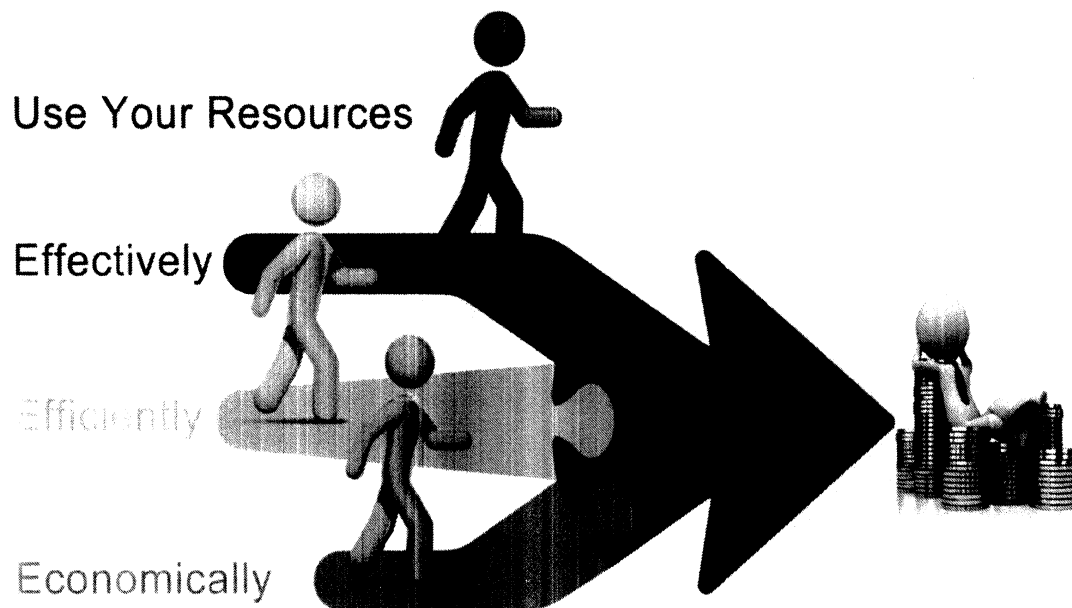


FINANCIAL MANAGEMENT AND CONSUMER EDUCATION

RMCS - 233 3(2+1)

Practical Manual B.Sc. (Hons.) Community Science Semester - III



College of Community Science

Vaswantrao Naik Marathwada Krishi Vidyapeeth, Parbhani - 431402

Practical Manual

B.Sc. (Hons.) Community Science

Prepared by

Dr. Madhuri Kulkarni

Dr. Hemangini Sarambekar

Printed by

College of Community Science

VNMKV, Parbhani

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College of Community Science

Vasantrao Naik Marathwada Krishi Vidyapeeth, Parbhani (MS)



Certified that this is the bonafide record of the practical work carried out by Ms / Mr. -----

Registration Number ----- under the course of RMCS 233 3(2+1) Financial Management and Consumer Education, during the year-----.

Course Professor

Student

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Introduction

Among all the resources that are available to the consumers the most important one is money. Since majority of the consumer goods have to be “purchased” or “paid for” consumers have to become conscious of the need to learn how to manage their money. Better management of limited income would provide more of the goods & services. The concept of income management may be defined as planning, organizing, controlling and evaluating the use of all types of income. The purpose of income management is simply to get the greatest satisfaction from the resources at hand.

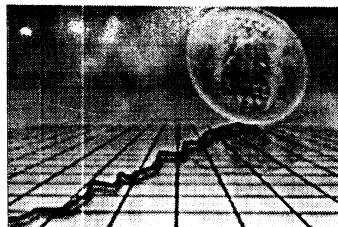
Consumer education is the process of gaining the knowledge and skills needed in managing resources and taking actions to influence the factors which affect consumer decisions. Consumer education promotes critical thinking, problem solving and action. Thus the consumer education is focused on developing skills for the individual consumer such as buying quality goods, finding low prices and avoiding deception in the market place. The focus is on maximizing personal satisfaction at minimum cost. Consumer education can provide right direction to consumers in buying and the related decisions. Consumer education should take into consideration all these factors and should generate consumer awareness and influence consumer behaviour.

The objectives of teaching this course are

1. To train the student in realizing different kinds of income
2. To teach the student to manage money income efficiently.
3. To train the students in budgeting record keeping & banking procedures
4. To Gain knowledge to act as informed and responsible consumer.

Learning out come

1. The students will learn finance management.
2. Students will become an efficient consumer.



Experiment No.1

STUDY OF INCOME PROFILES

Aim: To study the various income profiles

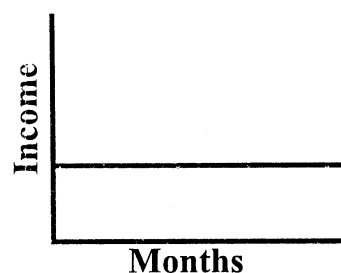
Introduction

The important guideline in income management involves looking at money income to see how it flows into the family treasury during short and long periods. Recognizing that the sum of the short-time flow makes up the long-time stream is essential if maximum value is to be realized. The process of fitting or dovetailing the use of short time income, year by year, into the long-time picture in order to make the long-time stream meet predictable needs is the real essence.

In order to show how an analysis of the money income can be useful in planning family expenditures, the profiles of money incomes typical of several occupational groups are presented here. Understanding the anticipated flow with a review of possible current and future expenses, savings, and taxes to be paid, a clear understanding of financing the family will result.

The income profile 1

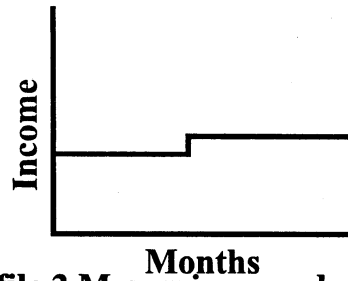
Represents a regular income from wages or salary that is constant throughout a year. Because it is perfectly predictable, the use of this kind of income is the simplest to plan for and control.



Annual Profile 1 Money income constant throughout the year.

