CMA Students Newsletter (For Foundation Students)

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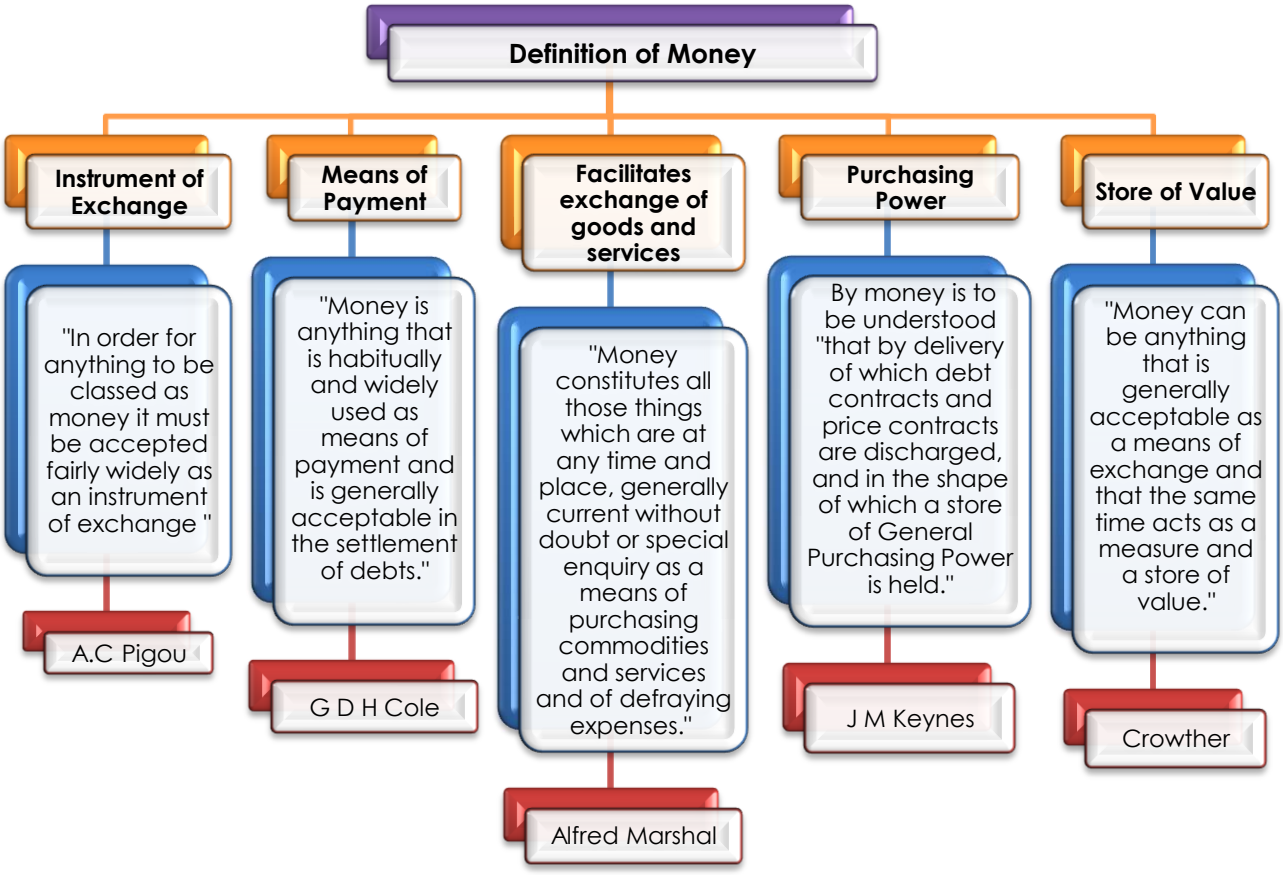
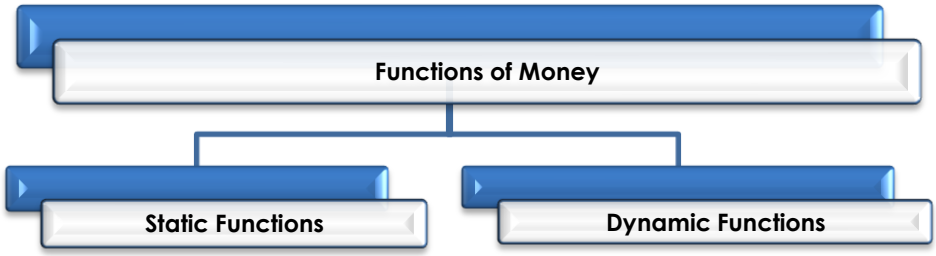
Paper 1: Fundamentals of Economics and Management (FEM)

MONEY



Functions of Money



Static Functions

1. **Medium of Exchange**
   a. Means of Payment
   b. Abode of Purchasing Power

Example:-You pay ₹ 10 to buy a pen. The seller receives ₹ 10 from you by selling the pen. So a pen is exchanged for ₹ 10.

2. **Measure of Value**
   a. Unit of Account & Common Denominator of Value.
   b. Calculates relative prices of goods & services.

Example: - Let price of rice be ₹ 20 per Kilogram. One bag full of rice weighs 25 Kilograms. Then the value of the bag of rice is
₹ 20X25= ₹ 500.

