

"One of the most important keys to Success is having the discipline to do what you know, you should do, even when you don't feel like doing it."



Students/Readers are requested to do send your views/
queries/observations/request for academic inputs by e-mail to
e.newsletter@icmai.in

This e-edition, we are referring to some basics of Economics, which is advised to be read and understood for knowledge as well as for the purpose of preparation for examinations.

(1) Functions of Banking

The most important functions of banking may be classified as follows:

- ✦ to assemble capital and make it effective;
- ✦ to receive deposits and make collections
- ✦ to check out and transfer funds;
- ✦ to discount or lend;
- ✦ to exercise fiduciary or trust powers;
- ✦ to issue circulating notes.

(2) Utility of Banking

- ✦ Banks are useful as places of security for the deposit of money.
- ✦ Moreover, the payment of interest on deposits is a stimulant to accumulate money. Were there no Savings banks, a large portion of the savings

deposited in them would never have been collected and saved. Probably the majority of these depositors have no thought of collecting enough to buy a bond or a few shares of stock.

✦ An important utility is that banks loan money to persons who wish to borrow it. Loans are made chiefly to persons engaged in manufactures, trade, commerce, and other business pursuits.

✦ Another utility is that banks save the transmission of money__ from one part of the world to another" Not only is the risk of loss from robbery and other accidents avoided, but the money is kept in more active circulation.

✦ There is a saving of time in paying large sums by checks or bills of exchange To count the money would be a long process in making the many heavy payments of our time.

✦ There is less danger of error when checks are used than when money is paid. Of course there are some risks attending the use of checks. But in paying with money there is also the risk of getting counterfeits, light weight, or otherwise defective coin.

(3) Principles of Commercial Banking

✦ Principles of liquidity: Deposits are the life blood of the commercial bank. Everyday depositors either deposit or withdraw cash. To meet the demand for cash, all commercial banks have to keep certain amount of cash in their custody.



✚ Principles of profitability: The driving force of commercial enterprise is to generate profit. So it is true in case of commercial bank.

✚ Principles of solvency: Commercial bank should have financially sound and maintain a required capital for running the business.

(4) The Concept of Cost, Price & Value

What is Cost? Is it something new to us?

"NO" - we are all aware about "Cost".

This is understood by all - Literate or Illiterate.

All activity can be measured by "Cost" except:

Love, Affection, Blessings & Wishes



UTILITY - VALUE

Utility – Want satisfying power.

Example: Flour when converted into Cake/Bread/Biscuits/Puri/Paratha after some processing.

Value in exchange – Say Price of an Accountancy Book is ₹ 500.

Value in use – of that Accountancy Book– can we measure it? We Gain Knowledge, which cannot be measured.

VALUE, COST, PRICE



COST & PRICE

Price – is the amount which is paid to purchase the Accountancy Book, say ₹ 500

But, what is the Cost incurred by the Publisher/Seller to make/procure that Accountancy Book?

❖ Did he sell at a Profit or a Loss?

❖ We all know that

Selling Price – Profit = **Cost**

or, **Cost** + Profit = Selling Price

Or, Selling Price + Loss on Sale = **Cost**

cost

Cost – the amount of expenditure (actual or notional) incurred on or attributable to a given thing ; or to ascertain the cost of a given thing



Cost-Benefit Analysis



Service or Product – each has a “cost” incurred to make and a “price” paid to procure/ receive the benefits



Costing – techniques and process of ascertaining cost of a product or service

Is the cost ascertained accurately?
Is the right price charged?



Cost-Benefit Analysis



the PRICE is right

Cost Accountancy

“ an application of costing and cost accounting principles, methods and techniques to the science, art and practice of cost control and ascertainment of profitability as well as presentation of information for the purpose of managerial decision-making.

In the areas of Costing & Price-fixation – for goods



YOUR CONTRIBUTION as a CMA

Designing & Managing Costs



Price

In the areas of Costing & Price-fixation – for services





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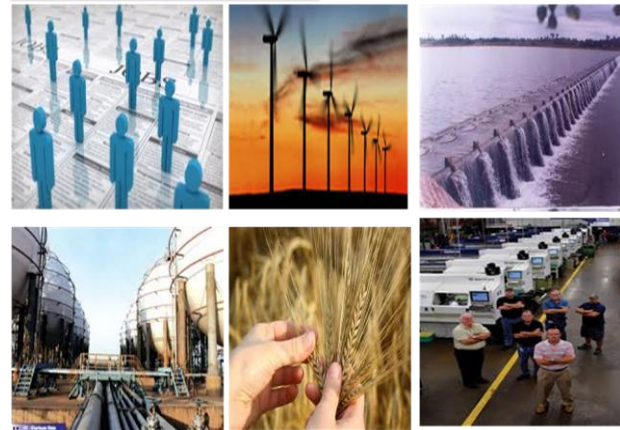
YOUR CONTRIBUTION as a CMA

Creating Value



YOUR CONTRIBUTION as a CMA

Optimum utilization of Resources (both human and non-human)



YOUR CONTRIBUTION as a CMA

Creating Value

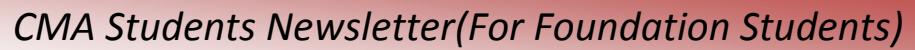


YOUR CONTRIBUTION as a CMA

Advising Management to take cost-effective Business Decisions to yield proper Revenue





BE A CMA, SERVE THE NATION





Find my Partner


Double Mazaa


SOORAINBPT 


CEANIFN 


NENGAETMMA 

CINLATLOAO 

CATNUICONG 

NIBNAKG 

SAILYANS 

Take the letters that appear in  boxes and unscramble them for the final message.

- 1 It's the early _____ that catches the _____
- 2 It's no use locking the _____ door after the horse has _____
- 3 Let sleeping _____ lie
- 4 March comes in like a _____, and goes out like a _____
- 5 There's always more _____ in the sea