The income profile 2

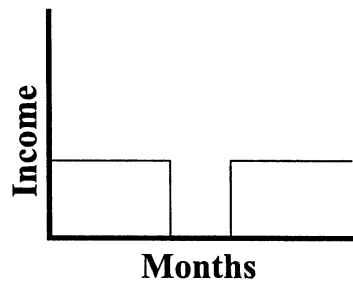
Pictures an increase at one point that carries throughout the rest of the year. A cut in salary would be represented by a drop in the profile line, which would require adjustments in expenditure plans. However, the flow of income would still remain predictable, and planning and controlling its use would be simple. The income streams of bank tellers, secretaries, clerks, or any other regular wage earners would resemble this chart.



Annual Profile 2 Money income during the year.

The income profile 3

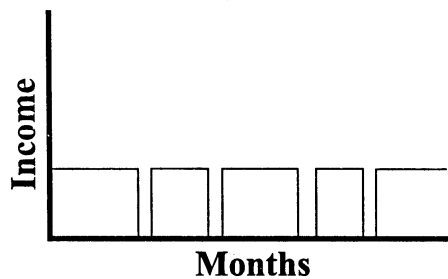
Represents a constant wage or salary for part of the year and none for the rest of the year. Teachers, as a group have this type of income. Having the income spread evenly over the entire year facilitates planning for its use. With a regular income being assured month by month, future planning can be concentrated on long-time demands .



Annual Profile 3 No money income during part of year.

Income Profile 4

There are periods when there is no income. Seasonal workers, such as fruit and vegetable pickers or wheat harvesters, those who have chance employment, or those who may be laid off at unstated intervals have incomes that flow in this manner. Some workers are aided by unemployment insurance during lay-off periods, which in a manner help the family to survive the lack of a regular wage.

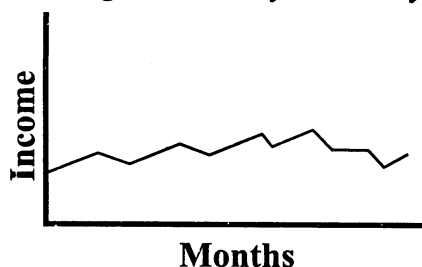


Annual Profile 4 No money income at several intervals during year.

Income Profile 5

Pictures the income of the professional man or businessman who is not on a salary, or who is on a salary plus commissions, or on a salary that is augmented by

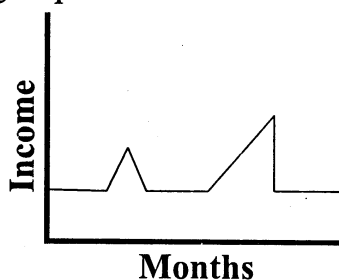
earnings from investments. When a family has an income that flows in this manner, a definite "salary" is often declared for family use, and the fluctuating amounts above this are put into investments or used as "salary" for months when the income is low. Minimum monthly earnings are usually relatively predictable.



Annual Profile 5 Irregular money income of many professional men and women.

Income Profile 6

Represents an income with two major peaks, although there could be more than two. The income of the farm family derived mainly from sale of stock in spring and grain in fall is an example of such a stream. The profile shows an income base line throughout the year which includes the money value of real income obtained from the weekly sale of produce. The highly creative person artist or writer-who has a position plus an occasional or frequent sale of his artistic production, will have an annual income that follows this profile. Also a person on salary plus a commission may fall in this group.



Annual Profile 6 Rather typical of money income on farms

The Income Profile 7

Shows the probable income pattern of such groups as artists, writers, inventors, promoters, or freelancers who may have one or a few sales a year but no regular base. There is one single point of productivity when a sum large enough for the whole year comes into the family treasury, although the profile might include one or more lesser peaks.

Examining the characteristics of one's annual income makes it possible to

A series of 25 horizontal dashed lines spanning the width of the page, intended for writing or drawing.

Experiment No.2

STUDY OF ACCOUNTING SYSTEMS

Aim - 1. To know the different types of household accounts

2. To understand the operation of household accounts

Introduction

Record keeping Record is an essential tool in controlling the plan & for keeping an account of total planned expenditure & the actual expenditure. Thus it helps to keep a financial record of expenditure for future plans. Record keeping is the written record of the exact expenditure made during the implementation period of the financial spending plan.

Essentials of Record

§ Record sheet should have the column for money spent with quantity purchased along with corresponding dates of expenditure.

§ Record should have column for tax payment & saving.

§ Record should give clear idea of total expenditure.

Thus Record keeping provides data as well as thorough analysis of actual expenditure. One can identify buying weaknesses. There will be an indicator of where & how our expenditure reductions can be made. The data in current records demonstrate the present spending pattern of family. Household Account: The record of current cash expenditures from money income is commonly called personal or household accounts.

§ Household account keeping is the important part of financial management of the family

§ Household Account provides valuable aid for checking the family budget,

§ Household account helps in making family budget for future expenditure on different items

§ Household account helps to evaluate family budget

§ Evaluating account can give guidelines for future planning of money.

§ Household accounts provide clear information about market prices

§ Household account provides information on how the money is spent on different items

Common Accounting Systems

- 1) Sheet Method
- 2) Envelope Method
- 3) Note book Method
- 4) Card Filing Method



Exercise: Answer the following questions

- 1. Do you maintain household account?
- 2. Which type of accounting system do you follow?

Experiment No.2-A

HOUSEHOLD ACCOUNTING- SHEET SYSTEM

Aim - To Study the sheet system of accounting.

Introduction

This method is simple & flexible. The records of expenditure may be kept on a single, double or multiple sheets. Since the sheet can be tacked on the back of the board, the end of a cabinet or the back of the door, it is convenient to use.

Single Sheet Method

In a single sheet method all items of expenditure, total income, taxes and savings are noted on a single sheet. The expenditure & item with quantity and date will be entered on a sheet provided. As the sheet is single the space may not be sufficient for recording complete month's expenses. At the end of month the expenditure need to be compiled under different heads.

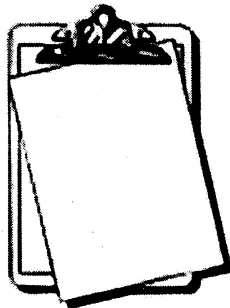
Double Sheet Method

In double sheet method savings & taxes are noted on one sheet & income and expenditure on the other sheet. Compilation becomes easy & it gives record of balance.

Multiple Sheet Method

In multiple sheet, one sheet each is allocated for each of the items of expenditure. Multiple sheets are better than a single or double sheet method as the expenditure is notified under separate heads. Compilation becomes easy & it gives clear idea of expenditure under specific head.