3. **Standard of Deferred Payments**
   a. Debt, Claims & Future transactions can be settled.
   b. Loans are made.
   c. Future contracts are settled.

4. **Store of Value**
   a. Convenient means of Monetary Savings.

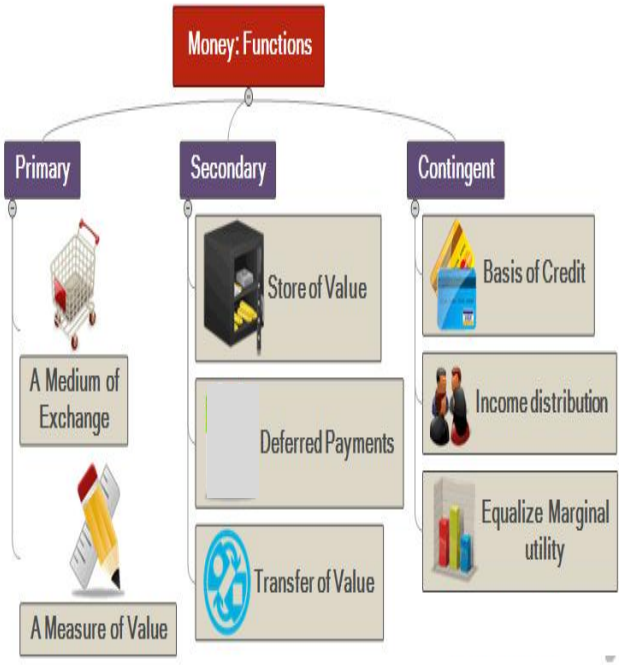
Example:- Sushila has got some mangoes which she sells to a buyer for ₹ 250.This means a value of ₹ 250 were exchanged. The buyer, who purchased the mangoes, has the purchasing power to give ₹ 250 as value. Hence a value of ₹ 250 was stored in the money received by Sushila as a seller. Sushila could not have stored mangoes but she can definitely store money which has stored the value of ₹ 250.

Dynamic Functions

1. **Giving directions to economic trends**
   a. Directs idle resources into Production channels, affecting output, employment, consumption & overall economic welfare.
   b. Relationship between money supply & general price levels.

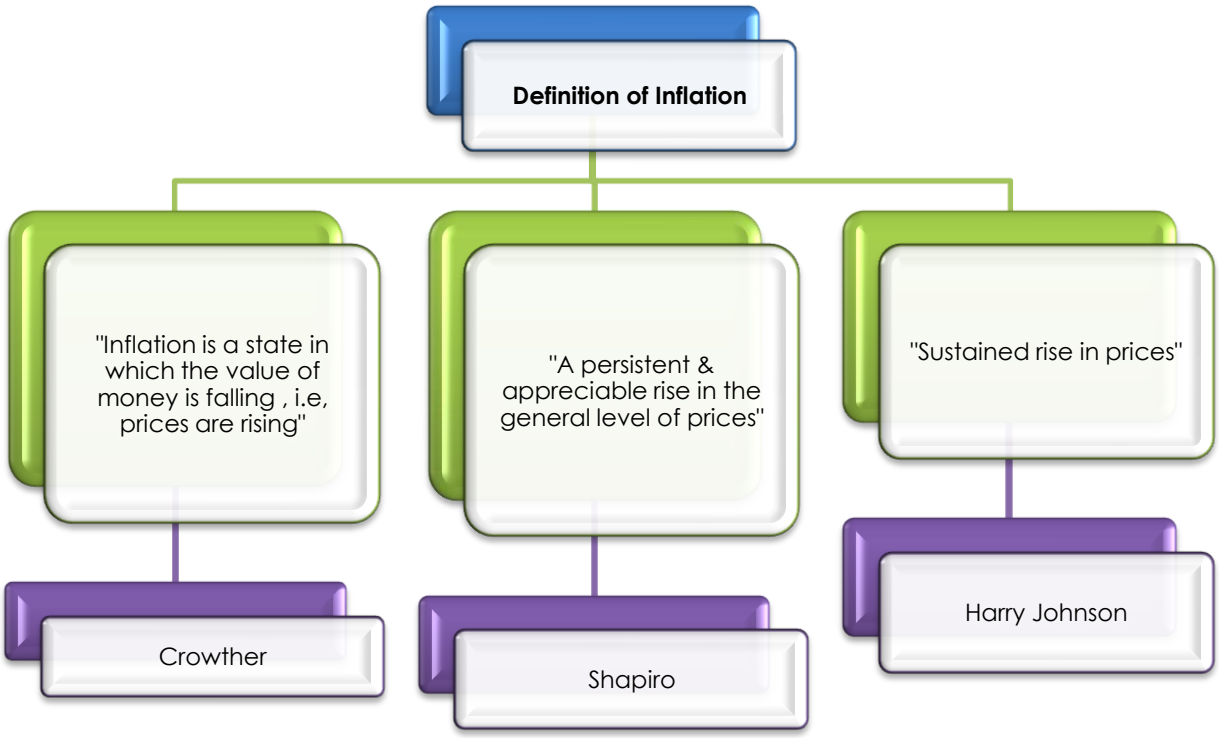
2. **Creating scope for Division of Labour**
   a. Occupational specialization & Division of Labour are encouraged.

