, so-many {4} non-officials come to us and make representations. As-a-matter-of-fact, we gather much information from these people. / Otherwise, they-would-not-be getting any chance to-make any-such representations to us at-all. Of-course, we-//are-not carried away by what they say and-it-is-not as if-we-do-not verify-the facts /// given to us. Sometimes it-gives some sort of relief to-them when-they represent their-own grievances to us. {5}

Letter-from-the New India Cotton Mills Limited, Mumbai, to-Messrs. Murthy and Company, Hyderabad.

Dear-Sirs, With reference to-/-your-letter of-the 3<sup>rd</sup> instant, we-are-very-sorry to-have to ask for an extension of-time to // execute your order. As you know, the strike of the workers in-our factory affected our business for a short-///-time. However, we-are-glad to inform-you that work has-been resumed and-we-are making efforts to fulfill {6} our contracts. But we-are afraid that it -will-not-be possible for-us to effect delivery on 1<sup>st</sup> June. / We-are confident that-we-will-be-able-to effect delivery on 1<sup>st</sup> July and we-hope-that-you-will-//agree to-this course. We-hope-you-will realize that-the delay is due to circumstances beyond our control and /// we-shall very-much appreciate if-you-can reply by return of post, giving us this additional time. Yours-faithfully, {7}

## EXERCISE-23

[illegible]

## EXERCISE-24

Ladies-and-Gentleman, I-have-great-pleasure in presiding over-the conference of Ministers of State-government in-charge-off / Social Welfare and-the Presidents of Welfare Associations in- the-country. On-this-occasion, I-would-like to share with-/-you some of-my views for-your consideration. This-subject of Social Welfare was mostly dealt-with by non-official /// agencies in-the past. It-is-only after-the country became independent that-the State and Central-Governments have-been {1} making provision in-their budgets every year and spending large sums of money for-this purpose. It-is common knowledge / that-the Governments elected by- the people are responsible to-the people and answerable to-the Legislatures concerned. They have // a responsibility to see that-the money collected by-way of taxes from different sections of-the-society is spent, /// taking-into-consideration the requirements of-the people and-the overall interest of-the country, while Governments are at liberty {2} to-plan and-spend for essential items of expenditure such as defense, as-far-as economic matters are concerned. I-/- feel-the economy of-the family should be taken as-the basis for planning because when-the structure of-the // family is disturbed for any reason, it becomes a social problem.

There-is much talk of increasing-the production of /// food grains and-at-the-same-time, restricting-the growth of-the population so-that-the food grains that-we produce may-{3}-be sufficient to-meet-the requirements of-the people. No-doubt, there-is increase in production of food grains and other / goods on-account-of various development schemes. But in-spite-of-the family welfare schemes, it-cannot-be said that-/- the increase in population has-been checked to-the extent we desired. However, the Government are expected to take-into-///-consideration the problems faced by-the people and spend-the Government revenues in-such a manner as to benefit them. {4} The most-important thing that-the Government and-the Welfare Associations should do is to see that children are grown / in healthy conditions and also given-the right type of education, as-the boys-and-girls of today are-the // future citizens of-the-country. So, I request the Government to-take-care of-the boys-and-girls in poor /// families that-may-not-be in a position to-take-care of-them for a variety of-reasons. Thank-you, {5}

Letter dated 7<sup>th</sup> July, from Mohan and-Company, Madurai, to-the Stationery Articles Suppliers, Chennai.

Dear-Sirs, We-thank-you / for-your-letter dated 10<sup>th</sup> June. We-have-seen your-accounts for-the-goods supplied to us. Before sending-the // demand draft for-the amount, we-would-like-to-bring to-your-kind-attention that-there-is-no mention of-///-discount as-is usually done. As your articles are very-much liked by-our esteemed customers, we-would request you {6} kindly to-send us immediately ten dozens boxes of drawing pencils. We-have-not-yet received-the drawing note-books / which you had already agreed to send us. As-we-have several orders on hand we-hope to-receive-the // same as-soon-as possible. If, for any reason, it-will-not-be possible to-send-the required quantity of-///-the-goods, we request you kindly to-send us at-least four or five dozen note-books immediately. Yours-faithfully, {7}



## EXERCISE-24

[illegible]

## EXERCISE-25

Friends, I-thank-you for-the opportunity that-you-have given me to participate in-this Labor-Conference. At-the-/outset, I-would-like to assure-you that as Minister in-charge-of Labor, I-am interested in-the welfare // of labor. At-the-same-time, I-must promote-the welfare of all-the people of this-country. It-is /// from this point-of-view that I-would-like-you to-look at problems which-are facing you.

I-am-{1}-aware-that in-the interest of-the progress of-the-country, we should take-care of-the workers and-the / laborer's. It-is-necessary that-they should-be given all encouragement to increase production. Only if-we increase-the wealth // of-the-country, we-will-be-able-to stand before-the world as a developing country. In-this-connection, it-///-is-only fair that-it-should-be remembered by labor that-they should-not-fight for-their-own rights always. {2} But, on-the-other-hand, they should see that-they-do-not do anything which will affect production. When production / increases and-the profits of-the employer increase, there-is-no-doubt that-the employers will do their best to-//promote-the welfare of labor.

I- am well-aware that labor has its-own problems. The workers have-not-only /// to earn their food but also have to-take-care of-their families. So, it-is-only true that-their {3} responsibilities increase. They-have to educate their children and to-look-after-the health of-the members of-their families. / For-this purpose, they-will require many facilities to-be given to-them. I-am-sure that-the employers will-//take-note-of-this and-will do what they can in-this-regard. Then only, both-the employers and /// labor will-have mutual co-operation which-will do good not-only to-themselves but to-the whole-country. I-am-{4}-proud and confident that as citizens of-this-country, they-will bear-in-mind this important point.

So-far-as-/-the-Government are-concerned, you-may-be sure that-you-will always get-the necessary help in-regard to all-//matters involving labor. As-you-know, We-have enacted many laws to-protect-the rights of-labor. I-may-assure-///-you that-the-Government will co-operate with the employers in all possible ways to-improve-the welfare of-the workers. {5}

Letter-from Balaji and-Company, Hyderabad, to-Messrs. Gopal and-Sons, New-Delhi

Dear-Sirs, We-are-much-obliged to-you / for-your order which-we-have just-now received. But we-regret to-state that-we-are-not in-a-//position to-supply immediately all-the vessels that-you-require. There-has-been great-demand for-the-goods in-the /// market. So, the stocks that-we-had have-been sold out. However, we-have started manufacturing new vessels and {6} hope that-we-will-be-able-to supply them before-the end of next-week. We-trust that-you-/-will understand-the position correctly and-will await-the supply.

We-take this opportunity to inform-you that in-view // of-the large demand, we-have-now decided to-raise-the prices by 10 per-cent. We-hope-and-trust /// that-the new prices will-be acceptable to-you and-we-will-continue to-have good business relations. Yours-faithfully, {7}

## EXERCISE-25

[illegible]

Now you have reached a comfortable stage of writing a majority of the common outlines and the phrases at a rate of 80 wpm. You are eager to take the examination within a month and a half. You should concentrate on transcription of the passages dictated at 80 and 90 wpm.

Indication of full stops will eliminate most of the mistakes while transcription. The next 15 passages are to be practiced keeping in mind the transcription angle in mind. For this purpose, the following tips may be of immense use.

- i) Indicate diphone signs whenever possible.
- ii) When the same stroke represents both present and past tenses, make a distinction for the past tense.
- iii) Usually, the words ending with –ment, -ship, -ality, -ility, -lessness, -tion/cion/shion etc. are nouns.
- iv) In general, by adding –ly to an adjective form, an adverbial form is formed.
- v) You must brush up your English grammar skills to apply them while transcribing.
- vi) While transcribing, keep your non-writing hand forefinger at the stroke and move forward only after completing the writing. This will avoid repetition/jumping of words.
- vii) After completing the transcription, verify the English passage first with reference to the grammar aspects. On a second scrutiny, verify the English passage with the shorthand notes to see whether you omitted any words/lines.
- viii) Never allow your concentration to lapse.
- ix) Practice of reading as much shorthand script as possible will reduce your mistakes in transcription.

## EXERCISE-26

Speaking at-the Conference of Women and-their role in development of society, the Chief-Minister of Andhra Pradesh said:

Ladies-and-Gentlemen,, It-is a-matter-of great privilege that India is chosen as-the venue for holding-the // Conference dealing-with-the role of women in society. There-is a keen awareness in-the-world today of-the /// need for full participation by women in economic, social and political life of-the community. If half-the human population {1} consisting of women does-not participate on equal terms with men, it-is-not-possible to ensure full development of-/-the-society. We-are aware that in-our-country, we-have always given a place of honor to-our women. // The Father of the Nation said that-it-was his belief that-the role of women in development of /// society is very-important. The fundamental rights further guarantee rights and freedoms both to-men-and-women without any difference. {2} It-is-necessary to note-that-we-have a large democracy and-the Government tries to protect-the economic, social / and political rights of-each individual.

We-have taken several steps in recent years to-improve-the position of women // in-India. We-have set-up at-the national level a National Committee on Women Welfare for ensuring increased participation /// of women in developmental activities. A national-plan of action for women has-been prepared which-has identified-the priority {3} areas of employment, education, health and family welfare to enable women to participate in all aspects of development. There-has-/-been considerable progress of women in school and higher education and literacy and-in opening-up of new areas in // vocational and technical education. But we should-not-be satisfied with-this. There-is-much-more to-be done and-///-in spite-of-the efforts put up by various-governments, the attitude of women in-the present-day society has-{4}-not changed. Therefore, it-is-necessary to-bring in a legislation to provide them with assured places of position in-/-the Government. The new plan should-be-able-to define-the role of women and-their place in-the development // of-our nation. The suppression faced by women should-be given up and-there-should-be equal partnership and understanding /// both at home and outside. We-have-great leaders. We-have-great resources. We-will definitely achieve our goals soon. {5}

Letter-from Pitman Publications, New-Delhi, addressed to-the Principal, Shorthand School, Hyderabad. Dear-Sir, We-have received your order / of-the tenth instant and-have pleasure in informing you that-the consignment of books will-be sent to-you // within a week. We-thank-you for-the order and-we-wish to assure-you of-our best services at-///-all-times. With regard to-the issue of discount on our publications we-wish to-state that-it-is-not-{6}-possible for us to-extend a discount of twenty per-cent as requested by-you. As you know-the encouragement given / to-the art of shorthand is declining and-the capital invested on publishing the costly books gets blocked. Consequently, it-//is-necessary for us to stick to-our policy of ten per-cent discount. However, as a special case, we-////-would-like to allow a discount of fifteen per-cent to-you. Hope to-receive-your order soon. Yours-faithfully, Manager. {7}

## EXERCISE-26

[illegible]

## EXERCISE-27

Ladies-and-Gentlemen, I-am-very-happy to welcome all-the Share-holders to-the Second Annual-General-Meeting of-/-our-Company. The Annual-Report and also-the Balance-Sheet have -been circulated. From-the report, we-can understand that // our-Company had a successful year of operation. We also had-the privilege of-our factory being opened by-our /// Prime-Minister. I-am-sure, you-can recollect that-the inauguration function was attended by large-number-of-people from {1} all-parts of-the State and-it-was a grand success. The operation of-the plant was started without much / trouble. Because of-the sufficient profits in-the-first-year, we-are-able-to pay a portion of-the arrears of // dividend on preference shares. In-this regard, I-wish to inform to all-the share-holders that-the products of-///-our company have-been well received and are reaching fast in-the-market without leaving any stock at-the factory. {2}

We-are expecting the same tempo and even far better-than last-year as-far-as-the performance of-the / Company is concerned. However, the power position has-been causing considerable anxiety. Any major power-cut causes very severe damage // to-the plant. Although -the Andhra Pradesh Electricity Regulatory Commission is fully aware of-the delicate nature of-this plant /// and-in-spite-of its consideration we-have suffered power-cut. Because-of-the scarcity of foreign exchange, we-are-{3}-not-in-a-position to obtain raw-materials as per our requirements. We also propose to manufacture sufficient quantity of / equipment needed for expansion in-our-country itself and-thereby we-would-be-able-to minimize-the requirements of foreign // exchange.

We-are-sure, this will-have effect on-the Company's resources. It-was-the intention of-the Board-of-///-Directors to use-the company resources for expansion without increasing-the share capital or by taking external borrowing. Therefore, there-{4}-is-no-need to-raise share capital but it-may-be necessary to approach Development Bank for loan so-that / our expansion program may-not-be delayed. We-are-sure, the Government-of-India would grant loans to companies like // us. I-am-happy to-place on record-the new proposal for construction of school and a hospital to cater /// to-the needs of-our workers, staff and-their children also.

Dear-Sir,

We-thank-you for-your letter of-{5}-the 22<sup>nd</sup> February. The design and specification which you-have chosen for-your dress is a very popular one. In-/-the-last few weeks, the demand for-it has-been so high that at-the moment we-regret to say // that-we-are out-of stock of-the necessary materials. You-may, therefore decide to-wait in-order-to get /// exactly what-you want. If so, the complete cost of-the materials of design required by-you in-the shades {6} you wanted works-out to Rupees five hundred only. However, if-you-cannot wait three weeks, perhaps you-will-be / good enough to-choose another design. In-this-regard, to-give-you a wider range of choice, we herewith enclose // another pattern sheet which-has just-been received. Our customers normally settle their orders with cash while placing order /// itself. If-you prefer to avail yourself of-the cash on delivery, that can also-be arranged easily

Yours-faithfully, {7}

## EXERCISE-27

१. १२३४५६७८९१०१११२१३१४१५१६१७१८१९२०२१२२२३२४२५२६२७२८२९३०३१३२३३३४३५३६३७३८३९४०४१४२४३४४४५४६४७४८४९५०५१५२५३५४५५५६५७५८५९६०६१६२६३६४६५६६६७६८६९७०७१७२७३७४७५७६७७७८७९८०८१८२८३८४८५८६८७८८८९९०९१९२९३९४९५९६९७९८९९१००

१. १२३४५६७८९१०१११२१३१४१५१६१७१८१९२०२१२२२३२४२५२६२७२८२९३०३१३२३३३४३५३६३७३८३९४०४१४२४३४४४५४६४७४८४९५०५१५२५३५४५५५६५७५८५९६०६१६२६३६४६५६६६७६८६९७०७१७२७३७४७५७६७७७८७९८०८१८२८३८४८५८६८७८८८९९०९१९२९३९४९५९६९७९८९९१००

१. १२३४५६७८९१०१११२१३१४१५१६१७१८१९२०२१२२२३२४२५२६२७२८२९३०३१३२३३३४३५३६३७३८३९४०४१४२४३४४४५४६४७४८४९५०५१५२५३५४५५५६५७५८५९६०६१६२६३६४६५६६६७६८६९७०७१७२७३७४७५७६७७७८७९८०८१८२८३८४८५८६८७८८८९९०९१९२९३९४९५९६९७९८९९१००



## EXERCISE-28

In-my-own time, I-have-not-been an orator nor I-have-been an eloquent speaker. But I-have / always-been a good debater. On-this-occasion, I-find that my words fail me and-I-am-not able-// -to-respond in-the way in-which I-would-like-to, because I-am overwhelmed by-your kindness, your generosity /// and your nobility. Even if-I-were to-search-the whole library of English literature I-will fail to-find {1} words of adequate expression of-my warm and heartfelt thanks, for-the kindness you-have shown to-me this evening. / When I-look back on-my long career I-have a deep sense of satisfaction and sense of fulfilment. I-//-would-not-have satisfied everybody, nor could any-one do that. I-have always tried to act according to-my /// conscience, irrespective of-the praise or-the abuse that followed my action. I now have a feeling of fulfilment that {2} my life has-not-been a waste. It-has-been of-some utility to-some section of-the people for-/-some-time at-least. This-is-not-the time to deliver any lecture on what Members -of-Parliament should do. // But still I-would-like-to say that-it-is-necessary that as-the custodian of-the-country, the judiciary /// it-is incumbent on all of us to see that-we preserve-the greatness of {3} India that-was and pass it on to future generations as a great country. Members-of-Parliament have a great / responsibility in-that they-have to discharge their functions under several constraints, sometimes act according to popular opinion; sometimes even // against the popular opinion where-the popular opinion is-not-correct but always in tune with-the popular sentiments and /// opinions that prevail at-that time. In-this difficult task I should say with all-my experience over several years, {4} the Indian Parliament has discharged its responsibility to-the best of-its ability and honor. Our country has great-problems, / much greater-than those of any-other country. Other countries which became independent did-not-have-the same problems as-//-we-had. At-the-time when-we became Independent we-were short of food, clothing housing and capital for development. /// In-fact, it-was an era of shortages in every field of activity, which-the other countries did-not face. {5}

Dear-Sirs, We-have received your-letter, enquiring the status of-your order. You-will-be-glad-to-know-that / your order of tenth February has-been promptly executed. The items ordered by-you have-been dispatched and you-should-//-be getting them in two days time. Your customers will certainly be-pleased with-the excellent quality of-our garments. /// We-are, enclosing herewith your invoice and Railway Receipt is being sent through our bankers. We-request you to arrange {6} payment as-soon-as you receive our order. You-will-find shopping a great-pleasure in-our new premises. We-/-have also added new varieties to provide a complete range of goods. We propose to shift to-our new premises // during-the second week of March and request you to overlook-the inconvenience that-will-be caused during-the period /// of shifting. We-wish to-thank you for patronage and hope to-render even better service in-future.

Yours-faithfully, {7}

## EXERCISE-28

[illegible]

## EXERCISE-29

I-have-been asked this evening to-speak to-you about social services. If-you find that I-am -not / able-to-do sufficient justice to-this great audience you-will-credit to so-many engagements that I hastily // accepted. It-was my desire that I should-have at-least a few moments to-think out what I-///-have to say to-you, but it-was-not to-be. For social service as for any-other service on-{1}-the face of-the earth, there-is one condition indispensable, namely proper qualifications on-the part of-those-who want / to-render social service or any-other service. So we-shall ask ourselves this evening whether those of us who-//-are already engaged in-this-kind of-service and others who-have aspired to-render-the service possess these necessary /// qualifications.

Because you-will-agree-with me that in social service, if-they can mend matters they can also spoil {2} matters and-in trying to-do service however well-intended that service might be, if-they-are not qualified for-/-that service they-will-be rendering not service but disservice. What-are-those qualifications? They-are of universal application and-//-they-are necessary for any-class of work, much-more so in social service at-this-time of-the day /// in-our national-life in-our dear country. It-seems to-me that-we require truth in-one hand and {3} fearlessness in-the other-hand. Unless we carry-the torch-light we-shall-not see-the step in front of / us and unless we carry-the quality of fearlessness we-shall-not-be-able-to give-the message that-we // might want to-give. Unless we-have-this fearlessness, I-feel sure that when-that supreme final test comes we-///-shall-be found wanting. So I suggest to every social worker must have-these two qualities to-serve his countrymen.

Although in-India we-have-had a long tradition of voluntary social work, I-find that-we-are-not making / full use of-our resources. There-is a lot of-talent and capacity and willingness for-the social work. We-//-should so devise our programs as-to attract-the people who-are ready to help us with their money or /// talent or time. The voluntary organizations provide an opportunity for-those who-are ready to contribute money, talent or service. {5}

Dear-Sirs, We-have given our careful attention to-your terms-and conditions and-have decided to appoint you as our Agent in-the-first-instance for a period of two-years from January // next and agree to allow you commission on all orders received direct or indirect from buyers in-yours. For reasons /// mentioned in-our earlier-letter, your area of operation will-be limited to-the city only.

Of all-the orders {6} received from outside-the city and-the State, whether we-have already represented for many years past, we-can allow / you only five per-cent commission on-the net amount of all sales effected by-you on-our behalf. We // agree to allow-you the customers discount of two per-cent on all ordinary sales and special discount to-be /// arranged for special orders. We should-be-glad to-receive your-confirmation of-the above terms at-your-earliest-convenience. Yours-faithfully, {7}

## EXERCISE-29

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840.

"የጥቅምተኛነት ስሜት ለሰጠኝ  
 "የሰጠኝ ስሜት ለሰጠኝ ስሜት ለሰጠኝ  
 የሰጠኝ ስሜት ለሰጠኝ ስሜት ለሰጠኝ

|             |
|-------------|
| EXERCISE-30 |
|-------------|

Addressing-the gathering, the Prime-Minister said: You-have a great-opportunity to-serve, because you have-the armed power / of-the State in-your hands, you-must take-care not to abuse it. Some months-ago, I told-the // Commander-in-chief that-it was my desire to-meet as often as possible the Officers and men of-the /// Indian armed forces to visit units and to see them at work and at play, and particularly to-talk to-{1}-them. I-wanted to know-you and speak to you because it-is very necessary that-we should-understand each / other.

It-is very necessary in an Independent country for-those in authority, who represent-the people to know what-/-is in-the-minds of-the men of-the armed forces. There-should-be no distance between-the people generally /// and-the armed services. They-are all one because recruitment to-the armed forces is made from-the masses. It, {2} therefore, is essential that-we should understand each-other. However, owing to extreme pressure of work and-the many problems / requiring attention, I-could-not meet most of-you, although I-have-had occasions to-meet and talk to-some. // Therefore, I-decided to-speak few-words to-you this evening. Your duty is to-serve your country and countrymen. /// However you-have armed power of-the State in-your hands. {3} They call me the Prime-Minister-of-India, but it-would-be better if-I-were called -the first servant / of India. In-this age it-is service that matters. Our forces went wherever-the people of-that State were // in trouble. It-was thus our duty to-go and help. I told-them that-they -were there as guests /// and-friends and-as servants of-the people.

I-am-glad while performing their duty they-have established cordial relations {4} with-the people. We-must often remind ourselves that whatever our religion or caste we-are all one people. I-/-regret that recent disturbances have given us a bad name. If anything goes wrong it-will-be our fault. This-/-is-not citizenship. It-is service to-the-country. We-cannot blame others. If-you, men of Navy, Army and /// Air-force serve your countrymen without distinction of-class or creed, you bring honor to-our country and to-our countrymen. {5}

Gentlemen, We-understand that-you wish to-have a reliable representative firm in-this-city having a good connection in-/-the export trade, willing to act as agents for-your production. If-this-is so we-shall-be-pleased to // offer you our services in-this capacity. You-may possibly know we-do a large business in all-branches off-///-your-class of goods, and-as we-have-been in -this trade for nearly thirty years, we-have many valuable {6} customers.

For-the past five years we-have-been agents of a firm engaged in keen competition with-you. This / firm has recently decided to open up their-own branch in-this-city. We-have, therefore, had a wide experience // in selling-the kind of-goods you produced and our efforts to compete with your goods in-the past should /// result in-our being-able-to push them to greater advantage in-the-near-future. Awaiting your reply.

Yours-faithfully, {7}

## EXERCISE-30

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840.

## SPEED SPURT DRILLS @80wpm

## EXERCISE-31

I-have started my journey in-this industry one-year-ago. My father is my main inspiration and - support. We / entered this industry with-the challenge of making-it a recognized brand name in -the Indian market. It-is-really // our hard work that bears fruits today. Young leaders are an emerging development across many industries in-our-country. My /// father is my greatest motivation because he worked very-hard to establish this company's name in-the industry. That -is-{1}-the reason why I follow his footsteps.

First of all, at-the-time of entering-the-market, leaders must have / self-confidence to-go forward. There-may-be times when-their business rules may face problems // while other popular companies rule the day. It-is-necessary to-have people skills /// so-that one-can manage-the employees. They must be ready to-face unexpected situations while dealing-with-{2}-the daily affairs of-the business. One should-be-able-to face all-kinds of problem situations. To start a / company, one should-be very determined and possess a good dose of patience which-will lead to-success. One should-//have-the dedication to-reach-the goal and-the skill to-deal-with all-crisis situations. Young minds are always /// full of fresh thoughts and new ideas. They-have-the ability to-be direct, open and can take new risks {3} better. This-is a very important aspect to-b ring-about innovation in-our-country. There-is-nothing wrong if-one / takes orders from a young leader as-long-as he or she takes-the responsibility to-improve-the company's growth. // In-fact, a right mix of ideas can go a long-way to-find-the right solution to-solve problems /// and-bring-about-the necessary change. Therefore, if a junior is well-qualified to handle the responsibilities, everyone should respect {4} his or her position in-the larger interests of-the company's growth. Finally it-is-the team effort that helps / in reaching-the common goals and-in-this-respect age and seniority should-not-be allowed to spoil-the smooth // functioning. The goal of-our-company is to-deliver an international sports experience at reasonable prices. Our aim is to-///take sports industry in-our-country on par with-the global level by promoting sports from-the grass-roots level. {5}

Letter dated December 5; From Messrs. Raja Enterprises, Hyderabad. To Messrs. Lotus Oils Limited, Mumbai.

Dear-Sirs, We-are-in-/-receipt of-your-letter dated 1<sup>st</sup> December sending us your detailed catalogue and-price-list and-we-thank-you for-the-//-same. We-are willing to-market your products in-the twin cities through our wholesale network. With regard to-the /// terms and conditions of-our agency, we-feel that-the commission you offer is very-low compared to similar offers {6} we receive from other business concerns from-time-to-time. We-wish to inform-you that unless you increase-the / percentage of commission, we may-not-be in a position to accept your offer. Even-the terms of-credit you // proposed are-not business friendly. For-this purpose we-wish to-send our representative to-you to discuss and finalize /// these matters. Please-let-us-know your convenient dates for meeting. Thanking-you and awaiting an early reply. Yours-faithfully, {7}

## EXERCISE-31

1. The first part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.

2. The second part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.

3. The third part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.

4. The fourth part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.

5. The fifth part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.

6. The sixth part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.

7. The seventh part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.

8. The eighth part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.

9. The ninth part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.

10. The tenth part of the exercise consists of a series of lines of shorthand, each line containing a different set of symbols and characters. The symbols are arranged in a way that they are easy to read and understand.



## EXERCISE-32

It-has become a common feature in every organization that-there-is movement of staff. This-is especially true in-/the-case of information technology companies where there-is shift from one organization to another on a large scale. Sometimes // the exit of-the employee is sudden that-it-is not-possible to-have a replacement. In-such circumstances the /// company is in a very difficult situation to-find a suitable person immediately. It-is also not a healthy sign {1} for the employee as he changes his employment quite often.

It-is-the usual practice for every firm to conduct / exit interviews for all-those-who wish to-leave. The purpose of-such an exercise is to know what-is-//the cause for-their leaving. The Personnel Manager who-is in charge of recruitment is-the Officer who does this /// process. As -soon-as-the employee puts in-his representation to-leave-the organization, he-will-be called for a {2} personal discussion with-the Officer. On-his arrival, the employee is asked to explain as to-the reason why he-/wants to quit. He-is asked whether-the difficulties faced in-the work-place, the working relations with-the supervisors, // the organizational goals and policies or-the personal reasons prompted him to-move to a new place.

The important reason /// behind such an enquiry is to know whether there-is a need to-change-the policies of-the company if {3} there-are a large-number-of complaints on-this front or to-improve-the conditions in-the work-place so-/that-the worker feels happy while attending to-his job. On-the-other-hand, if-the worker is leaving due // to personal reasons, every effort will-be-made to know-such reasons also. To a large-extent, he-is advised /// to-solve-the problems and continue in-the same organization rather-than go to a new place where he-is-{4}-not sure that-they do-not continue to affect his performance. It-is also a good idea to involve one-/or-two trade union leaders also in-this process of exit interviews as it-will give them an opportunity to-//present a clear view and take-necessary steps in-the interest of good labor management relations. These are some of-///the issues which-are within-the organization's control, like economic matters and other policy-matters, in-the interest of organization. {5}

Letter dated Tenth April from-the Secretary to Government, Industries and Commerce-Department, Government of Andhra Pradesh, Hyderabad to-the / Secretary to Government, Industries and Commerce-Department, Government-of-India, New-Delhi.

Sir, It-is to inform that-there have-//been requests from various sections of industry that-the government should provide incentives for-the development of industries in-the /// State in-view of-the-fact-that-there-is a steady growth of-the economy. A committee may-please-be {6} constituted to study-the existing rules and submit its report within-the next two-or-three months. The remarks of-/the committee may-be taken-into-consideration at-the-time of finalizing-the draft plan of action. It-is-requested // that-the above proposal may-please-be considered and a committee be constituted immediately so-as-to enable-the Government /// to announce-the new policy on-the occasion of-the Formation Day of-the State on 1<sup>st</sup> November. Yours-faithfully, {7}

Handwritten text in a cursive script, likely a form of shorthand or a specific dialect. The text is written on lined paper and includes various symbols, numbers, and letters. The script is dense and fills most of the page.

## EXERCISE-33

My Dear Officers, I-am-happy to join you again at a Conference like-this after nearly two-years. Let-/-me-place on record my appreciation of-the efforts put in by-the Collectors, Joint Collectors and others in solving-//the problems of-the people in ensuring effective implementation of-the various schemes, policies and programs undertaken by-the State-Government. I-am-glad-that-the District Administrators, Heads of Departments and Senior Officials in-the Government have met here {1} again to discuss-the important problems facing-the State and to set new goals in various activities and developmental programs. / I-would-like-you to discuss all-the issues and come up with amicable solutions. I-am-happy to a // large-extent, we-have succeeded in translation into action most of-the decisions taken in-the last conference. I congratulate /// everybody for-this.

However, I-would-like to-tell that-we all know no functionary above or below-the District {2} Collector enjoys such an enviable status including-the other district officers. This-is because of-the faith that governments have / placed in-this institution. However, I-would-like-to caution some of-the district officials including Collectors on-the need // to-maintain good public relations with people's representatives. The Collectors must realize that-the non-officials have an important role /// to-play in democracy. The Collectors must therefore carry-the non-official machinery along-with-them. This will enable the {3} Collectors to discharge their functions in a more effective manner. It-must-be realized that once the non-official or / a Minister finds the Collector receptive to his suggestions, he-will assist the district administration in-the better way of // implementing the policies and programs of-the Government that-were announced from-time-to-time by-the Government. I-draw-///-your attention in particular to-the need to provide drinking water, ensuring efficient functioning if fair-price shops, cooperative and {4} commercial -banks, the primary health centers, hospitals and-the primary health centers, hospitals and-the primary and secondary schools. Along-with-this, we should ensure success / of programs uppermost in-the-minds of-the Government like implementation of ban on arrack, efficient conduct of-important programs // like-the total literacy program, the family planning program which-are aimed at-the upliftment of-the poor and-the /// needy with particular emphasis on women. Finally I-would-like-to congratulate all district officials including Collectors for their cooperation. {5}

Dear-Sir, In-reply to-your-letter, we-are sorry to inform-you that-we-are-unable-to give special tariff for-/-the chairs indicated in-your-letter. We-shall-be-happy to-supply-you at-the ordinary rates if-you give // your confirmed order. The chairs are of-the best quality and let-us have an order for-these chairs /// so-that-we-can make necessary arrangements to-deliver-the goods as per your order. As-there-is much demand {6} for-these chairs, we-cannot make this offer beyond Saturday next. The terms and conditions are enclosed along-with-/-this letter. With regard to-your other letter for-the supply of office equipment such-as computer tables, gift items for-/-the coming new year, we-have immediately forwarded your-letter to-our sister company at Bombay and-they-have given /// a wire to us indicating that-they-are shortly sending their representative to-your office. Thanking-you, Yours-faithfully, {7}

## EXERCISE-33

1. The first part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

2. The second part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

3. The third part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

4. The fourth part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

5. The fifth part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

6. The sixth part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

7. The seventh part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

8. The eighth part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

9. The ninth part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

10. The tenth part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The sentences are written in a way that is difficult to decipher, but they appear to be a mix of English and possibly some other language.

## EXERCISE-34

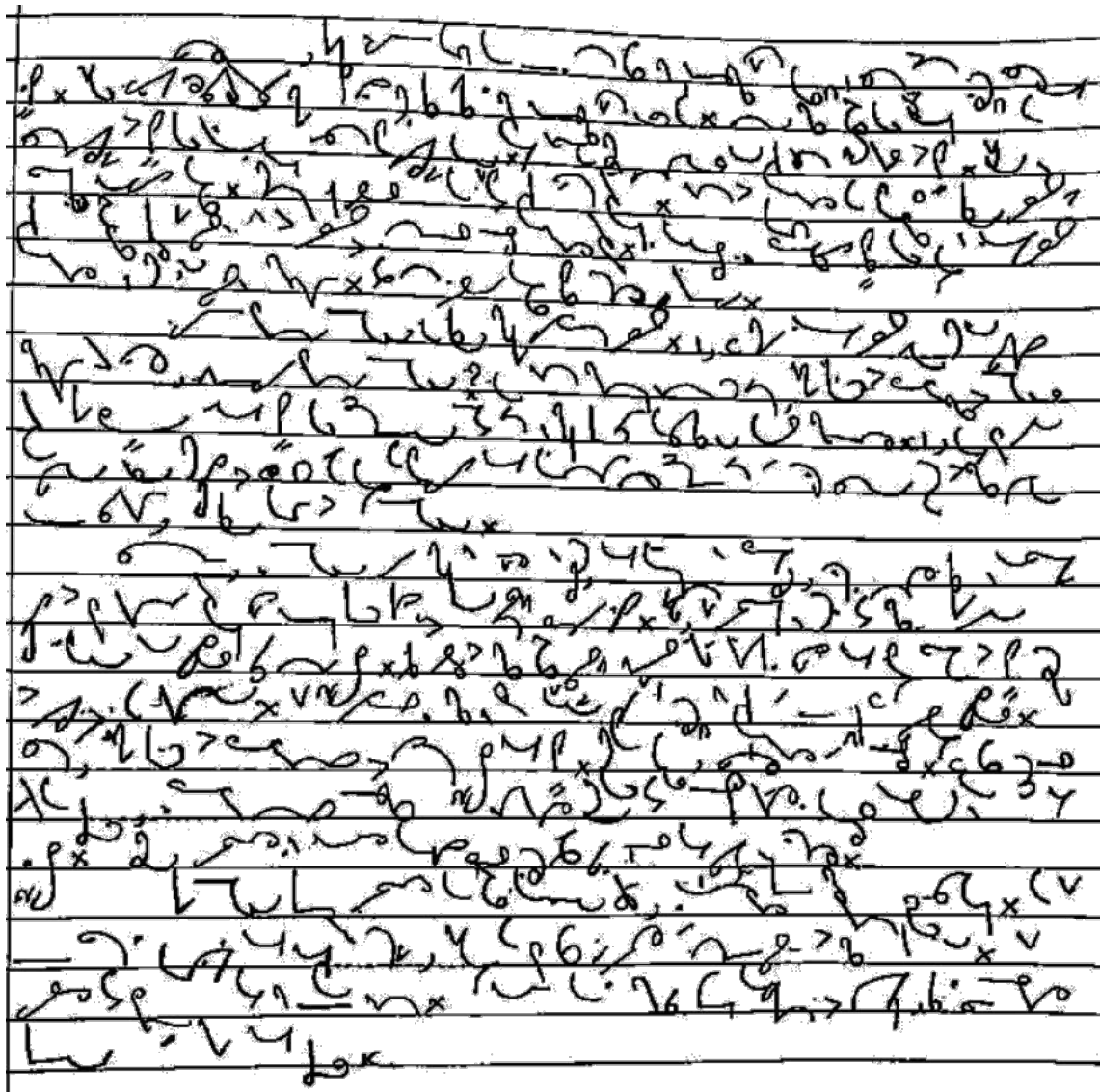
Mr. - Speaker,- Sir, At-the outset I-would-like-to thank-you for giving me this opportunity to-express my / views on some of-the important issues concerning the State. I-have-been watching what-is happening during-the-last // three-days and-it-is a privilege to-express my opinions on-them. Many members of-this House have-been /// pointing-out that some other regions have-not. I-agree-that {1} there-is-the imbalance in development of some parts of-the State. I-do-not-want to criticize anyone for / this. There-may-be different reasons for either-the development or-the poverty. I-am of-the view that every-//-place has its own resources and-the development of-that-place depends on-the use of all-the resources to-///-the maximum extent possible. For-instance, the north eastern States have-been full of natural resources but they-are not {2} used properly. That-is-the important reason for-those States remaining backward.

We-can blame-the government if-it does-/not provide-the required resources. But, when there-are natural resources and-if they-are-not utilized properly by-the // masses, how-can-we blame-the government? If I-am permitted to-mention here, I-draw-the attention of-the /// Honorable-Members to-the fact that-the Governments both at the Centre and-in-the State have-been working hard {3} to provide educational facilities under various programs. But, if-the people are-not willing to-send their children to-the / schools and-they feel that everyone in-the family must work hard and earn something so-that all-the members // live together happily. It-is-not fault of-the Government.

As-a-matter-of-fact, The Government are providing /// all kinds of assistance, in-the form of scholarships, mid-day meals etc. to encourage-the children of-the people {4} below-the poverty line to-get education at-least to-the higher secondary stage. On-the-other-hand, I regret / to say that-the-members are-not offering any suggestions which-would improve-the situation. It-is-the responsibility of-//-the members of-this House to-rise above party lines in-the overall growth of-the State irrespective of-the /// region to-which they belong. I request the Members to stop fighting each-other on issues of development and come {5} out with useful suggestions. Sir, I-draw-the attention of-the Honorable-Home-Minister to-the law-and-order situation / in-the State. There-have-been thefts, murders and accidents. Whenever this issue comes up for discussion, the Honorable-Minister // expresses helplessness saying that-the existing police force is insufficient to handle-the situation. There-is-no recruitment of-any-///-kind for-the-last six years and-this-is-the chief cause for-the youth to-take to arms.

Had-{6}-the Government taken-up recruitment for all-those vacant posts, the unemployment problem would-have-been solved. Though I come / from a village in-the under-development area, I-feel that-the people themselves should realize and make use of-the // opportunities at hand. I once again thank-the Speaker for-the opportunity given to-me. In-fact, for a member /// who-is elected for-the-first-time to-the legislature, it-is a great experience taking part in-the discussions. {7}

## EXERCISE-34



## EXERCISE-35

I-am-very-happy to-be here with-you this evening in-connection with-the Annual Sports Day of-your / School. When your Headmaster came to invite me for-the function I-was-not ready to accept-the invitation as // I-am-not an expert in-the field. However, I-have accepted-the request with a view to see-the /// activities organized by-the school and-spend some-time with-you. After I-came here I-feel happy to-see-{1}-you all engaged in different activities. Games and-Sports are very-important activities in-the school curriculum. These activities help / developing good health among-the children. They-are also useful for development of-mind and body. The students might select any-one of-the activities /// in-which they-are interested. To-my-mind, every student should play at-least an hour a day to-maintain a good {2} health.

The National Policy on Education 1986 has, therefore, given importance for Physical Education in-the school curriculum. / Normally, by a healthy person we mean a person free from disease or any-kind of weakness. But-the World // Health Organization defines health as a state of physical, mental and social well-being and-not-merely-the absence of /// disease of weakness. From this view point, if Health and Physical Education focus at enabling-the student to attain such {3} a state of health, it becomes education for-the total man. This proper syllabus of Health and Physical Education in / school must, therefore, enable-the student to know and understand that harmonious development of body and mind is essential for // good health. It-should help-the student to-raise his own health system. The syllabus should also-be such that /// it-can-be organized in normal conditions of-our schools and also such that if conducted effectively, would enable-the {4} student to contribute meaningfully in raising-the health system of-his family, community and also of-the environment to-which / he belongs. And-more-importantly, the student enters adulthood as a healthy boy or girl. In-addition to-the carefully // planned syllabus there-is-need for qualified teachers in Physical Education, play-ground and-the minimum equipment. Therefore, all-the schools /// should-be provided with-these minimum facilities. Even if-the facilities are-not available; the teachers should-not keep quiet. {5}

Dear-sir, Thank-you very-much for-your-letter dated twentieth April 1990, asking me to to-settle-the bill / to-be paid to-you. During-my-last visit to Delhi I-have met-the Manager of-your office and // explained to-him in-detail the circumstances under-which I-could-not make full payment of-the bill. Actually when /// I ordered for-the goods during-the month of January, I-have clearly stated that-the full amount of-the {6} bill will-not-be paid if-the-goods are-not received by-me in good condition. Out-of-the two / thousand boxes you have sent forty boxes have-been completely damaged and-another twenty boxes are partially damaged. I-have // therefore, decided to send all-the fully and partially damaged boxes back to-you by Road. The cost of- the /// transportation charges to-be incurred in-the connection is to-be met by-your company. Thanking-you, Yours-faithfully, {7}

1. 1986, 1990, 1992, 1994, 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020, 2022, 2024, 2026, 2028, 2030, 2032, 2034, 2036, 2038, 2040, 2042, 2044, 2046, 2048, 2050, 2052, 2054, 2056, 2058, 2060, 2062, 2064, 2066, 2068, 2070, 2072, 2074, 2076, 2078, 2080, 2082, 2084, 2086, 2088, 2090, 2092, 2094, 2096, 2098, 2100, 2102, 2104, 2106, 2108, 2110, 2112, 2114, 2116, 2118, 2120, 2122, 2124, 2126, 2128, 2130, 2132, 2134, 2136, 2138, 2140, 2142, 2144, 2146, 2148, 2150, 2152, 2154, 2156, 2158, 2160, 2162, 2164, 2166, 2168, 2170, 2172, 2174, 2176, 2178, 2180, 2182, 2184, 2186, 2188, 2190, 2192, 2194, 2196, 2198, 2200, 2202, 2204, 2206, 2208, 2210, 2212, 2214, 2216, 2218, 2220, 2222, 2224, 2226, 2228, 2230, 2232, 2234, 2236, 2238, 2240, 2242, 2244, 2246, 2248, 2250, 2252, 2254, 2256, 2258, 2260, 2262, 2264, 2266, 2268, 2270, 2272, 2274, 2276, 2278, 2280, 2282, 2284, 2286, 2288, 2290, 2292, 2294, 2296, 2298, 2300, 2302, 2304, 2306, 2308, 2310, 2312, 2314, 2316, 2318, 2320, 2322, 2324, 2326, 2328, 2330, 2332, 2334, 2336, 2338, 2340, 2342, 2344, 2346, 2348, 2350, 2352, 2354, 2356, 2358, 2360, 2362, 2364, 2366, 2368, 2370, 2372, 2374, 2376, 2378, 2380, 2382, 2384, 2386, 2388, 2390, 2392, 2394, 2396, 2398, 2400, 2402, 2404, 2406, 2408, 2410, 2412, 2414, 2416, 2418, 2420, 2422, 2424, 2426, 2428, 2430, 2432, 2434, 2436, 2438, 2440, 2442, 2444, 2446, 2448, 2450, 2452, 2454, 2456, 2458, 2460, 2462, 2464, 2466, 2468, 2470, 2472, 2474, 2476, 2478, 2480, 2482, 2484, 2486, 2488, 2490, 2492, 2494, 2496, 2498, 2500, 2502, 2504, 2506, 2508, 2510, 2512, 2514, 2516, 2518, 2520, 2522, 2524, 2526, 2528, 2530, 2532, 2534, 2536, 2538, 2540, 2542, 2544, 2546, 2548, 2550, 2552, 2554, 2556, 2558, 2560, 2562, 2564, 2566, 2568, 2570, 2572, 2574, 2576, 2578, 2580, 2582, 2584, 2586, 2588, 2590, 2592, 2594, 2596, 2598, 2600, 2602, 2604, 2606, 2608, 2610, 2612, 2614, 2616, 2618, 2620, 2622, 2624, 2626, 2628, 2630, 2632, 2634, 2636, 2638, 2640, 2642, 2644, 2646, 2648, 2650, 2652, 2654, 2656, 2658, 2660, 2662, 2664, 2666, 2668, 2670, 2672, 2674, 2676, 2678, 2680, 2682, 2684, 2686, 2688, 2690, 2692, 2694, 2696, 2698, 2700, 2702, 2704, 2706, 2708, 2710, 2712, 2714, 2716, 2718, 2720, 2722, 2724, 2726, 2728, 2730, 2732, 2734, 2736, 2738, 2740, 2742, 2744, 2746, 2748, 2750, 2752, 2754, 2756, 2758, 2760, 2762, 2764, 2766, 2768, 2770, 2772, 2774, 2776, 2778, 2780, 2782, 2784, 2786, 2788, 2790, 2792, 2794, 2796, 2798, 2800, 2802, 2804, 2806, 2808, 2810, 2812, 2814, 2816, 2818, 2820, 2822, 2824, 2826, 2828, 2830, 2832, 2834, 2836, 2838, 2840, 2842, 2844, 2846, 2848, 2850, 2852, 2854, 2856, 2858, 2860, 2862, 2864, 2866, 2868, 2870, 2872, 2874, 2876, 2878, 2880, 2882, 2884, 2886, 2888, 2890, 2892, 2894, 2896, 2898, 2900, 2902, 2904, 2906, 2908, 2910, 2912, 2914, 2916, 2918, 2920, 2922, 2924, 2926, 2928, 2930, 2932, 2934, 2936, 2938, 2940, 2942, 2944, 2946, 2948, 2950, 2952, 2954, 2956, 2958, 2960, 2962, 2964, 2966, 2968, 2970, 2972, 2974, 2976, 2978, 2980, 2982, 2984, 2986, 2988, 2990, 2992, 2994, 2996, 2998, 3000, 3002, 3004, 3006, 3008, 3010, 3012, 3014, 3016, 3018, 3020, 3022, 3024, 3026, 3028, 3030, 3032, 3034, 3036, 3038, 3040, 3042, 3044, 3046, 3048, 3050, 3052, 3054, 3056, 3058, 3060, 3062, 3064, 3066, 3068, 3070, 3072, 3074, 3076, 3078, 3080, 3082, 3084, 3086, 3088, 3090, 3092, 3094, 3096, 3098, 3100, 3102, 3104, 3106, 3108, 3110, 3112, 3114, 3116, 3118, 3120, 3122, 3124, 3126, 3128, 3130, 3132, 3134, 3136, 3138, 3140, 3142, 3144, 3146, 3148, 3150, 3152, 3154, 3156, 3158, 3160, 3162, 3164, 3166, 3168, 3170, 3172, 3174, 3176, 3178, 3180, 3182, 3184, 3186, 3188, 3190, 3192, 3194, 3196, 3198, 3200, 3202, 3204, 3206, 3208, 3210, 3212, 3214, 3216, 3218, 3220, 3222, 3224, 3226, 3228, 3230, 3232, 3234, 3236, 3238, 3240, 3242, 3244, 3246, 3248, 3250, 3252, 3254, 3256, 3258, 3260, 3262, 3264, 3266, 3268, 3270, 3272, 3274, 3276, 3278, 3280, 3282, 3284, 3286, 3288, 3290, 3292, 3294, 3296, 3298, 3300, 3302, 3304, 3306, 3308, 3310, 3312, 3314, 3316, 3318, 3320, 3322, 3324, 3326, 3328, 3330, 3332, 3334, 3336, 3338, 3340, 3342, 3344, 3346, 3348, 33



## EXERCISE-36

I-have come to-you to-make an appeal. You-are-the strength of today and hope of tomorrow. Upon / your shoulders depend-the future of-this-country. It-is true that-we-are facing a difficult time, difficult time // in many-ways. The most difficult problem before-the nation is-that there-is a sense of fear in-the-///-minds of many people. Our minorities feel that-their life is-not secure. Our backward-classes feel that-they are {1} not getting their due from-the society. Our young-men and women feel that-they-are not getting an opportunity / to contribute to-the production of -this-nation and lead a life of dignity and honor. These are-the problems // which-are seem in-our society. In spite of all-our efforts during-the last four decades we-have-not-been-///-able-to remove hunger, poverty and misery from this land. This-is unfortunate. Indeed, it-is shameful. Nature has given {2} us everything possible. We-have a rich land, we-have a good climate and-we-have got all-the natural / resources that are required for-the development, prosperity and progress of-this nation. Above all we-have-the biggest asset, // the manpower. Our people are ready to work. Our people, farmers and workers work hard but in spite-of that they-///-are not getting a better future for themselves. Our biggest asset, manpower has to-be taken care of. If-we-{3}-have to-build a new India, we-will-have to invest in man. When I-talk of investing in man, / our first priority should-be-the care of-the child. Every child that comes to-this world should get clean // water, necessary good food for-its growth, elementary education and-primary health services. If-these are provided to every child /// it-will grow into a healthy citizen.