Exercise - Prepare Single & multiple sheet system for maintaining household account.



Experiment No.2-B

HOUSEHOLD ACCOUNTING - ENVELOPE SYSTEM

Aim : To Study the envelope system of accounting

Introduction :

In this method envelopes are maintained to keep records. Envelope method is classified into

i) Cash payment system ii) Pure Sheet accounting system.

i) Cash Payment System

In cash payment system, money is divided into previously planned amounts and money for each group is placed in separate envelope to be dispensed with as and when the need arises. On the cover total money & expenditure can be specified. This is direct, simple, flexible & adequate to apply for a family who is on a monthly income & have the operation entirely on a cash method of payment. The system need to be kept under security otherwise chances of money theft can cause monetary loss for family.

ii) Pure Sheet System

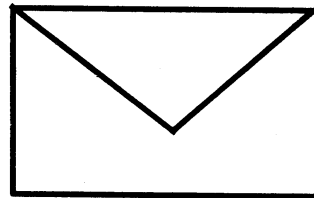
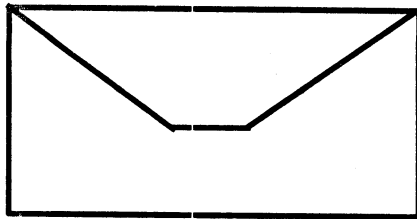
The second envelope type is a pure sheet accounting system. In this a big envelope is made & all bills, slips & notations are put in it. The outside cover of the envelope is used for totaling & summarizing the amount. This system is also simple, flexible & convenient for a family to follow & practice. In case of pure sheet system one must be careful for not losing any bill from envelope otherwise while compiling the monthly expenditure may not tally with balanced money.

iii) Multiple Envelopes

The item wise envelopes will be made & kept on one chart paper. Immediately after the expenses are made the bills will be kept in the respective envelopes which make final compilation easy. In case of non receipt of any bill item of expense can be written on page & kept in the respective envelope.

Exercise

Prepare cash payment , pure sheet and multiple envelopes for maintaining household accounts.



Experiment No.2-C

HOUSEHOLD ACCOUNTING- NOTE BOOK SYSTEM

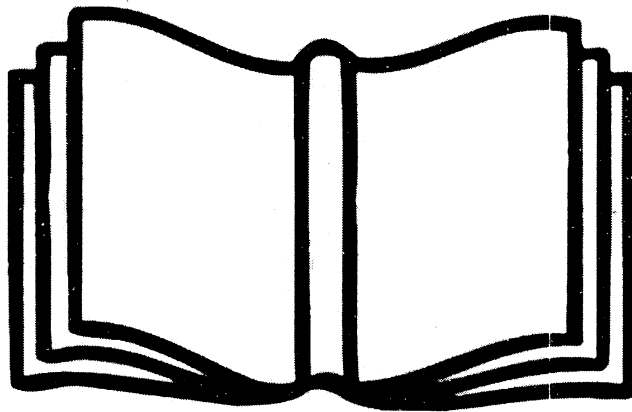
Aim : To study the notebook system of accounting.

Introduction :

This method is very simple, when the organization of items to be recorded are simple & direct. Loose leaf note books can be used for keeping household accounts. It is more convenient & flexible than the bound book, because new leaves / pages can be easily added & old ones replaced in loose leaf of note book. As per the requirement of family total number of pages can be added & item wise expenditure can be maintained.

Exercise

Prepare a note book for maintaining household accounts.



Experiment No.2-D

HOUSEHOLD ACCOUNTING- CARD FILE SYSTEM

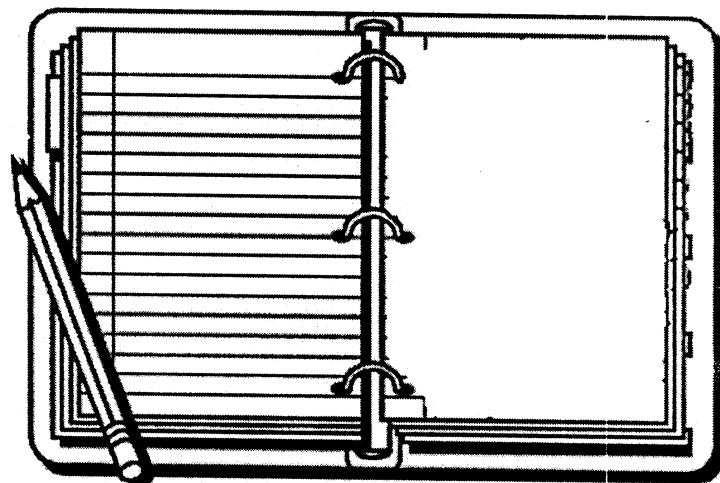
Aim : To study the card life system of accounting.

Introduction

This method is highly flexible & adequate one, but not a simple & convenient one. It is convenient only when an organized individual is in-charge of all the accounts. It is really a one man system & if all the family members are involved in spending it might be difficult to follow. However it can be rectified when every member reports about their spending at the end of each month to one member who maintains the financial record of the family. Separate cards as per the number of items will be prepared and titled and filed in a systematic organized file. If the items of expenditure increase addition can be made by supplying additional number of cards for the particular item.

Exercise

Prepare a card file for maintaining household accounts



Experiment No.3

STUDY OF METHODS OF HANDLING MONEY

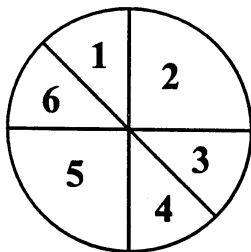
Aim : To study different methods of handling money.

Introduction

The methods of handling money explain the person who monitor the household expenses and the way money expenditure and savings are managed. The choice of a method of handling money that will give all members of family a feeling of satisfaction is a matter of major importance in the life of any family. Five major methods of handling family income are common in use

1) The Family Finance Plan

The family finance plan, called the budget is the method of using income as a planned and shared family project. Direction of such a system naturally lies in the hands of father & mother. During the early stages of the family cycle, the husband & wife share jointly in planning the distribution of income into expenditure pattern which represents their desired living. Then as the children become old enough to understand financial matters and have wants & desires of their own, they share in the planning along with the adults.