3. **Transforming Savings into Investments.**



Inflation

- Price levels of an economy go on rising continuously.
- Situation where too much money chases too few goods
- Imbalance between Money supply & Gross Domestic Product
- Imbalance between aggregate demand & aggregate supply



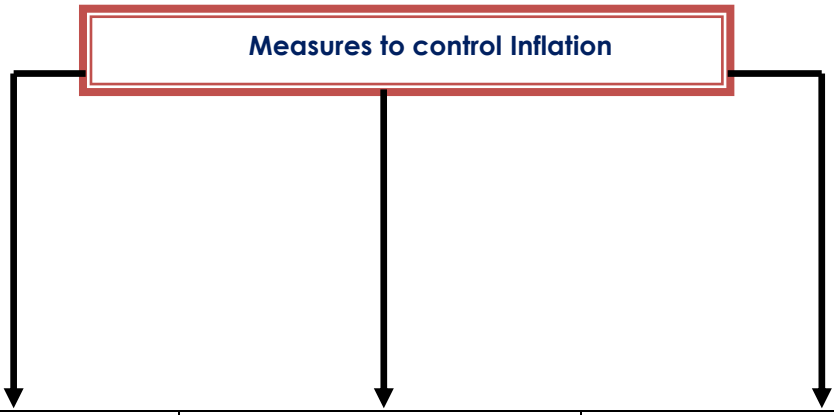
Effects of Inflation on Production

Positive Effects	Negative effects
✓ If prices are rising it will stimulate production.	• Rise in prices will force people to spend only on essential/ few items which will force manufacturers to cut down production.
✓ Under a capitalistic system, production is carried on mainly for profits.	• Producers can`t control prices because since prices go up, raw materials also will cost more in turn pushing up the cost of the goods.
✓ During a period of rising prices (inflation), there will be abnormal profits which increase production.	• This could result in loss which could force them out of business.
✓ Manufacturers, businessmen & producers gain during Inflation.	• People would also save less & thus Banks will have lesser money to lend to manufacturers.
✓ Producers gain by inflation because during that period prices rise faster than costs thus making huge profits.	• Increase in prices could worsen the poverty affecting low income household.
✓ Increases the employment opportunities in the country, enhances the process of economic development.	• Manufacturers will not spend on research & new technology thus resulting in job loss or unemployment.
✓ Increases the economic activities that may lead to Inventions & Innovations.	• Government will increase Tax.
✓ No strict relationship between prices & Output.	• Decrease in production will result in lesser exports & more imports thus adversely affecting Balance of Payments position of the country.

Effect of Inflation on Distribution of Wealth

Positive Effects	Negative Effects
✓ Inflation affects the distribution of income & wealth primarily because of differences in the assets & liabilities that people hold. ✓ The major redistributive impact of inflation comes through its effect on the real value of people`s wealth. ✓ In general, an unanticipated inflation redistributes wealth from creditors to debtors, helping borrowers & hurting lenders. ✓ Inflation mostly churns income & assets, randomly redistributing wealth among the population with little significant impact on any single group. ✓ During inflation manufacturers, producers & businessmen make huge profits (Business class). ✓ Borrowers gain during inflation since they have to pay less in real terms than when it was borrowed i.e., he is given "Dear Rupees", but pays back "Cheap Rupees". ✓ Investments in shares are expected to gain since the possibility of earning Business profits rises which induces owners to distribute profits among investors or shareholders. ✓ People earning flexible incomes may gain during inflation. ✓ Speculators dealing in business of essential commodities usually stand to gain by inflation.	• It generates unfair distribution of income & wealth. • Inflation reduces the savings of the population. • It is a cause of unfavorable Balance of Trade & Balance of Payment. • Inflation increases the rate of interest. • It is a huge problem for employees taking fixed salaries. • Inflation results in a reduction in real purchasing power of fixed income earners. • When debts are repaid their real value declines by the price level increase and hence, creditors loose. • Bond holders earning fixed interest income suffer. • Black marketeers are also benefitted.

Control of Inflation



Monetary Measures

Inflation can be checked by controlling supply of money-

a. Control over money- Government should put strict restrictions on the issue of money by the Central Bank.

b. Credit Control- Central Bank should increase the bank rate; raise minimum Cash Reserve Ratio (CRR), issue notice to other banks to control credit.

c. Raise Statutory Liquidity Ratio (SLR) in order to regulate the supply of money.

d. Open market operations.

e. Consumer credit control.

f. Higher margin requirements.

Fiscal Measures

Measures taken by the Government are –

a. Decrease in Public expenditure.

b. Government should levy some new Direct taxes & raise rates of old Taxes.

c. Wage control.

d. Rationing.

e. Public debt.

f. Maintaining surplus budget.

Other Measures

Other measures are –

a. Increase in imports of raw materials.

b. Decrease in exports.

c. Increase in productivity.

d. Provision of subsidies.

e. Use of latest technology.

f. Rational industrial policy.

