

CA

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BUSINESS ECONOMICS

FLASHBOOK

QUICK REVISION FOR
BUSINESS ECONOMICS

- Concise Theory with Key Pointers for Rapid Recap
- Perfect for Last-Minute Revision



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INTRODUCTION

1. Introduction

1.1 Origin of Economics

- ❖ **Economics** comes from the Greek term for 'household'.
- ❖ Before the 19th century, it was called '**Political Economy**'.
- ❖ **Adam Smith**'s book, *The Wealth of Nations* (1776), is regarded as the first modern economics work.
- ❖ Full name of the book is '**An Inquiry into the Nature and Causes of the Wealth of Nations**'

1.2 Fundamental Facts

- ❖ 'Human beings have unlimited wants'; and
- ❖ The means to satisfy these unlimited wants are relatively scarce' form the subject matter of Economics

1.3 Business Economics (Managerial Economics)

- ❖ Introduced by **Joel Dean (1951)**
- ❖ Application of **economic analysis** in business decision-making
- ❖ Helps in **optimal use of scarce resources**
- ❖ Used by **businesses, NGOs & non-profits**

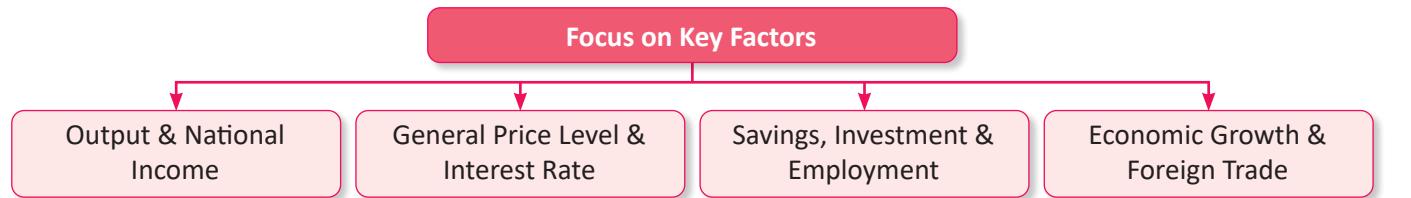
1.4 Key Features of Business Economics

Decision-Making	Business Economics uses economic analysis to make decisions on the best use of an organization's scarce resources.
Also Known As	Managerial Economics.
Integration	Combines economic theory with business practice.
Tools	Economic theory provides tools like demand, supply, cost, production, price, marketing, and competition; Business Economics applies these tools for decision-making.
Bridging the Gap	Fills the gap between economic theory and business practice.
Applicability	Also useful for NGOs and non-profit organizations.

2. Micro vs. Macro Economics

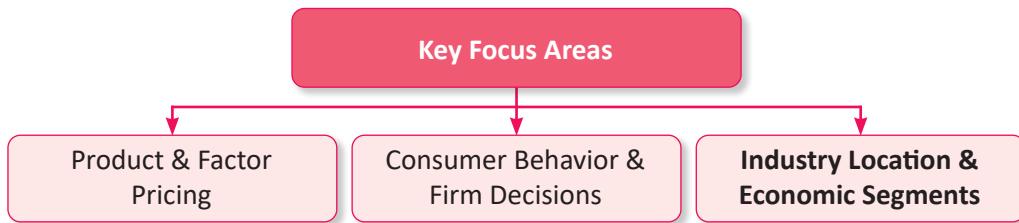
2.1 Macro Economics (General Equilibrium Analysis, Theory of Income and Employment)

- ❖ Studies economy as a whole (aggregate level)



2.2 Micro Economics (Price Theory/Slicing Theory)

- ❖ Studies individual units (firms, consumers)
- ❖ Core of Business Economics



- ❖ In short: Macro = Big Picture | Micro = Detailed View

3. Nature of Business Economics

Note: {({SPAM-MINT)- Love sir's way of learning}}

- ❖ Business Economics is a Science
- ❖ Pragmatic in Approach
- ❖ Business Economics is an art
- ❖ Based on Micro Economics
- ❖ Incorporates elements of Macro Analysis
- ❖ Interdisciplinary in nature