The Family Finance Plan

The circle represents the total income of the family. The section 1-6 represent items of expenditure

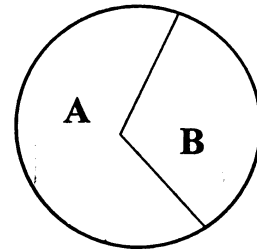
2) The Allowance or apportionment Method

In this method a certain portion of the money is allocated for all or a part of family living expenses. The husband generally gives the wife a stipulated amount which is to cover specified expense items in family living. The remainder of the income is used to cover other living costs such as payments on a house, investments, insurance, taxes or any other items for which the husband wishes to carry the responsibility. This system is likely to be used by the business or professional group with irregular incomes.

A+B represents total Income

A - Income kept under control of one person

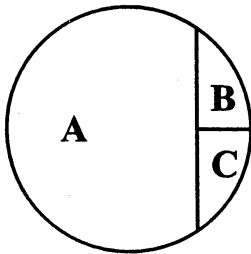
B - Income allocated to part or all living cost



Allowance Method

3) The equal salary method

This method is one in which all family expenses are paid from the total income & the part of the income which is left is then divided equally between husband & wife as a salary contribution of each to the enterprise. The system assumes not only that the income is large enough to have a surplus but also that each division of the surplus represents an appreciable sum. The plan makes no provisions for managing the portion allocated to family living. Thus that part of the income can be operated as a hand out system of spending. This method is often used in a family where the wife has earned before marriage or has had an independent income.



A+B+C Total Income

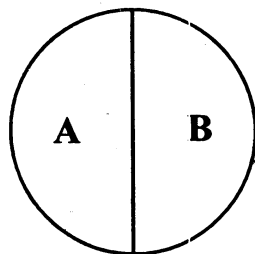
A - Income for family living

B+C - Surplus distributed to husband & wife

Equal Salary Method

4) The Fifty-Fifty System

The Fifty-Fifty system is a method in which total income & expenditure are divided into two equal parts. The system operates by the husband assuming half of the expenditure & paying them from his half of the income; the wife assumes responsibility for the other half & pays for expenditures from her half of the income. The system assumes a known & regular income & known expenditures.



A+B Total Income

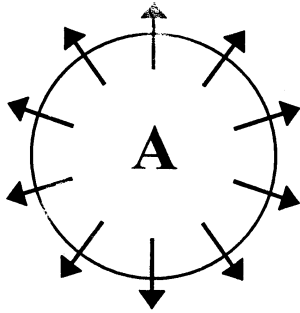
A - Share for one part of expenses

B - Share for other part of expenses

Fifty-Fifty System

5) The Hand Out Method

The hand out or dole system is explained by its name. One person usually the husband or head of the family, maintains complete control of the income & hands out small or large sums of money as needs arise. The hand out method is likely to be used in a family that has little knowledge of it's exact income or one that still operate under patriarchal system.



A is total stream of money Arrows represent doles of large and small amounts.

Handout System

Exercise -

Illustrate all the methods of handling money with expenditure of specific amount of money.

State the method of handling money practiced in your family

Experiment No.4

PREPARING FAMILY BUDGET

Aim : To prepare family budget plan.

Introduction

Budget is defined as plan of future expenditure for specific duration. Family budget deals with planning the expenditure by considering the needs of various members in the family. While planning the budget for family total income of family for the budget period is taken into consideration.

Importance of Budget

1. Budgeting facilitates adjusting casual or occasional income to regular expenditure
2. Budget curtails unnecessary expenditure
3. Budget encourages conscious decision making which helps in achieving long term goals
4. Budget helps family to live within its income
5. Budget helps in developing good buy manship and better consumerism
6. Budget gives clear picture of various items of expenditure and helps to identify wasteful expenditure

Steps in making Budget

Budget plan should be realistic for the use of money and related resources. There are five steps, which should be followed for preparing systematic budget.

1. List out the commodities and services needed

The first step is to list the commodities and services needed through out the proposed budget period. List of individual wants should be prepared according to the necessity. The list must be finalized by having a free discussions and meeting with family members.

2. Estimate the cost of desired items

After making the list of commodities and services it is very essential to

estimate the cost of desired items. Knowledge of market rates is essential, in this respect probable rise in prices should be added to previous market rates. After estimating cost of different items of expenditure total cost of expenditure should be calculated.

3. Estimate the total expected income

The third step includes estimation of the total expected income from all sources for the period in question. Planning should be done in such a way that primary wants are satisfied through fixed income.

4. Balance the income and expenditure

Bringing the expected income and expenditure into balance is the fourth step in budgeting. It helps in reducing some amount from every possible item of expenditure. Omitting less important items help in balancing budget.

Common items of expenditure in family budget

Food The amount of money to be spent on food, grocery, vegetables, milk and milk product, snacks and tea for a group of family during the budget period.

Housing The amount of money to be incurred by family on rent, electricity bill maintenance of house, municipal taxes etc. during the budget period.

Clothing The amount of money to be incurred on purchase of clothes, tailoring charges, mending, laundering , washing powder & detergent during the budget period.

Education The amount to be incurred towards educational items, tuition fees & stationary material of all family members for the budget period.

Medical expenses The amount kept aside for the expenses on medical treatment & health care of family during the budget period.

Entertainment or recreation The amount of money spent on recreational activities of family members throughout budget period.

Transportation The amount of money spent on maintenance of vehicle, fuel like petrol & diesel, and journey tickets of family members during the budget period.

Savings The savings are to be planned before spending the money. Hence it should capture the first place in family budget.

Experiment No.5

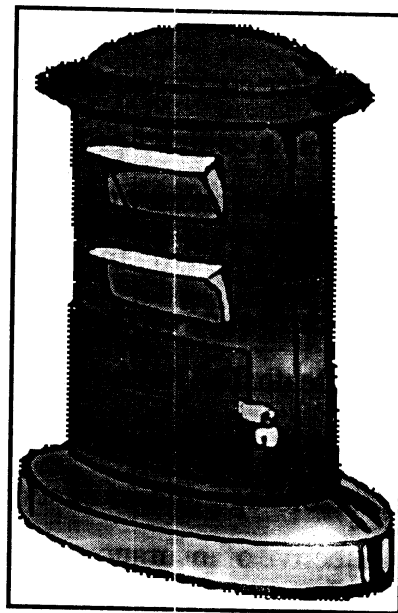
STUDY OF SAVING INSTITUTIONS

Aim : To collect the information on various saving institutions.