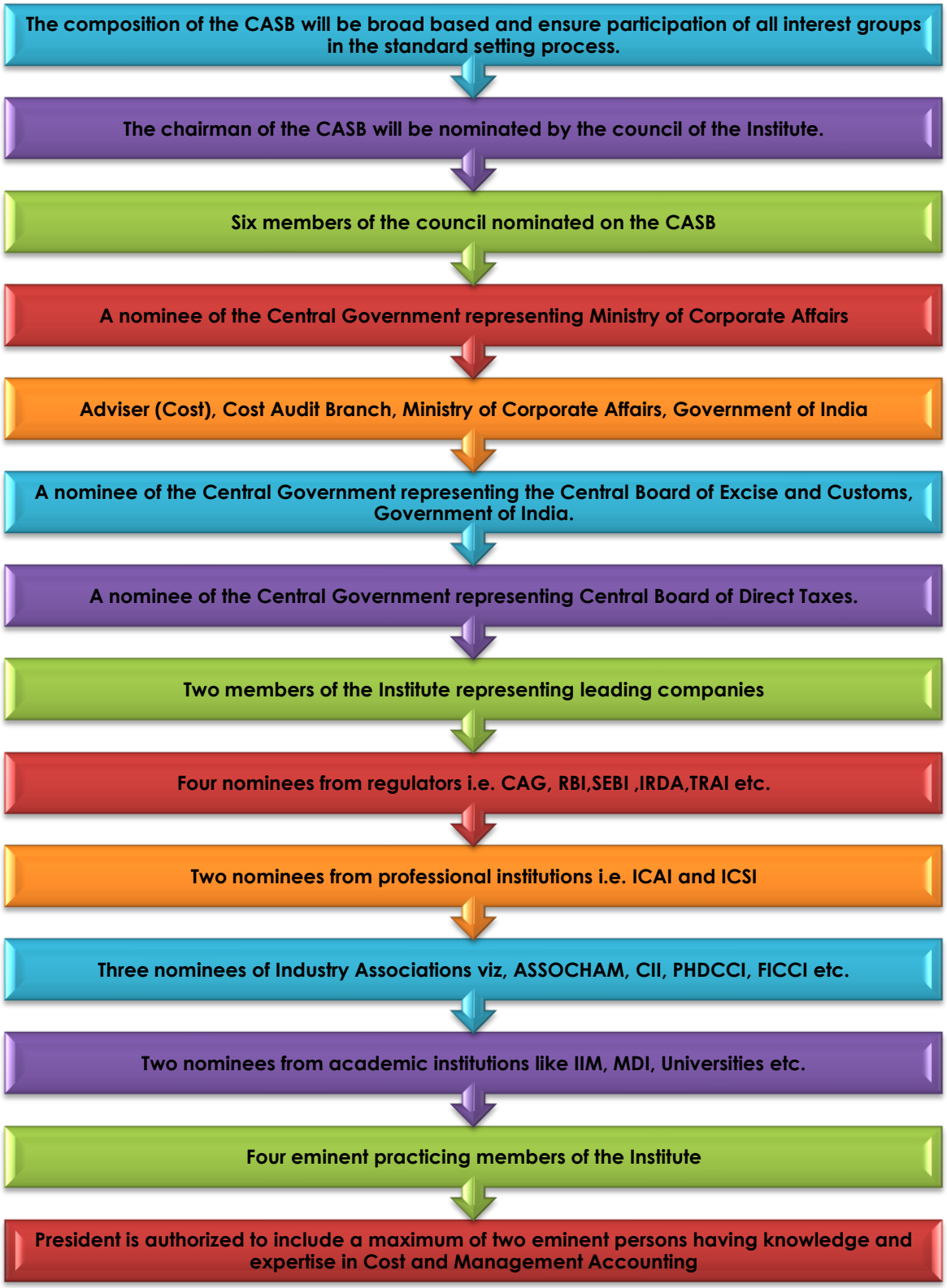
Paper 2: Fundamentals of Accounting (FOA)

COST ACCOUNTING STANDARDS BOARD

Constitution of the Cost Accounting Standards Board:

- The council of the Institute of Cost Accountants of India, has constituted 'Cost Accounting Standard Board'(CASAB) with the objective of formulating cost accounting standards after recognizing the need for structured approach to the measurement of cost so as to provide guidance and others to achieve uniformity and consistency in classification, measurement and assignment of costs.

Composition of the Cost Accounting Standards Board (CASB):


The composition of the CASB will be broad based and ensure participation of all interest groups in the standard setting process.
The chairman of the CASB will be nominated by the council of the Institute.
Six members of the council nominated on the CASB
A nominee of the Central Government representing Ministry of Corporate Affairs
Adviser (Cost), Cost Audit Branch, Ministry of Corporate Affairs, Government of India
A nominee of the Central Government representing the Central Board of Excise and Customs, Government of India.
A nominee of the Central Government representing Central Board of Direct Taxes.
Two members of the Institute representing leading companies
Four nominees from regulators i.e. CAG, RBI,SEBI ,IRDA,TRAI etc.
Two nominees from professional institutions i.e. ICAI and ICSI
Three nominees of Industry Associations viz, ASSOCHAM, CII, PHDCCI, FICCI etc.
Two nominees from academic institutions like IIM, MDI, Universities etc.
Four eminent practicing members of the Institute
President is authorized to include a maximum of two eminent persons having knowledge and expertise in Cost and Management Accounting

Objective of Cost Accounting Standards Board

- The objectives of the CASB are to develop high quality Cost Accounting Standards to enable the management to take informed decisions and to enable regulators to function more effectively by integrating, harmonizing and standardizing cost accounting principles and practices.