There-is-the traditional system of caste and unfortunately in-our-country people {4} are seen differently on-this basis. Religion is another dividing factor. This should change. Any discrimination on-the basis of / caste and religion has to-be stopped. Then only we-can provide equal opportunity to all-our young men and // women to contribute for-the progress of-this country. While taking care of-these-things, we should remember that-we-///-are a rare resource society. Therefore, we all have to decide how to invest our resources in an efficient manner. {5}

Dear-Sir, Thank-you very-much for-your kind letter dated-the second of October. I-am-very-happy to / know-that you have already planned to-come to Hyderabad City during-the month of January next year. I-hope // I-will-be-able-to-make-it possible to-be in-the city during-the days of -your visit. The /// conference to-which-you-are coming is a very-important one and-very interesting to-take-part in-the discussions. {6} I-would-be very-happy to join you in-the conference. My only suggestion is-that it-is better if-/-you identify a few experts in-the field of primary-education and ask them to-prepare detailed papers covering all-/-the issues involved in implementation of-the new programs and policies. You-may-also invite-them to participate in-the /// conference. A detailed discussion on-the papers would help us to arrive at some possible solutions to-the existing problems. Yours-faithfully, {7}

## EXERCISE-36

1. The first part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The first line begins with a large 'V' and ends with a large 'L'. The second line begins with a large 'G' and ends with a large 'L'. The third line begins with a large 'G' and ends with a large 'L'. The fourth line begins with a large 'G' and ends with a large 'L'. The fifth line begins with a large 'G' and ends with a large 'L'. The sixth line begins with a large 'G' and ends with a large 'L'. The seventh line begins with a large 'G' and ends with a large 'L'. The eighth line begins with a large 'G' and ends with a large 'L'. The ninth line begins with a large 'G' and ends with a large 'L'. The tenth line begins with a large 'G' and ends with a large 'L'.

2. The second part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The first line begins with a large 'G' and ends with a large 'L'. The second line begins with a large 'G' and ends with a large 'L'. The third line begins with a large 'G' and ends with a large 'L'. The fourth line begins with a large 'G' and ends with a large 'L'. The fifth line begins with a large 'G' and ends with a large 'L'. The sixth line begins with a large 'G' and ends with a large 'L'. The seventh line begins with a large 'G' and ends with a large 'L'. The eighth line begins with a large 'G' and ends with a large 'L'. The ninth line begins with a large 'G' and ends with a large 'L'. The tenth line begins with a large 'G' and ends with a large 'L'.

3. The third part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The first line begins with a large 'G' and ends with a large 'L'. The second line begins with a large 'G' and ends with a large 'L'. The third line begins with a large 'G' and ends with a large 'L'. The fourth line begins with a large 'G' and ends with a large 'L'. The fifth line begins with a large 'G' and ends with a large 'L'. The sixth line begins with a large 'G' and ends with a large 'L'. The seventh line begins with a large 'G' and ends with a large 'L'. The eighth line begins with a large 'G' and ends with a large 'L'. The ninth line begins with a large 'G' and ends with a large 'L'. The tenth line begins with a large 'G' and ends with a large 'L'.

## EXERCISE-37

Gentlemen, I-have-great-pleasure in welcoming-you all to-this tenth Annual General Body meeting of-the shareholders of-/this company. The printed copies of-the report of-the Board of -Directors, and-the accounts of-the company for-//the-year ended 30<sup>th</sup> June two thousand eighteen are in-your hands, and-I-shall, with your kind permission, take-///-them as read.

Since our last meeting, there-have-been some change in-the Board of Directors. Two Directors, who {1} rendered valuable service have retired, and-in-their-place two other young and enthusiastic gentlemen have come on-the Board. / Your Directors have-placed on record their high appreciation of the valuable services rendered by those who retired and-have // extended a hearty welcome to-the new Directors who have in-their-place.

I-think-you have observed from-///-the Annual Report that-the company has continued to-make steady progress. The working results show a continued trend of {2} higher profits. The gross earnings have increased, and-the expenditure has come down. We-have therefore made adequate profits and-/there-is no need to approach-the State-Governments for any-kind of financial help. Since its inception, the company // worked in a small rented building. With-the growth of business, the premises was found not sufficient and unsuitable. Your-///-Directors felt that a stage had reached when-the company should-have its-own building. Accordingly, this spacious premises, where {3} this meeting is being held, was got constructed and our office was shifted to-it. The progress of-the company / and of-its working are to-be judged, not-merely by-the gross earnings and net profits, but also by // its usefulness to-the society as-a-whole. While we-have yet to-go a long-way before we-can /// claim to-have achieved our objectives, I-am happy to-be-able-to say that-the company has taken a {4} few steps in-that direction with fair success. Last-year, there-was significant development in-our company which bought up / many problems. There-has-been marked changes in-the attitudes and-the moods of-our people. This-was perhaps inevitable // in-the context of-the developments in-the fields of science and-technology. Our people and particularly our young-people /// are now exposed to all ideas and thoughts of-the-world. There-is a marked desire and argue for better-life{5}

Dear-Sir, I-am-very-happy to know that a workshop is being organized by-the development on a very-/-important subject like "Learning without Burden." The subject has gained importance in -the recent past particularly after-the National Policy // on Education 1986. There-are number of companies from-the public that children of-the age group /// four to nine have to carry a heavy load of books to the school. A number of educationists and politicians {6} have also felt the same. Hence, the Government of India has appointed a committee to go into-this particular aspect / in detail and suggest measures to reduce-the burden of-the students. The committee has submitted its recommendations. I-am-//glad that-this workshop is going through-the recommendations, discuss their implications for implementation and suggest follow-up action. In-///-this-connection, I suggest that-the workshop may discuss two important issues such as, the physical load and the academic load {7} of the students.

Yours-sincerely,

## EXERCISE-37

1. The first part of the exercise consists of a series of lines of shorthand notes, each line representing a sentence. The notes are written in a cursive style, with many loops and flourishes. The first line begins with a large 'T' and ends with a small 'x'. The second line begins with a large 'C' and ends with a small 'y'. The third line begins with a large 'M' and ends with a small 'x'. The fourth line begins with a large 'G' and ends with a small 'x'. The fifth line begins with a large 'L' and ends with a small 'x'. The sixth line begins with a large 'L' and ends with a small 'x'. The seventh line begins with a large 'L' and ends with a small 'x'. The eighth line begins with a large 'L' and ends with a small 'x'. The ninth line begins with a large 'L' and ends with a small 'x'. The tenth line begins with a large 'L' and ends with a small 'x'. The eleventh line begins with a large 'L' and ends with a small 'x'. The twelfth line begins with a large 'L' and ends with a small 'x'. The thirteenth line begins with a large 'L' and ends with a small 'x'. The fourteenth line begins with a large 'L' and ends with a small 'x'. The fifteenth line begins with a large 'L' and ends with a small 'x'. The sixteenth line begins with a large 'L' and ends with a small 'x'. The seventeenth line begins with a large 'L' and ends with a small 'x'. The eighteenth line begins with a large 'L' and ends with a small 'x'. The nineteenth line begins with a large 'L' and ends with a small 'x'. The twentieth line begins with a large 'L' and ends with a small 'x'.

## EXERCISE-38

I-am-grateful to-you for inviting me again and giving me this opportunity of-meeting you and finding-out / from-you what you have in-your-minds. I-say this because in-the-course of-your address, you appeared // to feel that you-were-not given as many opportunities for consultation as you wished to-have. It-may-be, /// occasionally, that-this-has-not-been possible or easy, but we accept entirely the principle of consultation in as large {1} a measure as possible.

But-you-must-remember that-there-is an essential difference in-the working of-the present / Government and-the Governments before Independence. The earlier Governments could come to decision more-or-less as they felt necessary. // But we-now have independence for-the-country. Further, we-have always to keep in-view the fact that-it-///-is-not a simple question of give-and-take between-the Government and-the particular interests concerned, industry or-the {2} like. There-are other interests concerned, industry or-the like. There-are other interests as-well, and-finally the interest of-the people of India, who-are no longer / prepared just to accept what they-are told. They have to-be convinced, because ultimately it-is their voice that // must prevail. In-any democratic set-up, there-should-be as great mutual consultation as possible in regard to matters /// of industry with-those-who-are mainly concerned with industry, namely, the employers as-well-as labor.

First of all, {3} we-have to-be clear what we-are aiming at. The tasks before us are-the uplift of-the villages / the securing of higher standards of-living in-the-country, greater production, industrialization, and so on. But-the country must // have a social outlook, also. You referred to -our Five-Year Plan. I-was-glad to see that it-was /// in-the context of-that Plan that-you wanted your various problems to-be considered. The approach is an attempt {4} to-look at our great country as-a-whole, and to-find out what our resources are, what our abilities / are and how best to-use them without waste. In-the first attempt of-this kind, it-was inevitable that-//there-should -be many defects. I-have-no-doubt that in-the next Plan many of-these defects will-be /// removed. We are trying to-learn gradually. In particular, the question of unemployment cannot-be ignored. It-has social and political consequences {5}.

Dear-Sir, I-have received your letter dated tenth February 2018. I-am-glad to know that you-/-have started an industry in the rural area. Actually development of rural areas are very much neglected by all-the // people. Though some signs of development in a few areas is seen, by and large, the welfare of-the people /// living in rural areas is very much neglected. In some of-the villages, the total population is getting reduced year {6} by year. This-is mainly because there are no sufficient educational and vocational facilities. Employment opportunities are also not available / in the rural areas. Unless steps are taken to improve three facilities it would be difficult to retain the people // in the villages. I am also told that most of the people are selling their property in the villages and /// settling down in the towns and cities. The concept of service has not been developed among the educated youth. Yours-sincerely, {7}

Handwritten text in a cursive script, likely a form of shorthand or a specific dialect. The text is written on lined paper and appears to be a continuous passage, possibly a letter or a document. The script is dense and difficult to decipher without a key or context.

## EXERCISE-39

Yesterday I-had just moved for consideration of-this very-important Bill. I-think in all fairness to-this House / I should say that but for-the unfortunate illness on-the part of-the Finance Minister, this Bill would-have-//been piloted by-him, a much abler person to-do this job than myself. I-hope-this House will bear /// with me and-take my deficiencies with some amount of indulgence. It-is a great-pleasure for-me, in-fact {1} I consider it to-be a proud privilege, to-be put in-charge of piloting this bill. I consider this / as one-of-the-most-important measures presented before this House in recent years and-to-be considered passed // by this House.

This Bill apparently wants to-take-over the Imperial Bank of India and I-feel that to /// all purposes this-is a Bill for nationalizing this Bank. I-do-not like to enter into-the controversy at-{2} -present but for brevity's sake I-shall-be using-the term nationalization and-I-hope-and-trust the members would-/not object to-it. You-will all agree that-this-is a very-important measure. Yourself, the father of-this House and quite a number of other members have expressed a desire repeatedly to-this effect. I-can say, perhaps /// without any fear of contradiction that so-far-as this-is concerned there-is absolute unanimity in-this House and-{3}-I expect that-there-will -be a fair amount of unanimity in-the whole of-the-country. So-far-as-the / Bill is concerned, I-may-be permitted to say, this-is a very-important Bill. It embodies-the aspirations and // desires of-the members of-this House and of-the public in-the-country. The Nationalization is-not-the only /// purpose of-this measure. Perhaps the more-important thing is-the rural credit structure that-will follow this Bill. This {4} house has many a time expressed its anxiety about-the rural credit; and rightly so, because all is-not well / in-that regard and by-this Bill Government is determined to-do something tangible. There-have-been many allegations about-//the privileges enjoyed by-the Bank and-the services it-was rendering to-the public and-the nation at large. /// Perhaps most of-the allegations are-not justified and-even if-they-were so, that-would only add to-the {5} reasons.

Sir, It-will-be a great relief to pensioners if-the Government permitted them to retain the government accommodation occupied / by them for-the rest of life on payment of usual rent and charges. Pension is rightly regarded as 'deferred // pay' which a pensioner earns while in active service and draws during his passive service. After rendering a long and /// efficient active service, a person, on retirement, inherits all-the rights and obligations vested in him as government employee. He {6} continues to-be governed by conduct rules and other service rules and regulations. Therefore, in all fairness the government must / in turn accord due recognition to-his rights including-the right to retain the allotted accommodation for-the rest of // life and to that end amend the Allotment Rules suitably. The Government must see to it that retired employees are /// not deprived of-the government accommodation at-the fag end of life when they need it most. Yours-faithfully, {7}

Handwritten text in a cursive script, likely a form or document, with a signature at the bottom right.



## EXERCISE-40

Sir, I-wonder whether it-will-be possible for-the Government to achieve-the target under public loan and-small / savings, especially in-view of-the recent announcement made by-the Reserve- Bank-of-India. So, we-have to increase // our income through taxation. We should become more objective and-not subjective. We should-not-think in-terms of only ///

pleasing some- people. We cannot have a plan of high order without imposing additional taxes. In a continually developing economy {1} like ours, there-is-the question of tackling inflation. I-do-not expect that through taxation it-is-possible to / control inflation. The most-important principle enunciated by eminent economists is-that-the raw-material for-any economic development is-//the human factor. This human factor has to-be taken-into-consideration when-we-want to prepare an effective plan. /// When there-is a continuing demand for increase in salaries and wages leading to higher cost of management we-have {2} to consider ways-and-means of absorbing- the additional money to-be pumped into-the economy of-the-country for / meeting these demands. One factor which-is glaring in-our-country is-that we-do-not-have any consideration for-//the economy of-the nation when-we-think of-savings. The savings-factor is related to-the purchasing capacity of-///the individual. I-do agree that with an increase in prices, the capacity of an individual to-purchase definitely decreases. {3} In-such a case it-is illusory to-think of increasing-the standard of-living of-the individual in-the / real sense of-the term. One-of-the greatest difficulties that-we-are finding in-our-country is to-fight // against our-own habits. Once we fall into a habit it-is difficult for-us to-change the same and /// resort to-reducing our spending. Everyone of-us wants to stick to a particular standard of-living, but we-{4}-are-not- able-to maintain that standard because of higher taxation. Then we contemplate upon avoiding taxes by various means. / When-we-cannot avoid it, we urge for higher salaries and allowances. These are factors which come into play when // prices go up. In-the circumstances it becomes impossible for-the Government to-resist the demand for increase in salaries. /// Increase in salaries obviously leads to higher inflation. Then Government have to-levy higher taxation to absorb-the extra-money thrust into the economy. {5}

Dear-Sir, Thank-you very-much for-your-letter dated 10<sup>th</sup> February requesting me to visit New Delhi in connection-/-with-the International Book Fair to-be held in April, 2018. I-am-very-much interested to visit // New Delhi and spend a few-days to go round-the Book Fair. In-the meanwhile, I-shall-be thankful /// if-you-could kindly secure and communicate to-me some-more information in detail regarding-the dates of-the Fair, {6} venue and-the countries that participate in-the Book Fair. I-am-very-much interested to purchase some books particularly / in -the areas of Medicine, Engineering and Education. I. therefore, request you to collect-the handouts, if-any, on-the // above three subjects and send them to-me as it-would-be helpful for-me to come prepared.

Further I-///-would like to stay there for one week. I need accommodation for my stay there preferably near-the Book-Fair. Yours-faithfully, {7}

[illegible]

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3. Tamil Nadu Technical Examination Speeds
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OFFICE ASSISTANTSHIP  
Paper – II  
II YEAR  
ACCOUNTANCY & TALLY  
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## UNIT

## 1

**DEPRECIATION**

*Depreciation – Meaning and need of depreciation – Causes of depreciation – Methods of depreciation – Simple problems on depreciation (Straight line and diminishing balance method) – including problems.*

**Learning Objectives**

After studying this Chapter, the student will be able to:

- Understand the meaning and definition of depreciation.
- Recognise the reasons and causes for providing depreciation.
- Identify various methods of depreciation.
- Determine the profit or loss at the time of sale of asset.
- Preparation of asset account and depreciation account under straight line and written down value methods.

**1.0.INTRODUCTION:**

All assets whose benefit is derived for a long period of time, usually more than one year period are called as **Fixed Assets**. These assets decrease in value year after year due to wear and tear or lapse of time. This reduction in value of Fixed Assets is called Depreciation.

Generally, the term ‘depreciation’ is used to denote decrease in value, but in accounting, this term is used to denote decrease in the book value of a fixed asset. Depreciation is the permanent and continuous decrease in the book value of a fixed asset due to use, effluxion of time, obsolescence, expiration of legal rights or any other cause.

For instance, a factory owner, owns a machinery worth Rs.1,00,000, may estimate the life of the machinery as five years. This means that the value of the asset is reducing every year. Hence, it is necessary to spread the cost over five years during which the benefit of the asset is derived. Thus depreciation Rs.20,000 ( $\text{Rs.1,00,000} / 5 \text{ years}$ ) is to be treated as an expense, which is debited to Profit and Loss account.

**1.1.DEFINTION:**

In the words of Spicer and Pegler, “Depreciation is the measure of the exhaustion of the effective life of an asset from any cause during a given period”.

Carter defines depreciation as “the gradual and permanent decrease in the value of an asset from any cause”.

According to ICMA (Institute of Cost and Management Accountants - London) Terminology “Depreciation is the diminution in intrinsic value of asset due to use and / lapse of time”.

The above definitions reveal that when fixed assets are used in business to generate income, they lose their production capacity or earning capacity and at a particular point of time they render themselves useless. This reduction in the production capacity or earning capacity is termed as depreciation.

**1.2.NEED FOR PROVIDING DEPRECIATION:** The need for providing depreciation in accounting records arises due to any one or more of the following reasons.

1. To ascertain correct profit / loss For proper matching of cost with revenues, it is necessary to charge depreciation against revenue in each accounting year, to calculate the correct net profit or net loss.
2. To present a true and fair view of the financial position If the amount of depreciation is not provided on fixed assets in the books of account, the value of fixed assets will be shown at a higher value than it's real value in the balance sheet. As such it will not reflect the true and fair financial position of the business. Hence, to present a true and fair view of the financial position of the business, it is necessary that depreciation must be deducted from the book value of the assets in the balance sheet.
3. To ascertain the real cost of production For ascertaining the real cost of production, it is necessary to provide depreciation.
4. To comply with legal requirements As per Section 205(1) of the Companies Act 1956, it is compulsory for companies to provide depreciation on fixed assets before it declares dividend.
5. To replace assets Depreciation is provided to replace the assets when it becomes useless.

**1.3. CAUSES FOR DEPRECIATION:**

**1. Wear and tear :**The asset may decrease in its value because of constant use in the business. This is also caused because of erosion. When the asset is exposed to sun, wind or rain it may lose its value.

**2. Lapse of Time:** Assets may have a fixed life period. After the expiry of its life, the asset may become useless. This may happen in plant and machinery, lease. Copyright patents etc. After the expiry of the fixed life the asset may become useless.

**3. Accident:** The assets may reduce in value because of the accident. It is not gradual decrease, but there is a permanent loss in its value.

**4. Inadequacy of Assets:** The increase in the size or growth of the business may cause inadequacy of the asset. As a result the asset may be terminated.

**5. Obsolescence :**When the asset become outdated, it becomes useless in the business. So it is to be replaced by new and modern assets with the latest technology. Thus the old asset losses its value.

**6. Depletion :** Asset may be exhausted through its working e.g., mines, minerals, oil etc. These assets get exhausted because of extraction and exploitation. Hence the assets become useless.

#### 1.4 FACTORS INFLUENCING DEPRECIATION:

1. Wear and tear due to constant use.
2. Decrease in the market value of the asset.
3. Due to obsolescence i.e., permanent change in the asset may be result in the uselessness of the asset.
4. Non-functioning of a machine may cause depreciation.
5. Accident and damage of an asset will caused depreciation.

#### 1.5 METHODS OF PROVIDING DEPRECIATION: The following are the main methods of providing depreciation.

1. Fixed Installment Method.
2. Diminishing Balance Method.
3. Depreciation Fund Method.
4. Insurance Policy Method.
5. Revaluation Method.
6. Annuity Method.
7. Depletion Method.
8. Machine Hour Rate Method.
9. Global Method.
10. Sum of Digits Method.

#### **FIXED INSTALLMENT METHOD**

This method is also known as “Straight Line” or “Original Cost Methods”. Under, this method a fixed percentage of original value of the asset is written off every year. In this method depreciation is charged equally every year throughout the life of the asset. The depreciation charged on the asset is fixed throughout the effective life of the asset. At the end of the working life of the asset, balance in the asset account will be Zero. The amount of depreciation is calculated as follows:

$$\text{Annual Depreciation} = \frac{\text{Cost of the Asset} - \text{Scrap Value}}{\text{Estimated Life of the Asset}}$$

$$\text{Rate of Depreciation} = \frac{\text{Annual Depreciation}}{\text{Total cost of the Asset}} \times 100$$

**Advantages:**

1. This method is simple and easy to understand.
2. Calculation of depreciation is very easy. The value of asset can be written down to zero.
3. This method is very suitable to those which have a fixed life e.g., furniture and fixtures, lease etc.

**Disadvantages:**

1. It is difficult to estimate the life of certain asset with accuracy e.g. machinery.
2. The interest on the amount invested in the purchase of asset is not taken into consideration.
3. In this method, it becomes difficult to calculate the depreciation on additions made during the particular year.
4. The same amount of depreciation is charged every year irrespective of the use of the asset. Thus, it does not take into account the effective utilization of the asset.

*Illustration : 1*

A company purchased Machinery for Rs.1,00,000. Its installation costs amounted to Rs.10,000. Its estimated life is 5 years and the scrap value is Rs.5,000. Calculate the amount and rate of depreciation

Solution:

$$\begin{aligned}\text{Total cost} &= \text{Purchase Price} + \text{Installation Charges} \\ &= \text{Rs.1,00,000} + \text{Rs.10,000} \\ &= \text{Rs. 1,10,000}\end{aligned}$$

$$\text{Annual Depreciation} = \frac{\text{Cost of the Asset} - \text{Scrap Value}}{\text{Estimated Life of the Asset}}$$

$$\text{Annual Depreciation} = \frac{110,000 - 5000}{5} = 21000$$

$$\text{Rate of Depreciation} = \frac{\text{Annual Depreciation}}{\text{Total cost of the Asset}} \times 100$$

If annual depreciation is Rs.21,000 and the cost of the asset is Rs.110,000

$$\text{Rate of Depreciation} = \frac{21000}{110,000} \times 100 = 19.09\%$$



**JOURNAL ENTRIES**

| Date | Particulars   | Dr.<br>Amount<br>₹ | Cr.<br>Amount<br>₹ |
|------|---|--------------------|--------------------|
| xx   | When the asset is purchased<br>Asset Account Dr.<br>To Bank Account<br><i>(Being the asset purchased)</i>   | xxx<br>---         | ---<br>Xxx         |
| xx   | When the depreciation is provided on the asset<br>Depreciation Account Dr.<br>To Asset Account<br><i>(Being the depreciation calculated)</i>                  | xxx<br>---         | ---<br>Xxx         |
| xx   | When the depreciation is transferred to P&L A/c<br>Profit & Loss A/c Dr.<br>To Depreciation A/c<br><i>(Being the depreciation transferred to P&amp;L A/c)</i> | xxx<br>---         | ---<br>Xxx         |
| xx   | When the asset is sold after its working life<br>Bank Account Dr.<br>To Asset Account<br><i>(Being the asset sold)</i>  | xxx<br>---         | ---<br>Xxx         |
| xx   | Profit earned on sale of Asset transferred to P&L A/c   |                    |                    |
|      | Asset Account Dr.   | xxx                | ---                |
|      | To Profit & Loss A/c  | ---                | xxx                |
|      | <i>(Being the profit transferred to P&amp;L A/c)</i>  |                    |                    |
| xx   | When loss occurred on the sale of an Asset  |                    |                    |
|      | Profit & Loss Account Dr.   | xxx                | ---                |
|      | To Asset Account  | ---                | xxx                |
|      | <i>(Being the loss on sale transferred to P&amp;L A/c)</i>  |                    |                    |

**Illustration 2:**

On 1<sup>st</sup> January 2014, a firm purchased plant and machinery costing Rs.52,000. It is estimated that its working life is 5 years and at the end of which it will fetch Rs.2,000. Show Plant and Machinery account for 3 years, if depreciation is charged according to straight line method.

**Solution :** Annual Depreciation = 
$$\frac{\text{Cost of the Asset} - \text{Scrap Value}}{\text{Estimated Life of the asset}}$$

$$\text{Annual Depreciation} = \frac{52,000 - 2,000}{5} = \text{Rs. } 10,000$$

Dr. **Plant and Machinery Account**  
Cr.

| Date     | Particulars    | Amount<br>₹ | Date     | Particulars     | Amount<br>₹ |
|----------|----------------|-------------|----------|-----------------|-------------|
| 1.1.2014 | To Bank        | 52,000      | 31.12.14 | By Depreciation | 10,000      |
|          |                |             |          | By Balanced c/d | 42,000      |
|          |                | 52,000      |          |                 | 52,000      |
| 1.1.2015 | To Balance b/d | 42,000      | 31.12.15 | By Depreciation | 10,000      |
|          |                |             |          | By Balanced c/d | 32,000      |
|          |                | 42,000      |          |                 | 42,000      |
| 1.1.2016 | To Balance b/d | 32,000      | 31.12.16 | By Depreciation | 10,000      |
|          |                |             |          | By Balanced c/d | 22,000      |
|          |                | 32,000      |          |                 | 32,000      |
| 1.1.2017 | To Balance b/d | 32,000      |          |                 |             |

| Date     | Particulars    | Amount<br>₹ | Date     | Particulars     | Amount<br>₹ |
|----------|----------------|-------------|----------|-----------------|-------------|
| 1.7.2015 | To Bank a/c    | 18,000      | 31.12.15 | By Depreciation | 1,000       |
|          | To Bank a/c    | 2,000       | „        | By Balanced c/d | 19,000      |
|          |                | 20,000      |          |                 | 20,000      |
| 1.1.2016 | To Balance b/d | 19,000      | 31.12.16 | By Depreciation | 2,000       |
|          |                |             | „        | By Balanced c/d | 17,000      |
|          |                | 19,000      |          |                 | 19,000      |
| 1.1.2017 | To Balance b/d | 17,000      | 31.12.17 | By Depreciation | 2,000       |
|          |                |             |          | By Balanced c/d | 15,000      |
|          |                | 17,000      |          |                 | 17,000      |
| 1.1.2018 | To Balance b/d | 15,000      |          |                 |             |

**Illustration 3:**

A machine was purchased on 1<sup>st</sup> July 2015 at a cost of Rs.18,000 and Rs.2,000 was spent on its installation. The depreciation was written off at the rate of 10% on its original cost. The books were closed on 31<sup>st</sup> December every year. Show the machinery account and depreciation account for three years.

**Dr. Plant and Machinery Account Cr.**

**Dr. Depreciation Account Cr.**

| Date     | Particulars      | Amount<br>₹ | Date     | Particulars  | Amount<br>₹ |
|----------|------------------|-------------|----------|--------------|-------------|
| 31.12.15 | To Machinery a/c | 1,000       | 31.12.15 | By P & L a/c | 1,000       |
| 31.12.16 | To Machinery a/c | 2,000       | 31.12.16 | By P & L a/c | 2,000       |
| 31.12.17 | To Machinery a/c | 2,000       | 31.12.17 | By P & L a/c | 2,000       |

**Illustration 4:**

Jagadish purchased a second hand machine for Rs.57,000 on 01.05.2008 and spent Rs.3,000 for its repairs. On 31.12.2011 the machine became unsuitable and sold for Rs.40,000. The books were closed on 31<sup>st</sup> December every year. Prepare machinery account from 2008 to 2011 charging depreciation @ 12% p.a. Under fixed installment method.

**Dr. Machinery Account Cr.**

| Date     | Particulars       | Amount<br>₹ | Date     | Particulars     | Amount<br>₹ |
|----------|-------------------|-------------|----------|-----------------|-------------|
| 1.5.2008 | To Bank a/c       | 57,000      | 31.12.08 | By Depreciation | 4,800       |
|          | To Bank (Repairs) | 3,000       | „        | By Balanced c/d | 55,200      |
|          |                   | 60,000      |          |                 | 60,000      |
| 31.11.09 | To Balance b/d    | 55,200      | 31.12.09 | By Depreciation | 7,200       |
|          |                   |             | „        | By Balanced c/d | 48,000      |
|          |                   | 55,200      |          |                 | 55,200      |

|          |                                 |        |          |                 |        |
|----------|---------------------------------|--------|----------|-----------------|--------|
| 1.1.2010 | To Balance b/d                  | 48,000 | 31.12.10 | By Depreciation | 7,200  |
|          |                                 |        |          | By Balanced c/d | 40,800 |
|          |                                 | 48,000 |          |                 | 48,000 |
| 1.1.2011 | To Balance b/d                  | 40,800 | 31.12.11 | By Depreciation | 7,200  |
| 31.12.11 | To P &L A/c<br>(Profit on sale) | 6,400  | „        | By Balance c/d  | 40,000 |
|          |                                 | 47,200 |          |                 | 47,200 |

Calculation of profit or loss on the sale of the asset:

|   |                            |        |
|---|----------------------------|--------|
| Cost of the Asset                             | (57,000 + 3000)            | 60,00  |
| <b>Less:</b> Total Depreciation               | (4800+(7200+7200+7200))    | 26,400 |
|   | Written down value (W.D.V) | 33,600 |
| <b>Less :</b> Sale of machinery on 31.12.2011 |                            | 40,000 |
|   | Profit on Sale             | 6,400  |

**Note :** If the sale value is more than the W.D.V. of the asset, it is profit. If the sale value is less than the W.D.V. of the asset, it is loss.

### **DEMINISHING BALANCE METHOD**

This Method is also known as “Written Down value Method” or “Reducing balance method”. The depreciation under this method is calculated at a fixed percentage on the diminished value of the asset i.e. depreciation is calculated on the brought down balance of the asset. So the amount of depreciation at the beginning year will be more when compared to the later year. So the depreciation charged on every year goes on decreasing.

#### **Advantages:**

1. Fresh calculation of depreciation is not necessary as and when addition are made.
2. The Asset is never completely written off, so that charged is made to revenue every year.
3. Higher repair charges at the end of life of the asset are offset by lower amounts of depreciation.
4. The method is recognized by income tax authorities as well as Companies Amendment Act, 1988.

#### **Disadvantages**

1. In this method, the calculation of depreciation is slightly complicated.
2. The value of the asset cannot be brought down to zero.
3. This method lays too much emphasis on the historical cost.
4. It is difficult to determine the suitable rate of depreciation.

5. It does not provide funds to replace the assets.

**Illustration No.5:**

A trader purchased machinery for Rs.10,000 on 1.1.2009 Calculate depreciation @ 10% per annum under diminishing balance method for the first 4 years. Show the Machinery account.

| Dr. Machinery Account |                |             | Cr.      |                 |             |
|-----------------------|----------------|-------------|----------|-----------------|-------------|
| Date                  | Particulars    | Amount<br>₹ | Date     | Particulars     | Amount<br>₹ |
| 1.1.2009              | To Bank a/c    | 10,000      | 31.12.09 | By Depreciation | 1,000       |
|                       |                |             | „        | By Balanced c/d | 9,000       |
|                       |                | 10,000      |          |                 | 10,000      |
| 1.1.2010              | To Balance b/d | 9,000       | 31.12.10 | By Depreciation | 900         |
|                       |                |             | „        | By Balanced c/d | 8,100       |
|                       |                | 9,000       |          |                 | 9,000       |
| 1.1.2011              | To Balance b/d | 8,100       | 31.12.11 | By Depreciation | 810         |
|                       |                |             |          | By Balanced c/d | 7,290       |
|                       |                | 8,100       |          |                 | 8,100       |
| 1.1.2012              | To Balance b/d | 7,290       | 31.12.12 | By Depreciation | 729         |
|                       |                | 7,290       | „        | By Balance c/d  | 6,561       |
| 1.1.2013              | To Balance b/d | 6,561       |          |                 | 7,290       |

**Illustration No.6:**

Mr. Rao purchased a machine for Rs.44,000 on 1.7.2009 and spent Rs.6,000 on its erection on 31.12.2011 the machine became obsolete and was sold for Rs.40,000. Calculate depreciation @10% p.a. under Diminishing Balance Method. Show the Machinery account.

**Profit Loss on sale of Assets :**

|                               |                 |
|-------------------------------|-----------------|
| Cost of Assets (44,000+6,000) | Rs.50,000       |
| <b>Less depreciation</b>      |                 |
| 2009                          | 2,500           |
| 2010                          | 4,750           |
| 2011                          | 4,275           |
| W.D.V. as on 31.12.2012       | Rs.38,475       |
| Less amount realized on sale  | Rs.40,000       |
| Profit on the sale of machine | <u>Rs.1,525</u> |

| Dr. Machinery Account |                                |             | Cr.      |                 |             |
|-----------------------|--------------------------------|-------------|----------|-----------------|-------------|
| Date                  | Particulars                    | Amount<br>₹ | Date     | Particulars     | Amount<br>₹ |
| 1.7.2009              | To Bank a/c                    | 44,000      | 31.12.09 | By Depreciation | 2,500       |
|                       | To Bank a/c                    | 6,000       | ,,       | By Balanced c/d | 47,500      |
|                       |                                | 50,000      |          |                 | 50,000      |
| 1.1.2010              | To Balance b/d                 | 47,500      | 31.12.10 | By Depreciation | 4,750       |
|                       |                                |             | ,,       | By Balanced c/d | 42,750      |
|                       |                                | 47,500      |          |                 | 47,500      |
| 1.1.2011              | To Balance b/d                 | 42,750      | 31.12.11 | By Depreciation | 4,275       |
|                       | To P&L A/c<br>(Profit on sale) | 1,525       |          | By Bank a/c     | 40,000      |
|                       |                                | 44,275      |          |                 | 44,275      |

**Illustration No.6:**

On 1.1.2009 'X' purchased furniture worth Rs.25,000 on 1<sup>st</sup> July 2010. He purchased additional second hand furniture worth Rs.5,000 and spent Rs.2,000 for its repairs. Assuming the annual depreciation is charged @ 10% p.a. Prepare machinery account under diminishing Balance method for 3 years.

|   |                 |
|---|-----------------|
| Purchased furniture on 01-01-2009             | = 25,000        |
| Purchased second hand furniture on 01-07-2010 | = 5,000         |
| Repairs                                       | = 2,000         |
|   | <u>Rs.7,000</u> |

| Date     | Particulars       | Amount<br>₹ | Date     | Particulars     | Amount<br>₹ |
|----------|-------------------|-------------|----------|-----------------|-------------|
| 1.1.2009 | To Bank a/c       | 25,000      | 31.12.09 | By Depreciation | 2,500       |
|          |                   |             | ,,       | By Balanced c/d | 22,500      |
|          |                   | 25,000      |          |                 | 25,000      |
| 1.1.2010 | To Balance b/d    | 22,500      | 31.12.10 | By Depreciation | 2,600       |
| 1.7.2010 | To Bank a/c       | 5,000       | ,,       | By Balanced c/d | 26,900      |
|          | To Bank (Repairs) | 2,000       |          |                 | 47,500      |
|          |                   | 29,500      |          |                 | 29,500      |
| 1.1.2011 | To Balance b/d    | 26,900      | 31.12.11 | By Depreciation | 2,690       |
|          |                   |             |          | By Bank a/c     | 24,210      |

|          |                |        |  |  |        |
|----------|----------------|--------|--|--|--------|
|          |                | 26,900 |  |  | 26,900 |
| 1.1.2012 | To Balance b/c | 24,210 |  |  |        |

**Illustration No.6:**

On 1.4.2010 a company purchased a machinery for Rs.30,000, Depreciation was provided @ 10% per annum on straight line method at the end of the year. With effect from 1.1.2011 the company decided to change the method of depreciation to Diminishing Balance Method @12% per annum. On 31.3.2012 the machinery became useless and sold for Rs.21,000. Prepare Machinery Account.

**Working Notes:**

Machinery purchased on 1.4.2010 : Rs.30,000

Rate of depreciation 10%

From 1-1-2011 depreciation charged 12% under diminishing balance method.

On 31-03-2012, Machinery sold for Rs.21,000

**Dr. Machinery Account Cr.**

| Date     | Particulars    | Amount<br>₹ | Date     | Particulars      | Amount<br>₹ |
|----------|----------------|-------------|----------|------------------|-------------|
| 1.4.2010 | To Bank a/c    | 30,000      | 31.12.10 | By Depreciation  | 2,250       |
|          |                |             | „        | By Balanced c/d  | 27,750      |
|          |                | 30,000      |          |                  | 30,000      |
| 1.1.2011 | To Balance b/d | 27,750      | 31.12.11 | By Depreciation  | 3,330       |
|          |                |             | „        | By Balanced c/d  | 24,420      |
|          |                | 27,750      |          |                  | 27,750      |
| 1.1.2012 | To Balance b/d | 24,420      | 31.03.12 | By Depreciation  | 733         |
|          |                |             |          | By Bank a/c      | 21,000      |
|          |                |             |          | By P&L A/c(Loss) | 2,687       |
|          |                | 24,420      |          |                  | 24,420      |
|          |                |             |          |                  |             |

**SHORT ANSWER QUESTIONS(2 Marks)**

1. Define depreciation.
2. What are the causes of depreciation?
3. Write the main method of charging depreciation?
4. What is the need for providing depreciation?

**EXERCISES****Fixed Installment Method:**

1. Furniture is purchased for Rs.35,000/-. It is decided to depreciate the asset on straight line method at 10% per annum. Show furniture account for 5 years.

(Ans. Balance Rs.17,500)

2. A machine is purchased for Rs.50,000. The rate of depreciation is to be charged at 20% per annum. Prepare machinery account for four years under Fixed installment method.

(Ans. Balance Rs.10,000)

3. A firm purchased a machine for Rs.1,00,000 on 1.4.2014. Show the machinery account for 4 years charging depreciation on Fixed installment Method @ 15% p.a.

(Ans. Balance Rs.43,750)

4. Mr. Ravi purchased a machine for Rs.68,000 on 1<sup>st</sup> January 2015. The residual value after 10 years is 8,000. Calculate depreciation chargeable under equal installment method at the end of 31<sup>st</sup> December of every year. Prepare machinery account for 3 years.

(Ans. Balance Rs.50,000)

5. A firm purchased a plant and machinery for Rs.40,000 on 1<sup>st</sup> January, 2015. The life of the asset was estimated to be four years and it was decided to depreciate 90% of the cost by straight line method over a period of estimated life. Show the plant and machinery account for 4 years.

(Ans. Annual Depreciation Rs.9,000, Balance on 1.1.19 Rs4,000)

**Diminishing Balance Method:**

6. On 1<sup>st</sup> January, 2016 a firm purchased a machine for Rs.30,000. Assuming the depreciation is charged @ 10% on diminishing balance method. Prepare machinery account for three years.

(Ans. Balance Rs.21,870)

7. A company purchased a plant worth Rs.25,000 on 31.3.2016 depreciation is calculate @10% per annum, under diminishing balance method. Show the machinery accounts up to 31<sup>st</sup> December, 2018.

(Ans. Balance Rs.18,731)

8. A company purchased a plant worth Rs.25,000 on 01.7.2015 the depreciation calculated @10% per annum. Under diminishing Balance Method. Show the machinery account up to 31<sup>st</sup> Dec 2018.

(Ans. Balance Rs.17,313)



9. Lee & Co. purchased a second hand machine costing Rs.45,000 on 1<sup>st</sup> Jan 2015 and spent Rs.5,000 on its repairs. The depreciation is charged @15% p.a. on diminishing balance method. Prepare machinery account for the first four years.(Ans. Bl. Rs.26,400)

**Sale of Asset:**

10. Machinery bought on 1<sup>st</sup> Jan 2015 for Rs.20,000 has become obsolete and sold on 31<sup>st</sup> Dec, 2012 for Rs.13,000. Calculate the profit or loss assuming depreciation is charged @ 15% p.a. on straight line method.

(Ans. Profit Rs.5,000)

11. Machinery purchased on 1.7.2009 for Rs.10,000 was sold on 31.12.2011 for Rs.5,000. Calculate the profit or loss of sale assuming depreciation is charged @ 10% per annum under fixed installment method.

(Ans. Loss Rs.2,500)

12. Furniture worth Rs.10,000 was purchased as on 1.1.2009. The furniture was sold on 31.12.2012 for Rs.6,000. Find the profit or loss on the sale of furniture charge depreciation @ 10% p.a. under diminishing balance method.

(Ans. Loss Rs.925)

13. A second hand machine was purchased for Rs.12,000 on 1.1.2009 and Rs.3,000 spent towards repairs. On 30.6.2012 the machine became unsuitable and was sold for Rs.10,000. Charge depreciation @15% on Diminishing Balance Method. Show the machinery account.

(Ans. Loss Rs.4,202)

14. Furniture worth Rs.20,000 was purchased on 1.1.2010 and on 1.4.2011 additional furniture worth Rs.8000 was purchased and Rs.2,000 was spent on its erection. On 31.12.2011 furniture purchased on 1.1.2010 was sold for Rs.15,000. Prepare the furniture account up to 31.12.2012 charging depreciation @12% p.a. as per diminishing balance method.