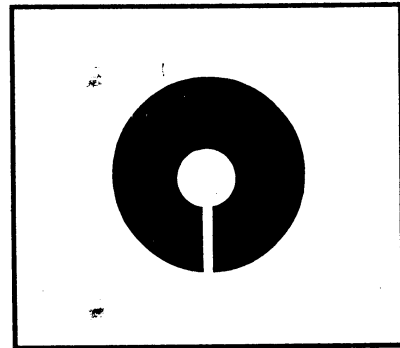
Introduction

Effective money management involves decisions to be made in a manner so as to keep aside certain amount of money from the present income for future consumption. Saving of small amounts done regularly is always better than a large one done at irregular intervals. Savings are the result of careful planning. There are various avenues available for investing money. The consumers should make a thorough appraisal of all these avenues & then make the decisions to select that avenue which is safe, which gives reasonable rate of return & where easy withdrawal of money is possible. It is important to find out about the various institutions where the consumer investors can accumulate their savings. For an Indian consumer the following are the facilities available for saving & investments.

A) Post office: Post office is one such institution where the government provides an opportunity to its citizens to participate in its developmental activities by depositing their savings as well as to earn a good return for their savings & investments. It is an ideal place to start saving practices. The various schemes offered by the post office are Post office saving account , Post office time deposits , 5year post office recurring deposit account, Post office monthly income scheme, Kisan Vikas Patra , Public Provident Fund and National Saving Certificate



B) Bank: Bank is a business establishment that offers a variety of financial services in addition to banking services such as bank deposits or loans. The main function of a bank is to accept deposits from a depositor and to offer loans to a person or an organization who approach the bank for their financial



requirements. Individuals & Organizations with funds for which they have no immediate need, deposit them in banks. The deposits are often put into savings account.

C) Unit Trust of India :

Unit Trust of India is a public sector financial Institution which collects the savings of the people through the sale of units under different scheme, invests the sales proceeds, mainly in corporate securities such as shares & debentures. The income that come from these investments by way of dividend & interest is passed on to the unit holders as dividends & capital appreciation. UTI provides the common investor an opportunity to get reasonable good return by way of dividend & capital appreciation along with tax exemptions.

D) Life Insurance corporation:

Life insurance is a contract providing for payment of a sum of money to the person insured, failing him to the nominee mentioned in the policy on the happening of event like death. The main objective of life insurance is the family protection provision for old age and in exceptional cases the objective of insurance may be to

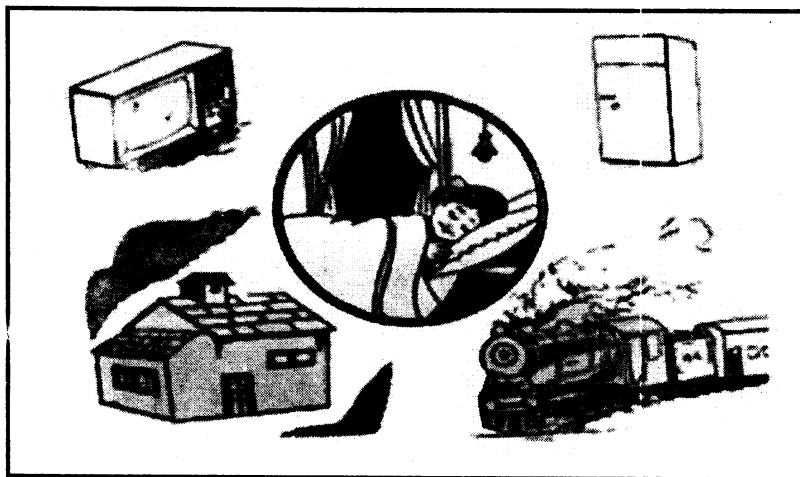


serve as security to educational purposes. LIC policies started covering many more aspects for savings and investments such as education, marriage, house construction and retirement. Thus LIC policies are considered to be a greater

significance to family savings and investment plans.

Exercise

Visit different saving institutions available in the city & present a report on various schemes available under each institute.



save money to fulfill the dreams

Experiment No.6

STUDY OF BANKING OPERATIONS - BANK ACCOUNTS

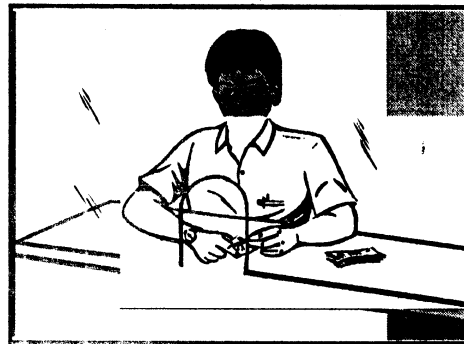
Aim : To study different types of bank accounts.

Introduction

Bank is one of the most important business establishments that offers a variety of financial services. Bhede defines Bank as an “Institution which collects savings from the depositor & distributes loan with interest to needy person. The interest rates offered by all commercial banks are governed by the guidelines of Reserve Bank of India

The general accounts offered by banks are

- 1) Savings account
- 2) Current account
- 3) Recurring deposit
- 4) Fixed deposits



1) **Savings Accounts:** This is a running type of account in which one is allowed to deposit as & when one wishes to. The interest allowed is depending on the category of bank & guidelines of Reserve Bank of India.

2) **Current Account:** This account is suitable mainly for businessmen who would like to keep their money safe and at any time the money is readily available. There is no restrictions on the number of withdrawals. However this account does not provide any interest since the transactions of money is made easy & quick.

3) **Recurring Deposit:** This is an ideal form of deposit for a family to inculcate regular saving habit. Under this one has to deposit a fixed amount of money every month without fail. The accumulated amount is paid with the interest earned for the period & is credited to the depositor's account or paid in cash. This form of saving is useful to collect lump sum amount to purchase consumer durable items or to pay periodical payments like insurance premium or tax related savings.

4) **Fixed Deposit:** This is a scheme under which the money is invested with banking finance. It is made for a particular period ranging from 30 days to

Experiment No.7

STUDY OF BANKING OPERATIONS –BANKING INSTRUMENTS

Aim : To study the various instruments used in banking transaction.