Functions of CASB:

The following will be the functions of the CASB:

- To issue the framework for the Cost Accounting Standards
- To equip the cost & management accounting professionals with better guide lines on cost accounting principles
- To assists the members in preparation of uniform cost statements under various statutes
- To provide from time to time interpretations on Cost Accounting Standards
- To issue application guidance relating to particular standard
- To propagate the Cost Accounting Standards and to persuade the users to adopt them in the preparation and presentation of general purpose cost statement

- To persuade the government and appropriate authorities to enforce Cost Accounting Standards, to facilitate the adoption thereof, by industry and corporate entities in order to achieve the desired objectives of standardization of cost accounting practices
- To educate the users about the utility and the need for compliance of Cost Accounting Standards

Overview of Cost Accounting Standards issued:

CAS No	Title	Objective
CAS-1 (Revised 2015)	Classification of Cost	For preparation of Cost Statements
CAS2	Capacity Determination	To bring uniformity and consistency in the principles and methods of determination of capacity with reasonable accuracy.
CAS3	Overheads	To bring uniformity and consistency in the principles and methods of determining the Overheads with reasonable accuracy.
CAS4	Cost of Production for Captive Consumption	To determine the assessable value of excisable goods used for captiveconsumption.
CAS5	Average (equalized) Cost of Transportation	To determine averaged/equalized transportation cost
CAS6	Material Cost	To bring uniformity and consistency in the principles and methods of determining the material cost with reasonable accuracy in an economically feasible manner.
CAS7	Employee Cost	To bring uniformity and consistency in the principles and methods of determining the Employee cost with reasonable accuracy.
CAS8	Cost of Utilities	To bring uniformity and consistency in the principles and methods of determining the Cost of Utilities with reasonable accuracy.
CAS9	Packing Material Cost	To bring uniformity and consistency in the principles and methods of determining the Packing Material Cost with reasonable accuracy.
CAS10	Direct Expenses	To bring uniformity and consistency in the principles and methods of determining the Direct Expenses with reasonable accuracy.
CAS11	Administrative Overheads	To bring uniformity and consistency in the principles and methods of determining the Administrative Overheads with reasonable accuracy.

CAS12	Repairs And Maintenance Cost	To bring uniformity and consistency in the principles and methods of determining the Repairs and Maintenance Cost with reasonable accuracy.
CAS13	Cost of Service Cost Centre	To bring uniformity and consistency in the principles and methods of determining the Cost of Service Cost Centre with reasonable accuracy.
CAS14	Pollution Control Cost	To bring uniformity and consistency in the principles and methods of determining the Pollution Control Costs with reasonable accuracy.
CAS15	Selling and Distribution Overheads	To bring uniformity and consistency in the principles and methods of determining the Selling and Distribution Overheads with reasonable accuracy.
CAS16	Depreciation and Amortisation	To bring uniformity and consistency in the principles and methods of determining the Depreciation and Amortisation with reasonable accuracy.
CAS17	Interest and Financing Charges.	To bring uniformity and consistency in the principles ,methods of determining and assigning the Interest and Financing Charges with reasonable accuracy.
CAS18	Research and Development Costs	To bring uniformity and consistency in the principles and methods of determining the Research, and Development Costs with reasonable accuracy and presentation of the same.
CAS19	Joint Costs	To bring uniformity and consistency in the principles and methods of determining the Joint Costs.
CAS20	Cost Accounting Standard on Royalty and Technical Know-How Fee	To bring uniformity and consistency in the principles and methods of determining the amount of Royalty and Technical Know-how Fee with reasonable accuracy.
CAS21	Cost Accounting Standard on Quality Control	To bring uniformity, consistency in the principles, methods of determining and assigning Quality Control cost with reasonable accuracy.
CAS22	Cost Accounting Standard on Manufacturing Cost	To bring uniformity and consistency in the principles and methods of determining the Manufacturing Cost of excisable goods

Paper 3: Fundamentals of Laws and Ethics (FLE)

BASICS OF SALE OF GOODS ACT, 1930

Introduction

The sale of goods is the most common of all commercial contracts. A knowledge of its main principles is of the utmost importance. Contracts of sale of goods are subject to the general legal principles applicable to contracts, such as offer and acceptance, capacity of the parties, free consent, consideration and legality of object.

Sale and Agreement to sell u/s 4

Where under a contract of sale, the property in goods is transferred from the seller to the buyer, the contract is called "Sale". But where the transfer of the property in goods is to take place at a future time or subject to some conditions thereafter to be fulfilled, the contract is called "agreement to sell". This may be explained as follows:

1. A contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a price. There may be a contract of sale between one part-owner and another.

2. A contract of sale may be absolute or conditional.

3. Where under a contract of sale the property in the goods is transferred from the seller to the buyer, the contract is called a sale, but where the transfer of the property in the goods is to take place at a future time or subject to some condition thereafter to be fulfilled, the contract is called an agreement to sell.