❖ Use of Theory of Markets and Private Enterprises
❖ Normative in nature

3.1 Business Economics as a Science & Art

Science	Systematic knowledge with cause-effect relationships
Art	Practical application of rules & principles

3.2 Core Characteristics

❖ Based on Microeconomics, but integrates Macro tools
❖ Uses Market & Private Enterprise Theories
❖ Pragmatic & Normative (Solves real-world business problems)

3.3 Positive vs. Normative Economics

Positive Economics	Normative Economics
❖ Studies What is	❖ Studies What should be
❖ Can be empirically verified	❖ May or may not be verified
❖ Based on facts & logic	❖ Based on ethics & values
❖ Objective & descriptive	❖ Subjective & prescriptive
❖ Example: Demand falls when price rises	❖ Example: Rich should pay more taxes
❖ (Positive = Facts Normative = Opinions)	

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QUANTITATIVE APTITUDE FLASHBOOK

**QUICK REVISION FOR
QUANTITATIVE APTITUDE!**

- Formulae & Shortcuts at a Glance
- Concept-based Quick Recap



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1 Chapter

RATIO AND PROPORTION, INDICES AND LOGARITHMS

Ratio

The comparison of two or more things of same kind is called Ratio. It is written as $x : y$ where, x and y are of same kind.

- ❖ In $x : y$, x is 1st term or **Antecedent** and y is 2nd term or **Consequent**.
- ❖ Antecedent and Consequent must be of the same units.
- ❖ Ratio is expressed in **simplest form** i.e., $10 : 6 = 5 : 3$
- ❖ **Order** of ratio must be maintained i.e., $3 : 4 \neq 4 : 3$
- ❖ It exists only with quantities having **same unit** (kind).

If more than two quantities of same kind are given in Ratio, then this is called **Continued Ratio**. Continued Ratio of a, b & c is denoted by $a : b : c$.

If two quantities are in ratio $a : b$, then

- First quantity = ak
- Second quantity = bk

Properties

- ❖ If $x > y$, then the ratio $x : y$ is called **Greater Inequality**.
- ❖ If $x < y$, then the ratio $x : y$ is called **Lesser Inequality**.

❖ **Duplicate ratio** of $a : b$ is $a^2 : b^2$.

Ex: Duplicate ratio of $2 : 3$ is $2^2 : 3^2 = 4 : 9$

❖ **Triuplicate ratio** of $a : b$ is $a^3 : b^3$.

Ex: Triuplicate ratio of $2 : 3$ is $2^3 : 3^3 = 8 : 27$

❖ **Sub – Duplicate ratio** of $a : b$ is $\sqrt{a} : \sqrt{b}$.

Ex: Sub – Duplicate ratio of $4 : 9$ is $\sqrt{4} : \sqrt{9} = 2 : 3$

❖ **Sub – Triuplicate ratio** of $a:b$ is $\sqrt[3]{a} : \sqrt[3]{b}$.

Ex: Sub – Triuplicate ratio of $8 : 27$ is $\sqrt[3]{8} : \sqrt[3]{27} = 2 : 3$

❖ **Inverse ratio** of $a : b$ is $b : a$.

Ex: Inverse ratio of $11 : 15$ is $15 : 11$.

❖ **Compounded ratio** of $a : b$ and $c : d$ is $ac : bd$.

Ex: Compounded ratio of $2 : 3$ and $6 : 7$ is $(2)(6) : (3)(7) = 4 : 7$

❖ **Commensurable Quantity:** The terms of the ratio can be expressed as a rational numbers.

Ex: $3 : 2$

❖ **Incommensurable Quantity:** The terms of the ratio cannot be expressed as a rational numbers.

Ex: $\sqrt{3} : \sqrt{2}$

Proportion

An equality of two ratios ($a : b = c : d$)

$$\frac{a}{b} = \frac{c}{d}$$

$$\Rightarrow ad = bc$$

- ❖ a, b, c, d are called 1st, 2nd, 3rd and 4th term of proportion.
- ❖ In $a : b :: c : d$, unit of a and b should be same and that of c and d should also be same.