Introduction

Bank is an institute which offers facility for safety of deposits and transactions. One should be aware about these facilities to operate the banking mechanism.

1) Cheque:

A Cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand. In other words “A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker directing a certain person to pay a certain sum of money, only to or to the order of a certain person or to the bearer of the instrument.”

Any cheque must fulfill following conditions.

- The instrument must be in writing, legally speaking the writing must be done by means of printed characters, typewriter or by pen
- The instrument must contain an unconditional order
- The maker must sign the instrument
- The order to pay must be addressed to a specified banker
- The order must be for a certain sum of money only. (Legal tender currency)
- The instrument must be payable to or to the order of a certain person or to the bearer.

Types of cheque

A. Based on dates the cheques are classified as

1) Ante-dated cheque 2) Post -dated cheque

1) Ante-dated cheque

An ante-dated cheque is one that bears a date earlier than the date of issue. A banker cannot refuse payment of a cheque on the ground it is ante-dated.

2) Post-dated cheque

Post dated cheque is one that bears a date later than the date of issue. Bearer

will not get payment before the due date.

B. Based on crossing the cheques are classified as

1) General crossed cheque 2) Special crossed cheque

1) General crossed cheque

General crossed cheque bears across its face an addition of the words or any abbreviation there of between the parallel transverse lines or of two parallel transverse lines simply either with or without the words. Thus two parallel transverse lines are the essential part of a general crossing. The addition of the words 'account payee' or 'payee's account' to the crossing increase the safety of the cheque.

2) Special crossing

Cheque with special crossing bears across the face an addition of the name of a banker with or without the words 'not negotiable'. A special crossing warns paying banker that the amount should be paid only to the banker whose name is mentioned in the crossing. A specially crossed cheque may be made more secure by the addition such words as "account payee", 'not negotiable' etc. A cheque is a mandate to pay the amount according to the tenor of the cheque. The concern is bound to exercise reasonable care to prevent the banker being misled. The customer is bound to take usual & proper precaution to prevent forgery.

C. Based on holding authority the cheques are classified as

i) Bearer cheque

A cheque originally expressed to be payable to bearer always remains a bearer cheque. Endorsement is not necessary legally.

ii) Ordered cheque

An ordered cheque may be made payable to the bearer with name by an endorsement in bank. Thus endorsement is necessary.

3) Draft

Draft is an order to pay money drawn by one office of a bank upon another office of the same bank for a sum of money payable to order on demand.

4) Pass Book

A pass book is a small account book which the banker is issuing to his customer so as to enable him to examine the state of his account.

5) Withdrawal slip

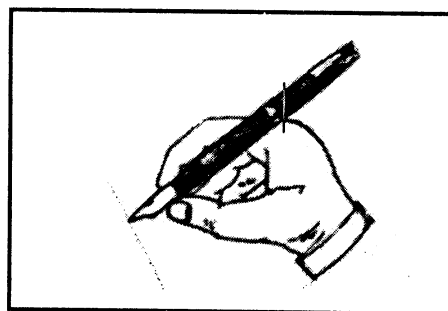
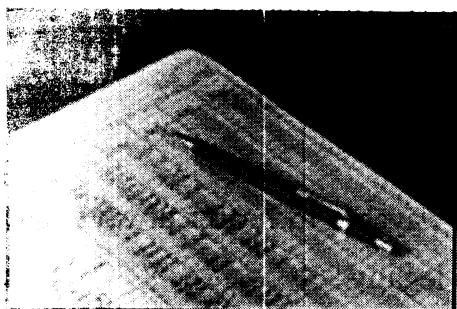
Withdrawal slip is used for withdrawing the amount from bank account not having a cheque book facility. Amount to be withdrawn should be entered accurately without overwriting. Slip should be signed by account holder. The amount withdrawn will be debited to account of ledger & balance against it will be shown, in the passbook

6) Pay-in-slip

Pay-in-slip is used for depositing the amount to the account of bearer. Any person can deposit any amount to the account of other person. Depositor should sign it. The amount deposited will be credited to the account of account holder. Entries should be checked through passbook.

Exercise

- Collect the samples of banking instruments
- Practice the process of writing cheques in different forms .



Experiment No.8

CALCULATION OF PERSONAL TAX

Aim : To understand the calculation of personal tax

Introduction

One of the most important area of financial planning is tax planning & Management. Tax liability is computed on the basis of taxable income. Taxable income is total income less deductions & exemptions. Total income for an individual usually consists of salary income & other income. Other income may include income from rent, earnings from investments, agricultural income & other miscellaneous earnings. The primary source of income for most individuals is their salary. Therefore an effective tax management strategy must include careful monitoring of the tax liability of one's salary.

Computation of Tax

To begin with calculate your total income under different heads.

1. Salaries :

The salary from the month of April to March and taxable prerequisites are chargeable under tax.

2. Income from other sources

Besides salary the income from various sources such as house rent, farm yields, interest on investments & bank securities.

3. Calculate gross income for a year

Total up the income from Sr. no 1 & Sr.no. 2 i.e. salary and income from other sources.

4. Deductions & Exemptions

Calculate admissible deductions & exemptions such as standard deduction, professional tax, Conveyance allowance & House rent allowance as prescribed in the respective budget year.

Admissible deductions under Income Tax Act 1961

Section 80C

This is the most important section for deductions for every taxpayer. The maximum exemption limit in the section is INR 1.5 lakh. The various avenues that could be claimed under section 80C are Public Provident Fund, National Savings Certificate, National Pension Scheme, Employees' Provident Fund, Tuition fees, Post Office tax saving deposits of five year, Life Insurance Premium, Principal repayment of home loan, Sukanya Samriddhi Account Deposit Scheme

Section 80CCC

This section allows a maximum deduction of INR 1.5 lakh and it includes the contribution made to annuity plan of a life insurance provider for the purpose of obtaining pension from the fund.

Section 80D

This section allows deductions on the health insurance premium paid by the taxpayer. The limit for the same is INR 25,000 for self, spouse, and children and an additional INR 25,000 for parents. The limit for senior citizens is INR 30,000. Senior citizens above the age of 80 can seek a deduction of INR 30,000 towards their medical expenditure.