4. An agreement to sell becomes a sale when the time elapses or the conditions are fulfilled subject to which the property in the goods is to be transferred.

What are "Goods"

Goods is defined, as per section 2(7) of the Act.

To be classified as goods, two conditions are required to be met

(i) It must be movable property
(ii) It should not be actionable claim and money

Explanations:

Must be a moveable property:

Growing crops, grass and things attached to or forming part of the land are not goods by themselves unless they are agreed to be severed before sale. If they are not to be cut or severed from the land they are not goods. Trade mark, copy right, patents, goodwill, electricity, water, gas etc have been treated goods as per various judgments.

Should not be actionable claim:

Actionable claims and money excluded from the definition of goods. Actionable claim has not been defined in the Act. As per section 3 of the Transfer of Property Act, 'an actionable claim means a claim to any debt or any beneficial interest in moveable property not in possession'. It is something which can only be enforced in a court of law. A debt due from one person to another is an actionable claim as the same cannot be brought or sold.

Should not be money:

Money means current currency note and not old rate currency coins which are considered to be goods.

Price

- The 'price' in a contract of sale means the money consideration for sale of goods [Sec. 2(10)].
- Unless goods are sold for some price there cannot be sale.
- Transfer of ownership without any consideration is not a sale but merely a gift. Goods must be sold for some price.
- In a contract of sale 'price' is the consideration for sale of goods and is expressed in terms of money.
- It forms an essential part of contract and any contract of sales/agreement to sell without price is void ab initio.
- The price can be partly in money terms and partly in goods.
- Where goods are exchanged for goods, it is not a case of sale but a case of barter which is not within the scope of this Act.
- Similarly if there is no price, it is not a sales but a case of gift.
- If any consideration other than money is given/ to be given for the goods purchased/sold it is not a case of sale.

How price can be ascertained

The Act provides different ways in which price can be ascertained. Provisions regarding determination of price are contained in section 9 and 10 of the Act.

(a) The price in a contract of sale may be fixed by the contract or may be left to be fixed in manner thereby agreed or may be determined by the course of dealing between the parties. [Sec 9(1)]

(b) Where the price is not determined in accordance with the foregoing provisions, the buyer shall pay the seller a reasonable price. What is a reasonable price is a question of fact dependent on the circumstances of each particular case. [Sec 9(2)]

Thus, we can say that as per section 9 of the Act, the parties to the contract have **four ways of fixing price**:

- Fixing in the contract itself,

- In a manner of fixation provided in the contract itself,
- Or to be fixed in the course of dealing between the parties
- Where the price cannot be determined in any of the above manner the buyer is required to pay a reasonable price.

It may further be noted that where the price is agreed to be whatever the sum the seller is offered by the third party or buyer or where the price is left to be fixed by one of the party to the contract like buyer or seller only the agreement would be uncertain as to the price and would be void to that extent.

Note: Section 10 of the Act provides another way of fixation of price. As per section 10 the parties may agree to sell and buy the goods on terms and condition that the price is to be fixed by the valuation of a third party. Quite possible if the third party fails to determine the price the contract becomes void. But if the third part is prevented by any party to the contract from fixation of price the aggrieved party may file a suit for damages against the party in default. The relevant provisions of section 10 regarding valuation by third party are as under.

Practical Examples:

Question 1:

Arvind sells his old furniture in exchange of new furniture. Is this a contract of sell.

➡ This is not a sale but a case of exchange or barter out of the purview of the Act.

Question 2:

Arnold agrees to deliver his car to Yusuf for his use on Yusuf agreeing to pay him user charges. Is this a contract of sell.

➡ This is not a case of sale as there is no transfer of property in goods but merely transfer of possession.

Question 3:

Mr. Bakshi left his car in BMW Motors workshop for repair. Is this a contract of sell.

➡ Not a case of sale but only a case of bailment.

Question 4:

Mr. David gives his expensive watch to his son Rahul. Is this a contract of sell.

➡ Not a case of sale but only a case of gift from father to son. There is no money consideration in it.

Question 5:

Asha sold her car in exchange of a new scooter and cash ₹25,000. Is this a contract of sell.

➡ This is a case of sale. Price may be paid partly in kind and partly in money.

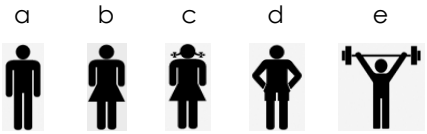
Paper 4: Fundamentals of Business Mathematics and Statistics (FBMS)

PERMUTATIONS and COMBINATIONS... or "HOW TO COUNT"

Question 1:

Suppose we wish to arrange n = 5 people {a, b, c, d, e}, standing side by side, for a portrait. How many such distinct portraits ("permutations") are possible?

Example:



Here, every different ordering counts as a distinct permutation. For instance, the ordering (a, b, c, d, e) is distinct from (c, e, a, d, b), etc.

Solution:

There are 5 possible choices for which person stands in the first position (either a, b, c, d, or e). For each of these five possibilities, there are 4 possible choices left for who is in the next position. For each of these four possibilities, there are 3 possible choices left for the next position, and so on.