(Ans. Loss Rs.488, Balance Rs.8008)

**ACCOUNTS OF NON – TRADING CONCERNS**

*Accounts of Non Trading Concerns – Distinction between capital and revenue expenditure – Receipts and payments account – Income and expenditure account - including problems.*

**Learning Objectives**

After completing this unit, the student will be able to

- Understands the meaning and characteristics of accounting of non profit organizations.
- Identity the need for, and nature of accounting records relating to not-for-profit organizations.
- List the principal financial statements prepared by non profit organisations and explain their nature.
- Prepare the Receipt and Payment Account from a given date.
- Explain the procedure of preparing the Income and Expenditure Account from a given Receipt and Payment Account and some additional information.
- Distinguish between the Receipt and Payment Account and the Income and Expenditure Account.
- Prepare Income and Expenditure Account and Balance Sheet from a given Receipt and Payment Account and the relevant additional information.
- Explain treatment of certain peculiar items of receipts and payments such as subscriptions from members. Special Funds. legacies. sale of old .fixed assets. etc.
- Understand the meaning and purpose of Accounts of Non – Trading concerns.

**1.0 Introduction:**

There are certain organizations which are set up for providing service to its members and the public in general. Such organizations include clubs, charitable institutions, schools, religious organizations, trade unions, welfare societies and societies for the promotion of art and culture. These organizations have service as the main objective and not the profit as is the case of organizations in business. Normally, these organizations do not undertake any business activity, and are managed by trustees who are fully accountable to their members and the society for the utilization of the funds raised for meeting the objectives of the organization. Hence, they also have to maintain proper accounts and prepare the financial statement which take the form of Receipt

and Payment Account; Income and Expenditure Account; and Balance Sheet at the end of for every accounting period (normally a financial year).

This is also a legal requirement and helps them to keep track of their income and expenditure, the nature of which is different from those of the business organizations. In this chapter we shall learn about the accounting aspects relating to not-for-profit organization.

### **1.1 Meaning:**

Not-for-Profit Organizations refer to the organizations that are for used for the welfare of the society and are set up as charitable institutions which function without any profit motive. Their main aim is to provide service to a specific group or the public at large. Normally, they do not manufacture, purchase or sell goods and may not have credit transactions. Hence they need not maintain many books of account (as the trading concerns do) and Trading and Profit and Loss Account.

The funds raised by such organizations are credited to capital fund or general fund. The major sources of their income usually are subscriptions from their member's donations, grants-in-aid, income from investments, etc. The main objective of keeping records in such organizations is to meet the statutory requirement and help them in exercising control over utilization of their funds. They also have to prepare the financial statements at the end of each accounting period (usually a financial year) and ascertain their income and expenditure and the financial position, and submit them to the statutory authority called Registrar of Societies.

### **1.2 Accounting Records of Not-for-Profit Organizations:**

The final accounts of a 'not-for-profit organization' consist of the following:

- a. Receipt and Payment Account
- b. Income and Expenditure Account, and
- c. Balance Sheet

### **1.3 Capital and Revenue**

One of the objects of accounting is to determine whether the business has earned profit or not. For this purpose a proper distinction has to made between capital and revenue as regards expenditure, receipts and losses are required. Failure to distinguish capital from revenue will effect the whole results. For example, plant purchased may be charged to the purchase account, proceeds from the sale of fixed assets may be treated as income. In each case both the profit and loss account and balance sheet will be affected. While preparing the final accounts all revenue items are included in the revenue account i.e., Income and expenditure account and balance sheet. Any more committed in distinguishing between "Capital" and "Revenue" will effect the ascertainment of correct profit.

It is very difficult to give clear cut rules as to make a distinction between the capital and revenue expenditure. However the following rules may serve as guide for making distinction between capital and revenue expenditure.

## Capital Expenditure

Capital expenditure is such an expenditure which benefits the business over a long period it include assets acquired for the purpose of earning and not for resale, improving extending fixed assets, increasing the earning capacity of the business and rising capital for the business. Purchase of new plant, additions to the buildings, brokerage and commission paid for procuring long term loans are a few examples of such expenditure. All items of capital expenditure appear on the assets side of the balance sheet.

## Revenue Expenditure

Revenue expenditure is the expenditure incurred in one accounting period and the full benefit it enjoyed in the same period. Therefore, it is normally of recurring nature. Such an expenditure does not increased the earning capacity of the business and is done not bring into existence and assets. It includes expenses incurred for acquiring assets for resale at a profit or for conversion into finished product, for maintaining fixed assets in good working order e.g., normal repairs and renewal of plant, White washing of building replacement of machinery etc., for keeping the organization going e.g., rent, rates and taxes wages and salaries, insurance and other trade charges. All items of revenue expenditure appear in the trading and profit and loss account.

### Revenue expenditure becoming capital expenditure.

An expenditure which is primarily of revenue nature but incurred for the purpose of acquiring any asset or adding to its value, is termed as 'capitalized expenditure'. The following are some of the examples of revenue expenditure becoming capital expenditure.

1. **Repairs:** Repairs are usually revenue expenditure but, if we purchase a second hand machinery and pay for repairs necessary as 'capitalized expenditure.
2. **Wages:** Wages are usually based as a revenue charge but if paid to the employees for the construction or erection or installation of fixed assets of the business, then these will become capital expenditure and should be added to the cost of the fixed asset concerned.
3. **Legal Expenses:** These are usually a revenue charge but, if incurred on acquiring a property, should be added to the cost of the asset acquired cost of the asset.

4. **Freight And Carriage:** These are usually a revenue item, but payments made for transporting newly acquired asset will be treated as a capital expenditure and will form additional cost of the asset.
5. **Interest:** Interest on borrowing and capital are generally a revenue item and is allowed to be treated as capital item if paid during the period of construction.
6. **Preliminary expenses:** Initial expenses, connected with the formation of a company through revenue in nature are allowed to be capitalized and can be shown as an asset in the balance sheet.
7. **Brokerage and stamp duty:** Normally these are revenue items, but brokerage and stamp duty paid on the purchase of a property may be treated as capital expenditure.
8. **Development expenditure:** In concerns like mines, tea plantations, collieries, horticulture rubber plantation etc. a sizeable sum is spent during the period of development and such expenses incurred upto the time they begin to earn, must be treated as capital expenditure.
9. **Advertising:** A huge sum spent on advertising in a year, the benefit of which shall accrue in future years, also may have the effect of creating a future goodwill, therefore such sums may be capitalized. For example, lakhs of rupees spent in changing the name from Bianca to Cibaca.
10. **Raw materials and stores:** They are usually a revenue charge, but if consumed to make a fixed asset, they must be treated as part of the cost of the asset.

### Deferred Revenue Expenditure

It is the expenditure which would normally be treated as revenue expenditure, but it is not written off in one year as a benefit is not completely exhausted in the year during which it is incurred as it may be spread over a number of years. Therefore, a proportionate amount will be charged to the profit and loss account of each year and the balance is carried forward to subsequent years as deferred revenue expenditure and is shown as an asset in the balance sheet. Sometimes extra ordinary losses are also treated as deferred revenue expenditure and charged to profit and loss account for four to five years.

### Usual items of capital Expenditure

The following items usually represent capital expenditure:

1. Cost of acquisition of fixed assets like goodwill, land building, leasehold premises, tools and equipment, furniture, trademarks etc.
2. Expenses of putting a new asset in working condition like installation and erection expenses of any fixed asset.
3. Additions or extensions or structural improvement to the existing assets leading to increase in their working efficiency or revenue earning capacity or cost reduction e.g., refurnishing of the seating accommodation of a cinema hall etc.,
4. Expenses incurred for the development of mines and plantation.

5. Formation expenditure of a business i.e. preliminary expenses like preparing and filling the legal documents required for starting a business etc.

### **Usual items of Revenue Expenditure**

The following are usual items of revenue expenditure

1. Expenses incurred in the ordinary conduct and administration of the business e.g. rents, salaries, wages, advertisement etc.
2. Expenses incurred in purchasing raw material or stock finished goods for resale store and supplies like grease, cotton, oil for machines etc.,
3. Expenses incurred to maintain assets in working order like ordinary repairs, renewals or alterations etc.,
4. Expenses incurred in maintaining or pushing sales like carriage of finished goods commissions travelling expenses, free samples and gifts etc.
5. Loss arising from sale of fixed assets.
6. Loss arising from damage, destruction, theft of stock, trade cash etc.
7. Loss arising from depreciation in the values of fixed assets or book value of asset discarded.
8. Annual renewal fees of patents etc.

### **1.4 Capital and Revenue Receipts**

Capital receipts if business comprise capital contributed by partners or by the share holders, loans, raised, sale proceeds of any fixed assets, etc,. In case of clubs and associations receipts on account of life subscriptions, entry fee, government grants, legacies and endowments are capital receipts. Revenue receipts of a business are cash from sale, discount received, commission, interest on investment etc. In case of clubs and association, annual subscription, sale or games articles, receipts, arising when the premises are given to others for use, are revenue receipts. Revenue receipts are shown in the revenue account i.e., Income and Expenditure account will the capital receipts are taken to the balance sheet.

To decide of a particular receipts is of capital nature the following guide lines may be followed.

1. Nature of receipts is to be determined by its character in the hands of the person receiving it and not by the source from which payments was made e.g. pay of interest out of capital by a company still under construction is capital expenditure for the company but revenue receipts in the hands of the persons receiving it.
2. In case of a single transaction of purchase and sale of property the motive of the owner will decide whether the receipt is capital or receipts but if A sells the share with speculations motive it will be revenue receipts.

3. A receipts on account of sale of a fixed asset is a capital receipt while a receipt on account of a sale of current asset is a revenue receipt for e.g. sale proceeds of building plant etc. Constitute receipt while sale if stock-in-trade is revenue receipts.
4. If the receipts is in substitution of a source of income then it is capital receipts but, it is in substitution of income alone it is revenue receipt. For e.g. if a railway passenger meets with an accident and dies, or is permanently disables, the compensation received from the railway department is capital receipt because this receipts is in substitution of source of income i.e. his life but if he temporarily disabled the receipts will be revenue as it is in substitution of income i.e. loss of earning as during the period of disablement.
5. If a sum is received for the surrender of certain right, it is capital receipts but if the sum is received is a compensation for loss of future profits then it is a revenue goods for e.g. A, the railway company for working on the field adjacent to the railway lines, amount paid by the railway company to A is a revenue receipt because the receipts is in lieu if his right to work upon the clay field.

### **Example of Capital Receipts**

1. Compensation received for the loss of right of future remunerations.
2. Compensation received for suspension of export license.
3. Compensation received by a partner of a partnership firm from another partner for relinquishing all his rights in the partners firm.

### **Example of Revenue Receipts**

1. Receipts of annuity for transfer of a capital asset.
2. Lump-sum received in consideration of reduction of remuneration.
3. Compensation received for premature termination of contract.
4. Consideration received for transfer of permits etc.

### **Capital and Revenue Losses**

Revenue loss is of some revenue receipts in the course of the business and in incidental to it. Any loss which is termed as revenue loss is a capital loss for e.g. loss of stock-in-trade by fire of white ants by theft is a revenue loss whereas loss of fixed asset like building, plant etc by fire or earth quake is a capital loss.

Loss caused to the business by reason of cash being misappropriated by employees is a revenue loss. If the funds reach home of the owner and lost after then the loss is outside the trade and not incidental to the business, therefore it is capital loss (expectations are banks or lending houses).

### **1.5 Receipts and Payments Account**

It is summary of cash transaction at the end of particular period showing the receipts and payments of cash during the period under different heads.

The features of this account are:

1. It is prepared by non-trading concerns in lieu of cash book.
2. It is real account.
3. It starts with the opening balance of cash in hand and at the bank.
4. All receipts and payments of cash are entered on the debit and credit side respectively.
5. No distinction is made between the capital and revenue items while entering transactions in the receipts and payments account.
6. All receipts and payments whether they are relating to the current, proceeding or succeeding period are written in this account.
7. Opening balance of this account cash in hand at the beginning of the accounting period and closing balance shows cash in hand at the end of accounting period.
8. All types of accounts i.e., real and nominal are written in this account.
9. No adjustment for outstanding, prepaid expenses, provisions for doubtful debts or depreciations are made in this account. It is prepared in cash system of accounting.
10. It does not reveal the financial results or the financial position of the association or clubs because accrued incomes and outstanding expenses are not taken into account.

A specimen of the receipt and payments account of a club for a particular year is given below.



**Receipts and Payments Account of.....for the year ending 31.03.2019**

| <b>Dr.</b> | <b>Receipts</b>                 | <b>Rs.</b> | <b>Payments</b>              | <b>Cr.</b> |
|------------|---------------------------------|------------|------------------------------|------------|
|            | To Balance b/d                  | xxx        | By Rent                      | xxx        |
|            | To Subscriptions                | xxx        | By Fixed Assets              | xxx        |
|            | To Entrance fee                 | xxx        | By Sports material purchased | xxx        |
|            | To Legacy                       | xxx        | By Building                  | xxx        |
|            | To Donations for building       | xxx        | By Ground maintenance        | xxx        |
|            | To Interest received            | xxx        | By Salaries                  | xxx        |
|            | To Sale of furniture            | xxx        | By Honorarium                | xxx        |
|            | To Sale of old Sports materials | xxx        | By Stationary                | xxx        |
|            | To Match fund                   | xxx        | By Investments               | xxx        |
|            | To Life membership fees         | xxx        | By Balance c/d               | xxx        |
|            |                                 | xxx        |                              | xxx        |
|            | To Balance b/d                  | xxx        |                              |            |

**Illustration 1**

Stadium club kept its account on cash basis and the figures for the year 2018 are given below. You are required to prepare Receipts and Payments Account.

|                       | <b>Rs.</b> |              | <b>Rs.</b> |
|-----------------------|------------|--------------|------------|
| Subscription Received |            |              |            |
| 2017                  | 800        | Salaries     | 4,800      |
| 2018                  | 7,200      | Postage      | 480        |
| Receipt from          |            | Stationary   | 1,200      |
| Common Room           | 5,000      | Rent         | 2,000      |
| Hiring Rooms          | 400        | Cash in hand | xxx        |
| Billiards Rooms       | 2,400      | 01-01-2018   | 720        |
| Supplies from         |            | Electricity  | 1,600      |
| Entertainment room    | 3,400      |              |            |
| Wages to Watchman's   | 2,720      |              |            |

**Receipts and Payments Account of stadium club for----- in the year**

**Ending on 31<sup>st</sup> Dec 2018**

**Dr.****Cr.**

| Receipts                | Rs.    | Payments                      | Rs.    |
|-------------------------|--------|-------------------------------|--------|
| To Balance b/d          | 720    | By Supplies for entertainment | 3,400  |
| To Subscriptions        |        |                               |        |
| 2017                    | 800    | By Watchman's wages           | 2,720  |
| 2018                    | 7,200  | By Salaries                   | 4,000  |
| To Receipt from c. room | 5,000  | By Postage                    | 480    |
| To Hiring of rooms      | 400    | By Stationary                 | 1,200  |
| To Billiards rooms      | 2,400  | By Rent                       | 2,000  |
|                         |        | By Electricity                | 1,600  |
|                         |        | By Balance c/d                | 1,120  |
|                         | 16,520 |                               | 16,520 |
| To Balance b/d          | 1,120  |                               |        |

### 1.6 Income and expenditure Account

It is prepared by Non-trading concerns of profit and loss account to know whether during a particular period the income of the concerns or organization has exceeded or fallen short of the expenses, this account is prepared. In this account current expenses are compared with current incomes. The feature of this account are.

1. It is not start with any opening balance.
2. It is a nominal account. Expenses are shown in the debt side and incomes in the credit side.
3. Only revenue items are recorded in it. Capital items are totally excluded.
4. Only incomes and expenses of the concerned year are recorded in it and income and expenditure relating to the proceeding or succeeding periods are included while preparing this account.
5. This account is prepared on mercantile system of accountancy. Therefore all adjustment relating to the preceding or succeeding periods are excluded while depreciations and doubtful debts will be made.
6. Only adjustment accounts are taken into consideration for the preparations of this account. For personal and real accounts a balance sheet must be prepared along with this account.

7. The balance in the account shows either surplus i.e., excess of income over expenditure or deficit i.e. the excess of expenditure over income.

### 1.7 Difference between receipts and payments A/c and Income and Expenditure A/c

| Receipts and Payments Account  | Income and Expenditure Account   |
|--|--|
| 1. It is a real account  | 1. It is a nominal account   |
| 2. It is like cash book prepared by trading Concerns.  | 2. It is like profit and loss account Prepared by trading concerns.  |
| 3. It starts with a balance being cash at the beginning of the year  | 3. It does not start with any opening balance.   |
| 4. Receipts are shown on the debit side and Payments on credit side.                                       | 4. Income are shown on the credit side and expenditure on the debit side.  |
| 5. All times whether of capital or revenue nature are shown in this account.                               | 5. Only revenue items are shown in this account.   |
| 6. All receipts and payments whether they are of preceding current or succeeding period are entered in it. | 6. Income and expenditure of the current year are shown in it.   |
| 7. Outstanding receipts and payments are not shown in it as it is prepared on cash basis.                  | 7. Income and expenses are shown after including outstanding income and expenses on accrual basis.               |
| 8. The closing balance represents cash in hand on that date.   | 8. The closing balance represents surplus or deficit for the period.   |
| 9. It is not necessary to prepare balance sheet along with this account.                                   | 9. In addition to this account balance sheet must be prepared in order to accommodate real and personal account. |

#### Income and Expenditure Account for the year ended.....

Dr.

Cr.

| Expenditure                | Rs. | Income                                      | Rs. |
|----------------------------|-----|---|-----|
| To Salaries                | xxx | By Subscriptions                            | xxx |
| To Honorarium              | xxx | By Interest on Securities                   | xxx |
| To Wages of Groundsmen     | xxx | By Proceeds of entertainment and lectures   | xxx |
| To Upkeep of Ground        | xxx |   |     |
| To Printing and Stationary | xxx | By Rent of Hall                             | xxx |
| To Postage                 | xxx | By Grant from Government, Local authorities | xxx |

|   |     |   |     |
|---|-----|---|-----|
| To Telephone charges                    | xxx | By Interest on Deposits                           | xxx |
| To Lighting                             | xxx | By General Donations<br>(Small amount)            | xxx |
| To Bank Charges                         | xxx |   |     |
| To General Expenses                     | xxx | By Entrance Fees<br>(if not capitalized)          | xxx |
| To Rent, Rates and taxes                | xxx |   |     |
| To Insurance                            | xxx | By Advertisement in Year Book                     | xxx |
| To Audit Fees                           | xxx | By Locker Rent                                    | xxx |
| To Cost of entertainment                | xxx | By Sale of grass                                  | xxx |
| To Subscription to periodicals          | xxx | By Profit on sale of asset                        | xxx |
| To Sports materials used                | xxx | By Miscellaneous Receipts                         | xxx |
| To Depreciation                         | xxx | By Excess of Expenditure over<br>Income (Deficit) | xxx |
| To Repairs                              | xxx |   |     |
| To Loss on sale of assets               | xxx |   |     |
| To Excess of Income over<br>Expenditure | xxx |   |     |
|   | xxx |   | xxx |

### 1.8 Preparation of Income and Expenditure account from Receipts and Payments Account

The following steps are to be taken to convert a Receipt and Payments account into an Income and Expenditure account.

1. Leave the opening and closing balance of cash given in the receipts and payments account.
2. Only revenue items income and expenditure should be taken leaving all those items which are of capital nature.
3. Make all adjustment for outstanding and prepaid incomes and expenses, provision for depreciations or bad debts etc.
4. Take items of the current period only i.e. items relating to the proceeding and succeeding periods are to be ignored.

5. In the Incomes and Expenditure account, expenditure is recorded in the debit side and income is recorded on the credit side.
6. Once income and expenditure account is balanced it shows either surplus or deficit. If credit balance is more than debit balance it is called 'Surplus' and if the debit balance is more than credit balance it is called as 'Deficit'.

### Illustrations 2

For the following particulars, prepare income and expenditure account of Hyderabad Golf Club for the year ending 31 March, 2019.

|   | Rs.    |
|---|--------|
| Subscriptions received for 2018-2019                  | 11,000 |
| Entrance fees received for 2018-2019                  | 1,500  |
| Subscriptions and entrance fee for 2017-2019 realized | 560    |
| Subscriptions and entrance fees for 2020              | 3,100  |
| Miscellaneous fees                                    | 4,200  |
| Expenses for 2018-2019                                | 14,200 |
| Expenses unpaid                                       | 460    |
| Audit fees for 2018-2019 not paid                     | 400    |
| Interest on Loan Paid                                 | 640    |
| Capital expenditure in 2018-2019                      | 4,120  |
| Provide for depreciations for this year               | 340    |
| Cash in hand  | 3,600  |

### Solution:

#### Hyderabad Golf Club Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2019

Dr.

Cr.

| Expenditure             | Rs.           | Income                | Rs.           |
|-------------------------|---------------|-----------------------|---------------|
| To Expenses 14,000      |               | By Subscriptions      | 11,000        |
| Add : Unpaid <u>460</u> | 14,460        | By Entrance Fee       | 1,500         |
| To Audit fees           | 400           | By Miscellaneous fees | 4,200         |
| To Interest loan        | 640           |                       |               |
| To Depreciation         | 340           |                       |               |
| To Surplus              | 860           |                       |               |
|                         | <u>16,700</u> |                       | <u>16,700</u> |

### Balance Sheet

The Income and Expenditure Account is accompanied by the balance sheet. In trading concerns, a balance sheet is to be prepared even by non-trading concerns to complete the double entry. The balance sheet covers all those items such as Assets, Liabilities and Capital fund.

### **Capital Fund**

Capital fund is similar to capital account of trading concerns, Non-trading concerns do not have formal capital like that of trading concerns. Hence, excess of income over expenditure, capital receipts that are capitalized are accumulated under the heading “Capital Fund” and shows as liability in the Balance Sheet.

### **Some special terms pertaining to non-trading organization**

While preparing final accounts of non-profit organizations the following items are often used.

1. **Legacy:** When an account is received as per will of some person, it is called ‘Legacy’. As it non-recurring and capital in nature it is to be capitalized. But if the amount is small it can be taken as an income.
2. **Donations:** Donations are often received by these organizations from both individuals and institutions. Donations is the amount received as a gift. Donations may be broadly classified into two categories viz; specific donations and general donations.
  - a. **Specific Donations:** A donations received for a specific purpose, whether big or small is capitalized an is taken to the liabilities side of the balance sheet. For example, a donations for the construction of a building. This amount should be utilized only for the purpose for which it is received i.e., construction for building.
  - b. **General Donations:** A general donation is the amount given by parties without specifically mentioning the purpose for which it should be utilized. This amount can be spent for any purpose. However, normally general donation of big amounts are capitalized and small amounts are treated as revenue income.
3. **Endowment Fund:** ‘Endowment’ is the money or property given by parties so as to provide a permanent source of income to support the institution. For ex. The corpus fund of university. Since the fund provides a permanent means of support any amount

received on account of this is capitalized and shown as a Liability. But the interest on divided received on account of this fund is treated as revenue.

- 4. General Fund:** Amount which are received for no Specific purpose and which are capitalized are shown under this head on the liabilities side of the balance sheet But the income obtained on account of this fund is taken to the credit side of income and expenditure account.
- 5. Specific Funds:** Amount which are received for no Specific purpose are capitalized are shown in the balance sheet on its liabilities side e.g., prize fund, buildings fund. Receipts and income on account of these specific fund should be added to the fund account and should not be taken to income and expenditure account. All expenses on account of these funds should be deducted from the particular fund in the balance sheet only. In case the expenses exceed the fund amount the excess expenses should be charged to the debit side of the income and expenditure amount.
- 6. Subscription:** Amount agreed to be paid by the member or subscribers regularly at periodical interval are called 'Subscription'. They are a regular source of income to the organization. Hence subscription are shown as income.

### Balance Sheet Performa

#### Balance Sheet as on....

| Liabilities                           | Rs. | Assets                         | Rs. |
|---------------------------------------|-----|--------------------------------|-----|
| Outstanding Expenses                  | xxx | Cash in Hand                   | xxx |
| Income Received in advance            | xxx | Cash at Bank                   | xxx |
| Bank Loan or Overdraft                | xxx | Investments                    | xxx |
| Special Fund                      xxx |     | Outstanding subscriptions      | xxx |
| Less : Expenses <u>xxx</u>            | xxx | Interest Receivable            | xxx |
| Specific Donations                    | xxx | Rent Receivable                | xxx |
| Capital Fund                      xxx |     | Prepaid Expenses               | xxx |
| Add Surplus <u>xxx</u>                | xxx | Stock of stamps and stationary | xxx |
| Less Deficit (if any)    xxx          | xxx | Stock of sports material       | xxx |
|                                       |     | Library books                  | xxx |

|  |     |                          |     |
|--|-----|--------------------------|-----|
|  |     | Furniture and fixtures   | xxx |
|  |     | Land and Buildings       | xxx |
|  |     | Club ground and pavilion | xxx |
|  | xxx |                          | xxx |

7. **Admission or Entrance Fees :** This is the amount received from a member at the time of his initial admission or readmission into the organization. There is a different of opinion about the treatment of this items in account. Some people argue that is should be capitalized. Since it is not a recurring items as each member pay it once only. However, there are others who argue that, though it is paid by each member only once the club or association received it regularly therefore it should be treated as income. Leaving the arguments a side, in the absence of specific instructions to capital entrance of admission fee must be treated as revenue income i.e. shown in the credit side of income and expenditure account.
8. **Honorarium :** It is taken payment made to certain people for their services. It is regularly treated as revenue expenditure and charged to the Income and Expenditure account. But if the amount is paid on account of a specific programme conducted in connection with a specific fund, the amount should be deducted from the specific fund in the balance sheet.
9. **Sale of Old Asset :** Any receipt from the sale of old asset such as furniture is a capital receipt and as such it should not be taken income and expenditure account. It should be deducted for the concerned asset in the Balance sheet. However, any loss on the sale of asset in charged to income and expenditure amount. In case of gain on the sale of an asset, if the amount is small, it is taken to the income and expenditure account, but if it is a big, it is treated as a capital gain and shown in the Balance Sheet.
10. **Sale of Old Newspapers :** The amount received of in account of selling old news papers or old sport materials etc, is treated as revenue income.



**SHORT ANSWER QUESTIONS (2 Marks)**

1. What is non – trading business concerns?
2. How many types of final accounts prepared by non – trading concerns? What are they?
3. What is Revenue Expenditure?
4. What is Deferred Revenue Expenditure?
5. What is Capital Expenditure?
6. What is meant by Donations?
7. What is meant by Legacy?
8. What is meant by Entrance Fees?

**ESSAY ANSWER QUESTIONS (6 Marks)**

1. What are the differences between receipts & payments account and income and expenditure account?

**EXERCISES**

1. From the following particulars prepare Receipts and Payments account.

|                       | <b>Rs.</b> |
|-----------------------|------------|
| Cash in hand          | 1,000      |
| Cash at Bank          | 5,000      |
| Subscription received | 33,000     |
| Donations received    | 2,600      |
| Investments purchased | 10,000     |
| Rent Paid             | 4,000      |
| General expenses      | 2,000      |
| Postage & Stationary  | 700        |
| Sundry expenses       | 300        |
| Cash balance at cost  | 200        |

**(Ans : Closing Bank balance Rs.24,300)**

2. Prepare Receipts and Payments account from the following particulars

|                                      |       | <b>Rs.</b> |
|--------------------------------------|-------|------------|
| Opening balance of cash in hand      |       | 1,800      |
| Rent Paid                            |       | 450        |
| Stationary purchased                 |       | 540        |
| Subscription received                |       | 2,600      |
| Previous year                        | 1,800 |            |
| Current year                         | 4,500 | 5,580      |
| Honorarium Paid                      |       | 810        |
| Sale of old furniture                |       | 1,890      |
| Flood relief expenses                |       | 684        |
| Repairs                              |       | 756        |
| <b>(Ans : Cash balance Rs.6,300)</b> |       |            |

**3. From the following particulars prepare Income and Expenditure account**

|   | <b>Rs.</b> |
|---|------------|
| Fee collected (including Rs.24,000 on account of last year) | 2,24,000   |
| Fee outstanding for current year                            | 40,000     |
| Advertisement   | 3,200      |
| Salary Paid (including Rs.2,400 on Account of last year)    | 19,200     |
| Salary outstanding (current year)                           | 4,000      |
| Tournament expenses   | 8,000      |
| Meeting expenses  | 16,000     |
| Travelling & Conveyance                                     | 6,000      |
| Purchase of books   | 16,000     |
| Periodicals   | 8,000      |
| Rent  | 9,600      |
| Postage, Telephone and Telegrams                            | 13,600     |
| Printing & Stationary                                       | 4,000      |

Donations received

6,400

**(Ans: Surplus Rs.1,56,800)**

4. Following is the Receipts and Payments account of Vishakhapatnam cultural club for the year ended 31.12.2018.

**Dr.****Cr.**

| Receipts                   | Rs.    | Payments       | (Rs.)  |
|----------------------------|--------|----------------|--------|
| To Donation                | 25,000 | By Salaries    | 900    |
| To Life membership         | 2,000  | By Cricket     | 300    |
| To Sports competition fund | 5,000  | By Tennis      | 270    |
| To Subscription            | 1,600  | By Insurance   | 180    |
| (Including Rs.50 for 2018) |        | By Billiards   | 85     |
| To Locker rent             | 50     | By Printing    | 15     |
| To Interest on securities  | 200    | By Telephone   | 125    |
| To Cricket                 | 150    | By Investments | 9,000  |
| To Billiards               | 100    | By Balance c/d | 23,325 |
| To Tennis                  | 100    |                |        |
|                            | 34,200 |                | 34,200 |

Subscription received for 2018 Rs.150, outstanding salaries, Rs.100. Half of the donations are to be capitalized, accrued interest Rs.300. Prepaid Insurance Rs.30. Prepare Income and Expenditure account for the year ended 31.12.2018.

**(Ans : Surplus Rs.13,155)**

5. From the following Receipts and Payments accounts of Youth Society prepare an Income and Expenditure account for the year ended 31.3.2019.

**Receipts and Payments Account for the year ended 31.3.2019****Dr.****Cr.**

| <b>Receipts</b>                | <b>Rs.</b>    | <b>Payments</b>          | <b>(Rs.)</b>  |
|--------------------------------|---------------|--------------------------|---------------|
| To Balance b/d                 | 3,485         | By Books                 | 6,150         |
| To Entrance fee                | 650           | By Printing & Stationary | 465           |
| To Donations                   | 6,000         | By News Papers           | 1,110         |
| To Subscriptions               | 6,865         | By Sports Material       | 5,000         |
| To Interest on Investment      | 1,900         | By Repairs               | 650           |
| To Sale of furniture           | 685           | By Investments           | 2,000         |
| To Sale of old news paper      | 465           | By furniture             | 1,000         |
| To Proceeds from entertainment | 865           | By Salaries              | 1,500         |
| To Miscellaneous receipts      | 125           | By Balance c/d           | 3,165         |
|                                | <u>21,040</u> |                          | <u>21,040</u> |

The Entrance fees and Donations are to be capitalized. Sports materials are valued at Rs.4,000 on 31.3.2019.

**(Ans : Surplus Rs.5,495)**

6. From the following Receipts and Payments account for the year ending 31.3.2019. Prepare an income and expenditure account for the period ending 31.3.2019 and Balance Sheet as on that date.

**Dr.****Cr.**

| <b>Receipts</b>        | <b>Rs.</b> | <b>Payments</b>               | <b>(Rs.)</b> |
|------------------------|------------|-------------------------------|--------------|
| To Donation received   | 35,000     | By Salaries                   | 37,500       |
| To Subscriptions       | 1,15,000   | By Help to poor students      | 37,000       |
| To Life membership fee | 50,000     | By Expenses on fee dispensary | 34,500       |

|           |          |                           |          |
|-----------|----------|---------------------------|----------|
| To Legacy | 75,000   | By Postage and Stationary | 3,500    |
|           |          | By Furniture              | 50,000   |
|           |          | By Investments            | 75,000   |
|           |          | By Cash in hand           | 41,500   |
|           | 2,79,000 |                           | 2,79,000 |

**Additional Information:**

1. Subscription outstanding for the year Rs.5,000.
2. Salaries unpaid Rs.5,000.
3. Help to poor students promised but unpaid Rs.16,000.
4. Expenses of dispensary outstanding Rs.3,000.
5. Postage and Stationary expenses yet to be paid Rs.4,000.

**(Ans: Surplus : Rs.18,500, B/S Total: Rs.171,500)**

7. Vijayawada sports club was started on 1.4.2018. Their Receipts and Payments a/c for the year 2018-2019 is given below.

**The following Adjustments**

1. Subscription receivable for the year Rs.300/-
2. Salaries Unpaid Rs.170/-
3. Entrance fee is to be capitalized.
4. Insurance is for one year and is premium paid upto 31<sup>st</sup> Dec 2019. Prepare the income and Expenditure account for 2018-2019.

**Receipts and Payments account as on 31.03.2019****Dr.****Cr.**

| <b>Receipts</b>                                  | <b>Rs.</b> | <b>Payments</b>         | <b>(Rs.)</b> |
|--|------------|-------------------------|--------------|
| To Donation received                             | 50,000     | By Buildings            | 40,000       |
| To Entrance fee                                  | 4,000      | By Tournament expenses  | 900          |
| To Tournament fund                               | 10,000     | By Furniture            | 2,100        |
| <b>Revenue Receipts</b>                          |            | <b>Revenue Payments</b> |              |
| To Subscriptions<br>(Incl. Rs.100/- for 2012.13) | 3,200      | By Salaries             | 1,800        |

|                   |        |                     |        |
|-------------------|--------|---------------------|--------|
| To Rent           | 100    | By Cricket expenses | 1,140  |
| To Other Receipts | 700    | By Insurance        | 360    |
| To Cricket fee    | 400    | By Gardener salary  | 600    |
|                   |        | By Investments      | 18,000 |
|                   |        | By Balance c/d      | 3,500  |
|                   | 68,400 |                     | 68,400 |

**(Ans: Excess of income over expenditure Rs.800)**

8. The Receipts and Payments account of the Hyderabad Friends Club for the period ending 31.3.2018 is given below.

Subscription fee outstanding for the year 2017-2018 Rs.150. Salaries unpaid for the year Rs.85. From the above particulars prepare an income and Expenditure account of the club for the year ended 31.3.2018 and the balance sheet in that date.

**Dr.**

**Cr.**

| <b>Receipts</b>                            | <b>Rs.</b> | <b>Payments</b>                                     | <b>(Rs.)</b> |
|--|------------|---|--------------|
| To Donation received                       | 25,000     | By Buildings  | 20,000       |
| To Reserve Fund                            | 2,000      | By Furniture  | 1,050        |
| (Being life membership fee received)       |            | By Tournament expenses from match fund              | 450          |
| To Match fund                              | 5000       |   |              |
| <b>Revenue Receipts</b>                    |            | <b>Revenue Payments</b>                             |              |
| To Subscriptions (Incl. Rs.50 for 2011.12) | 3,200      | By Salaries   | 900          |
| To Lockers Rent                            | 50         | By Cricket  | 300          |
| To Interest on securities                  | 50         | By Tennis   | 270          |
| To Cricket                                 | 200        | By Insurance (paid upto 31 <sup>st</sup> Dec, 2011) | 180          |
| To Sundries                                | 25         | By Gardening  | 85           |
| To Tennis                                  | 175        | By Printing   | 15           |
| To Billiards                               | 100        | By Telephone  | 125          |
|  |            | By Sundries   | 75           |
|  |            | By Investments (at cost)                            | 9,000        |

|  |        |                |        |
|--|--------|----------------|--------|
|  |        | By Balance c/d | 1,750  |
|  | 34,200 |                | 34,200 |

**(Ans: Excess of Income over expenditure Rs.400/- Balance Sheet Total : Rs.32,085)**

9. Tarnaka Sports Club's Receipts and Payments account for the year ending 31.3.2019 is given here under.

**Additional Information:**

1. Subscription receivable for 2017-2018 were Rs.1000/- and for 2018-2019 Rs.1,050.
2. Games equipment in the beginning was Rs.1,000/- and at the end Rs.1,250/-
3. Provide depreciations at 10% on grass cutting machine.

Prepare Income and Expenditure for the year ending 31.3.2019 and opening and closing balance sheet.

**Dr.**

**Cr.**

| Receipts                 | Rs.    | Payments                  | Rs.    |
|--------------------------|--------|---------------------------|--------|
| To Cash in hand          | 250    | By Salary to workmen      | 2,000  |
| To Cash in Bank          | 2,250  | By Grass cutting machine  | 1,000  |
| To Subscription          | 6,750  | By Rent                   | 450    |
| To Tournament fund       | 2,500  | By Games expenditure      | 3,500  |
| To Life membership fee   | 1,500  | By Tournament expenditure | 1,000  |
| To Entrance fee          | 250    | By Office expenditure     | 2,250  |
| To Donation for pavilion | 4,000  | By Games equipment        | 1,500  |
| To Sale of grass         | 200    | By Balance c/d            |        |
|                          |        | Cash in Hand              | 750    |
|                          |        | Cash at Bank              | 5,250  |
|                          | 17,700 |                           | 17,700 |

**(Ans: Deficit Rs.2,300. Balance Sheet total Rs.9,200)**

10. Prepare Income and Expenditure account and balance sheet of Hyderabad Club from the particulars is given below for the year ending 31.3.2019.

### Receipts and Payments account as on 31.3.2019

**Dr.****Cr.**

| Receipts   | Rs.    | Payments                 | Rs.    |
|--|--------|--------------------------|--------|
| To Balance b/d   | 1,200  | By Salaries              | 6,500  |
| To Subscriptions<br>(Including Rs.400 2012-13)           | 6,400  | By Rent                  | 1,200  |
| To Interest on investment<br>(Investment cost Rs.40,000) | 2,500  | By Printing & Stationary | 180    |
| To Bank Interest   | 50     | By Postage               | 50     |
| To Sale of furniture                                     | 500    | By Cycle purchased       | 800    |
|  |        | By Govt.Bonds            | 1,000  |
|  |        | By Balance c/d           | 920    |
|  | 10,650 |                          | 10,650 |

#### Additional Information

1. Subscription received included Rs.200 of 2017-2018.
2. Rent paid included Rs.100 for March 2019 monthly rent is Rs.100.
3. Subscription due for 2017-2018 Rs.300.
4. Salaries Payable sold was Rs.600.
5. Cost of furniture sold was Rs.640.

**(Ans: Deficit : Rs.20 Capital fund 41,940 Balance Sheet total Rs.43,020)**



## PARTNERSHIP ACCOUNTS-I

*Partnership Accounts-I – Meaning of Goodwill – objectives – methods of Goodwill calculation – Simple average and weighted average – Profit/loss sharing ratios - New, Sacrificing, Gaining ratios - Problems on Profit and Loss appropriation account.*

### Learning Objectives:

After studying this Chapter, you will be able to

- Prepare the capital accounts of partners under fixed and fluctuating capital methods.
- Understand the distribution of profits among the partners.
- Prepare the Profit and Loss appropriation account.
- Able to know the meaning, nature and methods of valuation of goodwill.

**2.0 Meaning:** A business may be organized in the form of a sole proprietorship, a partnership firm or a company. The sole proprietorship has its limitations such as limited capital, limited managerial ability and limited risk - bearing capacity. Hence, when a business expands, it needs more capital and involves more risk. Then two or more persons join hands to run it. They agree to share the capital, the management, the risk and the Profit or Loss of the business. Such mutual relationship based on agreement among these persons is termed as “Partnership”. The persons who have entered into partnership are individually known as ‘Partners’ and collectively as ‘Firm’.

**2.1 Definition:** The Indian Partnership Act 1932, Section 4, defines partnership as “the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all”.

**2.2 Partnership Deed:** Agreement to carry on a business between the partners, partnership comes into existence. The partnership agreement can be either oral or written. The Partnership Act does not require that the agreement must be in writing. But when the agreement is in written form, it is called ‘Partnership Deed’. Partnership deed should be duly signed by the partners, stamped & registered.

**Partnership deed generally contains the following details:**

- Names and Addresses of the firm and its main business;

- Names and Addresses of all partners;
- A contribution of the amount of capital by each partner;
- The accounting period of the firm;
- The date of commencement of partnership;
- Rules regarding an operation of Bank Accounts;
- Profit and loss sharing ratio;
- The rate of interest on capital, loan, drawings, etc;
- Mode of auditor's appointment, if any;
- Salaries, commission, etc, if payable to any partner;
- The rights, duties, and liabilities of each partner;
- Treatment of loss arising out of insolvency of one or more partners;
- Settlement of accounts on the dissolution of the firm;
- Method of a settlement of disputes among the partners;
- Rules to be followed in case of admission, retirement, a death of a partner; and
- Any other matter relating to the conduct of business. Normally, all the matters affecting the relationship of partners amongst themselves are covered in partnership deed.

**2.3 Accounting rules applicable in the absence of Partnership deed:** Normally, a partnership deed covers all matters relating to mutual relationship among the partners. But, in the absence of agreement, the following provisions of the Indian Partnership Act, 1932 shall apply for accounting purposes.

1. **Interest on Capital:** No interest is allowed on Capitals of the Partners. If as per the partnership deed, interest is allowed, it will be paid only when there is profit. If loss, no interest will be paid.
2. **Interest on Drawings:** No interest will be charged on drawings made by the partners.
3. **Salary/Commission to partner:** No partner is entitled to salary/ commission from the firm, unless the partnership deed provides for it.
4. **Interest on loan:** If any partner, apart from his share capital, advances money to the firm as loan, he is entitled to interest on such amount at the rate of six percent per annum.
5. **Profit sharing ratio:** The partners shall share the profits of the firm equally irrespective of their capital contribution.

**2.4 Special Aspects of Partnership Accounts and its Maintenance:** Accounting Treatment for partnership firm is similar to that of a sole proprietorship business with the exception of the following aspects:

1. Distribution of Profit/Loss among partners
2. Maintenance of Partner's Capital Accounts
3. Reconstitution of the Partnership Firm
4. Dissolution of Partnership Firm

**2.5 Distribution of Profit among Partners:** In accordance with the provisions of the [Partnership deed](#), the profits and losses made by the firm are distributed among the partners. However, sharing of profit and losses is equal among the partners, if the partnership deed is silent.

However, certain adjustments such as interest on drawings & capital, salary & commission to partners are required to be made. For this purpose, it is customary to prepare a Profit and Loss Appropriation Account of the firm. The final figure of profit and loss to be distributed among the partners is ascertained by [Profit and Loss Appropriation Account](#).

### **Profit and Loss Appropriation Account:**

After the Profit and Loss Account, Profit and Loss Account Appropriation is prepared for the firm. In this account how the profit or loss among the partners of the firm is distributed is shown. Through this account, all adjustments in respect of partner's salary, partner's commission, interest on capital, interest on drawings, etc. are made.

It starts with the net profit/net loss as per Profit and Loss Account is transferred to this account.

The Performa of Profit and Loss Appropriation Account is given as follows:

### **Profit and Loss Appropriation Account**

**Dr.**

**Cr.**

| Particulars  | Amount<br>(Rs.) | Particulars  | Amount<br>(Rs.) |
|--|-----------------|--|-----------------|
| To Profit and Loss<br>(if there is a loss)           | xxx             | By Profit and Loss<br>(if there is profit)         | xxx             |
| To Interest on capital                               | xxx             | By Interest on drawings                            | xxx             |
| To Salary to Partner                                 | xxx             | By Partners' Capital a/c<br>(distribution of loss) | xxx             |
| To Commission to Partner                             | xxx             |  |                 |
| To Interest on Partner's Loan                        | xxx             |  |                 |
| To Partners' Capital a/c<br>(distribution of profit) | xxx             |  |                 |
| <b>Total</b>   | <b>xxx</b>      | <b>Total</b>                                       | <b>xxx</b>      |

**Solved Example for You****Illustration 1:**

Avinash, Balaji, and Chandrika set up a partnership firm on April 1, 2018. They contributed Rs. 50,000, Rs. 30,000 and Rs. 20,000, respectively as their capitals and agreed to share profits and losses in the ratio of 5:3:2. Salary of Avinash is Rs. 1,000 per month and Balaji, a Commission of Rs. 10,000. Interest on capital at 10% p.a.

The drawings for the year were Avinash Rs. 10,000, Bob Rs. 5,000 and Chandrika Rs. 2,000. Interest on drawings of Rs. 1000 was charged on Avinash drawings, Rs. 500 on Balaji drawings and Rs. 200, on Chandrika drawings. The net profit as per Profit and Loss Account for the year ending March 31, 2018, was Rs. 36300.

Prepare the Profit and Loss Appropriation Account to show the distribution of profit among the partners.