Section 80E

Interest on loan paid for education is eligible for deduction. Please note that principal repayment on the loan cannot be claimed as a deduction. The loan should have been taken for yourself, your children, and spouse or for an individual for whom you are a legal guardian. There is no limit on the amount of interest that can be claimed as a deduction.

Section 80EE

Individuals who are buying a home for the first time may claim an additional deduction of INR 50,000 on the home loan interest paid. This includes a clause that the loan should be sanctioned in or after FY 2016-17 and the amount of loan should be less than INR 35 lakh. Furthermore, the value of the house should not exceed INR 50 lakh and the individual should not own any other residential house under

his name.

Section 80G

This section includes all the contributions made to charitable institutions as well as relief funds. The contribution should be made through cheque, cash or in draft. The amount of deduction eligible is INR 2,000.

Section 80GG

The deduction amount for this section is INR 60,000 per annum and the section is applicable to only those who neither have the ownership of a residential house nor receive a house rent allowance.

Section 80TTA

This section allows a deduction of INR 10,000 from the gross total income of individuals or Hindu Undivided Family. The deduction is allowed for the interest earned on the deposits made in a savings account in a bank, cooperative society or a post office. However, the deduction will not be application for the interest earned from fixed deposits in the bank. The above list of income tax deductions will help you in tax planning and achieving your financial goals.

5. Calculate taxable income

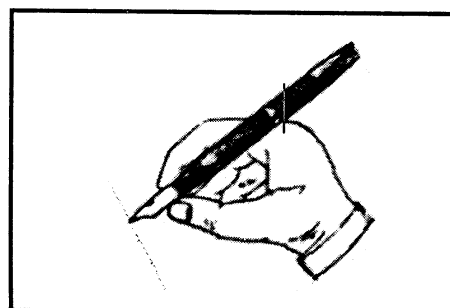
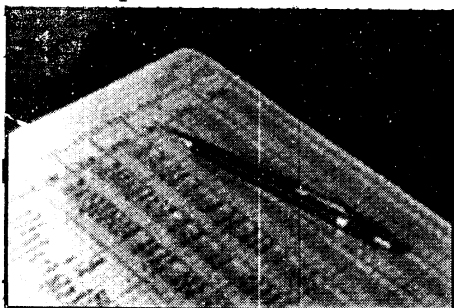
Deduct the amount calculated under Sr. no. 4 from the amount calculated under Sr. no. 3 which will give the taxable income on which the tax liability will be calculated.

6. Calculation of Income tax

Compute the tax payable by applying the rates applicable in the respective budget year.

Exercise

1. Collect the information on tax calculation for current year.
2. Calculate the personal tax for different incomes.



Experiment No.9

INFORMATION SOURCES FOR CONSUMERS

Aim : To Study of information sources available for consumers

Introduction

Various sources of information about the products are available to consumers. For better decisions consumer must collect information through available sources. He must spend sufficient time to read and understand the content. Once the purchase is final while installing and using the product one must carefully go through the written material supplied with product to maximize it's efficiency. Besides labels and certification marks consumer can get information through various sources.

Information label

Information labels are designed to tell the consumers in general terms which they can understand, like the composition of product. Its performance and other uses of product. The consumer can take help from labels only if he takes time to read it carefully.

Manufacturers Catalogues

These are booklets or leaflets supplied by manufacturers along with their goods. They give details of maintenance, installation instruction and service centers and other information that labels provide. These are generally provided with consumer durables like TV, Radio, Refrigerators, vehicles, cosmetic products etc.

Advertisements :

The advertisement tries to impress about the prestige, social involvement, familiarity of the product and the manufacturer. Despite all these aspects advertisements act as a source of information, Consumers should try to use their own judgment regarding the product and whether to buy or not. The ideal advertisement should focus on legitimate information about the product.

Press reports

Press reports provide news items in daily or weekly newspaper pertaining to consumer's interest and there by educate the consumers. Consumers can obtain information on price, legal enactment, redressal cases etc.

Consumer Magazines

Consumer Magazines provide information regarding consumer problems, press reports and also guide and educate the consumers.

Government notifications

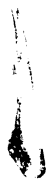
Government notifications appear in the gazette in the form of laws and amendments to existing laws. They relate to tax policy, certification, government control etc.

Consumers

Consumers can learn through their own buying experiences and compare the prices and quality of goods among themselves, this way the consumers themselves can be a source of information about markets, goods, etc.

Exercise :

- Collect the illustrations on various information sources available for consumers
- Analyse the utility of information to the consumers



Experiment No.10

STANDARDIZATION MARKS ON PRODUCTS

Aim : To Study of Standardization marks on various products

Introduction

Certification on products is useful to both manufacturers and consumers. For the manufacturers they provide a third party guarantee of quality which helps to increase their sales potential. For the consumers marking ensures that the products meet normally expected requirements. Manufacturers having requisite production and testing facilities may apply for a license under the certification scheme of the Bureau.

Agmark

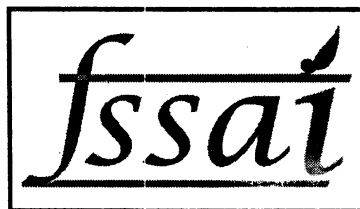
Agmark is a trade mark of quality control set up by the government. Agmark is given for physical and chemical characteristics in both natural and processed products. Agmark covers products like cotton, tobacco, oils and fats,



cereals, pulses, fruits, vegetables, jaggery and spices. The Agmark certification on any product assures the consumer of correct selling practices like quality and purity of the product, correct weights and relevant chemical and physical characteristics of the product.

PFA standards

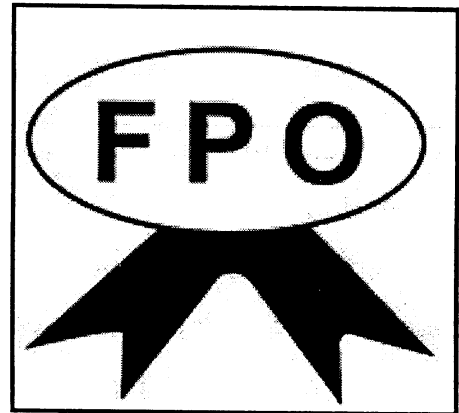
PFA standards were formulated in 1955 after the enactment of prevention of Food Adulteration Act 1954. The standards specify the minimum standards for all types of foods that are marketed.