Therefore, there are 5 × 4 × 3 × 2 × 1 = 120 distinct permutations.

This number, 5 × 4 × 3 × 2 × 1 (or equivalently, 1 × 2 × 3 × 4 × 5), is denoted by the symbol "5!" and read "5 factorial", so we can write the answer succinctly as 5! = 120.

In general,

FACT 1:

The number of distinct PERMUTATIONS of n objects is "n factorial", denoted by

$$n! = 1 \times 2 \times 3 \times \ldots \times n, \text{ or equivalently,}$$
$$= n \times (n - 1) \times (n - 2) \times \ldots \times 2 \times 1.$$

Examples:

$6! = 6 \times \underbrace{5 \times 4 \times 3 \times 2 \times 1}$

$= 6 \times 5!$

$= 6 \times 120$ (by previous calculation)

$= 720$

$3! = 3 \times 2 \times 1 = 6$

$2! = 2 \times 1 = 2$

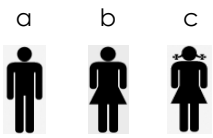
$1! = 1$

$0! = 1$, BY CONVENTION (It may not be obvious why, but there are good mathematical reasons for it.)

Question 2:

Now suppose we start with the same n = 5 people {a, b, c, d, e}, but we wish to make portraits of only k = 3 of them at a time. How many such distinct portraits are possible?

Example:



Again, as above, every different ordering counts as a distinct permutation. For instance, the ordering (a, b, c) is distinct from (c, a, b), etc.

Solution:

By using exactly the same reasoning as before, there are 5 × 4 × 3 = 60 permutations.

Note that this is technically NOT considered a factorial (since we don't go all the way down to 1), but we can express it as a ratio of factorials: $5 \times 4 \times 3 = \frac{5\times4\times3\times(2\times1)}{(2\times1)} = \frac{5!}{2!}$

In general,

FACT 2:

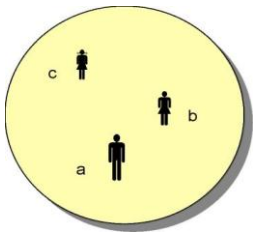
The number of distinct PERMUTATIONS of n objects, taken k at a time, is given by the ratio

$$\frac{n!}{(n-k)!} = n\times(n-1)\times(n-1)\times\ldots\times(n-k+1)$$

Question 3:

Finally suppose that instead of portraits ("permutations"), we wish to form committees ("combinations") of k = 3 people from the original n = 5. How many such distinct committees are possible?

Example:



Now, every different ordering does NOT count as a distinct combination. For instance, the committee {a, b, c} is the same as the committee {c, a, b}, etc.

Solution:

This time the reasoning is a little subtler. From the previous calculation, we know that

# of permutations of k = 3 from n = 5 is equal to $\frac{5!}{2!} = 60$.

But now, all the ordered permutations of any three people (and there are 3! = 6 of them, by FACT 1), will "collapse" into one single unordered combination, e.g., {a, b, c}, as illustrated. So...

# of combinations of k = 3 from n = 5 is equal to $\frac{5!}{2!}$, divided by 3!, i.e., 60 ÷ 6 = 10.

This number, $\frac{5!}{3!\,2!}$, is given the compact notation $\binom{5}{3}$, read "5 choose 3", and corresponds to the number of ways of selecting 3 objects from 5 objects, regardless of their order. Hence $\binom{5}{3} = 10$.

In general,

FACT 3:

The number of distinct COMBINATIONS of n objects, taken k at a time, is given by the ratio

$$\frac{n!}{k!(n-k)!} = \frac{n\times(n-1)\times(n-1)\times\ldots\times(n-k+1)}{k!}$$

This quantity is usually written as $\binom{n}{k}$, and read "n choose k".

Examples:

$\binom{5}{3} = \frac{5!}{3!\,2!} = 10$, just done. Note that this is also equal to $\binom{5}{2} = {}_{5}C = 10$.

$\binom{8}{2} = \frac{8!}{2!\ 6!} = \frac{8\times7\times\cancel{6!}}{2!\times\cancel{6!}} = \frac{8\times7}{2} = 28$. Note that this is equal to $\binom{8}{6} = \frac{8!}{6!\ 2!} = 28$.

$\binom{15}{1} = \frac{15!}{1!\ 14!} = \frac{15\times\cancel{14!}}{1!\times\cancel{14!}} = 15$. Note that this is equal to $\binom{15}{14} = 15$. Why?

$\binom{7}{7} = \frac{7!}{7!\ 0!} = 1$. (Recall that 0! = 1.) Note that this is equal to $\binom{7}{0} = 1$. Why?

Observe that it is neither necessary nor advisable to compute the factorials of large numbers directly. For instance, 8! = 40320, but by writing it instead as 8 × 7 × 6!, we can cancel 6!, leaving only 8 × 7 above. Likewise, 14! cancels out of 15!, leaving only 15, so we avoid having to compute 15! , etc.