**Solution:****Profit and Loss Appropriation Account****Dr.****Cr.**

| Particulars  | Amount<br>(Rs.) | Particulars              | Amount<br>(Rs.) |
|--|-----------------|--------------------------|-----------------|
| To Salary to Avinash                                   | 12000           | By Profit and Loss a/c   | 36300           |
| To Interest on capital:                                |                 | By Interest on drawings: |                 |
| Avinash  | 5000            | Avinash                  | 1000            |
| Balaji   | 3000            | Balaji                   | 500             |
| Chandrika  | 2000            | Chandrika                | 200             |
| To Commission to Balaji                                | 10000           |                          |                 |
| To The share of profit transferred to Capital accounts |                 |                          |                 |

|           |              |  |              |
|-----------|--------------|--|--------------|
| :         |              |  |              |
| Avinash   | 3000         |  |              |
| Balaji    | 1800         |  |              |
| Chandrika | 1200         |  |              |
|           | <b>38000</b> |  | <b>38000</b> |

**2.6 Maintenance of Partner's Capital Accounts:** Most of the transactions relating to the partners of the firm are recorded in the books of the firm through their capital accounts. This includes various transactions like money brought in by the partner, withdrawal of the capital, the share of profit, interest on drawings, interest on capital, etc.

There are 2 methods by which the capital of the partners is maintained. These special aspects accounts are:

- a. Fixed Capital Method and
  - b. Fluctuating Capital Method.
- a. **Fixed Capital Method:** Under this method, a firm maintains two capital accounts in order to keep the capital account balance stable from regular capital related transactions. These accounts are as follows:
- a. Capital Account and
  - b. Current Account.
- Capital Account only includes transactions like Initial investment, an addition of capital and permanent withdrawal of capital.
- b. **Fluctuating Capital Method:** Under this method, a firm records all the capital related transaction (Permanent as well as Non-Permanent) under a single account and that is Capital Account.

**Format: (Fixed Capital Method):**

**Capital Accounts**

| Particulars    | x   | y   | z   | Particulars    | x   | y   | z   |
|----------------|-----|-----|-----|----------------|-----|-----|-----|
| To balance c/d | xxx | xxx | xxx | By balance b/d | xxx | xxx | xxx |
|                |     |     |     |                |     |     |     |
|                | xxx | xxx | xxx |                | xxx | xxx | xxx |
|                |     |     |     | By balance b/d | xxx | xxx | xxx |

**Current Accounts**

| Particulars                  | x   | y   | z   | Particulars            | x   | y   | z   |
|------------------------------|-----|-----|-----|------------------------|-----|-----|-----|
| To drawings                  | xx  | xx  | xx  | By balance b/d         | xx  | xx  | xx  |
| To interest on drawings      | xx  | xx  | xx  | By interest on capital | xx  | xx  | xx  |
| To revaluation a/c (if loss) | xx  | xx  | xx  | By commission          | xx  | xx  | xx  |
|                              | xx  | xx  | xx  | By salary              | xx  | xx  | xx  |
| To balance c/d               |     |     |     | By revaluation a/c     | xx  | xx  | xx  |
|                              |     |     |     |                        |     |     |     |
|                              | xxx | xxx | xxx |                        | xxx | xxx | xxx |
|                              |     |     |     |                        |     |     |     |

**Format: (Fluctuating Capital Method)**

**Capital Accounts**

| Particulars                  | x   | y   | z   | Particulars            | x   | y   | z   |
|------------------------------|-----|-----|-----|------------------------|-----|-----|-----|
| To drawings                  | xx  | xx  | xx  | By balance b/d         | xx  | xx  | xx  |
| To interest on drawings      | xx  | xx  | xx  | By interest on capital | xx  | xx  | xx  |
| To revaluation a/c (if loss) | xx  | xx  | xx  | By commission          | xx  | xx  | xx  |
| To balance c/d               | xx  | xx  | xx  | By salary              | xx  | xx  | xx  |
|                              |     |     |     | By revaluation a/c     | xx  | xx  | xx  |
|                              | xxx | xxx | xxx |                        | xxx | xxx | xxx |
|                              |     |     |     |                        |     |     |     |

**Preparation of Capital Accounts**

**Illustration 2:** Show how the following items will appear in the capital accounts of the partners, Anand and Baalu.

|                               | Anand<br>Rs. | Baal<br>Rs. |
|-------------------------------|--------------|-------------|
| Capital on 1.4.2004           | 90,000       | 70,000      |
| Drawings during 2004 – 2005   | 12,000       | 9,000       |
| Interest on drawings          | 360          | 270         |
| Interest on capital           | 5,400        | 4,200       |
| Partners Salary               | 12,000       | -           |
| Commission                    | -            | 6,000       |
| Share of profit for 2004 – 05 | 6,000        | 4,000       |

**Solution:**

**a) When capital accounts are fixed:**

**Capital Accounts**

| Particulars    | Anand | Baal  | Particulars    | Anand | Baal  |
|----------------|-------|-------|----------------|-------|-------|
| To balance c/d | 90000 | 70000 | By balance b/d | 90000 | 70000 |
|                |       |       |                |       |       |

|  |       |       |                |       |       |
|--|-------|-------|----------------|-------|-------|
|  | 90000 | 70000 |                | 90000 | 70000 |
|  |       |       | By balance b/d | 90000 | 70000 |

## Current Accounts

| Particulars             | Anand | Baalu | Particulars            | Anand | Baalu |
|-------------------------|-------|-------|------------------------|-------|-------|
| To drawings             | 12000 | 9000  | By interest on capital | 5400  | 4200  |
| To interest on drawings | 360   | 270   | By commission          |       | 6000  |
| To balance c/d          | 11040 | 4930  | By salary              | 12000 |       |
|                         |       |       | By profit & loss a/c   |       | 4000  |
|                         |       |       |                        | 6000  |       |
|                         | 23400 | 14200 |                        | 23400 | 14200 |
|                         |       |       | By balance b/d         | 11040 | 4930  |

## b) When capital accounts are fluctuating:

## Capital Accounts

| Particulars             | Anand  | Baalu | Particulars            | Anand  | Baalu |
|-------------------------|--------|-------|------------------------|--------|-------|
| To drawings             | 12000  | 9000  | By balance b/d         | 90000  | 70000 |
| To interest on drawings | 360    | 270   | By interest on capital | 5400   | 4200  |
| To balance c/d          | 101040 | 74930 | By commission          |        | 6000  |
|                         |        |       | By salary              | 12000  |       |
|                         |        |       | By profit & loss a/c   |        | 4000  |
|                         |        |       |                        | 6000   |       |
|                         | 113400 | 84200 |                        | 113400 | 84200 |
|                         |        |       |                        | 101040 | 74930 |

**Illustration 3:** Write up the capital and current accounts of the partners, Kamal and Mahesh from the following:



|                                    | Kamal<br>Rs. | Mahesh<br>Rs. |
|------------------------------------|--------------|---------------|
| Capital on 1.1.2014                | 1,50,000     | 1,00,000      |
| Current accounts on 1.1.2014 (Cr.) | 20,000       | 15,000        |
| Drawings during 2014               | 30,000       | 40,000        |
| Interest on drawings               | 900          | 1,000         |
| Share of profit for 2014           | 10,000       | 8,000         |
| Interest on Capital                | 6%           | 6%            |

### Capital Accounts

| Particulars    | Kamal  | Mahesh | Particulars    | Kamal  | Mahesh |
|----------------|--------|--------|----------------|--------|--------|
| To balance c/d | 150000 | 100000 | By balance b/d | 150000 | 100000 |
|                |        |        |                |        |        |
|                | 150000 | 100000 |                | 150000 | 100000 |
|                |        |        |                | 150000 | 100000 |
|                |        |        | By balance b/d |        |        |

### Current Accounts

| Particulars             | Kamal | Mahesh | Particulars            | Kamal | Mahesh |
|-------------------------|-------|--------|------------------------|-------|--------|
| To drawings             | 30000 | 40000  | By balance b/d         | 20000 | 15000  |
| To interest on drawings | 900   | 1000   | By interest on capital | 9000  | 6000   |
| To balance c/d          | 8100  |        | By profit & loss a/c   | 10000 | 8000   |
|                         |       |        | By balance c/d         |       | 12000  |
|                         | 39000 | 41000  |                        | 39000 | 41000  |
|                         |       | 12000  |                        | 8100  |        |

|                |  |  |                |  |  |
|----------------|--|--|----------------|--|--|
|                |  |  |                |  |  |
| To balance b/d |  |  | By balance b/d |  |  |

**2.7 Goodwill:** When a firm is reconstituted, goodwill is valued and shared by the existing partners. Goodwill is the present value of a firm's anticipated excess earnings in future and the efforts had already made in the past. Goodwill really arises only if firm is able to earn higher profit than normal.

**Meaning and Nature Goodwill** is the value of the reputation of the firm which the business builds up due to its efficient service to its customers and quality of its products. It is a value of all favourable attributes relating to a business enterprise. It is not merely the past reputation but its continued existence in future that makes goodwill a valuable asset. It cannot be seen or touched. It is an intangible asset but not a fictitious asset.

**Methods of valuation of goodwill:** There are three methods of valuation of goodwill. They are:

1. Average Profit method
2. Super Profit method
3. Capitalization method

**1. Average profit method:** In this method, past profits of a number of years are taken into account. Such profits are added and the average profit is found out. The average profit is multiplied by a certain number of years to arrive at the value of goodwill. The steps involved under this method are:

Step 1 → Calculate total profits by adding each years profit and deducting loss, if any.

Step 2 → Calculate the average profit by applying the following formula.

Average Profit = Total Profits / No of years .

Step 3 → Calculate the Goodwill by applying the following formula.

Goodwill = Average Profit X No. of years' purchase

**Illustration 4:**

The Goodwill is to be valued at two years' purchase of last four years average profit. The profits were Rs.40,000, Rs.32,000, Rs.15,000 and Rs.13,000 respectively. Find out the value of goodwill.

**Solution:****a) Calculation of average profit:**

|          |        |
|----------|--------|
| I year   | 40,000 |
| II year  | 32,000 |
| III year | 15,000 |
| IV year  | 13,000 |

|              |          |
|--------------|----------|
| Total Profit | 1,00,000 |
|--------------|----------|

$$\begin{aligned} \text{Average Profit} &= \frac{\text{Total Profits}}{\text{No of years}} \\ &= \frac{1,00,000}{4} \\ &= 25,000 \end{aligned}$$

**Calculation of Goodwill:**

Goodwill = Average Profit X two years' purchase

$$= 25,000 \times 2 = \text{Rs. } 50,000.$$

- 2. Super Profit method:** The excess of average profit over normal profit is called super profit. The goodwill under the Super profits method is calculated by multiplying the super profits by certain number of years purchase. The steps involved under this method are:

Step 1 → Calculate the average profit – it may be adjusted for partners remuneration.

Step 2 → Calculate the normal profit on capital employed by applying the following formula.

$$\text{Normal Profit} = \text{Capital employed} \times \text{Normal rate of return}$$

Step 3 → Calculate the super profit by applying the following formula.

$$\text{Super profit} = \text{Average Profit} - \text{Normal profit}$$

Step 4 → Calculate the value of goodwill by multiplying the amount of super profit by the

given number of years' purchase

$$\text{Goodwill} = \text{Super Profit} \times \text{No. of years of purchase}$$

- 3. Capitalisation Method:** of Average Profits: Under this method, the value of goodwill is ascertained by deducting the actual capital employed (net assets) in the business from the capitalized value of the average profits on the basis of normal rate of return.

$$\text{Goodwill} = \text{capitalised Value} - \text{Capital Employed}$$

$$\text{Capital Employed} = \text{Total Assets} - \text{Outside Liabilities}$$

#### Illustration 5 :

A firm's net profits during the last three years were Rs.90,000 Rs.1,00,000 and Rs.1,10,000. The capital employed in the firm is Rs.3,00,000. A normal return on the capital is 10%. Calculate the value of goodwill on the basis of two years' purchase of super profit.

#### Solution:

##### a. Calculation of average profit:

|                  |   |
|------------------|---|
| I year           | 90,000  |
| II year          | 1,00,000  |
| III year         | 1,10,000  |
|                  | <u>3,00,000</u>                                   |
| Average Profit = | $\frac{\text{Total Profits}}{\text{No of years}}$ |
|                  | $\frac{3,00,000}{3}$                              |
|                  | =1,00,000   |

**b. Calculation of Normal Profit:**

Normal Profit = Capital employed X Normal rate of return

$$\begin{array}{r} 3,00,000 \times 10 \\ \hline 100 \\ =30,000 \end{array}$$

**c. Calculation of Super Profit:**

Average Profit – Normal Profit = 1,00,000 – 30,000 = Rs. 70,000.

Goodwill at two years' purchase of super profit: Goodwill =

Super Profit X No. of years of purchase = 70,000 X 2 = Rs. 1,40,000

**3.8 New Profit Sharing Ratio:** There are different cases when partnership can have new profit sharing ratio:

- Sometimes the partners may decide to change their existing profit sharing ratio, without any admission or retirement of partner,
- At the time of admission of the new partner
- At the time of retirement or death of an old partner

This may result in a gain to a few partners and loss to others. The partners who are in profit due to this change in the profit sharing ratio should compensate the sacrificing partner/partners.

- **New profit sharing ratio:** Ratio in which the partners decide to share profits/losses in future.
- **Gaining ratio:** Ratio in which the partners have agreed to gain their share of profit from other partners.
- **Sacrificing ratio:** Ratio in which the partners have agreed to sacrifice their share of profit in favour of other partners. Sacrificing ratio= Old Ratio – New Ratio

- 1. New profit sharing ratio:** When a new partner is admitted, he should be given a portion of the profit of the firm. As the incoming partner is entitled to get a profit share, the profit share of all or some of the old partners will be reduced.

The profit shares of all the old partners will be reduced, if all of them make a sacrifice. What the old partners sacrifice, is in favour of the new partner. Thus, Profit Sharing Ratio should necessarily be changed when a new partner is admitted.

The ratio at which the profits should be divided among the old partners and the new partners is called the New Profit Sharing Ratio. After the admission of a new partner into the firm, New Profit Sharing Ratio should be found out, without which the profit cannot be divided among partners, including the new partner.

**The following cases may arise while calculating the new Profit and Loss sharing ratio:**

- a. When the share of the new partner is given, then it should assume that the remaining profit should be shared by the old partners in their old profit sharing ratio.
- b. When the share of the new partner is purchased out of the share of profit of one of the old partners, then the old partner forgoes a portion of the profit, which goes to the new partner.
- c. The old partners may sacrifice their share of profits for the new partner in their existing profit sharing ratio.
- d. New partner's share of profit is out of the profit of all partners in the equal ratio.

**In all the cases, profit and loss sharing ratio is completely changed. All the types of cases are discussed below:**

### **NEW PROFIT SHARING RATIO**

When a new partner is admitted then the calculation of new profit sharing ratio becomes necessary. The reason behind that is the new partner acquires his share of profit from the old partners. Hence, old partners' shares reduce.

- 1. When only the ratio of new partner is given:** In this case in the absence of any other agreement, it is presumed that the old partners will continue to share the remaining profits in the same ratio in which they were sharing before the admission of the new partner.

**Example:** X, Y and Z are partners in proportion of  $\frac{3}{6}$ ,  $\frac{2}{6}$  and  $\frac{1}{6}$  respectively. P was admitted in the firm as a new partner with  $\frac{1}{6}$ <sup>th</sup> share. Calculate the new profit sharing ratios of the partners.

**Solution:**

Let total profit be = 1

Share given to P =  $1/6$

Remaining Share =  $1 - 1/6 = 5/6$

Now the old partners will share this remaining profit in their old profit sharing ratios. Hence,

X's share =  $3/6$  of  $5/6 = 5/12$

Y's share =  $2/6$  of  $5/6 = 5/18$

Z's share =  $1/6$  of  $5/6 = 5/36$

Thus, the new profit sharing ratio will be

X : Y : Z : P

$5/12 : 5/18 : 5/36 : 1/6 = 15 : 10 : 5 : 6$

2. **When the new partner purchases his share of profit from the old partners equally:** In such cases, the new profit sharing ratio of the old partners can be calculated by deducting the sacrifice made by them from their existing share of profit.

**Example:** A and B are partners sharing profits and losses in the ratio of  $7/12 : 5/12$ . They admit C as a new partner for  $1/6^{\text{th}}$  share, which he acquires equally from A and B. Calculate the new profit sharing ratios of the partners

**Solution:**

Share of profits given to C =  $1/6$

Share acquired by C from A =  $\frac{1}{2}$  of  $1/6 = 1/12$

Share acquired by C from B =  $\frac{1}{2}$  of  $1/6 = 1/12$

Therefore,

A's new share =  $7/12 - 1/12 = 6/12$

B's new share =  $5/12 - 1/12 = 4/12$

C's share =  $\frac{1}{6}$

Hence, new profit sharing ratio will be

A : B : C

$\frac{6}{12} : \frac{4}{12} : \frac{1}{6} = 3 : 2 : 1$

- 3. When new partner purchases his share from the old partners in a particular ratio:** In this case, the new profit sharing ratio of the old partners will be ascertained after deducting the sacrifice made by them from their existing share of profit.

**Example:** X and Y are partners in a firm sharing profits in the ratio of 7 : 5. Z is admitted on  $\frac{1}{6}$ <sup>th</sup> share which he takes  $\frac{1}{24}$ <sup>th</sup> from X and  $\frac{1}{8}$ <sup>th</sup> from Y. Calculate the new profit sharing of the partners.

**Solution:**

X's old share =  $\frac{7}{12}$ , out of which he surrenders  $\frac{1}{24}$ <sup>th</sup> in favour of Z.

Therefore, X's new share =  $\frac{7}{12} - \frac{1}{24} = \frac{13}{24}$

Y's old share =  $\frac{5}{12}$ , out of which he surrenders  $\frac{1}{8}$ <sup>th</sup> in favour of Z.

Therefore, Y's new share =  $\frac{5}{12} - \frac{1}{8} = \frac{7}{24}$

Z's share =  $\frac{1}{6}$

Hence, new profit sharing ratio will be

X : Y : Z

$\frac{13}{24} : \frac{7}{24} : \frac{1}{6} = 13 : 7 : 4$

- 4. When old partners surrender a particular fraction of their share in favour of the new partner:** in such case, the new partner's share is calculated by adding the surrendered portion of share by the old partners.



**Example:** P and Q are partners in a firm sharing profits and losses in the ratio of 3:2. A new partner R is admitted. P surrenders  $\frac{1}{5}$ <sup>th</sup> share of his profit in favour of R and Q  $\frac{2}{5}$ <sup>th</sup> share of his profit in favour of R. Calculate the new ratio of the partners.

**Solution:**

P's old share =  $\frac{3}{5}$

P surrenders  $\frac{1}{5}$ <sup>th</sup> of  $\frac{3}{5}$  in favour of R i.e.  $\frac{1}{5} \times \frac{3}{5} = \frac{3}{25}$

Q's old share =  $\frac{2}{5}$

Q surrenders  $\frac{2}{5}$ <sup>th</sup> of  $\frac{2}{5}$  in favour of R i.e.  $\frac{2}{5} \times \frac{2}{5} = \frac{4}{25}$

P's new share after surrendering  $\frac{3}{25}$  in favour of R =  $\frac{3}{5} - \frac{3}{25} = \frac{12}{25}$

Q's new share after surrendering  $\frac{4}{25}$  in favour of R =  $\frac{2}{5} - \frac{4}{25} = \frac{6}{25}$

R's share is the total of  $\frac{3}{25}$  from P and  $\frac{4}{25}$  from Q =  $\frac{3}{25} + \frac{4}{25} = \frac{7}{25}$

Therefore, new ratio will be

P : Q : R

$\frac{12}{25} : \frac{6}{25} : \frac{7}{25} = 12 : 6 : 7$

**3.9 Gaining Ratio:** Gaining ratio is calculated at the time of retirement or death of a partner. It is the ratio in which the remaining partners acquire the outgoing partner's share of profit.

When the partner retires, the profit sharing ratio of the continuing partners gets changed. Continuing partners distribute the share of retiring partner among them.

***Gaining ratio = New Ratio – Old Ratio (if positive)***

**Examples:**

**Various cases of new ratio and gaining ratio are explained as follows:**

**Case 1:**

**When the share of retiring partner is acquired by old partners in an old ratio:**

Amit, Summit, and Punit share profit and losses in the ratio of 3:2:1, respectively. Amit retires and the remaining partners decide to share to take Amit's share in the existing ratio i.e. 2:1. Calculate the new ratio and gaining ratio.

**Solution:**

The existing ratio between Summit and Punit =  $\frac{2}{6}$  and  $\frac{1}{6}$

Amit's ratio (retiring partner) =  $\frac{3}{6}$

Amit's share taken by Summit and Punit in the ratio of 2:1

Summit gets =  $\frac{3}{6} \times \frac{2}{3} = \frac{6}{18}$

Punit gets =  $\frac{3}{6} \times \frac{1}{3} = \frac{3}{18}$

New ratio between Summit and Punit is =  $6:3 = 2:1$

Gaining ratio = New Ratio – Old Ratio

Summit's gain =  $\frac{2}{3} - \frac{2}{6} = \frac{2}{6}$

Punit's gain =  $\frac{1}{3} - \frac{1}{6} = \frac{1}{6}$

Gaining ratio = 2:1

New Ratio = 2:1

**Case 2:**

**When the share of retiring partner is acquired by old partners in old specified proportions:**

Amit, Summit, and Punit share profit and losses in the ratio of 2:3:1, respectively. Amit retires and the remaining partners decide to share to take Amit's share equally. Calculate the new ratio and gaining ratio.

**Solution:**

The existing ratio between Summit and Punit =  $\frac{3}{6}$  and  $\frac{1}{6}$

Amit's ratio (retiring partner) =  $\frac{2}{6}$

Amit's share taken by Summit and Punit in the ratio of 1:1

$$\text{Summit gets} = 2/6 * 1/2 = 1/6$$

$$\text{Summit's new share} = 3/6 + 1/6 = 4/6$$

$$\text{Punit gets} = 2/6 * 1/2 = 1/6$$

$$\text{Punit's new share} = 1/6 + 1/6 = 2/6$$

$$\text{New ratio between Summit and Punit is} = 4:2 = 2:1$$

Gaining ratio is given the question i.e. 1:1

$$\text{Gaining ratio} = 1:1$$

$$\text{New Ratio} = 2:1$$

### Case 3:

**When the share of retiring partner is acquired fully by one of the continuing partners:**

Amit, Summit, and Punit share profit and losses in the ratio of 4:5:2, respectively. Amit retires and Punit acquires Amit's share. Calculate the new ratio and gaining ratio.

### Solution:

$$\text{Punit's new share} = 2/11 + 4/11 = 6/11$$

$$\text{Summit share remains unchanged} = 5/11$$

$$\text{The new ratio between Summit and Punit is} = 5:6$$

Gaining ratio in this case between Summit and Punit will be

$$\text{Summit's gain} = 5/11 - 5/11 = \text{Nil}$$

$$\text{Punit's gain} = 6/11 - 2/11 = 4/11$$

This shows that entire gain is taken by Punit.

### Scarifying Ratio:

### Illustration 6:

A and B are partners sharing profits and losses in the ratio of 5: 3. They admit C as a partner. C requires his share i.e. 4/20 from A and 2/20 from B. Find out the new profit sharing ratio and sacrificing ratio.

**Solution:**

$$A \text{ old ratio} = 5/8$$

$$A \text{ sacrifices to C} = 4/20$$

$$A \text{ new share} = 5/8 - 4/20 = 50-16/80 = 34/80$$

$$B \text{ old ratio} = 3/8$$

$$B \text{ sacrifices to C} = 2/20$$

$$B \text{ new share} = 3/8 - 2/20 = 30-8/80 = 22/80$$

$$C\text{'s share} = 4/20 + 2/20 = 6/20 \text{ or } 24/80$$

$$\text{New ratio of A, B and C} = 34:22:24 \text{ or } 17:11:12$$

$$\text{Sacrificing Ratio} = 2:1$$

**Illustration 7:**

A and B are partners sharing profit and loss in the ratio of 7:5. They take C into the partnership. C is given  $1/6^{\text{th}}$  share which he acquires  $1/24$  from A and  $1/8$  from B. Calculate the future profit sharing ratio and also sacrificing ratio.

**Solution:****Computation of profit sharing ratio:**

$$\text{Old Ratio} - \text{Sacrificing Ratio} - \text{New Ratio}$$

**Illustration 8:**

A and B are partners sharing profit and loss in the ratio of 7:5. They take C into the partnership. C is given  $1/6^{\text{th}}$  share which he acquires  $1/24$  from A and  $1/8$  from B. Calculate the future profit sharing ratio and also sacrificing ratio.

**Solution:****Computation of profit sharing ratio:**

$$\text{Old Ratio} - \text{Sacrificing Ratio} - \text{New Ratio (or) OR} - \text{SR} - \text{NR}$$

$$A - 7/12 - 1/24 = 14 - 1/24 = 13/24$$

$$B - 5/12 - 3/24 = 10 - 3/24 = 7/24$$

$$C - 1/24 + 1/8 = 1 + 3/24 = 4/24$$

Future profit sharing ration of A, B and C = 13:7:4

Sacrificing Ratio (given) = 1:3

### SHORT ANSWER QUESTIONS (2 Marks)

2. What is Partnership Business?
3. What is Goodwill?
4. Manjula and Kusuma started business on 1st April 2018 with capitals of Rs.60,000 and Rs. 50,000 respectively. On 1st July 2018 Manjula withdrew Rs.8,000 from his capital. Kusuma introduced additional capital Rs.10,000 on 30.9.2018. Calculate interest on capital at 5% for the year ending 31st March 2019.  
**(Answer: Interest on capital; Manjula : Rs. 2,700; Kusuma : Rs. 2,750)**
5. P, Q and R had capitals of Rs. 80,000, Rs.60,000 and Rs.40,000 respectively on 1.4.2017. Q withdrew Rs.8,000 from his capital on 30.9.2017, King introduced additional capital Rs. 12,000 on 31.12.2017. Calculate interest on capital at 6% for the year ending 31st March 2018.  
**(Answer: Interest on capital; P : Rs. 4,800; Q : Rs. 3,360; R : Rs.2,580)**
6. The profit for the five years of a firm are as follows: 2014 –Rs. 400000; 2015 –Rs. 398000; 2016 – Rs. 450000; 2017 –Rs. 445000; 2018 –Rs. 500000. Calculate goodwill of the firm on the basis of 4 years purchase of 5 years average profits.  
**( Ans: Rs. 17,54,400)**
7. A firm earns profit of Rs. 65000 on a capital of Rs. 480000 and the normal rate of return in similar business is 10%. 3 years purchase value of super profit will be treated as goodwill.  
**( Ans:Rs. 51000)**
8. Goodwill is to be valued at three years purchase of five year's average profits. The profits for the last five years of the firm were: 2012 - Rs. 4,200; 2013 - Rs. 4,500; 2014 - Rs. 4,700; 2015 - Rs. 4,600 and 2016 - Rs. 5,000.  
**(Ans. : Goodwill Rs. 13,800)**
9. Calculate the amount of goodwill on the basis of two year's purchase of the last four years average profits. The profits for the last four year's are: I Year Loss Rs. 10,000 II Year Profit Rs. 26,000 III Year Profit Rs. 34,000 IV Year Profit Rs. 50,000  
**(Ans. : Goodwill Rs. 50,000)**
10. Goodwill is to be valued at three years purchase of four years average profits. The profits for the last four years of the firm were: 2001 - Rs. 12,000; 2002 - Rs. 18,000; 2003 - Rs. 16,000; 2004 - Rs. 14,000. Calculate the amount of goodwill.

**(Ans. : Goodwill Rs. 45,000)**

11. Calculate the amount of goodwill on the basis of two years' purchase of the last four years' average profits. The profits of the last four years are 2014 Profit Rs. 20,000; 2015 Profit Rs. 30,000; 2016 Loss Rs. 6,000; 2017 Profit Rs. 16,000.

**(Ans. : Goodwill Rs. 30,000)**

12. A firm earned net profits during the last three years as follows: I Year Rs. 36,000 II Year Rs. 40,000 III Year Rs. 44,000 The Capital investment of the firm is Rs. 1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of three years purchase of Super profits.

**(Ans. : Goodwill Rs. 84,000)**

13. A firm earned average profit during the last few years is Rs. 40,000 and the normal rate of return in similar business is 10%. The total assets is Rs. 3,60,000 and outside liabilities is Rs. 50,000. Calculate the value of goodwill with the help of Capitalisation of Average Profit Method.

**(Ans: Rs. 90,000)**

14. A business has earned average profits of Rs. 1,00,000 during the last few years and the normal rate of return in a similar business is 10%. Ascertain the value of goodwill by capitalisation average profits method, given that the value of net assets of the business is Rs. 8,20,000.

**(Ans: Rs. 180,000)**

15. Mani and Nani are partners sharing profit and losses in the 1:2 ratio. They have decided to admit 'Omkar' by giving him  $\frac{1}{4}$ th share in future profits. Calculate the New Profit Sharing Ratio.

**(Ans: 1:2:1)**

16. Padma and Rani are partners sharing the ratio of 2:3. They admit Ratna for  $\frac{1}{4}$ th share and she gets this share equally from Padma and Rani. Calculate new ratio.

**(Ans: 11:19:15)**

17. James and Roi are partners sharing in the ratio of 4:3. They admit Jhansi with  $\frac{3}{7}$ th share; which he gets  $\frac{2}{7}$ th from James and  $\frac{1}{7}$ th from Roi. What is the new profit sharing ratio?

**(Ans: 2:2:3)**

18. Anitha and Bhanu are partners sharing in the ratio of 3:2. Chandu is admitted and he gets  $\frac{3}{20}$ th from Anitha and  $\frac{1}{20}$ th from Bhanu. Calculate new ratio.

**(Ans: 9:7:4)**

19. Srikanth and Gopi are partners share profits in the ratio of 5:3. Madhu the new partner gets  $\frac{1}{5}$ th of Srikanth's share and  $\frac{1}{3}$ rd of Gopi's share. Calculate new ratio.

**(Ans: 4:2:2)**

20. If Satya and Siri are partners sharing profits in the ratio of 5:3. What will be their sacrificing ratio, if Revathi is admitted for  $\frac{1}{8}$ th share of profit in the firm?

**(Ans: 5:3)**

21. Krishna and Balram are partners in a firm sharing profits in the ratio of 5:2. They admitted Arjun as a new partner for  $\frac{1}{4}$ <sup>th</sup> share. The new profit sharing ratio of the partners will be 2:1:1. Calculate their sacrificing ratio.

**(Ans: 6:1)**

**Questions (6 Marks)**

1. Tripathi and Chauhan are partners in a firm sharing profits and losses in the ratio of 3:2. Their capitals were Rs.60,000 and Rs.40,000 as on January 01, 2005. During the year they earned a profit of Rs. 30,000. According to the partnership deed both the partners are entitled to Rs. 1,000 per month as Salary and 5% interest on their capital. They are also to be charged an interest of 5% on their drawings, irrespective of the period, which is Rs. 12,000 for Tripathi, Rs. 8,000 for Chauhan. Prepare Partner's Accounts when, capitals are fixed.

**(Ans : Tripathi's Current account Balance Rs. 20,400, Chauhan's Current account Balance Rs.17,600).**

2. Anushka and Kajal are partners of a firm sharing profits and losses in the ratio of 2:1. Their capital, were Rs.90,000 and Rs.60,000. The profit during the year were Rs. 45,000. According to partnership deed, both partners are allowed salary, Rs. 700 per month to Anushka and Rs. 500 per month to Kajal. Interest allowed on capital @ 5%p.a. The drawings at the end of the period were Rs. 8,500 for Anushka and Rs. 6,500 for Kajal. Interest is to be charged @ 5% p.a. on drawings. Prepare partners' capital accounts, assuming that the capital account are fluctuating.

**(Ans : Anushka's Capital Account Balance Rs.1,23,975, Kajal's Capital Account Balance Rs. 77,175).**

3. Rakhi and Shikha are partners in a firm, with capitals of Rs. 2,00,000 and Rs. 3,00,000 respectively. The profit of the firm, for the year ended 2016-17 is Rs. 23,200. As per the Partnership agreement, they share the profit in their capital ratio, after allowing a salary of Rs. 5,000 per month to Shikha and interest on Partner's capital at the rate of 10% p.a. During the year Rakhi withdrew Rs. 7,000 and Shikha Rs. 10,000 for their personal use. You are required to prepare Profit and Loss Appropriation Account and Partner's Capital Accounts.

**(Ans : Loss Transferred to Rakhi Capital Rs.34,720 and Shikha Capital Rs.52,080)**

4. Lokesh and Azad are partners sharing profits in the ratio 3:2, with capitals of Rs. 50,000 and 30,000, respectively. Interest on capital is agreed to be paid @ 6% p.a. Azad is allowed a salary of Rs. 2,500 p.a. During 2016, the profits prior to the calculation of interest on capital but after charging Azad's salary Rs. 12,500. A provision of 5% of profits is to be made in respect of manager's commission. Prepare accounts showing the allocation of profits and partner's capital accounts.

**(Ans: Profit transferred to Lokesh's Capital Rs. 4,170 and Azad's Capital Rs.2,780)**

5. The partnership agreement between Maneesh and Girish provides that:
- Profits will be shared equally;
  - Maneesh will be allowed a salary of Rs. 400 p.m;

- c. Girish who manages the sales department will be allowed a commission equal to 10% of the net profits, after allowing Maneesh's salary;
- d. 7% interest will be allowed on partner's fixed capital;
- e. 5% interest will be charged on partner's annual drawings;
- f. The fixed capitals of Maneesh and Girish are Rs. 1,00,000 and Rs. 80,000, respectively. Their annual drawings were Rs. 16,000 and 14,000, respectively. The net profit for the year ending March 31, 2018 amounted to Rs. 40,000; Prepare firm's Profit and Loss Appropriation Account.

**(Ans : Profit transferred to the Capital accounts of Maneesh and Girish, Rs.1 0,290)**

6. Ram, Raj and George are partners sharing profits in the ratio 5 : 3 : 2. According to the partnership agreement George is to get a minimum amount of Rs. 10,000 as his share of profits every year. The net profit for the year 2018 amounted to Rs. 40,000. Prepare the Profit and Loss Appropriation Account.

**(Ans : Profit transferred to Ram's Capital Rs.18,750 Raj's Capital Rs.11,250 and George's Capital Rs.1 0 ,000)**

7. Anwar, Bhatia and Suresh are partners in a firm. Their profit sharing ratio is 2:2:1. Suresh is guaranteed a minimum amount of Rs. 10,000 as share of profit, every year. Any deficiency on that account shall be met by Bhatia. The profits for two years ending December 31, 2017 and December 31, 2018 were Rs. 40,000 and Rs. 60,000, respectively. Prepare the Profit and Loss Appropriation Account for the two years.

**(Ans : For the year 2017, Profits transferred to Anwar's Capital, Rs.16,000; Bhatia's Capital Rs.14,000; Suresh's capital Rs.10,000 and for the year 2018, Profit transferred to Anwar's Capital Rs.24,000, Bhatia's Capital Rs.24,000, Suresh's capital, Rs.12,000)**

8. Ramesh and Suresh were partners in a firm sharing profits in the ratio of their capitals contributed on commencement of business which were Rs. 80,000 and Rs. 60,000 respectively. The firm started business on April 1, 2018. According to the partnership agreement, interest on capital and drawings are 12% and 10% p.a., respectively. Ramesh and Suresh are to get a monthly salary of Rs. 2,000 and Rs. 3,000, respectively. The profits for year ended March 31, 2019 before making above appropriations was Rs. 1,00,300. The drawings of Ramesh and Suresh were Rs. 40,000 and Rs. 50,000, respectively. Interest on drawings amounted to Rs. 2,000 for Ramesh and Rs. 2,500 for Suresh. Prepare Profit and Loss Appropriation Account and partners' capital accounts, assuming that their capitals are fluctuating.

**(Ans : Profit transferred to Ramesh's Capital Rs.16,000 and Suresh's Capital, Rs.12,000)**



## UNIT

## 4

**PARTNERSHIP ACCOUNTS - II**

*Partnership Accounts-II- Admission of partner - Retirement of partner - including problems.*

**Learning Objectives:**

After studying this Chapter, you will be able to

- Understand the need for admission of a partner.
- Calculate the new profit sharing ratio and the sacrificing ratio.
- Understand how the revaluation of assets and liabilities is taken into account.
- Understand the need for distribution of accumulated reserves, profits or losses.
- Learn the accounting treatment of goodwill.
- Prepare revaluation account, capital accounts and balance sheet of a new firm.

**3.0 Introduction:** A Partnership firm suffering from shortage of funds or administrative in capabilities may decide to admit a partner. Admission of a partner is one of the modes of reconstituting the firm. According to Section 31 (1) of the Indian Partnership Act 1932, a person can be admitted only with the consent of all the existing partners. A person who is admitted to the firm is known as an incoming or a new partner. On admission of a new partner, the existing partnership comes to an end and a new partnership comes into effect. In other words, a new firm is reconstituted under a fresh agreement.

Whenever a partner is admitted into the partnership firm, he acquires two rights.

- a. Right to share the assets of the partnership firm.
- b. Right to share the future profits of the partnership firm.

The amount that the new partner brings in for the right to share in the partnership assets is called his capital and is credited to his Capital account. Whereas the consideration which he pays to the old partners for the right to participate in the division of future profits is called Goodwill.

**3.1 Admission of a Partner – Accounting Treatment ( Adjustments):** While admitting a new partner, the following adjustments are necessary:

- a. Recording the Capital of a new partner.
- b. Calculation of New Profit Sharing ratio and Sacrificing ratio.
- c. Revaluation of assets and liabilities.
- d. Transfer of Undistributed Profit or loss.

- 3.2 Revaluation Of Assets And Liabilities:** Revaluation is the valuation of assets and liabilities at the time of reconstitution of the partnership firm. At the time of admission of a partner, the assets and liabilities are revalued so that the profit and loss arising on account of such revaluation may be adjusted in the old partners' capital accounts in their old profit sharing ratio and the incoming partner may not be affected by the profit or loss on account of revaluation of assets and liabilities. For the purpose a revaluation account is opened.

- Increase in the value of assets,
- Decrease in the amount of liabilities and
- Unrecorded assets now recorded.

- Decrease in the value of assets,
- Increase in the amount of liabilities,
- Unrecorded liabilities now recorded and
- Creation of a new liability.

### Format of Revaluation Account

## Revaluation Account

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**Illustration 1:**

Sankar and Saleem are partners in a firm sharing profits and losses in the ratio of 3:2 as on 31st March 2005. Their Balance Sheet was as under:

Balance Sheet

| Liabilities       | Rs.           | Assets            | Rs.           |
|-------------------|---------------|-------------------|---------------|
| Creditors         | 90000         | Cash              | 5000          |
| Bills payable     | 25000         | Bank              | 40000         |
| Capital Accounts: |               | Stock             | 60000         |
| Sankar : 1,50,000 |               | Furniture         | 20000         |
| Saleem : 1,20,000 | 270000        | Land and Building |               |
|                   |               | Debtors           | 62,000        |
|                   |               | Less: Provision   |               |
|                   |               | for Bad debts     | 2,000         |
|                   |               |                   | 60000         |
|                   | <u>385000</u> |                   | <u>385000</u> |

On 1st April 2005, they admit Solomon into partnership on the following condition:

1. Solomon has brought Rs.1,00,000 as capital.
2. The value of land and building was to be increased by Rs.20,000.
3. Stock and furniture were to be depreciated by Rs.10,000 and Rs.5,000 respectively.
4. Rs.15,000 to be written off from Sundry creditors as it is no longer liability.
5. Provision for doubtful debts is to be increased by Rs.1,000. Prepare Revaluation Account and the Balance Sheet.

**Solution:**

**Dr** **Revaluation Account** **Cr**

| Particulars  | Rs.           | Particulars          | Rs.          |
|--|---------------|----------------------|--------------|
| To Stock   | 10,000        | By Land and Building | 20,000       |
| To Furniture   | 4,000         | By Sundry Creditors  | 15,000       |
| To Provision for doubtful debts                              | 1,000         |                      |              |
| To Profit on revaluation transferred to Sankar's Capital A/c |               |                      |              |
| 12,000   | 20,000        |                      |              |
| Saleem's Capital A/c <u>8,000</u>                            |               |                      |              |
|  | <u>35,000</u> |                      | <u>35000</u> |

**Capital Accounts**

| Particulars    | Sankar | Saleem | Solomon | Particulars        | Sankar | Saleem | Solomon |
|----------------|--------|--------|---------|--------------------|--------|--------|---------|
| To balance c/d | 162000 | 128000 | 100000  | By balance b/d     | 150000 | 120000 | 100000  |
|                |        |        |         | By revaluation a/c | 12000  | 8000   |         |
|                | 162000 | 128000 | 100000  |                    | 162000 | 128000 | 100000  |
|                |        |        |         | By balance b/d     | 162000 | 128000 | 100000  |

**Bank Account**

| Particulars              | Rs.      | Particulars    | Rs.      |
|--------------------------|----------|----------------|----------|
| To Balance b/d           | 40,000   | By Balance c/d | 1,40,000 |
| To Solomon's Capital A/c | 1,00,000 |                |          |
|                          | 1,40,000 |                | 1,40,000 |

**Balance Sheet of Sankar, Saleem, Solomon**

| Liabilities               | Rs.           | Assets  | Rs.          |
|---------------------------|---------------|---|--------------|
| Sundry Creditors          | 75,000        | Cash  | 5,000        |
| Bills payable             | 25,000        | Bank  | 140,000      |
| Capital Accounts          |               | Stock   | 50000        |
| Sankar : 1,62,000         |               | Land and Building                               | 220000       |
| Saleem : 1,28,000         |               | Sundry Debtors 62,000                           |              |
| Solomon : <u>1,00,000</u> | 390,000       | Less: Provision for doubtful debts <u>3,000</u> | 59000        |
|                           |               | Furniture                                       | 16000        |
|                           | <u>490000</u> |   | <u>49000</u> |

**Illustration2:**

Amar and Akbar are partners in a firm sharing profits and losses in the ratio of 2:1 as on 31st March 2019. Their Balance Sheet was as under:

**Balance Sheet**

| <b>Liabilities</b>     | <b>Rs.</b>    | <b>Assets</b>       | <b>Rs.</b>    |
|------------------------|---------------|---------------------|---------------|
| Sundry Creditors       | 80,000        | Cash                | 10,000        |
| Bills payable          | 40,000        | Bank                | 70,000        |
| Capital Accounts       |               | Stock               | 80000         |
| Amar : 270,000         |               | Plant and Machinery | 100000        |
| Akbar : <u>210,000</u> |               | Sundry Debtors      | 40000         |
|                        | 480,000       | Land and Buildings  | 300000        |
|                        |               |                     |               |
|                        | <u>600000</u> |                     | <u>600000</u> |

On 1st April 2019, they admit Antony into partnership on the following conditions:

1. Antony has bring in a capital of Rs.1,50,000 for 1/5th share of the future profits.
  2. Stock and machinery were to be depreciated by Rs.6,000 and Rs.15,000 respectively.
  3. Investments of Rs.15,000 not recorded in the books brought into accounts.
  4. Provision for doubtful debts is to be created at 5% on debtors.
  5. A liability of Rs.4,000 for outstanding repairs has been omitted to be recorded in the books.
- Prepare Revaluation Account, Capital Account, Bank Account and the Balance Sheet.

**Revaluation Account**

| <b>Particulars</b>                   | <b>Rs.</b>    | <b>Particulars</b>               | <b>Rs.</b>    |
|--------------------------------------|---------------|----------------------------------|---------------|
| To Stock                             | 6,000         | By Investments                   | 15,000        |
| To Machinery                         | 15,000        | By Loss on revaluation           |               |
| To Provision for doubtful debts      | 2,000         | transferred to                   |               |
| To Provision for outstanding repairs | 4,000         | Amar's Capital A/c 8,000         |               |
|                                      |               | Akbar's Capital A/c <u>4,000</u> | 12,000        |
|                                      |               |                                  |               |
|                                      | <u>27,000</u> |                                  | <u>27,000</u> |

**Bank Account**

| Particulars             | Rs.            | Particulars    | Rs.            |
|-------------------------|----------------|----------------|----------------|
| To Balance b/d          | 70,000         | By Balance c/d | 220,000        |
| To Antony's Capital A/c | 1,50,000       |                |                |
|                         | <u>220,000</u> |                | <u>220,000</u> |

**Capital's Accounts**

| Particulars        | Amar          | Akbar         | Antony        | Particulars    | Amar          | Akbar         | Antony        |
|--------------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| To revaluation a/c | 8000          | 4000          |               | By balance b/d | 270000        | 210000        |               |
|                    | 262000        | 206000        | 100000        | By Bank a/c    |               |               | 150000        |
| To balance c/d     |               |               |               |                |               |               |               |
|                    | <u>270000</u> | <u>210000</u> | <u>100000</u> |                | <u>270000</u> | <u>210000</u> | <u>150000</u> |
|                    |               |               |               |                | 262000        | 206000        | 150000        |
|                    |               |               |               | By balance b/d |               |               |               |

**Balance Sheet of Amar, Akbar and Antony as on 1<sup>st</sup> April, 2019**

| Liabilities              | Rs.             | Assets                          | Rs.             |
|--------------------------|-----------------|---------------------------------|-----------------|
| Sundry Creditors         | 80,000          | Cash                            | 10,000          |
| Bills payable            | 40,000          | Bank                            | 2,20,000        |
| Outstanding repairs      | 4,000           | Investments                     | 15,000          |
| Capital Accounts:        |                 | Sundry Debtors 40,000           |                 |
| Amar : 2,62,000          |                 | Less: Provision                 |                 |
| Akbar : 2,06,000         |                 | for doubtful debts <u>2,000</u> | 38,000          |
| Antony : <u>1,50,000</u> | 6,18,000        | Plant and Machinery             | 85,000          |
|                          |                 | Land and Building               | 3,00,000        |
|                          | <u>7,42,000</u> |                                 | <u>7,42,000</u> |

**3.3 Accounting Treatment of Goodwill**

The new partner acquires his/her share profit from the existing partners. This will result in the reduction of the share of existing partners. Therefore, he/she compensates the existing

partners for the sacrifices. He/she compensates them by making payment in cash or in kind. The payment is equal to his/her share in the goodwill.