Properties

- ❖ **Cross – Product rule:** If $a : b = c : d$ then $ad = bc$

i.e., Product of extreme terms = Product of middle terms

- ❖ If $a : b = b : c$ then $b^2 = ac$

This proportion is Continuous Proportion.

b is **Mean Proportion** where $b = \sqrt{ac}$ = G.M of a and c

- ❖ **Invertendo:** If $a : b = c : d$ then $b : a = d : c$

- ❖ **Componendo:** If $a : b = c : d$ then $(a + b) : b = (c + d) : d$

Ex: $\frac{x}{2} = \frac{y}{5}$ then $\frac{x+2}{2} = \frac{y+5}{5}$

- ❖ **Dividendo:** If $a : b = c : d$ then $(a - b) : b = (c - d) : d$

Ex: $\frac{x}{5} = \frac{y}{6}$ then $\frac{x-5}{5} = \frac{y-6}{6}$

❖ **Componendo and Dividendo:** If $a : b = c : d$ then $(a+b):(a-b) = (c+d):(c-d)$

Ex: $\frac{x}{2} = \frac{y}{5}$ then $\frac{x+2}{x-2} = \frac{y+5}{y-5}$

❖ **Alternendo:** If $a : b = c : d$ then $a : c = b : d$

❖ **Addendo:** If $a : b = c : d = e : f = \dots$ then $(a+c+e+\dots):(b+d+f+\dots)$

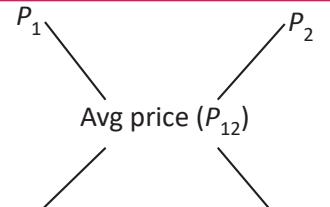
Ex: $\frac{8}{4} = \frac{6}{3} = 2$ then $\frac{8+6}{4+3} = 2$

❖ **Subtrahendo:** If $a : b = c : d = e : f = \dots$ then $(a-c-e-\dots):(b-d-f-\dots)$

Ex: $\frac{8}{4} = \frac{6}{3} = 2$ then $\frac{8-6}{4-3} = 2$

Rules of Alligation:

Method used for mixing two varieties of the same kind, typically based on the weighted mean principle.



$$Q_1 : Q_2 = |P_{12} - P_2| : |P_{12} - P_1|$$

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BUSINESS LAWS

FLASHBOOK

**QUICK REVISION FOR
BUSINESS LAWS!**

- Comprehensive Charts for Quick Revision
- Covering All Important Laws at a Glance

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LAW

* What is Law



* Source of Law

C²LAP

C Customs & Usage

C Constitution of India

LA Law made by Parliament Act & Assemblies

P Precedents or Judicial decision

TYPES OF LAWS

Types	Deals with	Governed by	Examples
1. Criminal Law	Violation of public wrong and punishment for same	IPC , 1860- defines crime, nature, punishment CrPC Code of Criminal procedures – For procedures	Murder, rape, theft, fraud, cheating
2. Civil Law	* Disputes between individual & organization *dispute resolution	Law of contracts , family law, property Code of civil procedures (CPC)	Breach of contract, non-delivery of goods, dispute between landlord, tenant
3. Common Laws	Judicial decision of case laws	Doctrine star-e-decisis To stand by what is decided	
4. Principle of natural Justice	Fundamental principle of Justice beyond laws	(i) Nemo Judex in causa sua - No one should judge his own cause (ii) Audi alterum partem-Give party reasonable opportunity to be heard (iii) Reasonable decision -Decision on basis of equity, reasonable to all	

*ENFORCEMENT OF LAW – VARIOUS MINISTRIES

Ministry	Concerned with	Imp Function	Highest Post	Departments Under
1. Ministry of finance	<ul style="list-style-type: none"> ❖ Economy of India ❖ Concerns with taxation, finance laws, financial institutions, capital market, union finances, union budget 	<ul style="list-style-type: none"> ❖ Presenting union budget ❖ Managing finance of India 	Finance minister	Department of <ul style="list-style-type: none"> (i) Economic affairs (ii) Expenditure (iii) Revenue (iv) Financial services (v) Investment And public asset mgt. (vi) Public enterprises
2. Ministry of Corporate Affairs	Admin. Of <ul style="list-style-type: none"> (a) Companies Act (b) LLP Act. (c) Insolvency & Bankruptcy Code (IBC) 	Regulation of Indian enterprises (Co.) in industrial and service sector	Director general of corporate affairs and MCA minister	3 tier structure <ul style="list-style-type: none"> (i) Secretary (ii) Regional directors (iii) Regional directors (iv) Registrar of Companies (ROC)
3. Home Ministry	Maintaining law and order in India	Maintenance of Internal security and domestic policy	Union minister of home affairs	Dept. Of <ul style="list-style-type: none"> (a) Border (b) Internal security (c) J & K and Ladakh affairs (d) Home (e) Official language (f) States