FPO certification

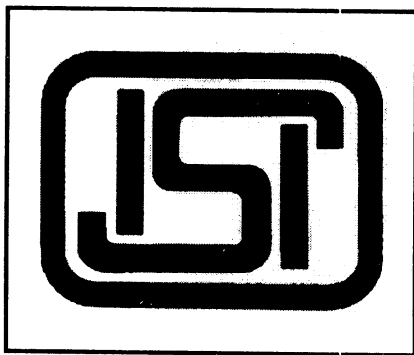
FPO relates to Fruit Products Order

passed by the Government in 1946 . As per this order FPO standards were formulated to protect quality of fruits and vegetables reaching the consumer. These standards were brought under the purview of the essential commodities Act 1955. The order specifies the conditions of hygiene and sanitation required to be maintained by the



manufacturers. It specifies the contents of labels and the type and nature of packing to be used. The order requires that all manufacturers possess a license for the production and sale of such products.

ISI mark



ISI certification marks are issued only to those manufacturers whose goods are according to the ISI's specifications. ISI is a certification mark of the Bureau of Indian Standards (BIS) which was earlier called the Indian Standards Institution. The ISI covers food items, such as vegetables, fruits and meat products spices and condiments, processed foods ,cereals and soya products candies and beverages. Other products covered by ISI are electrical goods, soaps detergent, paints paper etc.

ISO 9000 standards

The ISO 9000 series of standards are brought out by International Organization for standardization. They have been internationally accepted as suitable tool for achieving the necessary harmonization among national standards. ISO 9000 has been accepted by all countries of the European Community and European Free Trade



Association. The objective of ISO is to facilitate the development of international standards in order to reduce the barriers effect of different national standards on international trade of goods and services.

Hall mark

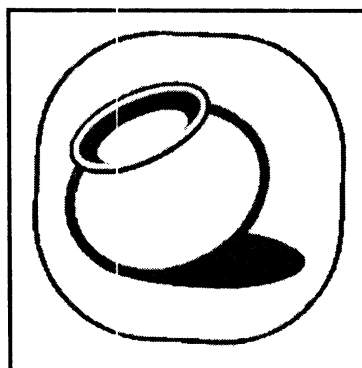
The Bureau of Indian Standards uses BIS certificate for the exact gold content in jewellery. It is known as 'Hall marking' of gold which indicates gold content on a scale of 1000. Hall marking is a tool proof method that accurately determines and record the exact gold content in jewellery.



The BIS certification is issued to jewelers who need it. They have to apply to BIS and ensure homogeneity of jewelry offered for hall marking by following a systematic quality management system.

Eco-mark:

Eco-mark schemes focuses on preserving the environment to keep "it pollution free". This scheme is launched by the BIS at the instance of the Ministry of Environment and Forest. An earthen pot is the logo for the Eco-mark scheme and the products which carries it does

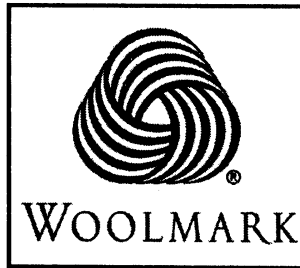


least damage to the environment. Eco-mark helps to guide the consumers in making the right choice. Consumers who buy a product with an Eco-mark understand that this product does not contain any thing with potential for pollution in production use and disposal. Product categorized under the scheme include soaps and detergents, plastics, food items, paper , textiles, preservatives, cosmetics, batteries, lubricant oils, packaging materials, etc.

Wool mark

Wool mark is the standard mark of the International wool secretariat. Wool

mark is a certification mark which appears on wool or woolen garments of quality. It indicates that the wool is pure and the marked garment is not made of other fibers but only pure wool. Wool labeling is done in different ways in terms of wool, reciprocal wool, reused wool and wool products defined for the convenience of consumers.



Silk mark

The Silk mark is a quality assurance label for the assurance of pure silk and in addition serves as a brand for generic promotion of Pure Silk. The silk mark is a registered trade mark. The silk mark can be used in all silk products ranging from Yarn stage to the finished stage like dress material, made up garments, carpets and sarees.



Exercise: Collect the labels with certification marks on different products.

Experiment No.11

Preparation of information material on Consumer Issues

Aim : To Study the consumer issues and prepare learn to an informative aid for consumers

Introduction:

Information helps the consumers in making appropriate decisions in their day to day living. Sources useful to consumers to get the information are called as consumer aids. Consumer aids are the tools, which consumers can use not only in the selection and use of goods but also to protect themselves against exploitative and fraudulent practices of sellers in the market place. The various aids available to consumers vary from quality certification marks on products and labels to voluntary and government agencies which can guide consumers to make correct choices. Basically the consumers require information about products, procedures, services and facilities which can help them to make enlightened decisions in their day to day living.

Exercise

Prepare a simple and attractive informative aid for consumers to create awareness.



Experiment No.12

Organising Consumer Awareness Campaign

Aim: To organize the awareness campaigns in schools and residential localities

Introduction

Consumer education can provide the right direction to the consumer, and form a basic step to economic literacy. Every day the consumer has to analyze, evaluate and compare the information about the products and services they are buying/purchasing. The consumers have to develop skills, build confidence and apply their skills effectively. This can be achieved through consumer education. The main purpose of consumer education is to influence the consumer behavior. The consumer education goals are directed towards use of minimum resources for maximum satisfaction. By having consumer education the consumers will be well informed, will be critical and active about the way they meet their needs.

Objectives of Consumer Education

1. Developing skills of a consumer

Consumer should act as an informed and responsible person. The skills include writing letters of complaint, exercising judgment with respect to -sales promotion campaigns, -Selecting, using and disposing of products knowledgeably.

2. Imparting Knowledge

This relates to knowing of consumer rights and responsibilities, all relevant laws of the country affecting consumers' basic knowledge about health and wise utilization of resources etc.

3. Developing understanding

To make the consumer understand how society functions as a whole and the role of consumer in particular. Consumer education relates to understanding of the individual concerns of consumers as well as that of the society at large.

Organizing awareness campaigns for consumers will educate the consumer on various issues such as how to make an intelligent choice, develop the art of becoming a skilled buyer, learn to manage financial affairs, becoming an efficient

user of goods and services and becoming aware of his social and economic responsibilities.

Exercise

Organize the awareness campaign for consumers in schools and residential areas