If, he/she does not pay for goodwill, then amount equal to his/her share of goodwill will be deducted from the capital. The amount brought in by him/ her as goodwill or amount of goodwill deducted from his/her capital and divided between the existing partners in their sacrificing ratio. At the time of admission of a new partner any goodwill appearing in the books, will be written off in existing ratio among the existing partners.

There are different situations relating to treatment of goodwill at the time of admission of a new partner. These are discussed as under:

- a. When the amount of goodwill is paid privately by the new partner.
- b. When the new partner brings his/her share of goodwill in cash.
- c. When the new partner does not bring his/her share of goodwill in cash.

**a. The amount of goodwill is paid privately by the new partner:**

If the amount of goodwill is paid by the new partner to the existing partner privately, no journal entries are made in the books of the firm.

**b. The new partner brings his/her share of goodwill in cash and the amount of goodwill is retained in the Business:**

When, the new partner brings his/her share of goodwill in cash. The amount brought in by the new partner is transferred to the existing partner in the sacrificing ratio. If there is any goodwill account in the balance sheet of existing partner, it will be written off immediately in existing ratio among the partners. The journal entries are as follows:

- a. The existing goodwill in the books of the firm will be written off in existing profit ratio as:

|                                 |                    |
|---------------------------------|--------------------|
| Existing Partners Capital A/c   | Dr. [individually] |
| To Goodwill A/c                 |                    |
| (Existing goodwill written off) |                    |

- b. For bringing cash for Capital and goodwill:

|                              |     |
|------------------------------|-----|
| Cash/Bank A/c                | Dr. |
| To Goodwill A/c              |     |
| To New partner's Capital A/c |     |

(Cash brought in for capital and goodwill)

- c. For amount of goodwill transferred to existing partner capital account:

Goodwill A/c

Dr.

To Existing Partner's Capital/current A/c [individually]

(The amount of goodwill credited to existing partner's capitals in sacrificing ratio)

- d. **The amount of goodwill is withdrawn by the existing partners:**

Existing Partners Capital/current A/c

Dr. [individually]

To Cash/Bank A/c

(The amount of goodwill withdrawn by the existing partners)

- c. **New partner does not bring his/her share of goodwill in cash:**

When the goodwill of the firm is calculated and the new partner is not able to bring his/her share of goodwill in cash, goodwill will be adjusted through new partner's capital accounts. In this case new partner's capital account is debited for his/her share of goodwill and the existing partner's capital accounts are credited in their sacrificing ratio. The journal entry is as under:

New Partner's Capital A/c

Dr.

To Existing Partner's Capital A/c [individually in sacrificing ratio]

(New partner's share in goodwill credited to existing partner's in sacrificing ratio)

**Goodwill appears in the books of the firm and new partner does not bring his/her share of goodwill in cash:**

If the goodwill account appears in the books of the firm, and the new partner is not able to bring goodwill in cash. In this case, the amount of goodwill existing in the books is written off by debiting the capital account of existing partners in their existing profit sharing ratio.

**New partner brings in only a part of his share of goodwill:**



When new partner is not able to bring the full amount of his/her share of goodwill in cash and brings only a part of cash. In this case, the amount of goodwill brought by him is credited to goodwill account. At the time of goodwill transferred to capital account of existing partner's, new partner's capital account is debited with his unpaid share of goodwill besides debiting goodwill account with the amount of goodwill is paid by him.

**The journal entries is as:**

|  |     |
|--|-----|
| Bank A/c   | Dr. |
| To Goodwill A/c  |     |
| (Part Amount of goodwill brought by new partner)                                 |     |
| Goodwill A/c   | Dr. |
| New Partner's Capital A/c  | Dr. |
| To Existing Partner's Capital A/c [individually in sacrificing ratio]            |     |
| (Credit given to sacrificing partner by new partner's in full share of goodwill) |     |

### **Adjustment Of Partner's Capital:**

Sometime, at the time of admission, the partners' agree that their capitals be adjusted in proportion to their profit sharing ratio. For this purpose, the capital accounts of the existing partners are prepared, making all adjustments, on account of goodwill, general-reserve, revaluation of assets and resettlement of liabilities. The actual capital so adjust will be compared with the amount of capital that should be kept in the business after the admission of the new partner. The excess if any, of adjusted actual capital over the proportionate capital will either be withdrawn or transferred to current account and vice versa. The partners may decide to calculate the capitals which are to be maintained in the new firm either on the basis of new Partner's Capital and his profit sharing ratio or on the basis of the existing partner's capital account balances.

Adjustment of existing partner's capital on the basis of the capital of the new partner: If the capital of the new partner is given, the entire capital of the new firm will be determined on the basis of the new partner's capital and his profit sharing ratio. Therefore the capital of other partners is ascertained by dividing the total capital as per his profit sharing ratio. If the existing capital of the partner after adjustment is in excess of his new capital, the excess amount is

withdrawn by partner or transferred to the credit of his current account. If the existing capital of the partner is less than his new capital, the partner brings the short amount or makes transfer to the debit of his current account.

**The journal entries are made as under:**

- a. When excess amount is withdrawn by the partner or transferred to current account.

Existing Partner's Capital A/c                      Dr.

To Bank A/c or Partner Current A/c

(Excess amount is withdrawn by the partner or transferred to current account)

- b. For bringing in the Deficit amount or Balance transferred to current account.

Bank A/c or Partner Current A/c                      Dr.

To Existing Partner's Capital A/c

(Bringing the Deficit amount or Balance transferred to current account)

**Illustrations 1:**

Govind and Gopal are sharing the profit in 3:2 ratio. The balance sheet of their partnership firm appears as under.

The partners propose to Admit Goverdhan with a share of  $\frac{3}{8}$  in the profit of the firm from 1.04.2019. The incoming partner will bring Rs.3,00,000 as capital besides Rs.85,000 as his share of Good will, in which will remain in business.

**Balance Sheet of Govind and Gopal as on 31-03-2019**

| Liabilities      | Amount (Rs.) | Assets         | Amount(Rs.) |
|------------------|--------------|----------------|-------------|
| Capital          |              | Cash           | 7,100       |
| Govind 3,40,500  |              | Bank           | 1,19,250    |
| Gopal 3,40,500   | 6,81,000     | Sundry Debtors | 55,000      |
| Sundry Creditors | 1,24,350     | Stock          | 1,80,000    |
|                  |              | Furniture      | 44,000      |
|                  |              | Buildings      | 4,00,000    |
|                  | 8,05,350     |                | 8,05,350    |

Govind and Gopal want to make the following adjustment in the books before admitting Goverdhan.

1. Stock and furniture should be depreciated by 12.5 percent respectively.
2. Buildings to be raised in value of Rs.75,000.
3. A provision for bad debts to be credited with 5 percent of Sundry debtors.
4. An investment not recorded earlier in the books worth Rs.21,500 should be brought into books.
5. A contingent liability worth Rs.6,000 became a certain liability. Write necessary journal entries, prepare important accounts and show the balance sheet of the firm after Goverdhan admission.

**Solution:**

### Revaluation Account

**Dr.**

**Cr.**

| Particulars                | Amount Rs. | Particulars           | Amount Rs. |
|----------------------------|------------|-----------------------|------------|
| To Stock Account           | 22,500     | By Building Account   | 75,000     |
| To Furniture Account       | 2,200      | By Investment Account | 21,500     |
| To Provision for bad debt. | 2,750      |                       |            |
| To Liability Account       | 6,000      |                       |            |
| To Govind's Capital A/c.   | 37,830     |                       |            |
| To Gopal's Capital A/c.    | 25,220     |                       |            |
|                            | 96,500     |                       | 96,500     |

### Govind's Capital Account

**Dr.**

**Cr.**

| Particulars    | Amount Rs. | Particulars     | Amount Rs. |
|----------------|------------|-----------------|------------|
| To Balance c/d | 4,29,330   | By Balance b/d  | 3,78,330   |
|                |            | By Goodwill A/c | 51,000     |
|                | 4,29,330   |                 | 4,29,330   |
|                |            | By Balance b/d  | 4,29,330   |

**Gopal's Capital Account****Dr.****Cr.**

| Particulars    | Amount Rs. | Particulars     | Amount Rs. |
|----------------|------------|-----------------|------------|
| To Balance c/d | 3,99,720   | By Balance b/d  | 3,65,720   |
|                |            | By Goodwill A/c | 34,000     |
|                | 3,99,720   |                 | 3,99,720   |
|                |            | By Balance b/d  | 3,99,720   |

**Goodwill Account****Dr.****Cr.**

| Particulars            | Amount Rs. | Particulars     | Amount Rs. |
|------------------------|------------|-----------------|------------|
| To Govind A/c          | 51,000     | By Cash Account | 85,000     |
| To Gopal's Capital A/c | 34,000     |                 |            |
|                        | 85,000     |                 | 85,000     |
|                        |            |                 |            |

**Cash Account****Dr.****Cr.**

| Particulars            | Amount Rs. | Particulars    | Amount Rs. |
|------------------------|------------|----------------|------------|
| To Balance b/d         | 7,100      | By Balance b/d | 3,92,100   |
| To Goodwil A/c         | 85,000     |                |            |
| To GoverdhanCapitalA/c | 3,00,000   |                |            |
|                        | 3,92,100   | By Balance b/d | 3,92,100   |

**Balance Sheet of M/s. Govind, Gopal and Goverdhan****as on 01-04-2019**

| Liabilities           | Amount Rs. | Assets | Amount Rs. |
|-----------------------|------------|--------|------------|
| Sundry Creditors      | 1,24,350   | Cash   | 3,92,100   |
| Contingency Liability | 6,000      | Bank   | 1,19,250   |

|                    |           |                               |           |
|--------------------|-----------|-------------------------------|-----------|
| Capital Accounts:  |           | Sundry Debtors 55,000         |           |
| Govind 4,29,330    |           | Less: Res. for bad debt 2,750 | 52,250    |
| Gopal 3,99,720     |           | Stock(1,80,000-22,5000)       | 1,57,500  |
| Goverdhan 3,00,000 | 11,29,050 | Furniture(44,000-2,200)       | 41,800    |
|                    |           | Investments                   | 21,500    |
|                    |           | Buildings(4,00,000+75,000)    | 4,75,000  |
|                    | 12,59,400 |                               | 12,59,400 |

**Illustration: 2**

**When the Goodwill is over valued in the books of the old firm:** (When Goodwill is shown at value greater than its present value in the books.)

Land M were partners in a firm sharing profit and losses in the ratio of 3:2. The balance sheet of the firm as on 31-12-2018 was as follows

| Liabilities          | Amount Rs. | Assets              | Amount Rs. |
|----------------------|------------|---------------------|------------|
| Sundry Creditors     | 20,000     | Cash in hand        | 1,00,000   |
| Outstanding expenses | 2,000      | Stock               | 50,000     |
| Bills payable        | 18,000     | Sundry Debtors      | 25,000     |
| Reserve fund         | 10,000     | Bills receivable    | 1,00,000   |
| Capitals             |            | Land & Buildings    | 1,00,000   |
| L 3,00,000           | 11,29,050  | Plant and Machinery | 1,25,000   |
| M 2,00,000           | 5,00,000   | Good will           | 50,000     |
|                      | 5,50,000   |                     | 5,50,000   |

On 1-1-2019 Mr. N is to be admitted on the following terms and conditions.

- N is to bring Rs.2,00,000 for  $\frac{1}{4}$ <sup>th</sup> sharing in the profits.
- The firm's assets as to be revalued as follows.  
Land & Building is to be brought to Rs.1,80,000/-

Plant & Machinery is to be reduced by 210%

R.D.D. is to be created @ 10% on Sundry Debtors.

Stock is to be reduced by 20%

Goodwill is to be revalued at Rs.35,000/-.

c. The outstanding expenditure is need not be paid.

Show Revaluations Account, Partners Capital accounts, Goodwill Account and the Balance sheet after the admission of 'N'.

**Solution:**

### Revaluation Account

**Dr.**

**Cr.**

| Particulars  | Amount Rs. | Particulars             | Amount Rs. |
|--|------------|-------------------------|------------|
| To Plant and Machinery A/c   | 12,500     | By Land & Buildings     | 80,000     |
| To Res. For D.Debt A/c   | 2,500      | By Outstanding Expenses | 2,000      |
| To Stock A/c   | 10,000     |                         |            |
| To L's Capital A/c 34,200  |            |                         |            |
| To M's Capital A/c <u>22,800</u>                                   |            |                         |            |
| To (Profit on Revaluation transferred to Capital A/c in 3:2 ratio) | 57,000     |                         |            |
|  | 82,000     |                         | 82,000     |

### Goodwill Account

**Dr.**

**Cr.**

| Particulars    | Amount Rs. | Particulars                      | Amount Rs. |
|----------------|------------|----------------------------------|------------|
| To balance b/d | 50,000     | By L's Capital A/c (3/5 X 15000) | 9,000      |
|                |            | By M's Capital A/c (2/5 X 5000)  | 6,000      |
|                |            |                                  | 35,000     |
|                | 50,000     | By Balance c/d                   | 50,000     |

**Note:** Revaluation of Overvalued goodwill or undervalued goodwill of the old firm is concerned only to the old partners, hence to be debited or credited (as the case may be) only to old partners Capital Account in old ratio.

### Capital Accounts

| Particulars     | L<br>Rs. | M<br>Rs. | N<br>Rs. | Particulars        | L<br>Rs. | M<br>Rs. | N<br>Rs. |
|-----------------|----------|----------|----------|--------------------|----------|----------|----------|
| To Goodwill A/c | 9000     | 6,000    |          | By bank a/c        | 300000   | 200000   | 200000   |
| To Bal c/d      | 331200   | 220800   | 200000   | By Bal b/d         |          |          |          |
|                 |          |          |          | By Res. Fund A/c   | 6,000    | 4,000    |          |
|                 |          |          |          | By Revaluation A/c | 34200    | 22800    |          |
|                 | 340200   | 226800   | 200000   |                    | 340200   | 226800   | 200000   |
|                 |          |          |          | By Balance b/d     | 331200   | 220800   | 200000   |

### Balance sheet of L, M and N as on 1-1-2019

| Liabilities                 | Amount Rs. | Assets                     | Amount Rs. |
|-----------------------------|------------|----------------------------|------------|
| Sundry Creditors            | 20,000     | Cash in hand               | 3,00,000   |
| Bills payable               | 18,000     | (1,00,00+2,00,000)         |            |
| Capital A/c's;              |            | Stock 50,000               |            |
| L's Capital 3,31,200        |            | Less : Dep <u>10,000</u>   | 40,000     |
| M's Capital 2,20,800        |            | Sundry Debtors 25,000      |            |
| N's Capital <u>2,00,000</u> | 7,52,000   | Less : RBD <u>2,500</u>    | 22,500     |
|                             |            | Bills Receivables          | 1,00,000   |
|                             |            | Land & Building 1,00,000   |            |
|                             |            | Add: Appr. <u>80,000</u>   | 1,80,000   |
|                             |            | Plant & Machinery 1,25,000 |            |
|                             |            | Less : Dep <u>12,500</u>   | 1,12,500   |
|                             |            | Goodwill                   | 35,000     |
|                             | 7,90,000   |                            | 7,90,000   |

**Retirement of a Partner:** According to section 32(1) of the Indian Partnership Act 1932, a partner may retire from the firm

- a. With the consent of all the partners.
- b. In accordance with an express agreement by the partners.
- c. Where the partnership at will by giving notice in writing to all the other partners of his intention to retire.

Sometimes, a partner may decide to retire from the firm because of old age, ill health etc. Technically, on retirement, the old partnership comes to an end and a new one comes into existence with the remaining partners. However, the firm as such continues. A person who is retired from the firm is known as an outgoing partner or a retiring partner. A retiring partner will be held liable for the debts incurred by the firm before his retirement. But, he will not be responsible for the firms' acts after his retirement.

When a partner retires, his share in the properties of the firm has to be ascertained and paid off. Certain adjustments have to be made in the books to ascertain the amount due to him from the firm. These adjustments are very similar to those which we saw in connection with the admission of a partner.

### **Accounting Treatment ( Adjustments)**

When a partner retires, the following accounting adjustments are necessary:

1. Calculation of New profit sharing ratio and Gaining ratio.
2. Revaluation of assets and liabilities.
3. Transfer of Undistributed Profit or loss.
4. Transfer of Accumulated reserves.
5. Treatment of Goodwill.
6. Settlement of the retiring partner's claim.

#### **1. Calculation of New Profit sharing ratio and Gaining ratio:**

At the time of retirement of a partner, the remaining partners acquire some portion of the retiring partner's share of profit. This necessitates the calculation of new profit sharing ratio of the remaining partners.

#### **New Profit Sharing Ratio:**

The ratio in which the continuing partners decide to share the future profits and losses is known as new profit sharing ratio.

$$\text{New Profit sharing ratio} = \text{Old ratio} + \text{Gaining ratio}$$



$$\text{New share} = \text{Old share} + \text{Acquired share (gain)}$$

### **Gaining Ratio:**

The ratio in which the continuing partners acquire the outgoing partner's share is called as gaining ratio. This ratio is calculated by taking out the difference between new profit sharing ratio and old profit sharing ratio.

$$\text{Gaining ratio} = \text{New ratio} - \text{Old ratio}$$

$$\text{Gain} = \text{New share} - \text{Old share}$$

The purpose of this ratio is to determine the amount of compensation to be paid by each of the remaining partners as the firm to the retiring partner.

### **Revaluation of Assets and Liabilities:**

At the time of retirement of a partner, it is necessary to revalue the assets and liabilities of the firm. It is necessary that the retiring partner is given a share of all profits that have arisen till his retirement. Further, he is made to bear his share of losses that had occurred till his retirement. A Revaluation account is opened and credited with all the profit items and debited with all the loss items. The profit or loss on revaluation will be transferred to partners' capital accounts including the retiring partner in the old profit sharing ratio.

### **Transfer of Undistributed Profit or Loss:**

At the time of retirement of a partner, undistributed profit or loss of the old firm should be transferred to all partners' capital accounts in their old profit sharing ratio.

### **Transfer of Accumulated Reserve:**

Any amount kept aside as Reserve, General reserve, Reserve fund, contingency reserve etc., at the time of retirement of a partner, should be transferred to the capital accounts of all partners including retiring partner in the old profit sharing ratio.

### **Treatment of Goodwill:**

At the time of retirement of a partner, adjustment for goodwill of the firm, if any, has to be made as in admission. In retirement too, we confine to the Revaluation Method only.

#### **a) Goodwill is raised in the books of the firm:**

At the time of retirement, Goodwill is raised to its present value and brought into record.

The entry is:

|   |                              |       |
|---|------------------------------|-------|
| Goodwill A/c  | Dr                           | ..... |
|   | To All partners' capital A/c | ..... |
| (Goodwill raised and adjusted to the all partners' capital account) |                              |       |

**b) Goodwill appears in the books -understated:**

If the goodwill appears in the balance sheet at a value less than the present value of goodwill, the difference in the goodwill account is transferred to all partners' capital accounts in the old ratio. The entry is:

|              |                              |       |
|--------------|------------------------------|-------|
| Goodwill A/c | Dr                           | ..... |
|              | To All Partners' capital A/c | ..... |

(Increase in the value of goodwill transferred to all partners' capital accounts in the old ratio)

**c) Goodwill appears in the books - overstated:**

If the goodwill appears in the balance sheet at a value more than the present value of goodwill, the difference in the goodwill is transferred to all partners in the old ratio. The entry is:

|                           |                 |       |
|---------------------------|-----------------|-------|
| All Partners' Capital A/c | Dr              | ..... |
|                           | To Goodwill A/c | ..... |

(Decrease in the value of goodwill transferred to all partners' capital accounts in the old ratio)

**Settlement of Claim of the Retiring Partner:**

The retiring partner is entitled for the amount due to him from the firm. The amount due to the retiring partner is ascertained by preparing his capital account incorporating all the adjustments like the share of goodwill, undistributed profits or losses, accumulated reserves, profit or loss on revaluation of assets and liabilities etc. The amount due is either paid off immediately or is paid in instalments. When it is not paid immediately, it will be transferred to his loan account.

**Illustration 3:**

Om, Jai and Jagdish are partners sharing profit in the ratio of 3 : 2 : 1. Their balance sheet as on December 31st 2018 is as under:

| Liabilities          | Amount Rs. | Assets              | Amount Rs. |
|----------------------|------------|---------------------|------------|
| Sundry Creditors     | 32,000     | Cash in hand        | 750        |
| Bills payable        | 62,500     | Cash at bank        | 2,04,500   |
| Capital A/c's;       |            | Sundry Debtors      | 89,000     |
| Lalitha 200000       |            | Stock               | 1,11,500   |
| Jyothi 125000        |            | Furniture           | 17,500     |
| Kanaka 150000        | 4,75,000   | Plant and Machinery | 48,750     |
| Profit & Loss A/c    | 22000      | Building            | 1,20,000   |
| Outstanding expenses | 500        |                     |            |
|                      | 5,92,000   |                     | 5,92,000   |

**Lalitha retired from the partnership on 1st Jan, 2019 on the following terms:**

1. Goodwill of the firm was to be valued at Rs.30,000
2. The assets are to be valued as under: Stock Rs.1,00,000; Furniture Rs.15,000; Plant and Machinery Rs.45,000; Building Rs.1,00,000.
3. A provision for doubtful debts be created at Rs.4,250. 4. Lalitha was to be paid off immediately. Prepare revaluation account, capital accounts, Bank account and balance sheet of the reconstituted partnership.

#### Revaluation Account

| Particulars                    | Amount<br>Rs. | Particulars                           | Amount<br>Rs. |
|--------------------------------|---------------|---------------------------------------|---------------|
| To Furniture A/c               | 2500          | By loss transferred to Capital A/c's: |               |
| To Plant & Machinery A/c       | 3750          | Lalitha 15750                         |               |
| To Stock A/c                   | 11500         | Jyothi 10500                          |               |
| To Provision for bad debts A/c | 4250          | Kanaka <u>15750</u>                   |               |
| To Buildings                   | 20000         |                                       | 42000         |
|                                | 42,000        |                                       | 42,000        |

#### Capital Accounts

| Particulars        | Lalitha | Jyothi | Kanaka | Particulars     | Lalitha | Jyothi | Kanaka |
|--------------------|---------|--------|--------|-----------------|---------|--------|--------|
| To revaluation a/c | 15750   | 10500  | 15750  | By balance b/d  | 200000  | 125000 | 150000 |
|                    | 203750  |        |        | By P & L a/c    | 8,250   | 5500   | 8250   |
| To cash a/c        |         | 127500 | 153750 | By goodwill a/c | 11250   | 7500   | 11250  |
| To balance c/d     |         |        |        |                 |         |        |        |
|                    | 219500  | 138000 | 169500 |                 | 219500  | 138000 | 169500 |
|                    |         |        |        |                 |         | 127500 | 153750 |
|                    |         |        |        | By balance b/d  |         |        |        |

**Bank Account**

| Particulars    | Rs.    | Particulars            | Rs.    |
|----------------|--------|------------------------|--------|
| To Balance b/d | 204500 | By Lalitha Capital A/c | 203750 |
|                |        | By Balance c/d         | 750    |
|                | 204500 |                        | 204500 |

**Balance Sheet of Jyothi, Kanaka as on 1<sup>st</sup> April, 2019**

| Liabilities            | Rs.             | Assets              | Rs.             |
|------------------------|-----------------|---------------------|-----------------|
| Sundry Creditors       | 62,500          | Cash                | 750             |
| Bills payable          | 32,000          | Bank                | 750             |
| Outstanding expenses   | 500             | Stock               | 1,00,000        |
| Capital Accounts:      |                 | Sundry Debtors      | 89,000          |
| Jyothi : 127500        |                 | Less: Provision     |                 |
| Kanaka : <u>153750</u> | 2,81,250        | for doubtful debts  | <u>4250</u>     |
|                        |                 |                     | 84,750          |
|                        |                 | Plant and Machinery | 45,000          |
|                        |                 | Furniture           | 15,000          |
|                        |                 | Land and Building   | 1,00,000        |
|                        |                 | Goodwill            | 30,000          |
|                        | <u>3,76,250</u> |                     | <u>3,76,250</u> |

**Illustration 4:**

A, B and C were carrying a business in partnership sharing profits and losses in the ration of 3:2:1. On 31<sup>st</sup> December 2018, Balance Sheet of the firm stood as follows.

**Balance Sheet**

| Liabilities      | Amount Rs. | Assets              | Amount Rs. |
|------------------|------------|---------------------|------------|
| Sundry Creditors | 13,500     | Cash                | 5,900      |
| Capital Accounts |            | Debtors             | 8,000      |
| A 15,000         |            | Stock               | 11,690     |
| B 10,000         |            | Buildings           | 12,000     |
| C 10,000         | 35,000     | Plant and Machinery | 10,000     |
| General Reserve  | 12,000     | Furniture           | 2,000      |
|                  | 60,590     |                     | 60,590     |

**B retired on the above mentioned date on the following terms.**

- Buildings be appreciated by Rs.7,000
- Provision for bad debts be made @ 5% on debtors
- Goodwill of the firm raised at Rs.9000 and immediately written off.
- Rs.5,000 be paid to B immediately and the balance due to him be treated as loan carrying interest %6% per annum.

Prepare revaluation account, Partners capital account and new Balance Sheet.

**Revaluation Account**

**Dr.**

**Cr.**

| Particulars            | Amount Rs. | Particulars     | Amount Rs. |
|------------------------|------------|-----------------|------------|
| To P.D.D               | 400        | By Building A/c | 7,000      |
| To Profit              | 6,600      |                 |            |
| (Transfer to Partners) | 7,000      |                 | 7,000      |

**A's Capital Account**

**Dr.**

**Cr.**

| Particulars     | Amount Rs. | Particulars            | Amount Rs. |
|-----------------|------------|------------------------|------------|
| To Goodwill A/c | 6,750      | By Balance b/d         | 15,000     |
| To Balance c/d  | 22,050     | By Goodwill a/c        | 4,500      |
|                 |            | By Revaluation a/c     | 3,300      |
|                 |            | By General reserve a/c | 6,000      |
|                 | 28,800     |                        | 28,800     |
|                 |            | By Balance b/d         | 22,050     |

**B's Capital Account**

| <b>Dr.</b>         |                   | <b>Cr.</b>             |                   |
|--------------------|-------------------|------------------------|-------------------|
| <b>Particulars</b> | <b>Amount Rs.</b> | <b>Particulars</b>     | <b>Amount Rs.</b> |
| To Cash a/c        | 5,000             | By Balance b/d         | 10,000            |
| To Loan A/c        | 14,200            | By Goodwill a/c        | 3,000             |
|                    |                   | By Revaluation a/c     | 2,200             |
|                    |                   | By General reserve a/c | 4,000             |
|                    | 19,200            |                        | 19,200            |

**C's Capital Account**

| <b>Dr.</b>         |                   | <b>Cr.</b>             |                   |
|--------------------|-------------------|------------------------|-------------------|
| <b>Particulars</b> | <b>Amount Rs.</b> | <b>Particulars</b>     | <b>Amount Rs.</b> |
| To Goodwill A/c    | 2,250             | By Balance b/d         | 10,000            |
| To Balance c/d     | 12,350            | By Goodwill a/c        | 1,500             |
|                    |                   | By Revaluation a/c     | 1,100             |
|                    |                   | By General reserve a/c | 2,000             |
|                    | 14,600            |                        | 14,600            |
|                    |                   | By Balance b/d         | 14,600            |

**Balance Sheet of A & C as on 01-01-2019**

| <b>Liabilities</b> | <b>Amount Rs.</b> | <b>Assets</b>                | <b>Amount Rs.</b> |
|--------------------|-------------------|------------------------------|-------------------|
| Sundry Creditors   | 13,590            | Cash 5,900                   |                   |
| Capital Accounts   |                   | Less : B's Cap. <u>5,000</u> | 900               |
| A 22,050           |                   | Debtors 8,000                |                   |
| C <u>12,350</u>    | 34,400            | Less: P.D.D <u>400</u>       | 7,600             |
| B's Loan A/c       | 14,200            | Stock                        | 11,690            |
|                    |                   | Building 23,000              |                   |
|                    |                   | + App. <u>7,000</u>          | 30,000            |
|                    |                   | Plant & Machinery            | 10,000            |
|                    |                   | Furniture                    | 2,000             |
|                    | 62,190            |                              | 62,190            |

### Exercises

#### Admission of a partner

1. A and B are carrying on business in a partnership, sharing profit & Losses in the ratio of 2:3. Their Balance sheet as at 31-3-2019 was as under.

| Balance Sheet    |            |                |            |
|------------------|------------|----------------|------------|
| Liabilities      | Amount Rs. | Assets         | Amount Rs. |
| Sundry Creditors | 50,000     | Cash in hand   | 30,000     |
| Capital Accounts |            | Cash at Bank   | 20,000     |
| A 2,80,000       |            | Sundry Debtors | 1,00,000   |
| B 4,20,000       | 7,00,000   | Stock          | 2,00,000   |
|                  |            | Furniture      | 50,000     |
|                  |            | Buildings      | 3,50,000   |
|                  | 7,50,000   |                | 7,50,000   |

On that date they admit 'C' in to partnership and given him  $\frac{1}{4}$ <sup>th</sup> share in the future profit on the following terms:

- 'C' is to bring in Rs.3,00,000 as his Capital and Rs.1,00,000 as good will, which sum is to remain in the business.
- Stock and Furniture are to be reduced in value by 10%
- Buildings are to be appreciated by Rs.50,000
- A provision of 5% to be created on sundry Debtors for doubtful debts.

Prepare Revaluation Account and show the opening Balance Sheet of the new firm.

**(Balance Sheet Rs.11,70,000, Revaluation profit Rs.20,000)**

2. The Balance Sheet of Srinitha & Srihitha who are partners sharing profit & losses in the ratio 2:1, on 31-03-2018 was as under.

| Balance Sheet            |            |                                 |            |
|--------------------------|------------|---------------------------------|------------|
| Liabilities              | Amount Rs. | Assets                          | Amount Rs. |
| Sundry Creditors         | 1,00,000   | Cash                            | 5,000      |
| Bills payable            | 3,20,000   | Sundry Debtors 4,00,000         |            |
|                          |            | Less:                           |            |
|                          |            | Provision for D.D. <u>5,000</u> | 3,95,000   |
| General Reserve          | 1,80,000   | Stock                           | 2,50,000   |
| Capitals                 |            | Furniture                       | 1,00,000   |
| Srinitha 3,00,000        |            | Buildings                       | 3,00,000   |
| Srihitha <u>1,50,000</u> | 4,50,000   |                                 |            |
|                          | 10,50,000  |                                 | 10,50,000  |

On that date Srinidhi was admitted for  $\frac{1}{3}$  share of profit on the following terms

- That Srinidhi brings in Cash Rs.90,000 for Goodwill & Rs.1,50,000 as Capital.
- That half of the goodwill shall be withdrawn by the old partners.

- (c) The provision for bad and doubtful debts is to be increased by Rs.10,000.  
 (d) That a liability for Rs.8,500 be created against outstanding salaries.  
 (e) That the stock & Furniture to reduced by 5%.  
 (f) That the value of Buildings be appreciated by 10%.

Prepare Revaluation a/c, Partners Capital Account & Balance Sheet of new firm.

**(Balance Sheet Rs.12,47,500, Revaluation Loss Rs.6,000)**

3. Naveen and Kiran are partners sharing their profits in the ratio of 3:2 on 31-12-2018. The Balance Sheet is as under:

**Balance Sheet**

| Liabilities    | Amount Rs. | Assets       | Amount Rs. |
|----------------|------------|--------------|------------|
| Creditors      | 16,000     | Cash in hand | 2,000      |
| Bank O.D.      | 10,000     | Cash in Bank | 10,000     |
| Bills Payable  | 12,000     | Debtors      | 20,000     |
| Capitals A/cs: |            | Stock        | 18,000     |
| Naveen 48,000  |            | Furniture    | 10,000     |
| Iran 24,000    | 72,000     | Buildings    | 30,000     |
|                |            | Machinery    | 20,000     |
|                | 1,10,000   |              | 1,10,000   |

**Adjustments:**

**1-1-2018** Rajesh was admitted as partner in the following conditions.

- (a) Firm's Goodwill valued for Rs.10,000  
 (b) Depreciate stock, furniture, machinery @ 10%  
 (c) Appreciate Buildings @ 10%  
 (d) Provide Reserve for Bad Debts at 5% on the debtors.  
 (e) Rajesh has to bring Rs.16,000/- in cash for his share of Capital.

Prepare necessary accounts & the new balance sheet of the firm after Rajesh's entry.

**(Ans: Revaluation loss Rs.2,800; Capital A/C Balance – Naveen Rs.52,320; Kiran Rs.26,880; Rajesh Rs.16,000 B/s Total Rs.1,33,200.**

4. X, Y Share profit in the ratio of 1:1. Their Balance Sheet as on 31-12-2018 is given below.

| Liabilities          | Amount Rs. | Assets       | Amount Rs. |
|----------------------|------------|--------------|------------|
| Outstanding expenses | 10,000     | Cash in hand | 4,000      |
| Creditors            | 48,000     | Cash at Bank | 38,000     |
| Overdrafts           | 40,000     | Debtors      | 40,000     |
| Bills payable        | 20,000     | Furniture    | 12,000     |
| Capital Accounts     |            | Buildings    | 57,000     |
| X 45,000             |            | Machinery    | 42,000     |
| Y 30,000             |            |              |            |
|                      | 1,93,000   |              | 1,93,000   |

They admitted Z on the following conditions.



- (a) Depreciations on Machinery, Buildings, Furniture by 5%
- (b) Provision for bad debts 5% on debtors.
- (c) Create Goodwill Rs.30,000
- (d) She Should bring Rs.45,000/- as capital for 1/4<sup>th</sup> Share.

Prepare profit & loss Adjustment account & New Balance Sheet on 1.1.19

**(Ans : Revaluations Loss Rs.7,550; Capital Balance X-Rs.56,225; Y-Rs.41,225; Z-Rs.45,000; B/s Total Rs.2,60,450)**

5. Given below is the Balance Sheet of A and B who are carrying on a partnership business as on 31-12-2018. A and B share profit and Losses in the ratio of 2:1.

**Balance Sheet**

| Liabilities    | Amount Rs. | Assets              | Amount Rs. |
|----------------|------------|---------------------|------------|
| Bills payable  | 10,000     | Cash in hand        | 10,000     |
| Creditors      | 58,000     | Cash at Bank        | 40,000     |
| Outstanding    | 2,000      | Sundry Debtors      | 60,000     |
| Capitals A/cs: |            | Stock               | 40,000     |
| A   1,80,000   |            | Plant and Machinery | 1,00,000   |
| B   1,50,000   | 3,30,000   | Buildings           | 1,50,000   |
|                | 4,00,000   |                     | 4,00,000   |

‘C’ is admitted as a partner on the date if the Balance Sheet is on the following terms.

- (a) ‘C’ will brings in Rs.1,00,000 as his capital & Rs.60,000 as his share of Goodwill for 1/4 share of profit.
- (b) Plant and Machinery is to be appreciate to Rs.20,000 & the value of Building is to be appreciated by 10%.
- (c) Stock is found overvalued by Rs.4,000.
- (d) A provision for bad & doubtful debts is to be created at 5% on debtors.
- (e) Creditors were unrecorded to the extent of Rs.1,000/-.

Prepare the Profit & Loss adjustment account and show the Balance Sheet after the admission of ‘C’.

**(Ans: Revaluation profit Rs.27,000; Capital Account Balances A- Rs.2,38,000; B- Rs.1,79,000; C- Rs.1,00,000; Balance Sheet Total Rs.5,88,000)**

6. X and Y were sharing profits in the positions of 2/3 and 1/3 showed the following as their Balance Sheet on 31-12-2018.

| Liabilities      | Amount Rs. | Assets              | Amount Rs. |
|------------------|------------|---------------------|------------|
| Sundry Creditors | 29,950     | Buildings           | 25,000     |
| Bills Payable    | 3,000      | Plant and Machinery | 17,500     |
| Capital Accounts |            | Stock               | 10,000     |
| X 15,000         |            | Sundry Debtors      | 4,850      |
| Y 10,000         | 25,000     | Cash in hand        | 600        |
|                  | 57,950     |                     | 57,950     |

They agreed to admit Z into partnership on the following terms

- Z was to bring Rs.75,000 as his Capital & Rs.3,000 as goodwill for  $\frac{1}{4}$  share in the future profits of the firm.
- That the Value of stock, Plant & Machinery were to be reduced by 5%
- That a reserved of Rs.375 was to be created in respect of sundry debtors.
- That the Building account was to be appreciated by 10%
- That the Good will was to be retained in the business.

Prepare profit & Loss Adjustment Account, the Capital Account, & the new balance sheet of the firm.

**(Ans: Revaluation Profit Rs.750; Capital A/c Balance X-Rs.17,500; Y- Rs.11,250; Z – Rs.7,500; Balance sheet Total Rs.69,200)**

7. On 31-12-18 the Balance Sheet of equal partner P, Q and R is given below:

**Balance Sheet**

| Liabilities      | Amount Rs. | Assets         | Amount Rs. |
|------------------|------------|----------------|------------|
| Sundry Creditors | 29,950     | Buildings      | 41,000     |
| Bills Payable    | 3,000      | Furniture      | 3,200      |
| Capital Accounts |            | Stock          | 25,200     |
| P 15,000         |            | Sundry Debtors | 32,000     |
| Q 10,000         |            | Cash in hand   | 4,200      |
| R 18,000         | 82,000     |                |            |
|                  | 1,05,600   |                | 1,05,600   |

They admitted Mr. 'S' on the following conditions.

- 'S' has to bring Rs.24,000 towards Good will and Rs.30,000 as Capital for his  $\frac{1}{4}$ <sup>th</sup> Share.

- (b)  $\frac{1}{2}$  (half) of the Goodwill be taken away by the old Partners from the business.
- (c) Depreciation @ 5% to be Provided on Stock & Furniture.
- (d) 5% provision for Bad debts Reserve on debtors required.
- (e) Building is to be valued at Rs.59,000/-.

Prepare Profit and Loss adjustment account, Capital Account and Balance Sheet as on 1-1-2011.

**(Ans: Revaluation Profit – Rs.14,980, Capital A/C Balance P-Rs.43,993; Q – Rs.37,993; R – Rs.26,994; S – Rs.30,000; Balance Sheet Total Rs.1,62,580.)**

#### Retirement of a Partner:

#### Exercises

1) X,Y,Z were partners sharing profits in the ratio of  $\frac{1}{2}$ ,  $\frac{1}{6}$ ,  $\frac{1}{3}$ , Their Balance Sheet on 31-12-2018 was as follows:

| Liabilities      | Amount Rs. | Assets               | Amount Rs. |
|------------------|------------|----------------------|------------|
| Sundry Creditors | 20,500     | Buildings            | 50,000     |
| Bills Payable    | 10,000     | Plant and Machinery  | 25,000     |
| Capital Accounts |            | Furniture            | 2,500      |
| X 15,000         |            | Stock                | 22,500     |
| Y 10,000         |            | Debtors 20,000       |            |
| Z <u>10,000</u>  | 80,000     | Reserve <u>1,000</u> | 19,000     |
| Reserve fund     | 12,000     | Cash                 | 3,500      |
|                  | 1,22,500   |                      | 1,22,500   |

Z retires, so the following adjustment were agreed upon for ascertainment of the payment be made to him.

- (1) Appreciate the Buildings by 10% and Stock by 15%.
- (2) Depreciate Plant by 10% and furniture by  $7\frac{1}{2}\%$ .
- (3) Reserve for Doubtful debts to be made up to Rs.1,500.
- (4) Create Goodwill worth Rs.20,000.
- (5) The amount payable should be transferred to Loan account.
- (6) It is assumed that goodwill credited to retiring partner is being reduced from X and Y's Capital Balance Sheet.

**(Ans : Revaluation Profit – Rs.5,187; Z's Loan A/c – Rs.47,39, Balance Sheet Total – Rs.1,27,687)**

2. A, B, C are sharing profits and losses in the ratio of 5:3:2 on 31<sup>st</sup> December, 2018. The balance sheet was as follows:

| Liabilities      | Amount Rs.      | Assets                       | Amount Rs.      |
|------------------|-----------------|------------------------------|-----------------|
| Sundry Creditors | 21,000          | Cash                         | 50,500          |
| Bills Payable    | 10,000          | Debtors 31,000               |                 |
| General Reserve  | 20,000          | (-) Res.forb.debt <u>500</u> | 30,500          |
| Capital Accounts |                 | Stock                        | 20,000          |
| A 80,000         |                 | Machinery                    | 40,000          |
| B 60,000         |                 | Building                     | 80,000          |
| C <u>30,000</u>  | 1,70,000        |                              |                 |
|                  | <u>2,21,000</u> |                              | <u>2,21,000</u> |

On 1<sup>st</sup> January, 2019 C retired on the following terms

1. Value of buildings to be appreciated by 10%.
2. Bad debts reserve to be increased to Rs.1,200.
3. Goodwill is to be created Rs.40,000.
4. Amount due to C is to be transferred to 8% loan account in her name.

**(Ans. Revaluation Profit – Rs.7,300; C's 8% Loan A/c – Rs.43,460 Balance Sheet Total Rs.2,68,300)**

3. Gayatri, Chandrika and Padma are partners sharing profit and losses in the ratio of 5:3:2. Their Balance Sheet as on 31.12.2018 is given below.

| Liabilities      | Amount Rs.      | Assets             | Amount Rs.      |
|------------------|-----------------|--------------------|-----------------|
| Sundry Creditors | 1,21,000        | Buildings          | 80,000          |
| Bills Payable    | 10,000          | Machinery          | 1,40,000        |
| Capital Accounts |                 | Stock              | 20,000          |
| Gayatri 80,000   |                 | Debtors 31,000     |                 |
| Chandrika 60,000 |                 | Reserve <u>500</u> | 19,000          |
| Padma 30,000     | 1,70,000        | Cash               | 50,500          |
| Reserve fund     | 20,000          |                    | 1,22,500        |
|                  | <u>3,21,000</u> |                    | <u>3,21,000</u> |

Padma retires on the following adjustments.

- (1) Appreciate Buildings by 10% and depreciate Machinery by 20% and stock revalued at Rs.15,000.
- (2) Bad debts reserve is to be increased upto Rs.1,200
- (3) Goodwill is to be created for Rs.49,000.

Prepare profit and loss adjustment account and new balance sheet.

**(Ans :Revaluations Loss – Rs.25,700 :Padma Loan A/c – Rs.39,660;Balance Sheet total – Rs.3,44,300).**

4. Navaratna, Revathi and Konda are partners sharing profits and losses equally. Their Balance Sheet on 31<sup>st</sup> March 2019 is given below.

| Liabilities      | Amount Rs. | Assets      | Amount Rs. |
|------------------|------------|-------------|------------|
| Sundry Creditors | 20,000     | Cash & Bank | 18,000     |
| Reserve fund     | 18,000     | Debtors     | 30,000     |
| Capital Accounts |            | Stock       | 24,000     |
| Navaratna 50,000 |            | Machinery   | 40,000     |
| Revathi 40,000   |            | Buildings   | 46,000     |
| Konda 30,000     | 1,20,000   |             |            |
|                  | 1,58,000   |             | 1,58,000   |

On the above date, Konda decided to retire from the firm on the following conditions.

- (i) Goodwill of the firm be valued at Rs.24,000.
- (ii) Depreciate stock & Machinery by 10%
- (iii) Buildings will be appreciated to Rs.56,000.
- (iv) Provide 5% on the debtors towards reserve for doubtful debts.

Write Revaluations Account, Capital Account and Balance Sheet after due amount is to be paid in cash to Konda to the extent possible and Balance transferred to a Loan A/C.