Ministry	Concerned with	Imp function	Highest post	Departments under
4. Ministry of law & Justice	Advising various ministry related to law and justice matter	(i) Mgt. of legal affairs (ii) Drafting law for O.C (iii) Admin of justice	Law and justice e minister	Dept. Of (a) Legal affairs (b) Legislative deptt. (c) Justice
5. SEBI	Administration of securities in listed Co. and Co. in process of listing	❖ To regulate securities and commodity market of India	Executive director	Hierarchies (i) BOD (ii) Deptt. Heads (iii) Officers
6. RBI	❖ Regulation of Indian banking system ❖ Central bank	❖ Banker to other banks ❖ Banker to C.G/S.G ❖ Control, issue, supply currency ❖ Manage/regulate country's monetary policy	Chairman of RBI	

Types of court	Hierarchy/decision	Constitution	Types of cases	Judges appointed by
Supreme Court (S.C)	<ul style="list-style-type: none"> ❖ Apex court ❖ Decision binding on all high court & D.C ❖ Final court of appeal 	<ul style="list-style-type: none"> ❖ Principal bench consist of 34 members ❖ Chief Justice of India highest authority 	<ul style="list-style-type: none"> ❖ Writ petition ❖ Original appellate ❖ Advisory jurisdiction ❖ Supervisory jurist 	<ul style="list-style-type: none"> ❖ Decision final on a matter ❖ Judge application by president of India
High Court (H.C)	<ul style="list-style-type: none"> ❖ Highest court of appeal in each state & U.T ❖ Decision binding in each state, persuasive to other state 	<ul style="list-style-type: none"> ❖ 25 H.C ❖ One for each state, U.T ❖ 6 states have 1 H.C ❖ Headed by Chief Justice 	<ul style="list-style-type: none"> (i) Writ Petition (ii) Appeals (iii) Original jurisdiction in some matter (iv) Supervisory jurisdiction 	* Judges appointed by president in consultation with chief Justice
District Court (D.C)	* Below H.C	<ul style="list-style-type: none"> ❖ Jurisdiction based on area covered ❖ District and session judge 	<ul style="list-style-type: none"> (i) District court judge deals with civil law matters (ii) Court of session with criminal law 	* District judge appointed by Chief Justice of that H.C
Metropolitan Court	<ul style="list-style-type: none"> ❖ Established in metropolitan cities ❖ Where population 10 lac or more 	Court of metropolitan magistrate	Deal with both civil and criminal matters	* Metropolitan magistrate application by H.C



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ACCOUNTS **FLASHBOOK**

**Quick Revision for
Accounts!**

- Concept-wise Summarized Notes
- Important points for last minute revision

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1 Unit

JOURNAL

Double Entry Book Keeping

A system where **each transaction affects at least two accounts**, following the **Dual Aspect Concept** (Debit = Credit).

Concept	Definition
Account	A record of a person, thing, income, or expense.
Dual Aspect	Every debit has an equal credit; total debits = total credits.

Types of Accounts and Journalizing Rules

Traditional Approach

Type of Account	Debit	Credit
Personal	The Receiver	The Giver
Real	What Comes In	What Goes Out
Nominal	All Expenses/Losses	All Incomes/Profits

Modern Approach

Type of Account	Debit (Increase)	Credit (Decrease)
Asset	Increase	Decrease

Liability	Decrease	Increase
Capital	Decrease	Increase
Income/Profit	Decrease	Increase
Expense/Loss	Increase	Decrease

Journal Entries & Methods of Recording

Types of Journal Entries

Entry Type	Definition	Recording Method
Simple Entry	A transaction affecting only two accounts.	One account is debited , and one is credited .
Compound Entry	A transaction affecting more than two accounts.	Multiple accounts can be debited or credited in a single entry.
Opening Entry	Brings forward balances of assets, liabilities, and capital from the previous period.	All assets are debited , and all liabilities & capital are credited .