Remark:

$\binom{n}{k}$ is sometimes called a "combinatorial symbol" or "binomial coefficient" (in connection with a fundamental mathematical result called the Binomial Theorem; you may also recall the related "Pascal's Triangle"). The previous examples also show that binomial coefficients possess a useful symmetry, namely, $\binom{n}{k} = \binom{n}{n-k}$. For example, $\binom{5}{3} = \frac{5!}{3!\,2!}$, but this is clearly the same as $\binom{5}{2} = \frac{5!}{2!\,3!}$. In other words, the number of ways of choosing 3-person committees from 5 people is equal to the number of ways of choosing 2-person committees from 5 people. A quick way to see this without any calculating is through the insight that every choice of a 3-person

committee from a collection of 5 people leaves behind a 2-person committee, so the total number of both types of committee must be equal (10).

Exercise:

List all the ways of choosing 2 objects from 5, say {a, b, c, d, e}, and check these claims explicitly. That is, match each pair with its complementary triple in the list of Table 3.

A SIMPLE COMBINATORIAL APPLICATION

Suppose you toss a coin n = 5 times in a row. How many ways can you end up with k = 3 heads?

Solution:

The answer can be obtained by calculating the number of ways of rearranging 3 objects among 5; it only remains to determine whether we need to use permutations or combinations. Suppose, for example, that the 3 heads occur in the first three tosses, say a, b, and c, as shown below. Clearly, rearranging these three letters in a different order would not result in a different outcome. Therefore, different orderings of the letters a, b, and c should not count as distinct permutations, and likewise for any other choice of three letters among {a, b, c, d, e}.

Hence, there are $\binom{5}{3}$ = 10 ways of obtaining k = 3 heads in n = 5 independent successive tosses.

Exercise:

Let "H" denote heads, and "T" denote tails. Using these symbols, construct the explicit list of 10 combinations. (Suggestion: Arrange this list of H/T sequences in alphabetical order. You should see that in each case, the three H positions match up exactly with each ordered triple in the list of Table 3. Why?)

Table 1 – Permutations of {a, b, c, d, e}

These are the 5! = 120 ways of arranging 5 objects, in such a way that all the different orders count as being distinct.

a b c d e	b a c d e	c a b d e	d a b c e	e a b c d
a b c e d	b a c e d	c a b e d	d a b e c	e a b d c
a b d c e	b a d c e	c a d b e	d a c b e	e a c b d
a b d e c	b a d e c	c a d e b	d a c e b	e a c d b
a b e c d	b a e c d	c a e b d	d a e b c	e a d b c
a b e d c	b a e d c	c a e d b	d a e c b	e a d c b
a c b d e	b c a d e	c b a d e	d b a c e	e b a c d
a c b e d	b c a e d	c b a e d	d b a e c	e b a d c
a c d b e	b c d a e	c b d a e	d b c a e	e b c a d
a c d e b	b c d e a	c b d e a	d b c e a	e b c d a
a c e b d	b c e a d	c b e a d	d b e a c	e b d a c
a c e d b	b c e d a	c b e d a	d b e c a	e b d c a
a d b c e	b d a c e	c d a b e	d c a b e	e c a b d
a d b e c	b d a e c	c d a e b	d c a e b	e c a d b

a d c b e	b d c a e	c d b a e	d c b a e	e c b a d
a d c e b	b d c e a	c d b e a	d c b e a	e c b d a
a d e b c	b d e a c	c d e a d	d c e a b	e c d a b
a d e c b	b d e c a	c d e d a	d c e b a	e c d b a
a e b c d	b e a c d	c e a b d	d e a b c	e d a b c
a e b d c	b e a d c	c e a d b	d e a c b	e d a c b
a e c b d	b e c a d	c e b a d	d e b a c	e d b a c
a e c d b	b e c d a	c e b d a	d e b c a	e d b c a
a e d b c	b e d a c	c e d a b	d e c a b	e d c a b
a e d c b	b e d c a	c e d b a	d e c b a	e d c b a

Table 2 – Permutations of {a, b, c, d, e}, taken 3 at a time

These are the $\frac{5!}{2!}$ = 60 ways of arranging 3 objects among 5, in such a way that different orders of any triple count as being distinct, e.g., the 3! = 6 permutations of (a, b, c), shown below.

a b c	b a c	c a b	d a b	e a b
a b d	b a d	c a d	d a c	e a c
a b e	b a e	c a e	d a e	e a d
a c b	b c a	c b a	d b a	e b a
a c d	b c d	c b d	d b c	e b c
a c e	b c e	c b e	d b e	e b d
a d b	b d a	c d a	d c a	e c a
a d c	b d c	c d b	d c b	e c b
a d e	b d e	c d e	d c e	e c d
a e b	b e a	c e a	d e a	e d a
a e c	b e c	c e b	d e b	e d b
a e d	b e d	c e d	d e c	e d c

Table 3 - Combinations of {a, b, c, d, e}, taken 3 at a time

If different orders of the same triple are not counted as being distinct, then their six permutations are lumped as one, e.g., {a, b, c}. Therefore, the total number of combinations is 1 of the original 60, or 10. Notationally, we express this as $\frac{1}{3!}$ of the original $\frac{5!}{2!}$, i.e., $\frac{5!}{3!\,2!}$, or more neatly, as $\binom{5}{3}$.

These $\binom{5}{3}$ = 10 combinations are listed below.

a b c
a b d
a b e
a c d
a c e
a d e
b c d
b c e
b d e
c d e