**(Ans : Revaluations profit – Rs.2,100; Konda Loan A/c – Rs.26,700; Balance sheet – Rs.1,66,100)**

5. Shanti, Indu and Lakshmi are partners sharing profit and losses equally. Their Balance Sheet as on 31<sup>st</sup> March, 2018 is given below.

| Liabilities       | Amount Rs. | Assets      | Amount Rs. |
|-------------------|------------|-------------|------------|
| Sundry Creditors  | 1,00,000   | Cash & Bank | 90,000     |
| Profit & Loss A/c | 90,000     | Debtors     | 1,50,000   |
| Capital Accounts  |            | Stock       | 1,20,000   |
| Shanti 2,50,000   |            | Machinery   | 2,00,000   |
| Indu 2,00,000     |            | Buildings   | 2,30,000   |
| Lakshmi 1,50,000  | 6,00,000   |             |            |
|                   | 7,90,000   |             | 7,90,000   |

On above date Lakshmi, decided to retire from the firm on the following conditions:

- Goodwill of the firm to be valued at Rs.1,20,000.
- Depreciate stock and Machinery by 10%
- Buildings to be appreciated up to Rs.2,80,000.
- Provide 5% on debtors towards reserve for doubtful debts.

Prepare ledger accounts and new balance sheet of the firm as on 1.4.2018.

**(Balance sheet Total Rs.9,20,500, Revaluation profit Rs.10,500)**

## UNIT

**HIRE PURCHASE AND INSTALLMENT PURCHASE SYSTEM**

*Hire Purchase and Installment Purchase system: Features of Hire purchase and Installment purchase systems – Simple problems in Hire purchase system (only ledger accounts).*

**Learning Objectives:**

After studying this unit, the student will be able to

- Understand the concept of hire purchase
- Understand about characteristics features of hire purchase
- Difference between hire purchase and installment purchase
- Understand about defaulters and repossession of assets

**1.0. INTRODUCTION:**

Hire Purchase and Installment Purchase System According to section 2(c) of the Hire Purchase act, 1972 “Hire Purchase” agreement means an agreement under which goods are let on hire and under which the hirer has an option to purchase them in accordance with the terms of agreement and include an agreement under which (i) possession of good is delivered by the owner thereof to a person on condition that such persons pays the agreed amount, in periodical installment, (ii) the property in the goods is to pass to such a person on the payment of the last installment and (iii) such person has a right to terminate the agreement any time before the property so passes”.

**1.1. FEATURES OF HIRE PURCHASE AGREEMENT:**

- Hire purchaser obtain only possession of the goods.
- Ownership of the goods remains with the hire vendor while signing the agreement.
- Hirer purchaser agrees to pay hire purchase price in installment.
- Each installment paid is treated as hire charges.
- Each installment consists partly interest and partly capital payment.
- Only after the payment of last installment the ownership is transferred to the buyer.
- Hire purchaser has the option, any time before the last installment is due, to terminate the agreement and returns the goods.
- If any default is committed by the hire purchaser the hire vendor has the right to repossess the goods. He need not refund the installment received.

**1.2. TERMS USED IN HIRE PURCHASE AGREEMENT:**

1. **Hire Vendor :** The seller of the goods under hire purchase agreement is called hire vendor.

2. **Hire Purchaser** : The buyer of goods in hire purchase agreement is called hire purchaser.
3. **Cash Price** : Cash price means the price at which the goods may be purchased by the hirer for cash.
4. **Hire Purchase Price** : The total amount payable by hire – purchase to hire vendor under the hire purchase agreement is called hire purchase price. The hire purchase price will be more than cash price, because in addition to cash price, interest (or finance charges) are also included in the price.
5. **Down Payment** : Down payment means the initial payment payable by the hire – purchase at the time of entering into hire purchase agreement.

**1.3.CONTENTS OF THE HIRE PURCHASE AGREEMENT:** According to section 4 of the hire purchase act, every hire purchase agreement must state.

- a) The hire purchase price of the goods.
- b) The cash price of the goods.
- c) The date on which agreement commences.
- d) Number of installment and the amount of each installment.
- e) Description of the goods sold on hire purchase basis.

#### **1.4.INSTALLMENT PURCHASE SYSTEM:**

Under the installment purchase system, both the possession and ownership of the goods are transferred to the buyer immediately on signing the agreement. It is a credit sale where in the buyer agrees to pay the price in installment over a period of time. In case the buyer makes a defaults in payment of installment, the seller cannot take back the goods sold, he can only sue for non – payment of the installments due.

#### **1.5.FEATURES OF THE INSTALLMENT PURCHASE SYSTEM:**

- It is outright credit sale of goods.
- The buyer gets immediate ownership and possession of the goods.
- In case of default, the seller cannot repossess the goods.
- In case of default, the installment paid by buyer are not forfeited. The seller can sue the buyer only for unpaid installments.

Common features of hire purchase agreement and installment purchase system

1. Price is paid in installments.
2. Possession is given to the buyer.
3. Total price paid is more than the cash price.

#### **1.6. DISTINCTION BETWEEN HIRE PURCHASE SYSTEM AND INSTALLMENT PURCHASE SYSTEM:**

| <b>Hire Purchase System</b>  | <b>Installment Purchase System</b>                       |
|--|--|
| 1. It is governed by Hire Purchase Act, 1972                             | It is governed by sale of Goods Act, 1930                |
| 2. It is an agreement of hiring  | It is an agreement of sale                               |
| 3. The parties to the contract are called Hire Purchaser and Hire Vendor | The parties to the contract are called buyer and seller. |



|  |  |
|--|--|
| 4. The ownership of the goods is transferred to the buyer only after the payment of the last instalment. | The ownership of the goods is transferred to the buyer as soon as the contract is signed.              |
| 5. The relation between hire purchaser and hire vendor is that of a bailee and a bailor.                 | The relation between the buyer and seller is that of debtor and creditor till last instalment is paid. |
| 6. The buyer cannot hire out, sell transfer, pledge, destroy the goods.                                  | The buyer can hire out, sell, transfer, pledge the goods.  |
| 7. The buyer may return goods without further payment, except for instalments already due.               | Unless there is default on the part of the seller, goods cannot be returned                            |
| 8. If the buyer fails to pay any instalment, the goods can be repossessed by the seller                  | The seller cannot repossess the goods. He can sue the buyer for the amount due.                        |
| 9. In case of default, the total instalments paid is forfeited and treated as hire charges.              | In case of default, total amount of instalment paid by the buyer cannot be forfeited                   |

### 1.7. CALCULATION OF INTEREST:

#### 1. When rate of Interest, Cash price and Hire Purchase Price are given:

When cash price, rate of interest etc are given interest is calculated on the total cash price remaining unpaid at the time of paying the installment. While calculating interest for the last installment, the difference between the installment payable and the unpaid cash price is taken to be the interest, interest on unpaid price is not to be calculated. The calculations are explained with the help of an example.

Example : Cash price A 17,430.

Rate of interest 10%

Down payment A 5,000.

Three annual installment of A 5,000 each.

Solution:

Note : Interest at 10% on 4,540 amounts to A 454 whereas the interest taken is A 460. The difference is because the installments are rounded off

|                                  |             |
|----------------------------------|-------------|
| Cash Price                       | 17430       |
| Less initial payment             | <u>5000</u> |
|                                  | 12430       |
| Add : Interest (10% on A 12,430) | <u>1243</u> |
|                                  | 13673       |
| Less : First instalment          | <u>5000</u> |
|                                  | 8673        |
| Add : Interest (10% on A 8,673)  | <u>867</u>  |
|                                  | 9540        |

|                              |             |
|------------------------------|-------------|
| Less : Second Instalment     | <u>5000</u> |
|                              | 4540        |
| Add : Interest (5000 - 4540) | <u>460</u>  |
|                              | 5000        |
| Less : Third Instalment      | <u>5000</u> |
|                              | <u>0</u>    |

## 2. When rate of interest is not given:

When rate of interest is not given, total interest payable will be divided in the ratio of outstanding balance of hire purchase price . this is explained with help of an example.

Example :

Cash price ₹ 30,000

Down payment ₹ 6,000.

Balance in three annual installment of ₹10,000 each. Find interest in each installment.

Solution:

|                   |              |
|-------------------|--------------|
| Cash price        | 30,000       |
| Less down payment | <u>6,000</u> |
|                   | 24000        |

Cash price paid in installments 24,000

Total payment = 10,000 x 3 = 30,000 + Down payment. ₹ 6,000 = ₹36,000.

Less cash price ₹30,000 total interest for three years ₹ 6,000. This is to be divided in the ratio of amount outstanding before paying each installment.

Amount outstanding before paying first installment ₹ 30,000

Amount outstanding before paying second installment ₹ 20,000

Amount outstanding before paying third installment ₹ 10,000

30,000 : 20,000 : 10,000. i.e. 3 : 2 : 1

Interest for first year  $\frac{3}{6} \times 6,000 = ₹3000$

Interest for second year  $\frac{2}{6} \times 6000 = ₹ 2000$

Interest for third year  $\frac{1}{6} \times 6000 = ₹1000$ .

## 3. When cash price is not given : (Back calculation method):

In some cases, cash price is not given. Since the asset purchased cannot be capitalized at hire purchase price (or installment purchase price). It is necessary to start with the last installment and deduct interest from it. Interest is calculated as follows.

Rate of interest

\_\_\_\_\_ x Amount due

100 + Rate of interest.

Suppose the rate of interest is 10% and A has to pay. ₹100, then he will pay ₹10 towards interest , and ₹100 towards principal amount, then the amount due before paying the installment

is ₹110. Every installment paid includes interest, hence from the installment paid interest should be deducted. To this last but one installment should be added and again interest (calculated as per the formula given above) deducted. This process should be continued till the first installment. Then Down payment should be added. This will give cash price. While calculating interest, it should be noted that the amount on which interest is calculated goes on increasing from third year to second year from second year of first year, the calculations are made from last year to first year, this method is also called 'Back calculation methods'.

Example:

Rate of interest = 10%.

Down payment ₹ 5000.

Balance in Four annual installment of ₹10,000 each.

Calculate the cash price and interest included in each installment.

|                                   |        |
|-----------------------------------|--------|
| Amount due before 4th installment | 10,000 |
| Less interest (10/110 x 10000)    | 909    |
|                                   | 19091  |
| Add : Third Installment           | 10000  |
| Amount due before 3rd installment | 19091  |
| Less interest (10/110 x 19091)    | 1736   |
|                                   | 17355  |
| Add : Second Installment          | 10000  |
| Amount due before 2nd installment | 27355  |
| Less interest (10/110 x 27,355)   | 2487   |
|                                   | 24868  |
| Add First Installment             | 10000  |
| Amount due before Installment     | 34868  |
| Less interest ((10/110 x 34,868)  | 3169   |
|                                   | 31699  |
| Add Down payment                  | 5000   |
| Cash Price                        | 36699  |
|                                   |        |

The accuracy of the above calculation can be checked by starting the calculations from the cash price.

## Hire Purchase System

There are two methods of recording transaction in the books of the buyer. Under the first methods every time an installment in paid, asset account is debited with the portion of installment which is paid towards cash price of the asset. Under the second method the asset accounts is debited with the total cash price of the asset at the time of signing the contract.

At the time of making down payment (or initial payment)

To Bank Account

(i) When installments become due Asset Account

### To Hire Vendor Account

(ii) When installment is paid

To Bank Account

(iii) When depreciation is charged

To Asset Account

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(iv) When interest and depreciation are closed by transfer to profit and loss account.

To Interest A/c

At the time of making down payment

To hire Vendor A/c

To Bank Account

(iii) For interest due

## To Hire Vendor Account

To Bank Account

To Asset A/c

To Interest A/c

To Depreciation A/c

(With the amount of depreciation)

### At the time of signing the contract

To Sales A/c

To Hire purchase A/c

To Interest A/c

To Hire Purchaser's A/c

Interest A/c dr

To P&L A/c

**Defaults and Repossession:**

If the buyer does not pay the installment when they become due, he commits defaults and the seller has a right to take back the goods sold on hire purchase system. He may take possession of complete goods or only part of the total assets sold to buyer. The accounting treatment is as follows.

**I. When he takes back the possession of complete goods**

In the books of buyer:

Taking the second method as the basis, all usual entries up to the date of defaults are passed. Entry for the interest due up to the date of defaults should be passed, but the entry for receiving the installment defaulted should not be passed. The seller's accounts should be closed by transferring it to the Asset Account by debiting Seller's account and crediting asset account. The balance left in the asset account should be closed by transferring it to profit and loss account.

In the books of seller :

All usual entries up to the date of defaults are passed except the entry for receiving the installment which is defaulted.

The buyer's accounts is closed by crediting his account and debiting goods returned accounts. This account is debited with expenses incurred for repairs of the goods returned and credited with amount received on resale. Any balance left in the account being profit or loss, is transferred to profit and loss account.

**II. When seller takes possession of only part of the total assets sold to buyer**

In the books of the buyer :

1. The seller's account is debited and asset account is credited with the agreed values of the asset taken over by the seller. The basis for calculating the agreed values of the asset taken over by the seller will be given in the problem. As a results of this entry the seller's account in the books of the buyer will not be closed, the balance left in seller's account represent the amount still payable by buyer to seller.

2. The value of the asset not taken over by the seller is ascertained by providing depreciation at the normal rate. This is shown as balance in the asset account. After the above adjustment, the difference in the asset account is transferred to profit and loss account.

In the books of seller

The goods returned account will be debited and purchase account credited with the agreed values of the goods taken back. The balance left in buyer's account represents the amount still payable by the purchaser. The rest of the treatment is same as explained above.

**Installment Purchase System**

(i) When delivery of the asset is taken

|                           |                          |                          |
|---------------------------|--------------------------|--------------------------|
| Asset Account             | dr (With cash price)     |                          |
| Interest Suspense Account | dr (With total interest) |                          |
| To Vendor Account         |                          | (With installment price) |

ii) For making down payment

|                 |                           |
|-----------------|---------------------------|
| Vendor Account  | dr (With initial payment) |
| To Bank Account |                           |

At the time of paying each installment:

- Note : Balance of Interest Suspense Account will appear on the asset side of the Balance sheet.**

- Illustration:**

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|                                  |          |
|----------------------------------|----------|
| Cash Price                       | 1,12,000 |
| Less : Initial payment           | 30,000   |
| Balance                          | 82,000   |
| Add : Interest @ 5% on 82,000    | 4,100    |
| Balance                          | 86,100   |
| Less : First Installment         | 30,000   |
| Balance                          | 56,100   |
| Add : Interest @ 5% on 56,100    | 2,805    |
| Balance                          | 58,905   |
| Less : Second Installment        | 30,000   |
| Balance                          | 28,905   |
| Add : Interest ( 30,000- 28,905) | 1,095    |
| Less : Third Installment         | 30,000   |
|                                  | 30,000   |

**Ledger Accounts in the Books of Salman**

| Dr            |                    |        | Van Account    |                 | Cr.      |
|---------------|--------------------|--------|----------------|-----------------|----------|
| Date          | Particulars        | ₹      | Date           | Particulars     | ₹        |
| 2014<br>Jan 1 | To hire vendor a/c | 112000 | 2014<br>Dec 31 | By Depreciation | 22,400   |
|               |                    |        |                | By Balance c/d  | 89,600   |
|               |                    | 112000 |                |                 | 1,12,000 |
| 2015<br>Jan 1 |                    | 89,600 | 2015<br>Dec 31 | By Depreciation | 17,920   |
|               |                    |        |                | By Balance c/d  | 71,680   |
|               |                    | 89,600 |                |                 | 89,600   |
| 2016<br>Jan-1 |                    | 71,680 | 2016<br>Dec 31 | By Depreciation | 14,336   |
|               |                    |        |                | By Balance c/d  | 57,344   |
|               |                    | 71,680 |                |                 | 71,680   |
| 2017<br>Jan-1 | To Balance b/d     | 57,344 |                |                 |          |



**Hire Vendor Account**

| Date       | Particulars                      | ₹                | Date                | Particulars                      | ₹               |
|------------|----------------------------------|------------------|---------------------|----------------------------------|-----------------|
| 2014 Jan 1 | To Bank-<br>Initial<br>payment   | 30000<br>30000   | jan1<br>Dec 31      | By Van A/c<br>By Interest<br>A/c | 112000<br>4100  |
|            | To Bank -<br>First<br>instalment | 56100<br>116100  |                     |                                  | 116100          |
| 2015dec31  | To Balance<br>c/d                | 30,000           | 2015Jan 1<br>Dec 31 |                                  | 56,100<br>2,805 |
| 2016dec-31 |                                  | 28,905           |                     | By Balance<br>b/d                | 58,905          |
|            | To Bank<br>Second<br>Instalment  | 58,905<br>30,000 | 2016Jan<br>Dec 31   | By Interest                      | 28,905          |
|            | To Balance<br>c/d                | 30,000           |                     | By Balance<br>b/d                | 1,095<br>30,000 |
|            | To Bank<br>Third<br>Instalment   |                  |                     | By Interest                      |                 |

**Interest Account**

| Date          | Particulars    | ₹     | Date           | Particulars  | ₹     |
|---------------|----------------|-------|----------------|--------------|-------|
| 2014<br>Jan 1 | To Hire Vendor | 4,100 | jan1<br>Dec 31 | By P & L A/c | 4,100 |
|               |                | 4100  |                |              | 4100  |
|               | To Hire Vendor | 2,805 |                | By P & L A/c | 2,805 |
|               |                | 2805  |                |              | 2805  |
|               | To Hire Vendor | 1,095 |                | By P & L A/c | 1,095 |
|               |                | 1095  |                |              | 1095  |

**Illustration 2:**

A Ltd purchased on 1st Jan, 2014 from B Ltd a machine on Installment purchase system whose cash price was Rs. 74,500. Payment was to be made in four installments of Rs.20,000 each, the first payment to be made immediately and the other three at the end of 2008, 2009 & 2010. Interest was taken to be 5% p.a. depreciation is 10% p.a. on the diminishing value. Give ledger account in the books of A Ltd.

|                                 |        |
|---------------------------------|--------|
| Cash Price                      | 74,500 |
| Less : Initial payment          | 20,000 |
| Balance                         | 54,500 |
| Add : Interest @ 5% on 54500    | 2,725  |
| Balance                         | 57,225 |
| Less : First Installment        | 20,000 |
| Balance                         | 37,225 |
| Add : Interest @ 5% on 37225    | 1,861  |
| Balance                         | 39,086 |
| Less : Second Installment       | 20,000 |
| Balance                         | 19,086 |
| Add : Interest ( 20,000- 19086) | 914    |
| Less : Third Installment        | 20,000 |
|                                 | 20,000 |

**Ledger Accounts in the books of A Ltd:****Machinery Account**

| Date          | Particulars  | ₹     | Date           | Particulars     | ₹      |
|---------------|--------------|-------|----------------|-----------------|--------|
| 2014<br>Jan 1 | To B ltd a/c | 74500 | 2014<br>Dec 31 | By Depreciation | 7450   |
|               |              | 74500 |                | By Balance c/d  | 67050  |
|               |              |       |                |                 | 74500  |
| 2015<br>Jan 1 |              | 67050 | 2015<br>Dec 31 | By Depreciation | 6,705  |
|               |              | 67050 |                | By Balance c/d  | 60,345 |
|               |              |       |                |                 | 67,050 |
| 2016<br>Jan-1 |              | 60345 | 2016<br>Dec 31 | By Depreciation | 6,035  |
|               |              |       |                | By Balance c/d  | 54,310 |

|               |                |        |  |  |        |
|---------------|----------------|--------|--|--|--------|
|               |                | 71,680 |  |  | 60,345 |
| 2017<br>Jan-1 | To Balance b/d | 54310  |  |  |        |

**Interest Account**

| Date           | Particulars              | ₹    | Date           | Particulars  | ₹    |
|----------------|--------------------------|------|----------------|--------------|------|
| 2014dec31      | To interest suspense a/c | 2725 | 2014<br>Dec 31 | By P & L A/c | 2725 |
| 2015 dec<br>31 |                          | 2725 |                |              | 2725 |
|                |                          | 1861 | 2015<br>dec 31 | By P & L A/c | 1861 |
|                | To interest suspense a/c | 1861 |                |              | 1861 |
| 2016 dec<br>31 |                          | 914  | 2016<br>dec 31 | By P & L A/c | 914  |
|                |                          |      |                |              |      |
|                | To interest suspense a/c | 914  |                |              | 914  |
|                |                          |      |                |              |      |

## B Ltd Account

| Date         | Particulars    | ₹     | Date           | Particulars              | ₹     |
|--------------|----------------|-------|----------------|--------------------------|-------|
| 2014jan<br>1 | To Bank        | 20000 | 2014<br>Dec 31 | By Machine A/c           | 74500 |
|              | To Bank        | 20000 |                | By Interest Suspense A/c | 5500  |
|              | To Balance c/d | 40000 |                |                          |       |
|              |                | 80000 |                |                          | 80000 |
|              | To Bank        | 20000 |                | By balance b/d           | 40000 |
|              | To Balance c/d | 20000 |                |                          |       |
|              |                | 40000 |                |                          | 40000 |
|              | To Bank        | 20000 |                | By balance b/d           | 20000 |
|              |                | 20000 |                |                          | 20000 |

**SHORT ANSWER QUESTIONS ( 2 Marks)**

1. What is Hire Purchase System?
2. What is Installment Purchase System?
3. How many Parties in Hire Purchase Agreement? What are they?
4. Who is Hire Vendor?
5. What is Hire Charges?

**EXERCISES**

1. Calculate the amount of interest include in the three installments in hire purchase, given the following information.

Cash price of the asset is ₹14,900 interest is at 5% per annum,, payments made were:

2008 January 1 Cash down ₹4000

2008 December 31 I Installment ₹4000

2009 December 31 II Installment ₹4000

2010 December 31 III Installment ₹4000

**( Ans. Interest 2008 ₹545, 2009 ₹372 & 2010 ₹183)**

2. Ramu purchased asset on hire purchase system. Ascertain the amount of interest included in three installments on the basis of the following information.

Cash price of the asset ₹ 11,175

Initial payment ₹3,000

Balance in three installment of ₹ 3,000

Each at the end of each year

Rate of interest 5% p.a.

**(Interest : First year ₹408.75, Second year ₹279.18, 3rd year ₹137.07)**

3. Mohan purchases a motor cycle on hire purchase system. The total cash price of the motor cycle is ₹15,980, payable ₹4,000 as down payment and three further installment of ₹ 6,000, ₹5,000 and ₹2,000 payable at the end of first, second and third year respectively. Interest is charged at 5% per annum. You are required to calculate the interest paid by Sriram to the seller each year.

**(Interest ₹599, ₹ 329, ₹ 92)**

4. Muneer purchased machinery under hire purchased system from Salman. The cash price of the machinery was A 15,000.

The payment for the purchase is to be made as under

On signing the agreement ₹3,000. First Year end ₹5,000. Second year end ₹5,000. Third year end ₹5,000.

Calculate the interest included in each installment.

5. On the basis of the following information ascertain the interest included in each installment.

Cash price ₹ 9,000

Initial payment ₹3,000

Balance in three installment of ₹ 3,000

Each payable at the end of each year.

**(Ans. Interest 1st year ₹ 1, 500, 2nd year ₹ 1,000, 3rd year ₹ 500)**

6. A Machine the Cash price of which is ₹ 1,800 is sold on hire purchase system for ₹ 2,000 payable in four quarterly installment of hire ₹ 500 each. The first installment is paid at the end of the first quarter. Show the amount of interest included in each installment.

**(Ans. ₹ 80, ₹ 60, ₹ 40 and ₹ 20)**

7. An asset is purchased on hire purchase system. The term of payment are as follows.

₹ 2,000 to be paid on signing the agreement.

₹ 2,800 at the end of the first year.

₹ 2,600 at the end of the second year.

₹ 2,400 at the end of the third year.

₹ 2,200 at the end of the fourth year.

Interest is charged at the rate of 10% p.a. Calculate the cash price of the asset.

**(Ans. Cash Price ₹ 10,000, Interest 1st year ₹ 800, 2nd year ₹ 600, 3rd year ₹ 400 and 4th year ₹ 200)**

8. Ram prasad purchased an asset on hire purchase system. Payment was to be made as under

On signing the agreement ₹20,000

At the end of the first year ₹15,000

At the end of the second year ₹15,000

At the end of the Third year ₹10,000

Interest is charged at the rate of 10 percent p.a.

Determine the cash price of the asset.

**(Ans. Cash Price ₹ 53,546)**

9. On 1-1-2008 K and sons purchased a Machine on installment system, A 6,000 payable on delivery and three annual installment of A 6,400, A 8,900, and A 8,800. The vendor A and Co. charged interest at 10% p.a. Calculate cash price of the machine.

**(Ans. Cash Price ₹ 25,785)**

10. The payment schedule of a colour TV purchased on hire purchase system is as follow.

₹ 4,400 on signing the agreement

₹ 6,160 at the end of first year

₹ 5,720 at the end of second year

₹ 5,280 at the end of third year and

₹ 4,840 at the end of fourth year

Interest is charged @ 10% per annum. Calculate the cash price of the

T.V.

**(Ans. ₹ 22,000)**

11. On 1st January 2014 the company sold an Autorickshaw on hire purchase system for ₹ 20,000 to be paid as follows:

On signing the agreement ₹ 2,400; at the end of the first year ₹ 3,400, second year ₹ 3,200 third year ₹ 11,000; interest included in ₹20,000 being charged on the cash value at per 10 per cement annum. Ascertain the cash value of the autorickshaw and write up the purchaser's account in the book of the Hire Sales Company.

**(Ans. ₹ 16,400)**

12. Give journal entries to be passed in the books of purchaser and vendor under hire purchase system.
13. State what journal entries will be passed in the books of buyer and seller under Installment purchase system.
14. The Hyderabad Transport company purchased motor car from the Tata motor co. on hire purchase agreement on 1st January 2008 paying cash A 10,000 as down payment and agreeing to pay further three installment of A 10,000 each on 31st December each year. The cash price of the car is A37,250 and the Tata Motor Company charges interest at 5 percent p.a. the Hyderabad Transport Company writes off 10 percent p.a. as depreciation on the reducing installment system. Journalize these transaction in the books of both the parties.

**(Interest 2008, ₹ 1,363; 2009 ₹ 931 & 2010 ₹456)**

15. On 1st January 2005 Messrs. Ram & CO. took from Auto car Ltd. Delivery of a Motor Van on hire purchase system. A 2,000 being paid on delivery and the balance in five installment of A 3,000 each payable annual on 31st December. The vendor company charges 5 percent p.a. interest on yearly balances. The cash down value of the van is A 15,000. Show the necessary ledger account in the books of Ram & Co. the company provides 10% p.a. depreciation according to reducing Installment system.

**(Ans. Interest 1st year, ₹ 650, Second year ₹ 533, 3rd year ₹409, 4th year ₹280 and 5th year ₹128)**

16. A company purchased a motor cycle on hire purchase system on 1st January 2008. The first installment of A 6,000 was paid immediately and the balance by four equal installment of A 6,000 was each to be paid on the last date of each year. The vendor charged 5% per annum interest on the unpaid balance. The cash price of the press on delivery was A 27,300. Depreciation is to charged at 10% on the diminishing balance of the asset.

Draw up Vendor's Account, Motor cycle account, interest account and depreciation account in the books of the buyer.

**(Ans. Interest ₹ 1,065, ₹ 818, ₹ 559 and ₹258)**

17. APurchased a machine on hire purchase system, the cash price of which was ₹14,6000. ₹ 11,400 were paid at the time of contract on 1st July 2015 and the balance was to paid by half-yearly installment of ₹ 800 plus interest at 5 percent p.a. Depreciation charged by A is 10 percent p.a. on diminishing balance method. Accounts are closed on 30th June. Prepare machinery account, hire vendor account, interest account and depreciation account in A Ledgers.

**(Ans. Interest ₹ 80, ₹ 60, ₹ 40 and ₹20)**

18. Muneer purchased an asset for A 60,000 payment to be made year. Rate and three installment of ₹18,000 each at the end of each depreciates asset at 10% p.a. on written down value method.

Due to financial difficulties Muneer could not pay installment after the first installment and the selling company took possession of the asset. The selling company after spending ₹ 1,500 on repairs of the asset sold it away for ₹38,000.

Prepare the necessary ledger accounts in the books of both the parties.

**(Ans. Loss on default transferred to Profit and Loss Account ₹13,950. Seller's account transferred to asset account ₹ 34,650, Profit on resale ₹ 1,850)**

19. Lallu purchased a Lorry from Kishen for ₹1,50,000 payable ₹50,000 down and the balance in four annual equal installments for ₹ 25,000 each at the end of each year, together with interest @ 10% p.a. The lorry is depreciated at 20% p.a. on the reducing balance system.

Lallu pays cash down and three successive installment but fail to the last installment. Consequently Kishens reclaims the lorry. He spends, A 5,000 on repair and sell it for A50,000.

Show the ledger account in the books of Lallu

**(Ans. Loss on default ₹ 33,940)**

**&&&---&&&**



## RECTIFICATION OF ERRORS

### INTRODUCTION:

In our life we make many mistakes. As soon as these are detected, he/she corrects them. In the similar manner, an accountant can also make mistakes or commit errors while recording and posting transactions. These are called 'Accounting Errors'. So accounting errors are the errors committed by persons responsible for recording and maintaining accounts of a business firm in the course of accounting process. These errors may be in the form of omitting the transactions to record, recording in wrong books, or wrong account or wrong totaling and so on.

### Accounting errors can take the following forms:

- Omission of recording a business transaction in the Journal or Special Purpose Books
- Not posting the recorded transactions in various books of accounts to the respective accounts in ledger
- Mistakes in totaling or in carrying forward the totals to the next page
- Mistake in recording amount wrongly, writing it in a wrong account or on the wrong side of the account.

### CLASSIFICATION OF ACCOUNTING ERRORS

Various accounting errors can be classified as follows:

#### A. On the basis of their nature

- (a) Errors of omission
- (b) Errors of commission
- (c) Errors of principle

#### B. On the basis of their impact on ledger accounts

- (a) One sided errors
- b) Two sided errors.

#### A. On the basis of their nature

##### a) Errors of omission

As a rule, a transaction is first recorded in books of accounts.

However, accountant may not record it at all or record it partially. It is called an error of omission. For example, goods purchased on credit are not recorded in Purchases Book or discount allowed to a customer was not posted to Discount A/c in the ledger.

**b) Errors of commission**

When the transaction has been recorded but an error is committed in the process of recording, it is called an error of commission. Recording in the wrong book for example purchase of goods from Rakesh on credit is recorded in the Sales Book and not in the Purchases Book. Recording in the book correctly but wrong amount is written. For example, goods sold to Shalini of Rs.4200 was recorded in the Sales Book as Rs.2400

**c) Errors of principle:**

- **Wrong totaling** : There may be a mistake in totaling Special Purpose Book or accounts. The totalled amounts may be less than the actual amount or more than the actual amount
- **Wrong balancing**: While closing the books of accounts at the end of the accounting period, the ledger accounts are balanced.
- **Wrong carry forward of balances or totals**: Totals or balances are carried forward to the next page
- **Wrong Posting**: Transactions from the journal or special purpose books are posted to the respective accounts in the ledger.

**SHORT QUESTIONS (2MARKS)**

1. What is trial balance?
2. What is suspense account?
3. What is rectification of errors?

**ESSAY TYPE QUESTIONS (6MARKS)**

1. How many types errors? Explain it?

**EXERCISES**

1. Prepare trial balance of Messers S.L & Co., as on 31.03.2018.

Bills receivables Rs.  
1000 Sales Rs. 1200  
Purchase returns Rs.  
300 Bills payables Rs.  
800 Purchases Rs. 3000  
Capital Rs. 1900  
Sales returns Rs.  
200

(ANS: 4200)

2. Prepare trial balance of Mr. Simhadri as on 31.12.2017.

Cash Rs. 20000  
Capital Rs. 60000  
Sales Rs. 30000  
Salaries Rs. 15000  
Debtors Rs. 25000  
Creditors Rs. 10000  
Purchases Rs. 40000  
(ANS: 100000)

3. Prepare trial balance of Laasya .

Capital Rs. 20000  
Purchases Rs. 18000  
Bills payable Rs. 3000  
Sales Rs. 10000  
Bills receivables Rs.  
9000 Sales returns Rs.  
1000 Furniture Rs. 5000

(ANS: 33000)

4. Prepare trial balance of Venkata Naidu as on 31.03.2018

Cash in hand Rs.  
4000 Buildings Rs.  
36000  
Goodwill Rs. 12000  
Sales Rs. 23000  
Stock Rs. 8000  
Capital Rs. 45000  
Purchases Rs.  
15000 Bank loan  
Rs. 7000

(ANS: 75000)

5. Prepare trial balance of Chandrasaha as on  
31.03.2018 Cash at bank Rs. 35000

Cash in hand Rs.  
10000 Salaries Rs.  
2000  
Purchases Rs. 200000  
Sales Rs. 225000  
Stock Rs. 20000  
Buildings Rs., 20000  
Bills payable Rs. 5000  
Bills receivables Rs.  
5000 Capital 62000

(ANS: 292000)

UNIT

7

## BANK RECONCILIATION STATEMENT

**Bank Reconciliation Statement** – Meaning – Need – Cash book vs. Pass book  
– Favorable balance – Un- favorable balance (over draft) – including problems.

### INTRODUCTION:

Bank Reconciliation Statement is a statement prepared to reconcile the difference between the balances as per the bank column of the cash book and pass book on any given date.

A bank reconciliation is the process of matching the balances in an entity's accounting records for a cash account to the corresponding information on a bank statement. The goal of this process is to ascertain the differences between the two, and to book changes to the accounting records as appropriate. The information on the bank statement is the bank's record of all transactions impacting the entity's bank account during the past month.

### Need of preparing Bank Reconciliation Statement:

It is neither compulsory to prepare Bank Reconciliation Statement nor a date is fixed on which it is to be prepared. It is prepared from time to time to check that all transactions relating to bank are properly recorded by the businessman in the bank column of the cash book and by the bank in its ledger account. Thus, it is prepared to reconcile the bank balances shown by the cash book and by the bank statement. It helps in detecting, if there is any error in recording the transactions and ascertaining the correct bank balance on a particular date.

### REASONS FOR THE DIFFERENCES BETWEEN PASSBOOK AND CASH BOOK:

1. Cheques issued by the firm but not yet presented for payment
2. Cheques deposited into bank but not yet collected
3. Amount directly deposited in the bank account
4. Bank Charges, interest etc., debited in pass book only
5. Interest and dividend received by the bank
6. . Direct payments made by the bank on behalf of the customers

7. Dishonour of Cheques/Bill discounted
8. Errors committed in recording transactions by the firm
9. Errors committed in recording transactions by the Bank

#### PREPARATION OF BRS WITH FAVOURATE BALANCE:

Favourable balances

(a) Debit balance as per cash book is given and the balance as per pass book is to be ascertained.

(b) Credit balance as per pass book is given and the balance as per cash book is to be ascertained.

| REASON  | SOLUTION   |
|---|--|
| <b>1</b> Cheques issued by the firm but not yet presented for payment | i) as per cash book<br>– addition<br>ii) as per pass book<br>– subtraction |
| <b>2</b> Cheques deposited into bank but not yet collected            | i) as per cash book<br>– subtraction<br>ii) as per pass book<br>– addition |
| <b>3</b> amount directly deposited in the bank account                | i) as per cash book<br>– addition<br>ii) as per pass book<br>– subtraction |

|  |  |
|--|--|
| <b>4</b> Bank Charges, interest etc., debited in pass book only            | i) as per cash book<br>– subtraction<br>ii) as per pass book<br>- addition |
| <b>5</b> Interest and dividend received by the bank on behalf of customers | i) as per cash book<br>– addition<br>ii) as per pass book<br>- subtraction |
| <b>6</b> Direct payments made by the bank on behalf of the customers       | i) as per cash book<br>– subtraction<br>ii) as per pass book<br>- addition |
| <b>7</b> .Dishonour of Cheques/Bill discounted                             |  |
| 8. Errors committed in recording transactions by the firm                  |  |
| 9. Errors committed in recording transactions by the Bank                  |  |

**Procedure for preparation of bank reconciliation statement****(Favourable Balance)**

| <b>Particulars</b>  | <b>Amount</b> | <b>Amount</b> |
|---|---------------|---------------|
| <b>Balance as per cash book</b>                             |               | <b>xxx</b>    |
| <b>ADD:</b>   |               |               |
| <b>1. cheques issued but not presented for payment</b>      | <b>xxx</b>    |               |
| <b>2. amount directly deposited by the customer</b>         | <b>xxx</b>    |               |
| <b>3. dividends, interest etc., credited only PB</b>        | <b>xxx</b>    | <b>xxx</b>    |
|   |               | <b>xxx</b>    |
| <b>LESS:</b>  |               |               |
| <b>1. cheques sent for collection but not collected</b>     |               |               |
| <b>2. bank charges, commission etc., debited only in PB</b> | <b>xxx</b>    |               |
| <b>3. bank directly paid on behalf of customer</b>          | <b>xxx</b>    |               |
|   | <b>xxx</b>    | <b>xxx</b>    |
| <b>Balance as pass book</b>                                 |               | <b>xxx</b>    |

**PREPARATION OF BRS WITH UNFAVOURABLE(OVERDRAFT) BALANCE:**

An overdraft facility allows you to write cheques or withdraw cash from your current account up to the overdraft limit approved. It is a short-term (usually up to 12 months) standby credit facility which is usually renewable on a yearly basis. It is repayable on demand by the bank at any time.

**Unfavorable(Overdraft) balances:**

(a) credit balance as per cash book is given and the balance as per pass book is to be ascertained.

(b) debit balance as per pass book is given and the balance as per cash book is to be ascertained.

| REASON   | SOLUTION   |
|--|--|
| 1. Cheques issued by the firm but not yet presented for payment      | i) as per cash book – subtraction<br>ii) as per pass book - addition |
| 2. Cheques deposited into bank but not yet collected                 | i) as per cash book – addition<br>ii) as per pass book - subtraction |
| 3. mount directly deposited in the bank account                      | i) as per cash book – subtraction<br>ii) as per pass book - addition |
| 4. Bank Charges, interest etc., debited in pass book only            | i) as per cash book – addition<br>ii) as per pass book - subtraction |
| 5. Interest and dividend received by the bank on behalf of customers | i) as per cash book – subtraction<br>ii) as per pass book - addition |



|  |  |
|--|--|
| 6. Direct payments made by the bank on behalf of the customers | i) as per cash book – addition<br>ii) as per pass book - subtraction |
| 7. Dishonour of Cheques/Bill discounted                        |  |
| 8. Errors committed in recording transactions by the firm      |  |
| 9. Errors committed in recording transactions by the Bank      |  |

Procedure for preparation of bank reconciliation statement

(Overdraft Balance)

| Particulars  | Amount | Amount |
|--|--------|--------|
| Overdraft Balance as per pass book                   |        | xxx    |
| ADD:   |        |        |
| 1. cheques issued but not presented for payment      | xxx    |        |
| 2. amount directly deposited by the customer         | xxx    |        |
| 3. dividends, interest etc., credited only PB        | xxx    | xxx    |
|  |        | xxx    |
| LESS:  |        |        |
| 1. cheques sent for collection but not collected     |        |        |
| 2. bank charges, commission etc., debited only in PB | xxx    |        |

|   |     |     |
|---|-----|-----|
| 3. bank directly paid on behalf of customer | xxx |     |
|   | xxx | xxx |
| Overdraft Balance as per cash book          |     | xxx |

**SHORT QUESTIONS(2MARKS)**

1. What is Bank Reconciliation Statement?
2. Write any two differences between Cash book and Pass book ?

**EXERCISES (FOURABLE BALANCE)**

1. From the following particulars prepare Bank Reconciliation Statement as 31st march, 2018
  - a. Balance as per Cash Book as on 31st December 2006 was Rs.15000
  - b. Cheques deposited but not collected before the date of reconciliation Rs.1500
  - c. Cheques issued but not presented for payment Rs.1000
  - d. Bank charges debited only in pass book Rs.50
  - e. Interest credited in pass book only Rs. 500
  - f. A debtor directly deposited into our a/c Rs.1000
  - g. (Ans. 15950)
2. Prepare BRS as on April,28, 2018 from the following particulars.
  - a. Balance as per pass book Rs. 10000.
  - b. Interest on loan debited only in pass book Rs 500
  - c. Bank collected divididend on behalf of Customer Rs. 1000. This transaction recorded in pass book only.
  - d. Rs. 1000 worth of Cheque issued on Feb, 25,2018. But not presented for payment
  - e. Rs. 2000 worth of Cheque deposited. But this cheque was dishonoured
    - i. (Ans: 10500)

**Exercises (overdraft balance/negative balance)**

1. Prepare BRS of Sri. A.V.Rao as on April 15, 2018 from the

following particulars.

- i. Overdraft balance as per cash book Rs. 5000
- ii. Cheques issued for payment but not presented for payment Rs 500
- iii. A customer directly deposited into a.v.rao a/c Rs.1000
- iv. Interest on overdraft Rs. 100 debited in PB only.
- v. A cheque Rs. 500 sent for collection but

dishonoured. (ANS:4100)

2. Prepare BRS of Sri Satyanarayana as on April 30, 2018.

- i. Overdraft balance as per pass book Rs. 9000
- ii. Bank charges Rs. 150 not entered in cash book.
- iii. Cheque Rs. 500 entered in cash book but forgot to sent to bank for collection
- iv. Chque issued for payment Rs. 500. But not payment before the date of reconciliation.
- v. Commission debited only in pass book Rs. 100

(ANS: 8750)

## TALLY

*Tally – groups available in tally – classification of groups in tally – creating a company.*

### **Learning Objectives:**

After studying this Chapter, you will be able to:

- Understand the meaning of Tally
- Understand about company creation
- Understand about groups creation

### **1.0 . Introduction to Tally Accounting Software:**

Tally.is one of the most widely used financial software. Tally.reports can help a business owner make informed decisions to increase efficiency, reduce costs, and organize business operations. With Tally, accurate, up-to-date business information is available at your fingertips anytime. It provides a Comprehensive solution for the accounting and inventory needs of a business. It provides the capability to generate fully accurate tax returns in a matter of minutes and is also capable of extracting, interpreting and presenting financial data.

Tally is the world's fastest and most powerful concurrent Multi-lingual business Accounting and Inventory Management software. Tally., designed exclusively to meet the needs of small and medium businesses, is a fully integrated, affordable and highly reliable software. Tally.is easy to buy, quick to install, and easy to learned use.

Tally.is designed to automate and integrate all your business operations, such as sales, finance, purchasing, inventory, and manufacturing. With Tally, accurate, up-to-date business information is literally at your fingertips anywhere. The powerful new features and blazing speed and power of Tally combined with enhanced MIS, Multilingual, Data Synchronization and Remote capabilities help you simplify all your business processes easily and cost-effectively.

### 1.1. Salient Features of Tally

**A leading accounting package:** The first version of Tally was released in 1988 and, through continuous development, is now recognised as one of the leading accounting packages across the world, with over a quarter million customers. Tally's market share is more than 90%.

- a. **No accounting codes:** Unlike other computerised accounting packages which require numeric codes, Tally pioneered the 'no accounting codes' concept. Tally.ERP 9 users have the freedom to allocate meaningful names in plain English to their data items in the system.
- b. **Complete business solution:** Tally provides a comprehensive solution to the accounting and inventory needs of a business. The package comprises financial accounting, book-keeping and inventory accounting. It also has various tools to extract, interpret and present data.
- c. **Integrated/Non-integrated accounting and inventory:** With Tally, the user is able to choose to maintain accounts only. If accounting with inventory is opted for, the user can choose whether it should be integrated or not.
- d. **Flexible and easy to use:** Tally is very flexible. It mimics the human thought process, which means that Tally can adapt itself to any business need. Tally users need not change the way their business is run to adapt themselves to the package.
- e. **Speed:** Tally. Provides the capability to generate instant and accurate reports, which assist the management to take timely and correct decisions for the overall productivity and growth of the company.
- f. **Power:** Tally. Allows the user to maintain multiple companies and with unlimited levels of classification & grouping capabilities. It also allows drill down facility from report level to transaction level.
- g. **Flexibility:** Tally. provides flexibility to generate instant reports for any given period (month/year) or at any point of time besides providing the facility to toggle between Accounting & Inventory reports of the same company or between companies.
- h. **Concurrent multilingual capability:** Tally. Offers you the exclusive capability of maintaining your accounts in any Indian language, viewing them in another language and printing them in yet another Indian language.
- i. **Real time processing:** Immediate posting & updation of books of accounts as soon as the transactions are entered, thereby facilitating instant statements & Reports. It also facilitates a real-time multi-user environment.
- j. **Versatility:** Tally is suitable for a range of organisations, from small grocery stores to large corporations with international locations and operations.
- k. **Multi-platform availability:** Tally is available on multiple versions of windows. It runs on a single PC or on a network. On a network, it supports access via any combination of platforms.

**Online Help:** The Tally. Online Help (Alt+H) provides instant assistance on basic and advanced features or any other relevant topics of Tally.