Method of Recording a Journal Entry

Format:

Date	Particulars	Debit (₹)	Credit (₹)
dd/mm/yyyy	Account Name	Dr. XXX	
	To Cr. Account Name (Narration: Explanation of the transaction)		XXX

Example: Purchase of Machinery for ₹50,000 in Cash

Date	Particulars	Debit (₹)	Credit (₹)
01/02/2024	Machinery A/c Dr. 50,000		
	To Cash A/c <i>(Being machinery purchased in cash)</i>		50,000

Common Transactions and Their Journal Entries

1. Transactions with Business Owner

Transaction	Debit	Credit	Example Journal Entry
Capital Introduced	Cash/Bank A/c Assets A/c	Capital A/c	Cash A/c Dr. ₹1,00,000 To Capital A/c ₹1,00,000
Capital Withdrawn (Personal Use)	Drawings A/c	Cash/Bank A/c	Drawings A/c Dr. ₹5,000 To Cash A/c ₹5,000
Recurring Withdrawals for Personal Use	Drawings A/c	Cash/Bank A/c Purchases A/c	Drawings A/c Dr. ₹3,000 To Cash A/c ₹2,000 To Purchases A/c ₹1,000
Interest on Capital (Business to Owner)	Interest on Capital A/c	Capital A/c	Interest on Capital A/c Dr. ₹4,000 To Capital A/c ₹4,000
Interest on Drawings (Owner to Business)	Drawings A/c	Interest on Drawings A/c	Drawings A/c Dr. ₹2,000 To Interest on Drawings A/c ₹2,000

Note:	Whenever goods are withdrawn by the businessman, purchases A/c is credited and not Sales A/c as the goods are withdrawn at cost and not at sales price.
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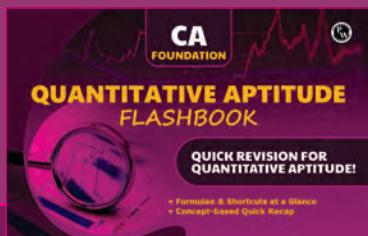
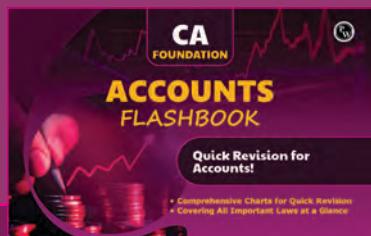
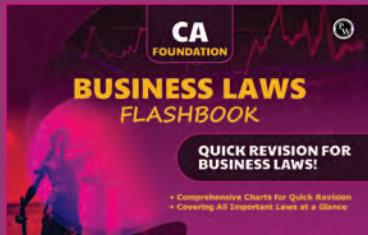
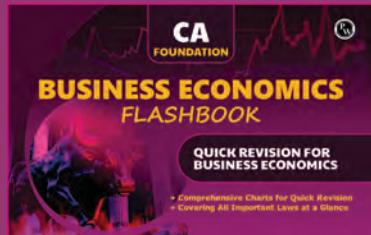
2. Transactions with Banks

Transaction	Debit	Credit	Example Journal Entry
Deposit of Money into Bank	Bank A/c	Cash A/c	Bank A/c Dr. ₹50,000 To Cash A/c ₹50,000
Withdrawal of Money from Bank	Cash A/c	Bank A/c	Cash A/c Dr. ₹20,000 To Bank A/c ₹20,000
Interest Earned on Bank Deposit	Bank A/c	Interest on Bank A/c	Bank A/c Dr. ₹5,000 To Interest A/c ₹5,000
Bank Charges Deducted	Bank Charges A/c	Bank A/c	Bank Charges A/c Dr. ₹500 To Bank A/c ₹500

3. Transactions Involving Goods

Transaction	Debit	Credit	Example Journal Entry
Purchase of Goods (Cash)	Purchases A/c	Cash/Bank A/c	Purchases A/c Dr. ₹50,000 To Cash A/c ₹50,000
Purchase of Goods (Credit)	Purchases A/c	Supplier A/c	Purchases A/c Dr. ₹30,000 To Supplier A/c ₹30,000

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