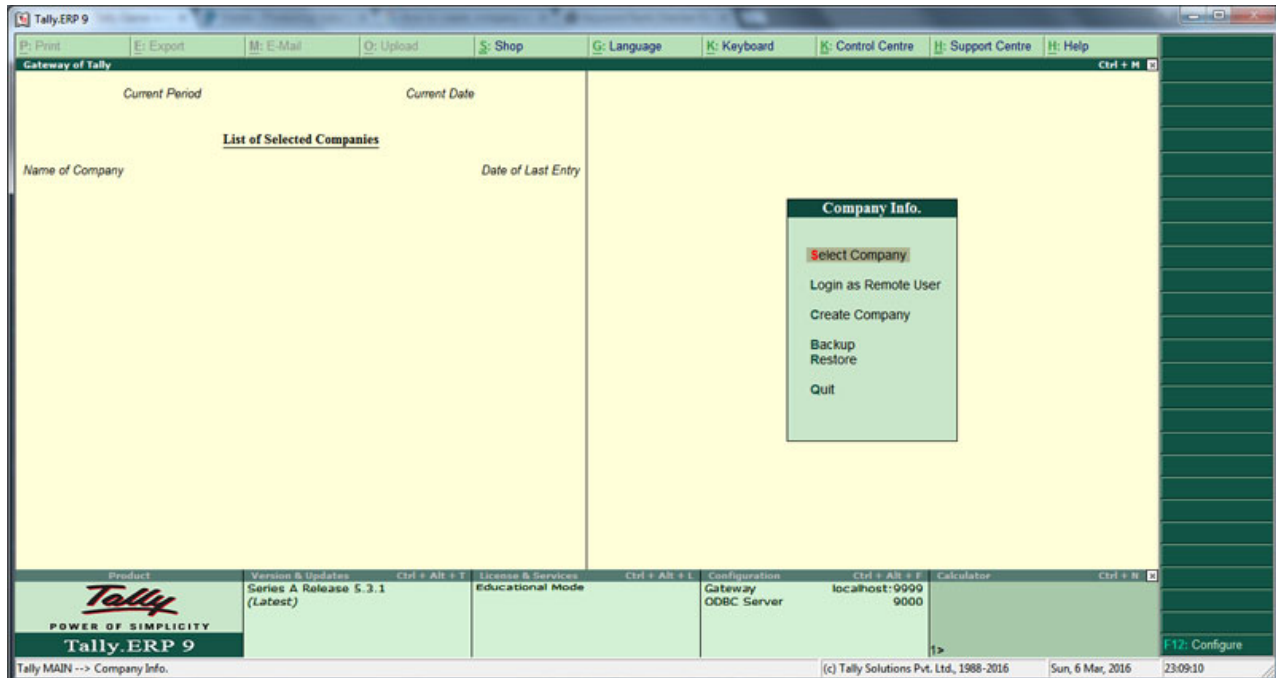
- a. **Tally.NET:** is an enabling framework which establishes a connection through which the remote user can access the client's data without copying / transferring the data.
- b. **Remote Access:** Tally provides remote capabilities to access the data from anywhere and anytime.
- c. **Control Centre:** works as an interface between the user and Tally. Installed at different sites and enables the user to centrally configure and administer Site/User belonging to an account.
- d. **Support Centre:** allows a user to directly post his support queries on the functional and technical aspects of the Product.
- e. **Auditor's Edition:** Tally. Offers a special Auditors' Edition of Tally., which provides auditing and compliance capabilities exclusively for Chartered Accountants.

### 1.2. Company Creation in Tally:

To start accounting with tally the first and foremost thing you should know is , **how to create company** in tally ERP9 .For users operating multiple business can create several companies in Tally erp 9 software at single cost. Nowadays Tally erp 9 has outgrown from the concept just an accounting software. it helps you for better statutory compliance by updating statutory files available at tally solution website. You can operate tally remotely using tally.net features, process payroll and many more features are updating regularly by tally solutions. The most recent improvement is GST. Tally erp 9 is GST compatible from version Tally erp 9 release 6.

Procedure:

1. Open Tally Software by double clicking on the Tally.ERP 9 icon.
2. If you are opening Tally ERP 9, First time after installation, you will be landed to a menu called **company info** menu. ( If you are in Gateway of Tally Press **Alt+F3** to get that menu).
3. Select **Create Company** option in the menu and press enter key.
4. The screen displayed in-front of you is **company creation screen**.
5. Type the name of the company ,address, Financial year begins and all other details asked by the creation screen.
6. Press Enter Key, Finally the program will ask you the confirmation to Save ,**Yes or No**.
7. To save and create company do Press Enter Key, Press Y Key or click on Yes. The program will create a company and you will be entered into it.



**1.3. Accounting Features:** Using the **Accounting Features** , you can enable various options required for making transactions in your business.

**To enable the accounting features:**

1. Go to **Gateway of Tally > F11: Features > F1: Accounts** . The Company Operations Alteration screen appears as shown below:

| Company: <u>ABC Company</u>                                |              |   |              |
|--|--------------|---|--------------|
| <u>Accounting Features</u>                                 |              |   |              |
| <u>General</u>   |              | <u>Invoicing</u>  |              |
| Maintain accounts only                                     | ? <b>No</b>  | Enable invoicing  | ? <b>Yes</b> |
| Integrate accounts and inventory                           | ? <b>Yes</b> | Record purchases in invoice mode  | ? <b>Yes</b> |
| Use Income and Expenses A/c instead of Profit and Loss A/c | ? <b>No</b>  | Use debit and credit notes  | ? <b>No</b>  |
| Enable multi-currency                                      | ? <b>No</b>  | Record credit notes in invoice mode   | ? <b>No</b>  |
|  |              | Record debit notes in invoice mode  | ? <b>No</b>  |
| <u>Outstanding Management</u>                              |              | <u>Budgets and Scenario Management</u>  |              |
| Maintain bill-wise details                                 | ? <b>Yes</b> | Maintain budgets and controls   | ? <b>No</b>  |
| For non-trading accounts also                              | ? <b>No</b>  | Use reversing journals and optional vouchers  | ? <b>No</b>  |
| Activate interest calculation                              | ? <b>No</b>  |   |              |
| Use advanced parameters                                    | ? <b>No</b>  | <u>Banking Features</u>   |              |
| <u>Cost/Profit Centres Management</u>                      |              | Enable cheque printing  | ? <b>Yes</b> |
| Maintain payroll   | ? <b>No</b>  | (Use banking configuration in bank ledger master for cheque printing configuration) |              |
| Maintain cost centres                                      | ? <b>No</b>  | Edit banking features   | ? <b>No</b>  |
| Use cost centre for job costing                            | ? <b>No</b>  | Set/alter post-dated transaction features   | ? <b>No</b>  |
| Maintain more than one payroll or cost category            | ? <b>No</b>  |   |              |
| Use pre-defined cost centre allocations in transactions    | ? <b>No</b>  | <u>Other Features</u>   |              |
| Show opening balance for revenue items in reports          | ? <b>No</b>  | Enable zero-valued transactions   | ? <b>No</b>  |
|  |              | Maintain multiple mailing details for company and ledgers                           | ? <b>No</b>  |
|  |              | Set/alter company mailing details   | ? <b>No</b>  |
|  |              | Enable company logo   | ? <b>n</b>   |

F1: Accounts   F2: Inventory   F3: Statutory   F6: Add-Ons

2. Enable the required options.

3. Press **Ctrl+A** to accept.

If inventory vouchers and features are not appearing for your company, set the option **Maintain accounts only** to **No**, to use the **Inventory** features.

#### 1.4. Groups available in tally:

There are 28 pre-defined **Groups** in Tally.ERP 9, out of which 15 are Primary **Groups** and 13 are Sub- **Groups**. Out of the 15 Primary **Groups**, 9 Primary **Groups** appear in the Balance Sheet which are Capital in nature and 6 Primary **Groups** appear under Profit & Loss Account which are Revenue in nature.

A 'Group' is the accounting group under which ledgers of the same nature can be classified. For instance, Tally. has a default Group 'Sales Accounts', under which all the sales ledgers will be classified. There are 28 pre-defined groups in Tally., which feature in the chart of accounts of many organisations. Out of these, 15 groups are primary groups and the remaining 13 are sub-groups.



Among the 15 primary groups, 9 groups are balance sheet items and the remaining 6 groups are Profit & Loss A/c items. You can use these groups to build your chart of accounts, as well as create and use group's specific to your business transactions. However, you may also alter the nomenclature of these 28 groups. Maintaining Chart of Accounts in Tally.

| Multi Group Alteration |                          | Vridhi Traders      | Ctrl + M |
|------------------------|--------------------------|---------------------|----------|
| Under Group            |                          | : [ All Items       |          |
| S.No.                  | Name of Group            | Under               |          |
| 1.                     | Capital Account          | Primary             |          |
| 2.                     | Loans (Liability)        | Primary             |          |
| 3.                     | Current Liabilities      | Primary             |          |
| 4.                     | Fixed Assets             | Primary             |          |
| 5.                     | Investments              | Primary             |          |
| 6.                     | Current Assets           | Primary             |          |
| 7.                     | Branch / Divisions       | Primary             |          |
| 8.                     | Misc. Expenses (ASSET)   | Primary             |          |
| 9.                     | Suspense A/c             | Primary             |          |
| 10.                    | Sales Accounts           | Primary             |          |
| 11.                    | Purchase Accounts        | Primary             |          |
| 12.                    | Direct Incomes           | Primary             |          |
| 13.                    | Direct Expenses          | Primary             |          |
| 14.                    | Indirect Incomes         | Primary             |          |
| 15.                    | Indirect Expenses        | Primary             |          |
| 16.                    | Reserves & Surplus       | Capital Account     |          |
| 17.                    | Bank OD A/c              | Loans (Liability)   |          |
| 18.                    | Secured Loans            | Loans (Liability)   |          |
| 19.                    | Unsecured Loans          | Loans (Liability)   |          |
| 20.                    | Duties & Taxes           | Current Liabilities |          |
| 21.                    | Provisions               | Current Liabilities |          |
| 22.                    | Sundry Creditors         | Current Liabilities |          |
| 23.                    | Stock-in-Hand            | Current Assets      |          |
| 24.                    | Deposits (Asset)         | Current Assets      |          |
| 25.                    | Loans & Advances (Asset) | Current Assets      |          |
| 26.                    | Sundry Debtors           | Current Assets      |          |
| 27.                    | Cash-in-Hand             | Current Assets      |          |
| 28.                    | Bank Accounts            | Current Assets      |          |

To view the list of the 28 groups, known as the **List of Accounts**, go to **Gateway of Tally > Accounts Info. > Groups > Display (Multiple Groups) > Select All Items**.

The **Multi Group Display Screen** appears as per Figure 1.7. Out of the 15 Primary groups, the following appear in the Profit & Loss Account:

1. Sales Accounts
2. Purchase Accounts
3. Direct Incomes or Income (Direct)
4. Indirect Incomes or Income (Indirect)
5. Direct Expenses or Expenses (Direct)
6. Indirect Expenses or Expenses (Indirect)

### 1.5.Group Creation:

In Tally., there are 28 predefined groups, this mean that it is not necessary to create the Account Group in Tally.. However, considering the different requirement of an organisation and its nature, Tally. Hasalsoprovided flexibility to create the account group, if need be. Group creation is similar to ledger creation in Tally.. As with ledgers, there are two ways of creating groups:

**I. Single Group Creation:** Involves creation of a single group at a time

**II. Multiple Group Creation:** Involves creation of multiple groups at a time

**Single Group Creation** The group to be created, and the primary group under which it has to be classified, is specified in the table below: To create the group,

| Group to be created | Classification |
|---------------------|----------------|
| Debtors – North     | Sundry Debtors |

1. **Go to** Gateway of Tally > Accounts Info. > Groups > Create (Single Group)
2. Enter **Name** as **Debtors - North**
3. Against the field **Under** select **Sundry Debtors** from the **List of Groups**

The **Group Creation Screen** appears as per Figure 1.10

**Note:** To create a Multi Group in Tally, go to Gateway of Tally >. Accounts Info > Groups > Under Multiple Groups > Select Create.

| Group Creation |                 | Vidhi Traders |  | List of Groups |                          |
|----------------|-----------------|---------------|--|----------------|--------------------------|
| Name :         | Debtors - North |               |  |                | ↑ ... 2 more             |
| (alias) :      |                 |               |  |                | Bank OCC A/c             |
|                |                 |               |  |                | Bank OD A/c              |
|                |                 |               |  |                | Branch / Divisions       |
|                |                 |               |  |                | Capital Account          |
|                |                 |               |  |                | Cash-in-hand             |
|                |                 |               |  |                | Current Assets           |
|                |                 |               |  |                | Current Liabilities      |
|                |                 |               |  |                | Deposits (Asset)         |
|                |                 |               |  |                | Direct Expenses          |
|                |                 |               |  |                | Direct Incomes           |
|                |                 |               |  |                | Duties & Taxes           |
|                |                 |               |  |                | Expenses (Direct)        |
|                |                 |               |  |                | Expenses (Indirect)      |
|                |                 |               |  |                | Fixed Assets             |
|                |                 |               |  |                | Income (Direct)          |
|                |                 |               |  |                | Income (Indirect)        |
|                |                 |               |  |                | Indirect Expenses        |
|                |                 |               |  |                | Indirect Incomes         |
|                |                 |               |  |                | Investments              |
|                |                 |               |  |                | Loans & Advances (Asset) |
|                |                 |               |  |                | Loans (Liability)        |
|                |                 |               |  |                | Misc. Expenses (ASSET)   |
|                |                 |               |  |                | Provisions               |
|                |                 |               |  |                | Purchase Accounts        |
|                |                 |               |  |                | Reserves & Surplus       |
|                |                 |               |  |                | Retained Earnings        |
|                |                 |               |  |                | Sales Accounts           |
|                |                 |               |  |                | Secured Loans            |
|                |                 |               |  |                | Stock-in-hand            |
|                |                 |               |  |                | Sundry Creditors         |
|                |                 |               |  |                | <b>Sundry Debtors</b>    |
|                |                 |               |  |                | 2 more ... ↓             |

### SHORT ANSWER QUESTIONS (2 Marks)

1. What is tally?
2. Write any two features in tally?

### ESSAY TYPE QUESTIONS (6 Marks)

1. What are the features in tally?
2. How to create company in tally? Explain with example.
3. Explain briefly about groups in tally?

# OFFICE ASSISTANCESHIP

## Paper III

### OFFICE MANAGEMENT

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## *Preface*

*The basis for this research originally stemmed from my passion for developing better methods of data storage and preservation. As the world moves further into the digital age, generating vast amounts of data and born digital content, there will be a greater need to access legacy materials created with new technology. How will we access this content? It is my passion not only to find out, but also develop tools to break down barriers of accessibility for future generations.*

*In truth, I could not have achieved my current level of success without a strong support group. First of all, my parents, who supported me with love and understanding. Secondly, my committee members, each of whom has provided good advice and guidance throughout the research process. Thank you all for your strong support. I am hopeful that this is going to be extremely useful to all Intermediate second year vocational students.*

*Further suggestions for improvement of the book are solicited.*

*-- S. Jhansi Rani*

**INTRODUCTION TO OFFICE MANAGEMENT****Structure**

- 1.1 Principles of management**
- 1.2 Functions of management**
- 1.3 Meaning of modern office**
- 1.4 Office work**
- 1.5 Office Activities**
- 1.6 Office functions**

**Learning Objectives**

After studying this unit, the student will be able to

To improve knowledge on Office management, Modern Office and its functions

**1.1 Principles of Management**

A principle may be defined as a fundamental statement or general truth providing a guide to thought or action. The principles of management are the guidelines and the ground rules for the efficient management of any undertaking.

According to Mary Parker Follet: Management is ‘the art of getting things done through people’. It emphasizes that the managers achieve organizational goals by enabling others to perform rather than performing the task themselves.

According to James A.F.Stoner. “Management is the process of planning, organizing, leading and controlling the efforts of organisation members and of using all other organizational resources to achieve stated organizational goals”.

The following are the principles of management outlined by Henry Fayol.

**i. Division of work** : Principles of specialization are necessary to increase the efficiency in the utilization of labour.

**ii. Authority and Responsibility** : Responsibility is the corollary of authority and arises from it. Authority is a combination official and personal.

**iii. Discipline** : Respect for agreements which are directed at achieving obedience, application, energy and outward marks of respect.

**iv. Unity of command** : Each employee should have one superior only.

**v. Unity of direction** : Each group of activities having the same objectives must have one head and one plan.

**vi. Subordination of Individual Interest to General Interest :** The interest of groups should supersede those of the individual. When they are found to differ, it is the function of management to reconcile them.

### **1.2 Functions of Office Management**

Henry Fayol, the father of modern management theory, identifies “Planning, Organising, Commanding, Coordinating and Controlling” as the functions of management.

Newman and Summer recognise the functions, viz. Planning, Organising, Staffing, Directing, Coordinating, Reporting and Budgeting (POSDCORB) as the important functions of Management.

Koontz and O’ Donnel classify the functions into “Planning, Organising, Staffing, Directing and Controlling.”

Since office management is similar to the general or administrative management, it performs the same functions as are performed by the management. The functions of office management are.

**i. Planning :** Planning is concerned with dealing in advance what is to be done. According to Terry Planning is the first fundamental function of management. It provides, prior to activity, guides and courses for action required by managers in order to achieve goals. Planning is the selecting and relating of facts, and making and using the assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

‘Objectives are goals to guide the efforts of the company. They have to be defined for the entire undertaking and also for each department. ‘A policy is a guideline to a course of action’. Policies have to be formulated for each type of activity. Policies have to be consistent with the objectives of the concern. ‘A programme is a course of action to be followed to implement a policy and accomplish the objectives.’ ‘Scheduling is the process of establishing the time sequence of the work. It involves fixing of time for starting and completing the work and also the time to be taken for each operation.’ ‘Procedures are methods by which work is to be performed. They lay down the sequence of steps to be taken for performing programmed activities.’ ‘Budgets help management in exercising effective control over the operation of the business.’

**ii. Organizing :** According to Oliver Sheldon “Organization is the process of combining the works done by a individual or a group to perform with facilities

necessary form its execution, that the duties so performed provide the best channel for the efficient, systematic, positive and co-ordinate application of the available efforts.

**iii. Staffing :** Staffing an Organization refers to the selection of men for the various jobs. It refers to choosing and preparing men so that the selection, recruitment, training, development, promotion and remuneration of employees.

**iv. Directing :** The process of direction refers to the way an executives issues instructions to his subordinate. It includes leadership, Communication and supervision.

**a. Leadership :** The quality of leadership is the ability to influence people to strive willingly for the realization of mutual objectives.

**b. Communication :** It is the process of passing information from one person to another person. It involves a systematic and continuous process of telling, listening, and understanding.

**c. Supervision:** Supervision attempts to bring about conformity between planned and actual results.

**v. Motivating :** Motivating is a process of stimulating an individual to take action which will bring about the satisfaction of a need and the accomplishment of a desired goal. Motivation moves a person to action. It is achieved by,

(a) The use of power, or force.

(b) Providing inducements and incentives to employees.

(c) By satisfying the needs of the employees.

**vi. Co-ordination :** It means monitoring, balancing and keeping the team together by ensuring a suitable allocation of tasks to the various members, and by seeing to it that these tasks are performed with an opinion among the members themselves.

### **1.3 Meaning of Modern Office**

An office is “a place where information is received and collected, analyzed and recorded for taking a decision”. Thus, an office may not be a place of work but the work itself. It involves various functions, basic and administrative.

#### **Definitions**

1. “The office is the administrative center of a business .The purpose of an office has been defined as the providing of a service of communication and record” Mills & Standing Ford.

2. “An office is a place where business is transacted or professional services are available “Random Hours of Dictionary.



### **1.4 Office Work**

According to the old concept "Office Work" is mostly concerned with the records of an enterprise and making, preserving the records for further usage, so from this we can call office work as clerical work. And office work not only deals with records, it also includes communication, mechanical data processing, planning and scheduling, etc. According to Leafing well and Robinson: "Office work is concerned with records and statistics, with communication, with computing, with planning and scheduling. Every office task comes within the scope of one or the other of these activities."

### **1.5 Office Activities**

Each office has a personality of its own. This personality is a reflection of the purpose for which an office exists. The manufacturing office will have a profile that differs from that of a sales office. The accounting office will have a different orientation from that of a research and development office." In organizing a new office the office manager must first determine the prime purpose of that office and then add the necessary ingredients to bring about an efficient operation entity that achieves pre-determined results. Although offices differ from one another in prime responsibility, many activities are commonly carried out by all the offices. Some of these activities are.

- (i) Processing Incoming mail.
- (ii) Processing Outgoing mail.
- (iii) Dictation.
- (iv) Transcription.
- (v) Typing.
- (vi) Printing.
- (vii) Copying.
- (viii) Filing.
- (ix) Records Retrieval.
- (x) Records Disposal; and
- (xi) Communication.

### **1.7 Office Functions**

**The functions of a modern office may be classified into two categories:**

1. Basic functions (or) routine functions,
2. Administrative management functions.

**Basic functions (or) routine functions**

- Receiving and collecting data: The office receives data from internal, external, other sources like conferences, circulars etc. Some time, data has to be collected from external sources like customers and suppliers. This is one of the basic functions of an office.
- Recording information: The data collected or received from various sources is recorded in suitable forms. This data can be utilised by the management for various purposes. Further, the records have to be maintained for statutory purposes also. It is therefore essential not only to record data in suitable forms, but also to preserve them for use at any time.
- Processing of data: The data collected from various sources may not be useful straight away. It must be analysed and organised in suitable forms. Based on such analysis, the management takes a decision.
- Communication of information: On the one hand it is the function of the office to supply information as collected, recorded and processed by it to the management whenever required, on the other hand it is also the duty of the office, to communicate the policy decisions, guidelines and instructions issued by the management to the various implementing individuals.

About the activities of the organization the source may be --

- (a) Internal sources: ex. different departments, sections, etc.
- (b) External sources: Govt. departments, financial Institutions, universities, general public etc.

### **ADMINISTRATIVE MANAGEMENT FUNCTIONS**

Besides primary functions there are administrative functions also. The following are some of the administrative functions of an office.

- ✓ Carrying out the management process: in the course of management, office has to plan, organise and control the resources viz. men, material and money.
- ✓ Office systems and routines: For efficient performance each major phase of work has to be analysed and a planned procedure has to be evolved. This will avoid conflict or duplication.
- ✓ Designing and purchase of office forms and stationery; For keeping records necessary forms and stationery are to be devised and purchased. Keeping in mind the uses of stationery for different purposes, care should be taken to purchase appropriate stationery for standardisation.

- ✓ Selection and purchase of office furniture, equipment and machines: It is the duty of the office to provide suitable furniture and equipment for efficient functioning of the office.
- ✓ Selection, training and remuneration of personnel: Staff play an important role in an office. A right person for the right post is needed. It is the function of the office to select suitable personnel, provide any necessary training and allot the work to the individuals. It is also essential to fix the remuneration for the individuals based on the work they do.
- ✓ Safeguarding of assets: The assets such as telephone, lighting and ventilation systems, are needed for the regular and smooth functioning of office and they have to be protected against theft or damage.
- ✓ Controlling Office costs : With the adoption of scientific methods for office management, a modern office is further supposed to discharge the function of Controlling office costs This may be done by.
  - (a) Mechanization of the office.
  - (b) Adopting time and labor saving devices in the office.
  - (c) Using better forms.
  - (d) Analyzing the existing office routines and adopting improved ones.

**Short Answer Type Questions**

1. Define management.
2. What is controlling?
3. What is 'responsibility' and 'authority'?
4. What is motivation?
5. Define Modern office.
6. What is office work?

**Long Answer Type Questions**

1. Write the principles of management?
2. Explain the functions of management?
3. Explain the various office activities?
4. Explain the office work?
5. What are the modern office functions? Explain.

## Office Organization and Administration

### Structure

- 2.1 Organization meaning and definition
- 2.2 Characteristics of organization
- 2.3 Importance of organization
- 2.4 Steps in organization management
- 2.5 Administration
- 2.6 Principles of organization formal and informal organization
- 2.7 Types of organizations.
- 2.8 Functions of administrative office Manager.

### Learning Objectives

After studying this unit, the student will be able to

- Explain “an organization, its importance and management”.
- Describe functions of Administrative Office Manager

### 2.1 Organization Definition

**Meaning :** Organization is one of the fundamental functions of management. After having thought out the objective or goal of an enterprise and course of action to be followed, it is necessary to give a practical shape to the work to be performed to meet that objective. In organization, we divide the work, and prepare a structural plan.

### Definitions

“Organization is a group of people who are co-operating under the direction of leadership for the accomplishment of common end”- Ralph C. Davis.

“Organization is the arrangement of function deemed necessary for the attainment of the objective and is an indication of the authority and the responsibility assigned to individual charged with the execution of their respective functions”

### 2.2 Characteristics of an Organization

On careful analysis of the above definitions the following characteristics of an organization emerge

- (i) It is a group of individuals which may be small or large.
- (ii) The group in the organization works under the direction of executive leadership.

- (iii) It is a function of arrangement.
- (iv) It consists of some direction authority which controls the collective efforts of the group.
- (v) It refers to a structure of duties and responsibilities.
- (vi) It is established for accomplishments of common objective.
- (vii) It is continuous function and is preferred in varying degrees by all levels of management, from the first line supervisor to the top executive of the enterprise.
- (viii) It cannot be static for simple reason that an organization which is effective today may not be satisfactory tomorrow. It needs periodic changes and modifications according to current needs and situations in terms of objective, jobs and personnel.

### **2.3 Importance of “Organization”**

The need for organization arises when two or more people work together. A one-man business will have no difficulty about co-coordinating the efforts of the buying, selling and other management functions of business. “But when the business starts to grow, and separate departments are created for buying, Sales, accounting administration, and so on, the need for organization grows with it”. With the growing complexities of a large scale organization, the need and importance of organization has grown substantially.

The importance of organization can also be judged from the fact that a good organization is now regarded as the foundation of sound management.

### **2.4 Steps in Organization Management**

Organizing refers to the grouping of activities necessary for the attainment of objective. It also indicates the authority and the responsibility assigned to individual charged with the execution of their respective functions.

**The following steps are involved in organizing the structure of an enterprise.**

- (a) Knowledge of objectives:** It is important to bear in mind the objective or target of organization or department. The objective(s) must be determined, keeping in view the environmental situation. They must be clear, precise and complete, and free from ambiguity or confusion. Unless the manager or supervisor knows the objective, he may not be able to organize properly and motivate people towards the attainment of the objective.

**(b) Division of work into activities :** After laying down objectives, the manager must identify the total work involved in achieving them. For instance the total work involved of a manufacturing enterprise may be divided into production, finance, personnel, marketing and such other activities.

**(c) Grouping the activities :** The next step is to group the various activities into practical units based on similarities and importance, and to indicate the person who would do the work. For instance, purchasing, machining, assembling may be placed under manufacturing while recruiting, training job grading, compensation may be placed under personnel.

**(d) Defining and assigning activities to jobs :** Jobs must be clearly defined and the activities related to them must clearly identified and assigned. This will help the management to fix the authority and responsibility of the employees concerned.

## **2.5 Administration**

There is a sharp difference of opinion among experts about the meaning and significance of the term “administration”, “management”, and “organization”. Some writers maintain that there is no difference between these terms, while others are of the view that they are not synonymous and have different meanings.

### **Management Vs. administration**

The term administration is that function of an enterprise which relates to the overall determination of policies and major objectives.

- i) Administration is the function of “determining the policies upon which the enterprise is to be conducted, while the function of management is to carry out the policies laid down by the administration group. – Leifing eel and Robinson
- (ii) “Administration is largely determinative, whereas management is essentially executive.”-Oliver Sheldon.
- (iii) “Administration includes broad policy-making and management is a part or element of administration” -Prof. Walter.
- (iv) The term administration “is more often used in non-business enterprises or government departments. The term management may be used for business and non-business enterprises.

## **2.6 Principles of organization**

However, there are certain principles which have more or less universal application and which have more or less organization an office. The task of the office manager is planning organization becomes easier if he takes int consideration the following general principles of organization:

- (i) **Principle of objective:** The objective of an enterprise should be clearly laid down. Within the enterprise, there should be unity and uniformity in the policies and objectives of different departments so that every part of the organization, including the office works towards that objective.
- (ii) **Principle of inter-related function :** Because organizations no longer have mutually exclusive function, but rather integrated functions, the functional area-for example, sales, production, finance, marketing and personnel are interrelated.
- (iii) **Principle of definition :** The duties, responsibilities, authority and relations of everyone in the organizational structure should be clearly and completely defined, preferably in writing.
- (iv) **Principle of work assignment :** the work assignment for each individual in the organization should be taken into consideration the special strength and talents of the individual. This means that an individual should be given an assignment commensurate with his or her ability and interests.
- (v) **Principles of ultimate responsibility :** The responsibility of a higher authority for the acts of his subordinate is absolute ; that responsibility to his workers to do a given job , and the worker commits a mistake , the supervisor is the one accountable to his superiors.
- (vi) He cannot escape responsibilities by saying that the mistake was committed by a particular worker.
- (vii) **Principle of flexibility:** There must be flexibility in implementing the various rules and procedures without affecting the goals/objectives.
- (viii) **Principle of division of work:** The division of work enables the worker attain efficiency and leads to increased performance.

- (ix) **Principle of discipline:** For any organization, discipline is very important, lest there is threat to the existence of the organization itself.
- (x) **Principle of continuity of operations.**
- (xi) **Principle of employee participation.**

### **FORMAL AND INFORMAL ORGANIZATION**

**Formal organization :** a formal organization is one in which position, responsibility, authority and accountability at each level is clearly defined. A formal organization is bound by the rules, systems, procedures and methods as laid down by the top management from time to time.

According to George R. Terry, there are four basic components of a formal organization.

- (i) The work- which is divisioned;
- (ii) Persons-who are assigned to perform the divisioned jobs;
- (iii) The environment-under which the work is done; and
- (iv) The relationships-among persons or work units.

A formal organization is systematically planned and is based on the principle of the delegation of authority and the principle of responsibilities. It makes use of organization charts and attempts to maintain a balance among the various types of work to be done each being given the importance that its true value deserves.

#### **The advantages of formal organization include**

- (i) Avoidance of role conflict.
- (ii) avoidance of overlapping of authority and responsibility
- (iii) advantage of specialization;
- (iv) Defining and standardizing systems, rules, policies and procedures of an enterprise, etc.

#### **The limitations are**

- (i) It does not recognize informal relationships;
- (ii) It creates problem of communication;
- (iii) It emphasizes structure rather than people.

### **INFORMAL ORGANIZATION**

An informal organization always exists together with a formal organization in every enterprise. In an organization, people evolve informal groups among themselves which are bound together by common social, technological work or other interests. Such groups make up an informal organization.



According to Davis “an informal organization is that network of personal and social relations which is not established by formal organization.” It is an accepted fact that wherever people work together, social relationships and groupings are bound to arise on account of their frequent contacts with one another which give rise to informal organizations.

**The advantages of an informal organization are**

- (i) It provides a useful channel of communication;
- (ii) It covers deficiencies of formal organizations;
- (iii) It influences the formal organizations to work carefully;
- (iv) It brings about mutuality among group members who derive job satisfaction by an exchange of ideas and views, etc.

**Its limitations are**

- (i) It may tend to act on basis of mob psychology.
- (ii) It may be a source of rumors or wastage of time;
- (iii) It may tend to oppose change.

## **2.7 Types of Organization**

The process of organization involves the grouping of activities and the establishment of authority relationships among these activities. But even this is not enough. The various activities have to be necessarily co-ordinate for the accomplishment of organizational objectives. There are four different types of organizations, viz.

- (i) Line organization.
- (ii) Functional organization.
- (iii) Line and staff organization
- (iv) Divisional organization.
- (v) Project Organization
- (vi) Matrix Organization

**(i) Line organization**

The kind of organization in which the managers have direct control over their relevant subordinates through line of hierarchy is known as line organization or military organization. The chain of authority flows from the top-most level and reaches the lower-most level passing through a series of management designations.

**(ii) Functional organization.**

The kind of organization in which line authority, staff authority and functional authority co-exist is known functional organization.

**(iii) Line and staff organization**

A modified version of line organization is line and staff organization which is somewhat complicated than the line organization. In case of such an organization, staff specialist and staff supervisors are provided for each line of authority for advising and supporting the line. While, the authority remains with the line executives, on the other hand, staff members direct, counsel, and provide suggestions to the line executives.

**(iv) Divisional organization**

An organization adopts a divisional structure when it tries to serve diverse customer segments, or plans to introduce a new product, or tries to enter in diverse markets. It is also known as profit decentralization and is established around different divisions of the business.

**(v) Project Organization**

The Project organization structure is the one which has various horizontal organizational divisions for accomplishing the long-run projects, since, all the projects are significant for the firm, an expert panel, including specialist from various fields, is formed for every project. The team for every project may vary in size. Each project team has a manager who is responsible for monitoring and controlling the activities of team members, who can take the assistance of various experts from inside or outside the firm

**(vi) Matrix Organization**

The most recent organization design is the matrix structure which is designed in order to attain goals related to the project and which ensures flexibility of organizational structure the growth of organization. Also called grid can be attributed to meeting the needs evolving from increasing complications of the organization.

**2.8 Functions of Administrative Office Manager**

An office manager is a link between the staff and the management. Thus, he has important functions to perform. Some of the functions are: -

- i. Designing, planning, lay out, maintenance and safeguarding of the building, lighting, ventilation colour conditioning and air conditioning, provision of employee and customer conveniences.
- ii. Selection, purchase, standardisation, maintenance and replacement of furniture, equipment and office machines.

- iii. Preparation of organisation charts and manuals, laying down functions of departments, supervision of departments and branch office operations.
- iv. Organising and supervision of office correspondence, messenger services, conveyor systems, telephone and inter-communication system, data communication systems etc.
- v. Organising and supervision of filing and indexing, maintenance, storing, protection and destruction of records, microfilming etc.
- vi. Organising and supervision of mailing department, handling of incoming and outgoing mails, arrangement for equipments and appliances.
- vii. Organising and supervision of duplicating, copying, printing and other reproduction services.
- viii. Standardisation, designing, purchase, storage and distribution of forms.
- ix. Selection, training, promotion, remuneration, rating and evaluation, discipline, grievances and amenities of personnel.
- x. Gathering job information, laying down job description and job analysis.
- xi. Measuring individual and departmental output, setting up standards of work and output, quality, control, operations, research etc.
- xii. Preparation of master budget and departmental expenditure statements, allocating office expenses and cost analysis.

Apart from the above, the office manager assumes responsibility for the smooth conduct of the office activities.

### **Short Answer Type Questions**

1. Define Organization.
2. What is functional organization?
- 3.. What is formal organization?
4. What is record management?
5. Mention the types of Organization.
6. What is meant by Administration?
7. What is informal organization?

### **Long Answer Type Questions**

1. Give the definition of organization?
2. Explain the characteristics of an organization?
3. Write the importance of organization?
4. Describe the steps in organization?
5. What is formal & informal organization?
6. Explain the functions of administrative office manager?
7. Explain the principles of Organization.

## UNIT

## 3

**Office Accommodation and Environment****Structure**

- 3.1 Introduction to office accommodation
- 3.2 Right accommodation
- 3.3 Location of office
- 3.4 The Office building
- 3.5 Office Layout
- 3.6 Office environment
- 3.7 Types of lighting systems
- 3.8 Ventilation
- 3.9 Interior Decoration
- 3.10 Furniture

**Learning Objectives**

After the end of this unit, the student should be able to.

- Learn the importance of office accommodation.
- Identify the good environment to establish an office.
- Understands the types of interior decorations to be made in an office and how it reflects towards employees.

**3.1 Introduction to Office Accommodation**

Every office manager is concerned about getting office work performed with the maximum efficiency and at minimum cost. This would be possible only if he makes a proper selection of employees, gives them a proper training and guidance, and places them in appropriate jobs. However, if the office staff is to work efficiently it must be properly accommodated, have a good working environment, and should be properly equipped with suitable accommodation. Modern equipment and proper working conditions are not in any way less important factor in improving efficiency and reducing costs.

**3.2 Right accommodation**

While deciding about office accommodation, the office manager should bear the following principles in mind

- (i) The office must be located at some convenient place so that it may serve the entire organization in the best possible manner.
- (ii) Office space should be sufficient from the point of view the present and future needs of the organization.
- (iii) Due provision should be made for the conveniences and amenities required for the comfort and well-being of the staff, e.g. washing room, rest room, water coolers , canteen, etc.
- (iv) Service facilities like telephone, lift, internal communication, etc, should be available in the office, while other like banking, transport, market, post office, etc, should be available near the office premises.

### **3.3 Location of Office**

Every office manager should give a full and proper consideration to a suitable location for his office. This location or site is an important consideration because an unsuitable location may lead to a waste of resource and efforts and result in loss of time, inconvenience to the staff as well as to the persons dealing with it. The problem of location arises under one or the other of the following conditions

- (i) At the time of starting a business enterprise.
- (ii) The increased volume of work may require change of location and the existing ones is no longer sufficient for the expanding business, and therefore, the entire expansion of the existing office or a new location is necessary.
- (iii) The facilities provided in the original location plan are no longer sufficient for the expanding business, and therefore, the entire expansion of the existing office or a new location is necessary.
- (iv) The lease for the office premises has expired and the owner of the premises is not prepared to renew it.
- (v) Shifting of the business by the business enterprise from one place or one state to another.

### **3.4 The Office Building**

The problem of choosing the right location for the office premises is as complicated as that of getting a proper and suitable building to accommodate it. The office building should not only be of a proper size and shape, it should also be of such design as to serve the particular needs of the enterprise often, it is rather difficult to get a building which is exactly suited to the requirements of organization. The management should try to obtain such premises which fulfill its requirements in the best possible manner. The construction of one's own office building may be necessitated in the following.

- (i) When the business is large and well established.
- (ii) When the demand for the products in services of the organization is of relative stable character.
- (iii) When there is a cost advantage in the construction of the business premises.
- (iv) When a specific type of building is required for office purpose e.g., centrally air-condition, sound-proof or specially constructed for housing computers etc.

### **3.5 Office Layout**

After acquiring the building for the office, the important before the office manager is office space planning or office layout. According to Littlefield, "office

layout may be defined as arrangement of equipped within the available floor space.

G.R.Terry defines office layout as “the determination of the space requirements and of the detailed utilization of this space in order to provide a practical arrangement of the physical factors considering necessary for the execution of the office work within reasonable cost.

The object of an office layout is to make arrangements for the placing of men, materials, machines, furniture and equipment within the available floor space of the office in such a way that everything can be utilized in the best possible manner.

- (i) The determination of correct amount of space for each employee and for machinery and equipment they use.
- (ii) The correct arrangement of furniture , equipment and machinery etc.
- (iii) The best possible environment conditions.

### **3.6 Office Environment**

Office environment comprises of following.

- (i) Office lighting.
- (ii) Ventilation and temperature control.
- (iii) Interior decoration and furnishing.
- (iv) Office furniture.
- (v) Freedom from noise and dust.
- (vi) Safety.
- (vii) Sanitary arrangement.
- (viii) Security
- (ix) Secrecy.

#### **Office lighting**

Lighting is perhaps the most important of office physical conditions. Probably the best way to grasp the importance of lighting to office management is to realize that virtually every office task is a seeking task. Since office work is mostly paper work adequate lighting should be provided in any modern office.

Office lighting possible for the worker to see what he is doing-clearly, quickly and accurately “less than adequate lighting results in delays, and mistakes”; delays because it takes longer to read in poor light; mistakes because the visual image is indistinct instead of sharp and clear. Moreover, it causes over-strain, fatigue and headache to workers.

Lighting must have the following characteristics:

- (i) **Sufficient quantity:** Sufficient quantity of light should be provided. The foot candle is the unit measure of light and represents the amount of

direct light obtained from a distance of one foot from the standard candle.

**(ii) Intensity :** The light should provide the right degree of intensity and brightness. The light should be well diffused over the work place and should not cast any shadows. It should also be spread uniformly over all parts of the working surface.

**(iii) No Glare :** An efficient lighting system should not cause any surface glare. Direct glare which results from sunlight or ceiling light can be prevented by the use of shades or light fixtures.

**(iv) No contrasts :** Abrupt contrast in lighting of work surface and remainder area should be avoided.

### **3.7 Types of Lighting Systems**

**(i) Direct :** In this type of lighting, approximately 90-100 percent of the light is directed downward to the working surface. This system makes use of some shade on, or reflector for the source of light. It provides good intensity of light.

**(ii) Semi-direct :** In this system, a transparent or translucent shade is used which is directed 60-80 percent of the light downward; the remaining light is directed upwards and is reflected from the ceiling.

**(iii) Indirect :** In this system, 90-100 percent of the light is directed towards the ceiling or walls and is then diffused and reflected downwards on the work surface. This system provides light which is soft, avoids shadows and glare and does not cause eyestrain.

### **Kinds of lighting**

**(i) Natural :** Natural light or daylight is the best form of lighting. The maximum use should be made of natural lighting from whatever source available. Windows should be large and high up; but provision should be made to prevent direct sunlight falling upon the surface.

**(ii) Artificial :** Artificial lighting may be used to supplement natural light. Since it is generally not possible to provide natural over the whole working surface, artificial lighting has to be provided so that the working surface may be properly and evenly illuminated.

### **Artificial lighting is mainly of two kinds**

**(a) Fluorescent :** The illumination produced by the fluorescent lighting closely resembles that of natural lighting. Although such lighting is very expensive to

install, it is advantageous in the sense that it provides less heat and less glare, last longer than filament bulbs and consumes less electricity;

**(b) Incandescent :** This type of light is provided by filament bulbs. The installation of incandescent lighting is much less expensive than fluorescent lighting.

### **Benefits of good lighting in the office**

**(i) Increased output :** A change from poor lighting conditions to good is almost certain to result in some increase in the rate of work output.

**(ii) Better quality of work :** The quality of work in an office can be improved appreciably by bring light up to accepted standards where light is not good, errors are more frequent, may be due to eye strain or fatigue.

### **3.8 Ventilation**

Ventilation in the office refers to the supply of clean and fresh air in right amount, at the right temperature and of the right humidity.

Proper ventilation is an important aspect of office environment; fresh air must pass through the office regularly. This is possible only when the office premises are properly ventilated. In the absence of proper ventilation, air becomes stale, causes headache, fatigue and restlessness to the employees. On the one hand, lack of proper ventilation makes a person sleepy and unduly tired and adversely affects his health.

### **The following methods are generally used to maintain proper ventilation**

**(i) Natural ventilation :** Natural ventilation may be obtained by providing enough doors, windows and ventilators of the right type at the right places. They would ensure a regular flow of fresh air from the outside and of stale air from the inside. Natural ventilation can be increased by providing roof ventilators and internal tube ventilators.

**(ii) Artificial ventilators :** Artificial ventilators may be achieved by use of electric fans, exhaust fans, air-coolers, air filters etc.

### **Types of Artificial Ventilators**

**(i) Electric fans :** Electric fans are used to circulate air because air circulation is much better than stagnant air.

**(ii) Exhaust fans :** These fans expel the stagnant air from the room. They are very effective measure o ventilation.



**(iii) Air coolers :** Air coolers have also become very popular in offices. They draw in the air which passes through water and becomes cool.

**(iv) Room heaters :** Room heaters may be provided during the winter to keep the temperature of the work place above the atmospheric temperature.

**(v) Air conditioning:** Air-conditioning is usually the most suitable form of ventilation. It contributes to mental activity and boosts the efficiency of employees. It is a costly system, but it eliminates the problem of cleanliness, heat and ventilation. Apart from providing good atmospheric conditions, air conditioning offers the following advantages.

- (a)** It helps maintain employees efficiency.
- (b)** It helps safeguard their health.
- (c)** It helps to keep production cost low and.
- (d)** It helps to protect the product or equipment in the plan.

### **3.9 Interior Decoration**

Interior decoration may be described as “the art of a careful decoration of interior of a room or a building”. It has been found that an attractive décor not only adds to appearance of a room, but has a psychological effect on the people working in it.

#### **Interior decoration involves**

- (i)** A tasteful coloring of walls, doors and windows.
- (ii)** Placing of attractive art objects pictures, painting and informative charts on the walls.
- (iii)** Floor covering, curtains and wall hangings, etc.

### **3.10 Furniture**

After deciding the layout of the office accommodation and its decoration, it is necessary to turn to the furniture that is to be put in it. Office work mostly indoor desk work; suitable furniture should therefore, be provided for office clerks so that they may be comfortable enough to perform office work speedily and efficiently. Office furniture is the basic facility with which the employee identifies himself. It is the duty of the office manager, therefore, to provide the right type of furniture in the office.

The usual furniture found in any modern office include desks, chairs and tables, racks, cabinets, cupboards, lockers, safes, trays, admirals etc. the number of pieces and the kind of furniture to be purchased for any office depends on various factors:

- (i)** The number of departments and employees
- (ii)** The nature and volume of work to be performed and
- (iii)** The office space available for their suitable accommodation.

**Factors :** In selecting the furniture and other equipment to be used for a specific job, the following six questions should be considered.

- (i) Is the furniture adequate?
- (ii) Can the clerk work comfortably?
- (iii) Can the clerk use both hands?
- (iv) Can the job be supervised?
- (v) Is the work adequately protected against dust loss or damage?
- (vi) Is there suitable provision for keeping the clerk's personal effects?

### **Short Answer Type Questions**

1. Give some examples of artificial ventilation?
2. How to cover the floor covering?
3. Mention any four types of office furniture?
4. What is meant by location of Office?
5. What is Office Layout?
6. Define Ventilation?

### **Long Answer Type Questions**

1. Explain how the office manager can get maximum efficiency with minimum cost?
2. Explain principles of Office Accommodation.
3. Describe the importance of office building?
4. Discuss the importance of office layout?
5. Explain the types of lighting systems.
6. Write about importance of Office Furniture.

## OFFICE STATIONERY AND RECORD MAINTENANCE

### Structure

- 4.1 State the meaning and importance of stationery
- 4.2. List out the types of stationery used in an office
- 4.3. Explain the issues, control and consumption of stationery
- 4.4 Filing
- 4.5 Methods of filing
- 4.6 Explain maintain inward mail register
- 4.7 Understand folding of letters and envelope preparation for outward Mail.
- 4.8 Explain sorting, sealing, weighing and stamping.
- 4.9 Explain recording in dispatch register (Outward mail register)

### Learning Objective

After studying unit the student will be able to.

- Learn office record maintenance,
- Use Stationery items
- Understand Filing system
- Maintain Inward and outward mail register

### Meaning and importance of stationery.

*Every office requires a large variety of articles in connection with the office work. These are called office Stationery or Office Supplies.*

*Meaning of stationery:* Writing and other office materials (such as paper, pens, and ink) that are used for writing or typing.

*Importance of Stationery:* Stationery plays an important role in day to day office work. It helps the office work in following ways:

- Used for writing purpose
- Used in machinery for printing
- Used for correction
- Used for maintaining records and registers
- Saves time
- Helps in easing work
- Creating multiple copies

### Types of stationery used in an office.

Different types of General Stationery:

- Pen, Pencil, Scale, Eraser, Sharpener
- Writing Pad
- Stapler, Paper Weight, Tape, Pins, Gem Clips
- Rubber Stamp, stamp pad
- Letterhead
- Gum, Candle, Match Box, Sealing Wax, Rubber bands

**4.3. Explain the issues, control and consumption of stationery.**

For smooth and efficient running of office, it is necessary that selection, purchase, storage and its issue must be organized on systematic lines. It is the duty of the office manager to select quality stationery and made available for its smooth functioning.

Before purchase of stationery, the office manager must receive a requisition from the person requiring it. The requisition should state the description of the material, quantity required and the purpose. The Office manager shall evaluate all such requisitions and ultimately recommends for making purchases, keeping in view the financial and other aspects.

Purchase of office stationery: Office Stationery can be purchased in the following ways:

1. By Direct Purchase
2. By Calling Quotations
3. By Tender Notification

1. Direct Purchases:

Certain suppliers with good reputation will supply quality stationery at reasonable price when ordered. The organizations can place order with that supplier.

2. By calling Quotations:

Under this method of purchase, the suppliers are asked to submit their quotations accompanied by specimens. If satisfied with the prices and quality of the specimen, orders will be placed with the supplier.

3. By inviting Tenders:

Generally large organizations and local authorities prefer to purchase stationery and supplies by tender. The items of stationery and the quantities required for a year is decided. Advertisements should be given in all the leading papers inviting stationery manufacturers to tender prices. After

examining the tenders, the organization may chose the supplier. The supplier will deliver the goods as per the organization guidelines.

#### Issue of Stationery:

It is necessary to set up a formal issue system to regulate and control office stationery and supplies. The following principles may be observed while issuing stationery.

- (i) No item is to be issued without proper requisition.
- (ii) The requisition should be signed by an authorized person.
- (iii) All issued should be promptly recorded in the stock register.

The format for the indent is as follows:

|   |                         |                      |                               |
|---|-------------------------|----------------------|-------------------------------|
| NAME OF THE ORGANISATION                          |                         |                      |                               |
| Indent No.  |                         | ADDRESS:             |                               |
| DEPARTMENT INDENTING                              |                         | DATE:                |                               |
| Sl.<br>No.  | Description of the Item | Quantity<br>required | Page No. of the<br>Stock book |
|   |                         |                      |                               |
|   |                         |                      |                               |
|   |                         |                      |                               |
|   |                         |                      |                               |
| The above items are required for the use of ..... |                         |                      |                               |
| Indented By                                       |                         | Checked by           | Passed by                     |
| Received the above material                       |                         | Indentor.            |                               |

#### Control and Regulation of Consumption:

Since stationery is a costly item, it is very essential to keep consumption minimum. No item should be issued without indent. Staff must be advised not to stock too much of stationery in their desks. There should be regular physical stock verification to check the balances appearing on the stock registers.

#### 4.4 Filing

Filing is a form of record-keeping. Documents are filed in order that they may be available for use at some future date, which is the precise purpose of

making records. Filing provides a means of preserving records of business transaction. According to Leafingwell: "filing is the process of so arranging and sorting original records, or copies of them that they can be readily located when required."

#### **4.5 Methods of filing**

Various methods of filing are based on the different types of equipment in use. These methods may be classified in two broad categories.

- (1) Conventional methods.
- (2) Modern methods.

##### **Conventional methods**

The old methods of filing are still in common use in most offices. However they are being gradually replaced by modern methods. The most important conventional filing methods.

- (1) Methods holders.
- (2) Bound books (guard books).
- (3) Spike or pillar-and-post filing.
- (4) Expanding pockets.
- (5) Concertina file.
- (6) Box files.
- (7) Pigeon-hole method (docketing).

##### **Modern filing methods**

The conventional filing methods and equipments are obsolete and useless from the standpoint of large-scale organization. This equipment was useful when the number of records was very small. Many sophisticated, improved and new filing equipment have been developed to meet the filing requirements of a modern business and these may be classified as --

- (a) Horizontal filing.
- (b) Vertical filing.

##### **(a) Horizontal filing**

Horizontal filing indicates the horizontal positions of files. Under this method, papers, folders, other containers are placed in a horizontal or flat position "one on the top of another on shelves or in shallow drawers." The papers are filed in a chronological order (date-wise). These files come in a variety of folders, viz.,

**(1) Flat files :** These are covers of cardboard or thick papers, fitted with metal hinges with which to fasten the papers together. A separate cover (file) is allotted to each customer or subject, and all the correspondence and documents relating to the customer or subject is placed in that cover in a chronological order.

**(2) Arch files :** These are strong cardboard folders containing strong metal arches, which can be operated by levers. If a paper is to be filed, it is punched with holes with the help of a punching machine; the lever is then moved upward which opens the springs or metal arches. The paper is placed in its appropriate place and once again the lever is closed and locked.

(b) **Vertical filing :** Vertical filing indicates the vertical position of the files. Under this method, paper folders or files are kept in upright or standing position. This system is an improvement on the horizontal filing system in which a great deal of time is consumed in locating a paper or document.

- **Folders :** Folders are the basis of vertical filing. They are made of Manila paper or some other strong paper and are used to hold papers and documents.

- **Cabinets :** For general office use vertical filing cabinets made of wood or steel are fitted with four drawers. The drawers in these cabinets run on ball bearings, and are deep enough to hold the folders in a standing position.

- Suspension filing.
- Lateral filing.
- Open-shelf filing.
- Visible filing(card filing).

#### **4.6 Inward mail register.**

##### PROCEDURE FOR HANDLING INWARD CORRESPONDENCE:

Mail that is received into the organisation is called inward correspondence. Unless the mail received is not properly registered and taken care of, it does not serve its purpose. Thus, every mail that is received by the organisation should be properly registered and distributed to the concerned person for taking further action. In order to achieve this objective, the Inward mail register is created for recording and ensuring its proper and safe distribution. The following procedure is adopted in the case of inward correspondence.

- RECEIVING AND COLLECTING MAIL: The mailing department should arrange to receive the mail either directly from the Post Office or through the postman. Big organisations may subscribe to a personal

post box or post bag with the Postal Department. The Department allots a unique number to the post box or bag. This facilitates the sender to send the mail direct to the post bag or box at the concerned post office without writing the entire address. Every day, any mail addressed to that bag or box will be kept separately and the organisation can collect the mail direct from the box. This saves much time of the organisation as well as the postal department. This feature enables replying the customer promptly on the same day. When the mail is to be collected from the post office, a responsible employee of the mailing department would be deputed to collect the mail. This avoids tampering of letters by unauthorised persons and helps prompt and speedy delivery of mail.

- ii. OPENING AND SCRUTINISING THE MAIL: On receipt of the mail from the postal authorities, the mail will be opened carefully. Any special instructions such as 'confidential', 'personal' etc. should be scrupulously followed and such letters should be separated and sent direct to the addressee without opening. At the scrutiny stage, it should be verified whether all the enclosures are there with the letter or not. Any discrepancies or differences should be noted down immediately.
- iii. STAMPING THE DATE: All the letters, after scrutiny should be stamped with the date of receipt and consecutively numbered. This is a very important work of the mailing department as it would act as evidence in case of disputes. In case of telegrams etc. the time of receipt should also be noted.
- iv. RECORDING OF MAIL: All the mail that is received should be registered in a register called the "inward register". It contains the details such as date of receipt, name and address of the sender, nature of contents, subject matter of the letter to whom in the organisation the letter should be given, and the receiver's acknowledgement. A specimen inward register is as follows

| Sl. No. | Date of receipt | Name and address of the sender | Reference No. and date | Subject heading | Section to which the letter is sent | Initials of officer receiving | Remarks |
|---------|-----------------|--------------------------------|------------------------|-----------------|-------------------------------------|-------------------------------|---------|
|         |                 |                                |                        |                 |                                     |                               |         |

- v. SORTING AND DISTRIBUTION: The mail, after registering in the inward register, is then sorted department-wise, person-wise and distributed.



The acknowledgement of having received the mail is obtained from the concerned.

#### **vi. OUTWARD CORRESPONDENCE**

A businessman needs to send price lists, catalogues, special offers etc to customers. He also send replies to government departments, banks etc. All such letters / papers going out of an Organization is called Outward Correspondence

#### **PROCEDURE FOR HANDLING OUTWARD CORRESPONDENCE:**

In its daily routines, every organisation sends out correspondence to either its own branches or other organisations or public. Minutest care should be taken especially when the letter is addressed to outside organisations or public as much of the image depends on this letter. The outward mail consists of letters, invoices, documents, quotations, replies etc. The outgoing mail undergoes the following procedure.

i. Collection of mail from various departments: When the outgoing mail is ready for sending out and is duly signed by the concerned officer, everyday at the appointed time, the mailing department collects various letters for despatch from the other departments of the organisation.

ii. Scrutinising the mail: The mail that is being sent out will be thoroughly verified with regard to any enclosures. Any deficiencies or lapses should be brought to the notice of the concerned immediately for rectification.

iii. Recording the outgoing mail: Every letter that goes out of the organisation should be recorded in the outward register. If the letter is to be delivered locally to another organisation, a separate register is maintained and a personal messenger is preferred to deliver such letters. And these letters are delivered under acknowledgement. If the letter is to be posted, it should be recorded in the outward register. The contents of the outward register include the date of sending, to whom it is sent, subject matter, enclosures if any, value of stamps used, special postal instructions if any etc. A copy of the letter despatched is duly numbered and sent to the filing section for storing with the date and signature of the person despatching. A specimen outward register is as follows:

| Sl. No. | Date of despatch | Ref. No. & Date | Name and address of the receiver | Subject heading | Enclosures if any | Stamps used / Postage paid | Remarks (whether registered or post speed post) |
|---------|------------------|-----------------|----------------------------------|-----------------|-------------------|----------------------------|---|
|         |                  |                 |                                  |                 |                   |                            |   |

iv. Inserting the letter into the envelope: After recording the details in the outward register, the despatcher has to fold and insert the letters into the envelope. Proper care should be taken to fold the letter according to the size and type of the envelope being used.

v. Weighing, sealing and stamping: The next step in the process is to weigh the envelope, seal it and affix proper stamps. The despatcher must know the rules of the postal department and be careful enough to affix sufficient stamps as any failure on his part would certainly damage the image of the organisation.

vi. Posting and despatching the mail: Finally, all the mail to be despatched on the day is sorted and kept in mailing bag and the same is carried to the post office for despatch.

#### **4.8 Explain recording in dispatch register (Outward mail register).**

The written record of the letters sent out is maintained in a register called Outward Mail Register or Dispatch Register.

The following details of Outward mail are entered in the Dispatch Register:

- Date of dispatch
- Address to which letter is to be sent
- Subject heading – Giving all the details of the letter
- Letter No. and Date
- Enclosures, if any
- Postal instructions – Whether Ordinary, Speed Post, Courier Service etc. Amount of Postage incurred.



After recording the details in Outward mail register, the office copies of the mail together with the dispatch stamp are sent back to the department concerned.

**Short Answer Type Questions**

1. Define Office stationery.
2. Mention any four stationery Items.
3. Define filing.
4. What is Inward register?
5. What is Outward register?

**Long answer Type Questions**

1. Explain the importance of stationery.
2. Discuss the types of Filing.
3. Draw and explain the Inward Register.
4. Draw and explain the Outward register.
5. Describe the procedure for Inward Mail
6. Describe the procedure for Outward Mail

**UNIT****5****Office communication and Correspondence****Structure**

- 5.1 Importance of communication.
- 5.2 Effective communication.
- 5.3 The communication procedures.
- 5.4 Office correspondence.
- 5.5 Note file
- 5.6 Inter Office Memo
- 5.7 Official Correspondence Structure
- 5.8 Requisition
- 5.9 Indenting
- 6.0 Features of District Office Manual.

**Learning Objectives**

After the end of this unit.

- Student should be able to understand what is office communication and its importance.
- Student should be able to understand different communication procedures.
  - Student should be able to understand what is Official correspondence structure
  - Student should be able to understand District Office Manual

**5.1 Introduction to Office communication**

The term 'communication' is derived from Latin word 'communes' which means common. The process of communication which takes place between one human mind and another establishes a common meeting ground for understanding. Communication is any means by which a thought is transferred from one person to another. It involves receiving information and giving information.

Communication is one of the fundamental functions of an office, and a process essential for all forms of business. It is the process of conveying information from one person to another through post, by telephone, by messenger service or by any other means. The term communication has been defined as "an exchange of facts, ideas, opinions or emotions by two or more persons.

It is the process passing information ideas and making oneself understood by others. Thus, in its simplest sense, communication is the conveying of information from one person to another.

### **5.1 Importance of Communication**

Communication is a two way channel of transmitting ideas, plans, commands, reports and suggestions that influence attitudes towards an organization and its objectives. It is said that, 'the success of an organization depends on the adequacy of communication '. The importance of communication may be highlighted thus communication is broadly classified into two types.

#### **(i) Internal communication**

Importance of internal communication.

- (a) Communication and management control.
- (b) Communication and coordination.
- (c) Communication and integration.
- (d) Communication and motivation.
- (e) Communication and training.

#### **(ii) External communication**

Importance of external communication.

- (a) Communication and external environment.
- (b) Communication and competition.
- (c) Communication and public relation.

### **5.2 Effective communication**

Communication is a major function of an office. All office work, whether performed in one department or in separate departments, is inter-related and inter-dependent. An efficient performance of office work necessitates a regular exchange of information and messages among individual executives, different department and life blood of a commercial and industrial enterprise. The success of an organization depends to a very large extent upon its ability to communicate effectively with its employees and customers. The effective communication service is part of the office organization.

#### **Communication systems and procedures**

A communication service must be accurate, speedy and economical. The office manager should be familiar with the various devices of communication and the different factors which should be considered before adopting a particular communication system.

**These factors are --**

**(i) Speed :** The time taken to transmit a message to its destination and the speed of the communication system should be considered on the basis of the urgency of communicating the message.

**(ii) Distance :** The distance between various persons or departments who are in need of a communication service should be considered, and communication media, suitable for covering the distance, should be selected.

**(iii) Accuracy :** The communication medium which is selected should ensure accuracy in the transmission of messages. If figures are spoken over the telephone, they are liable to be misheard. In such cases, written communication is desirable.

**(iv) Secrecy :** If it is desired that persons other than the intended recipient of the information, should not have access to the information communicated, the medium that is selected should ensure secrecy.

**(v) Safety :** The risk of losing the communication in transit should be considered.

**(vi) Records :** If it is necessary to keep some record of a communication, it would be better to use written communication.

**(vii) Impression :** A communication should be in such a form that there is the desired reaction from the person receiving it. In some cases, a formal letter is adequate while in other it might result in the communication being thrown unread into the wastepaper basket.

**(viii) Cost :** All elements of cost should be taken into account. The relative cost both of installation and running the different systems of communication, should also be considered.

**(ix) Expansion :** The flexibility and scope for future expansion of the communication device to be adopted should be considered.

**(x) The effect of peak load periods :** The selected communication must have the capacity to satisfy the peak loads.

**(xi) Responsibility :** it may be important that responsibility for receipt of communication is fixed by having it in writing when a copy is retained.

### **5.3 The Communication Procedures**

According to Louis Allen, communication is a four way process, It involves.

- (i)** Asking.
- (ii)** Telling.
- (iii)** Listening.
- (iv)** Understanding.

According to Ernest dale, communication is a four way process, It involves.

- (i)** A sender.
- (ii)** A receiver.
- (iii)** A message.
- (iv)** A motivation climate.

### **5.4 Office Correspondence**

Correspondence and the handling of mail are the two basic office routines of any organization, which are closely related to other office services - typing and duplication, filing and indexing, forms management and communication. "Correspondence means communication in writing between individual and institution on matters of common interest"

Correspondence maintenance is very crucial for any office especially, in government offices, where everyone in the system is accountable and responsible. The procedures are clearly laid down in an official document called "District Office Manual". The following section deals with specific reference to the District Office Manual.

Usually, a file consists of

- Current file/reference consisting of communications received and sent.
- Note file

### **5.5 Office Note/ Note File (N.F.)**

The correspondence starts with a note. It is the internal communication and is retained in the organization itself. A note should –

- Facilitate/ensure comprehensive examination
- Provide written record of decision taken and justification thereof
- Constitute proof of approval/orders by the competent authority
- Ensure consistency of approach
- Provide historical and evidential material

- Contain --
  - Statement of the case of problem
  - Relevant facts and figures
  - Procedure prescribed and precedents
  - Law /rules etc on the subject and their application
  - Views/advice of others if any consulted
  - Possible course of action
  - Implications (legal, social administrative, financial) of the various options available
  - Suggested course of action

How to write a note --

- ❖ Simply worded (logically sequenced and with good readership appeal)
- ❖ Factually correct (fact based)
- ❖ Non repetitive (by drawing attention through references on the margin or in the body of the Note esp. for those which can be referred by Nos. and dates)
- ❖ Referenced(to achieve economy of words and comprehensiveness)
- ❖ In short, numbered paragraphs of a few sentences (of about 10 words) each
- ❖ Signed in full and dated by the dealing hand (on the left hand bottom) and by the officers on the right hand bottom without wasting much space in between

**Avoid while writing a note**

- ❖ Verbosity
- ❖ Long and complicated sentences
- ❖ Reproduction of rules/regulations
- ❖ Intemperate language
- ❖ Bias

**5.6 Current File (C.F.)** A current file is the communications received/sent. Papers in the current file are arranged:

- In Chronological order - Previous paper on the top neatly tagged together, both sides of the page of C.F. In Red Ink starting with one Note File
- 1/3rd Margin
- Page No and C.No on top
- Subject/ title
- Reference
- Broken into short paragraphs dealing with single point

**LINK FILES (L.F.)** A link file is the previous correspondence for reference purpose. The link file is usually placed under the current file, as it is only for reference purpose, and is pinned to flaps of lower pad.



- If some matter in any pending file needs to be referred to in note put up in a file under consideration
- Put up file under the file under consideration
- Strings of upper file pad tie to back of the pad
- Strings of lower file tied around upper file Slips indicating

The note together with the C.F. and L.F., if any, is circulated to the management for decision. Everyone in the hierarchy record their viewpoints/suggestions/recommendations in the form of notings. The notings are recorded on a note sheet (even at least one word should be carried over to the next page, instead of ending the note at the extreme bottom of the page at least extra blank courtesy sheet should be added for further noting.

The characteristics of these notings are --

- Concise (comprehensive)
- Precise( businesslike and to the point)
- Objective and unbiased (3rd person passive voice and double negative without being too flowery/clumsy)
- Polite (temperate language, even when pointing out obvious mistakes statements)

## 5.6 INTER OFFICE MEMOS

**Interoffice memorandums (memos)** are used by employees within an organization to communicate with one another. A memo heading consists of four standard parts: TO, FROM, DATE, and SUBJECT.

The memo is usually keyed on a preprinted form with the organization's name printed at the top of the page. If the headings TO, FROM, DATE, and SUBJECT need to be keyed, use the format guides presented below.

### **Memo margins.**

|                                   |           |
|-----------------------------------|-----------|
| <b><i>Top margin</i></b>          | <b>2"</b> |
| <b><i>Side margins</i></b>        | <b>1"</b> |
| <b><i>Bottom margin about</i></b> | <b>1"</b> |

**Spacing.** Begin all lines of the heading at the left margin. Leave one space above and below each part of the heading and below the subject.

**Body.** Begin all paragraphs of the memo at the left margin and key them SS with one blank line between paragraphs.

**Reference initials.** If someone other than the originator keys the memo, the keyboard operator's initials are keyed one line below the body of the memo. In

addition to the standard parts, an interoffice memo may include the following special parts.

**Distribution list.** When a memo is sent to more than one person, a distribution list is used. Format the TO heading as shown in the example below:

TO: xxxxxxxx  
yyyyyyy  
zzzzzzz  
aaaaaaa

**Attachment/Enclosure notation.** If another document is attached to a memo, the word *Attachment* is keyed at the left margin one line below the reference initials. If a document is included but not attached, the word *Enclosure* is used. If no reference initials are used, the notation is keyed one line below the last line of the body.

**Copy notations:** A copy notation indicates that a copy of the memo is being sent to someone besides the addressee. Key *c* followed by the name(s) of the person(s) who are to receive a copy. Place the copy notation one line below the enclosure notation or the reference initials.

Sometimes the writer of the memo wants to send a copy to someone without disclosing this to the addressee of the memo. In this case, key *bc* (blind copy) followed by the name(s). The blind copy notation is keyed only on the copy or copies, not on the original.

## 5.7 E-MAIL

E-mail (electronic mail) is a popular way for business people to communicate both inside and outside their organizations because of its speed in creating and sending messages. The delivery of e-mail can take place within minutes of its creation, whether the receiver is in the same building as the sender or thousands of miles away. The format of an e-mail message is similar to an interoffice memo but may vary slightly depending upon the software that is used.

## 5.8 Requisition

Written order or a formal demand by the user(s) of a good or service (which is not made available without a specific request) to the organization's purchase (or stores) department. It generally includes the brand and model name or number, description, quantity, and the required delivery date. Also called purchase requisition.

### Usage examples

- He must answer the king's requisition in order to be granted access to the hidden chambers below where the hidden treasures reside
- Some times when buying something expensive the purchaser will fill out a requisition order to ensure everything goes smooth and fine
- In order to acquire the appropriate product, the customer provided a requisition to the customer provided a requisition to the company so that they could efficiently satisfy the customer.

### **5.9 PERSONAL REGISTER (P.R.)**

- a) It is maintained by each and every clerk in an office for every year. Usually, the register is maintained for a calendar year i.e. from 1<sup>st</sup> January to 31<sup>st</sup> December. However, old P.Rs. can be continued till 31<sup>st</sup> March.
- b) Undisposed current files are entered in the new personal register afresh on 1<sup>st</sup> April.
- c) The numbering is continuous.
- d) New Currents to be entered with all particulars in columns 1 to 4. Clubbed Cs – only the old file No. given in column 4
- e) Adequate care taken to write subject / title.
- f) Subject – main head underlined in red ink.
- g) A certificate to the effect of entry of BF currents on 1st page attested by Superintendent
- h) Reminders to be entered in Red Ink
- i) or 3 currents in each page.
- j) Separate files with a Red Line
- k) Nature of disposal in last column with date.
- l) Once file is disposed Current No. to be rounded off in red ink &. Disposal handed over to Record Assistant.

### **5.10 Record Maintenance/Safety of the old files.**

- R.Dis. (Retain Disposals): It is to be retained permanently
- D.Dis. (Destroy Disposals): It is to be retained for a prescribed period. Ten years normally. But period can be extended by obtaining order for further retention, where required
- L.Dis. (Lodge Disposal): This is to be retained till one year or three years

- Great care has to be taken while marking the nature of disposal on the paper and the Section Head will be responsible for this marking.
- Irrespective type of disposal, there will be a need to review and to decide to preserve them furthermore duly changing the type of disposal or to destroy under proper certification
- R.Dis. requires scrutiny after 50 years to see whether that Disposal requires to be preserved or otherwise.

The following is the procedure for disposal of office records.

| Sl.No                    | Register                         | No. of Years to be retained |
|--------------------------|----------------------------------|-----------------------------|
| <b>SERVICE MATTERS</b>   |                                  |                             |
| 1                        | Service Register                 | Permanent                   |
| 2                        | Register of Service Records      | 35 years                    |
| 3                        | Register of Increments           | 10                          |
| 4                        | Register of Probationers         | 10                          |
| <b>FINANCIAL MATTERS</b> |                                  |                             |
| 1                        | Cash Book                        | 10                          |
| 2                        | Contingent Register              | 5                           |
| 3                        | U.D.Pay Register                 | 10                          |
| 4                        | Register of Valuables            | Permanent                   |
| 5                        | Office copy of pay bill Register | 35                          |
| 6                        | Register of Revenue              | 10                          |
| 7                        | Register of Deposits             | 5                           |
| 8                        | Register of Purchases            | 5                           |
| 9                        | Bills & Budget Control Register  | 10                          |
| 10                       | Treasury Bills Register          | 10                          |
| 11                       | Register of cheques              | 10                          |
| 12                       | Registers of various Advances    | 10                          |
| 13                       | Register of Cash Receipts        | 5                           |
| 14                       | Register of Cheques (books)      | 10                          |
| 15                       | Stock Register of expendables    | 10                          |
| 16                       | Dead Stock & Machinery           | 10                          |
| 17                       | Register of library books        | 10                          |
| 18                       | Muster Roll                      | 5                           |

|    |                              |    |
|----|------------------------------|----|
| 19 | Measurement Books            | 10 |
| 20 | Register of L.P.C's Issued   | 5  |
| 21 | Register of Current account  | 10 |
| 22 | Register of Audit Objections | 5  |

**Short Answer Type Questions**

1. What is communication?
2. Write any three facts of communication.
3. Define Indenting.
4. Define office correspondence.
5. Define Note file.
6. Define requisition.
7. What is a personal register?
8. What is inter office memo?
9. What is an e-mail?
10. Mention the characteristics of notings.
11. What is a link file?
12. What is a current file?
13. Mention any three rules for maintenance of records.

**Long Answer Type Questions**

1. Describe the importance of communications?
2. What is effective communication system and procedure?
3. Explain the process of communication?
4. Describe the procedure for disposal of files in an office.
5. Describe Office management system.
6. Narrate Personal register Check list.

## 6

## UNIT

**CONDUCT OF MEETINGS**

## Structure

- 6.1 Conduct of Meeting
- 6.2 Meeting Notice
- 6.3 Agenda
- 6.4 Preparation of notes for the agenda
- 6.5 Arrangements for conducting a meeting

**Learning Objectives****After the completion of this unit**

- Student should be able to understand Conduct of Meeting
- Student should be able to understand Agenda
- Student should be able to understand Meeting Arrangement

**Meeting:** “A meeting is an association of members to transact a business, and take decisions”.

**6.1 Define the following terms used in meeting.**

- (a) Agenda      (b) Chairman      (c) Proxy      (d) Quorum      (e) Minutes  
(f) Resolutions.

a) **AGENDA:** Agenda is the ‘list of points to be discussed in a meeting’. All the points on which a discussion needs to be taken up and decisions arrived at must be prepared and circulated to the members. Any explanatory notes also should accompany the agenda wherever necessary. The agenda is sent along with the meeting notice. Usually, it is prepared by the Secretary/Office Manager of an organisation.

b) **CHAIRMAN:** Every meeting should have a Chairman. A Chairman “is a person who will conduct the meeting”. The Chairman may be elected from the members present. It is his duty to conduct the meeting as per the agenda peacefully maintaining the calm atmosphere.

c) **PROXY:** Proxy is a written authorization to attend a meeting on behalf of a member. Such an authorization is generally to be deposited before the conduct of the meeting. A proxy cannot vote.

d) QUORUM: The minimum number of members required to conduct a meeting is called 'quorum'. The Chairman of the meeting shall verify whether quorum is present for taking up the agenda. For a company, it is stipulated in the Articles of Association. If the quorum is not present, the meeting of a company stands postponed to the same day the next week. During any such postponed meeting, if the quorum is not present still, the number present on that day shall be treated as quorum and the business will be transacted as per the agenda.

e) MINUTES: Minutes are the discussions held on the agenda. Every member is entitled to speak on the agenda and his opinions/view points shall be recorded as Minutes. Every organisation including an office is required to record the minutes / proceeding of meetings in a book kept for that purpose called 'Minutes Book'. The Minutes of meeting are the permanent written record of the proceedings at the Shareholders and Directors meetings. The Minutes book will be open for the inspection of shareholders of a company at any time.

f) RESOLUTIONS: A resolution is 'decision taken in a meeting to be implemented' while 'minutes are only 'discussions on the agenda'. When the chairman puts a motion/proposal to vote which is passed by the required majority, it becomes a resolution. There are two kinds of resolutions. Viz. a) ordinary (b) special

(a) Ordinary resolution: A resolution which is passed by a simple majority of votes is called ordinary resolution.

(b) Special resolution: A resolution which is passed by three fourths' majority, it is called special resolution.

## **6.2 Meeting Notice**

Most of the decisions relating to the management of company affairs are taken through conduct of meetings at different levels. To convene a Meeting a proper notice is to be served to the persons (directors/shareholders etc) expected to attend the meeting in advance.

A notice is nothing but an "invitation to the persons required to attend the meeting mentioning the place, date and time, agenda of the business, duly signed by the Secretary". Generally notice of meeting is sent at least 21 days

earlier at the maximum and 10 days at the minimum. The following is a model notice.

Form of Notice of a Board Meeting

RELIANCE INDUSTRIES LIMITED  
M.G. ROAD, NEW DELHI

Dear Sir,

The meeting of the Directors of the Company will be held at the Registered office (place) of the Company on (date)..... the (month) .....year.....at (time) ..... when your presence is required, to discuss the following:

Agenda:

1. Confirmation of minutes of last meeting
2. Consideration of list of accounts for payment
3. Signing and sealing of ordinary share certificates
4. Next Meeting.

Yours faithfully,

Date:

Place :

Secretary.

Form of Notice of a Shareholders' Meeting

RELIANCE INDUSTRIES LIMITED  
Regd. Office :M.G.ROAD, NEW DELHI

Notice is hereby given that the Tenth Annual General Meeting of the Company will be held at the Regd. Office of the Company on.....(date) at .....(time) to transact the following business.

1. To receive and adopt the Directors' Report and the Audited Balance Sheet and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2015.
2. To elect Directors in place of those who are retiring by rotation.



3. To declare dividends and sanction its payment
4. To appoint Auditors for the next year and fix their remuneration.

(By order of the Board)

Date:

Secretary

To

The Shareholders of Reliance Industries Limited.

#### **6.4 Preparation of notes for the agenda**

Nobody likes a meeting that drags on with no purpose. If you're in charge of writing the agenda, avoid this scenario by writing a clear-cut agenda, establishing what you will cover and how long you'll spend on each subject. By creating a plan and following through, you'll accomplish more and not waste your colleagues' valuable time.

#### **A SAMPLE MEETING AGENDA**

| TOPIC   | PREPARATION   | PROPOSED PROCESS  |
|---|---|---|
| <b>1 What changes, if any, should we make to the agenda?</b><br>TIME: 2 minutes<br>PURPOSE: Decision<br>LEADER: Mike                  | None  | ■ Mike polls team.  |
| <b>2 What deltas from the previous meeting will we focus on this meeting?</b><br>TIME: 3 minutes<br>PURPOSE: Decision<br>LEADER: Anne | Review applicable deltas from previous meeting notes. | ■ Anne reviews areas of improvement that we agreed to focus on during this meeting. |

#### **6.5 Arrangement for conducting A Meeting**

##### **What is the purpose of arrangements for a meeting?**

Making proper arrangements for a meeting is essential, because if you do not make the correct arrangements for a meeting, then something could happen which would stop the meeting from progressing as planned. For example, if you failed to arrange for a projector to be available in the meeting room, a participant may not be able to do their presentation. A failure to make

proper arrangements could mean that a second meeting has to be planned to supplement the first one. What's involved with the arrangements for a meeting?

The initial stages of making arrangements for a meeting are deciding who is going to attend. Once you know who is planning on attending, it is possible to organise a space which is large enough to accommodate everyone. Once this is done, you can make the participants aware of the meeting location. Arrange any specialist equipment once you have organized the venue. If you are arranging a meeting, it is a good idea to arrive at the venue early, so that you can make sure that everything is set up correctly. Whilst some meetings are arranged by the participants themselves, many big companies employ someone to make the arrangements for them.

### **How do the arrangements for a meeting impact on the participants?**

The date and place of a meeting can affect whether they are able to attend or not. When you are planning a meeting it is important that you take into account the needs of all of the participants (including physical needs in the case of disabled participants), because this can affect whether they can attend or not. It is important to make the duration of a meeting short enough that participants will want to attend.

#### **Procedure for the conduct of a meeting:**

- i. A suitable date, time and venue for the conduct of the meeting are to be fixed. Such date, time and place should be convenient for all the persons in general.
- ii. The agenda – the detailed points for discussion during the meeting – should be finalised in consultation with the individuals.
- iii. The meeting notice must be prepared and sent to all the concerned well in advance. It is the duty of the office manager to ensure that such a letter is received by the officers concerned.
- iv. On the date of the meeting, the office manager should reach the venue well ahead of the time, supervise the arrangements. The following are some of the issues which are important for the meeting.
  - a. Lighting and illumination in the meeting room.
  - b. Public address system including computer and LCD Projector.
  - c. Well maintained furniture for the comfort of the members.
  - d. The agenda copies and any notes related to the points which help in taking the suitable decision.
  - e. Refreshment arrangements.

- v. The participants in the meeting must be contacted to ensure their presence for the meeting.
- vi. The meeting is to be conducted only when the minimum required number is present. Otherwise, it should be postponed to a later convenient date.
- vii. He should arrange for recording of the proceedings of the meeting.
- viii. The minutes/proceedings must be communicated to all the members whether they are present for the meeting or not.

**Short Answer Type Question**

- 1. What is Meeting ?
- 2. What is Agenda?
- 3. Define Meeting Notice.
- 4. What are the different types of arrangements for a meeting?

**Long Answer Type Question**

- 1. Describe the steps to be taken to prepare agenda.
- 2. What are the different types of arrangements for a meeting?
- 3. What is the purpose of arrangement for a meeting?

**UNIT****MINUTES RECORDING – PRACTICE****Structure****5.11** Recording of minutes of meeting**Learning objectives**

At the end of this unit

- Student should be able to understand Recording of minutes of meeting
- Student should practise recording of the meeting minutes.

**Minutes of a meeting:**

- Minutes: Every Company is required to write minutes/proceeding of meetings in the book kept for that purpose. The resolutions that are passed in a meeting are recorded in the shape of Minutes in the Minutes book.
- The Minutes of meeting are the permanent written record of the proceedings at the Shareholders and Directors meetings.

**What Are Meeting Minutes and Who Records Them at a Meeting**

Meeting minutes are the written or recorded documentation that is used to inform attendees and non attendees about what was discussed or what happened during a meeting. Meeting minutes or notes are generally taken by a designated meeting minutes recorder during the proceedings so that an accurate record exists of what transpired during the meeting.

Minutes usually include:

- Names of participants
- Agenda items covered
- Decisions made by participants
- Follow-up actions committed to by participants
- Due dates for the completion of commitments

- Any other events or discussions worth documenting for future review or history

### **Meeting Minutes as a Historical Document**

As a historical document, minutes are useful for documenting the key ideas or discussion points that led to a decision. For example, effective meeting minutes may specify the five alternatives the team discussed and the key reason that one was selected over the others.

Minutes for the typical business meeting don't need to record every discussion or state in detail who said what. Of course, this rule is different for other types of meetings such as court hearings and situations where legal action is being discussed. These types of meetings do require an exact record of the conversation and statements. But, unless human resources is discussing a lawsuit, the typical workplace meeting does not document every iota.

### **When and How to Share Meeting Minutes**

Ideally, meeting minutes are recorded on an electronic device, such as a laptop or iPad, and following a quick review of spelling, grammar, and clarity, disseminated to meeting participants electronically at the end of the meeting. This way, the participants have immediate notice of their commitments and deadlines and can raise questions or seek clarification. If this is not possible because the recorder wants to transcribe the minutes or check them for errors, he should disseminate them within 24 hours following the meeting.

Minutes also serve as a reminder of the commitments team members made during the meeting and help participants transfer these items to their calendars and daily task lists.

The recorder should always review the prior meeting's minutes at the start of the next meeting so that people can check them for accuracy and next steps.

### **How Organizations Handle Taking Meeting Minutes**

Critical to a meeting's success, minutes provide a recorded history of the meeting for participants and for employees who were not able to attend. Without full meeting minutes, the meeting's prospects for success are diminished because people, on balance, cannot absorb and retain a wealth of information at one time.

The employee who takes the meeting minutes is usually a member of the team and takes notes while participating in the meeting. In meetings that involve

legal- or government-related proceedings or in corporate board meetings, a nonparticipating individual takes the official minutes and often records the proceedings.

To record key information accurately, the meeting minutes recorder must have an ear for detail and the ability to stay focused. This employee must also multitask effectively to be able to participate in the meeting while recording the minutes.

In some organizations, the same employee takes the minutes at every meeting. Or the responsibility may pass from employee to employee. The role of minutes taker builds effective leadership and communication skills and can be a coveted job.

### **Requirements for a Meeting Minutes Recorder**

The requirements for the recorder include the ability to:

- Record accurately the decisions, commitments, and major discussion points made at a meeting
- Record the action items and due dates that meeting members committed to (action items have names attached, but the minutes don't state who said what in informal workplace meetings)
- Review the major decisions and assignments or voluntary commitments and action items at the end of the meeting so that participants can agree on them before leaving
- Be a team player and be flexible because attendees can add or correct anything they disagree with in the minutes
- Work expediently to distribute copies of the meeting minutes within 24 hours following the meeting

### **Following are essential points required for drafting the minutes:**

- i. The person recording the minutes must be seated in such a way that he hears all the members keenly.
- ii. The minutes must mention the date, time and venue of the meeting held, who has chaired the meeting and who are all the members present for the meeting.
- iii. The view points in full must be noted down.
- iv. After the meeting, the discussions must be summarised in a coherent manner to give the entire picture of the discussions.

- v. Unconcerned and topics not relevant to the discussion must not find a place in the proceedings.
- vi. If any decisions are taken they should be highlighted.

### **Minutes of meeting of the Board of Directors of Joint Stock Company.**

#### **MODEL OF MINUTES (BOARD MEETINGS)**

•The fourteenth meeting of the Board of Directors was held at the Registered Office of the Company on Friday, the 30<sup>th</sup> May, 2017 at 4 PM.

•There were present:

.....(in the Chair)

Directors In attendance

.....

.....Secretary

.....Accountant/Manager

- The Minutes of the last meeting held on 5<sup>th</sup> April, 2017 were read, approved as a correct and signed.
- 1. Payments: List of accounts due for payments to Rs.1,50,000/-. These accounts were approved and cheques therefore were ordered to be signed.
- 2. Share Certificates: Ordinary share certificate Nos.....to.....with Names of allottees were submitted and approved. It was resolved that the Company's Seal be accordingly affixed thereto and signed properly.
- Next Meeting: The next meeting of the Board was fixed to be held at the Company's office on .....

### **Procedure to record minutes of the Office meeting.**

- 1.Date, Time and Place of meeting
- 2.Chairperson of Meeting
- 3.Members present at meeting
- 4.Chairperson's opening remarks
- 5.Item-wise discussion

6. Record Member's Opinions and suggestions,
7. Conclusions or Chairperson's decisions

### **Specimen of Minutes of Annual General Meeting**

Minutes of the \_\_\_\_ Annual General Meeting of \_\_\_\_..held  
at regd. Office of the company on \_\_\_\_ (date) at \_\_\_\_ (time)

Present : Mr. \_\_\_\_ (in the chair)  
              Mr. \_\_\_\_ (director)  
              Mr. \_\_\_\_ (director)

And 1235 other share holders whose names appear in separate sheet  
attached

Agenda:

1. ....

The members discussed the item in full and passed the following  
Resolution:

"Resolved to .....  
.....  
(Action: Company Secretary / Finance Manager)

2. ....

(Action: .....)

### **Short Answer Type Questions**

1. What are minutes of a meeting?
2. List the points to be kept in mind while drafting minutes of a meeting.
3. What are the points to be included in a Board of Directors Meeting?
4. What are the points to be mentioned in a Shareholders' meeting?

### **Long Answer Type Questions**

1. Describe the arrangements to be made for a successful meeting.
2. Draft a specimen of minutes of a Board of Directors Meeting.
3. Draft a specimen of minutes of Shareholder's meeting.

REFERENCES:

1. Office Organisation and Management – R.K. Chopra
2. Office Organisation and Management - S.P. Arora



3. Telugu Academy Publications for Intermediate II Year.
4. District Office Manual of Government of Andhra Pradesh.

### QUESTION BANK

#### **Short Answer Questions:**

1. Define management.
2. What is controlling?
3. What is 'responsibility' and 'authority'?
4. What is motivation?
5. Define Modern office.
6. What is office work?
7. Define Organization.
8. What is functional organization?
9. What is formal organization?
10. What is record management?
11. Mention the types of Organization.
12. What is meant by Administration?
13. What is informal organization?
14. Give some examples of artificial ventilation?
15. How to cover the floor covering?
16. Mention any four types of office furniture?
17. What is meant by location of Office?
18. What is Office Layout?
19. Define Ventilation?
20. Define Office stationery.
21. Mention any four stationery Items.
22. Define filing.
23. What is Inward register?
24. What is Outward register?
25. What is communication?
26. Write any three facts of communication.
27. Define Indenting.
28. Define office correspondence.
29. Define Note file.
30. Define requisition.
31. What is a personal register?
32. What is inter office memo?
33. What is an e-mail?
34. Mention the characteristics of notings.
35. What is a link file?
36. What is a current file?
37. Mention any three rules for maintenance of records.
38. What is Meeting ?

39. What is Agenda?
40. Define Meeting Notice.
41. What are minutes of a meeting?
42. List the points to be kept in mind while drafting minutes of a meeting.
43. What are the points to be included in a Board of Directors Meeting?
44. What are the points to be mentioned in a Shareholders' meeting.

### **Long Answer Type Questions**

1. Write the principles of management?
2. Explain the functions of management?
3. Explain the various office activities?
4. Explain the office work?
5. What are the modern office functions? Explain.
6. Give the definition of organization?
7. Explain the characteristics of an organization?
8. Write the importance of organization?
9. Describe the steps in organization?
10. What is formal & informal organization?
11. Explain the functions of administrative office manager?
12. Explain the principles of Organization.
13. Explain how the office manager can get maximum efficiency with minimum cost?
14. Explain principles of Office Accommodation.
15. Describe the importance of office building?
16. Discuss the importance of office layout?
17. Explain the types of lighting systems.
18. Write about importance of Office Furniture.
19. Explain how the office manager can get maximum efficiency with minimum cost?
20. Explain principles of Office Accommodation.
21. Describe the importance of office building?
22. Discuss the importance of office layout?
23. Explain the types of lighting systems.
24. Write about importance of Office Furniture.
25. Explain the importance of stationery.
26. Discuss the types of Filing.
27. Draw and explain the Inward Register.
28. Draw and explain the Outward register.
29. Describe the procedure for Inward Mail
30. Describe the procedure for Outward Mail
31. Describe the importance of communications?
32. What is effective communication system and procedure?
33. Explain the process of communication?

34. Describe the procedure for disposal of files in an office.
35. Describe Office management system.
36. Narrate Personal register Check list.
37. Describe the steps to be taken to prepare agenda.
38. What are the different types of arrangements for a meeting?
39. What is the purpose of arrangement for a meeting?
40. Describe the arrangements to be made for a successful meeting.
41. Explain the procedure to record the minutes of a meeting.
42. Draft a specimen of minutes of a Board of Directors Meeting.
43. Draft a specimen of minutes of Shareholder's meeting.
44. What are the different types of arrangements for a meeting?