

## ACCOUNTS (858)

### Aims:

1. To provide an understanding of the principles of accounts and practice in recording transactions and interpreting individual as well as company accounts.
2. To develop an understanding of the form and classification of financial statements as a means of communicating financial information.

### CLASS XI

There will be **two** papers in the subject:

**Paper I - Theory:** 3 hours .....80 marks

**Paper II- Project Work**.....20 marks

#### PAPER - I (THEORY) – 80 Marks

There will be one paper of 3 hours duration of 80 marks divided into two parts:

**Part I (20 marks):** will be compulsory and will consist of short answer questions, testing knowledge, application and skills relating to elementary/fundamental aspects of the entire syllabus.

**Part II (60 marks):** Candidates will be required to answer **five** questions out of **eight** from this section. Each question shall carry **12 marks**.

#### 1. Introduction to Accounting

Background of accounting and accountancy; types of accounts; basic terms used in accounting, and Accounting Equation.

- (i) Evolution of accounting: The three phases.
- (ii) Basic Terms: Event, Transaction, Vouchers, Capital, Assets (intangible, tangible, fixed, current, liquid, wasting and fictitious), Liabilities (internal and external – current, long-term and contingent), Trade Debtors, Trade Creditors, Purchases, Sales, Goods traded in, Stock (raw material, work in progress and finished goods), Profit, Loss, Expense, Revenue, Income and Drawings.
- (iii) Accounting equation: Meaning and usefulness.
- (iv) Meaning and definition of Book-keeping, Accounting and Accountancy; difference between book-keeping, accounting and accountancy; accounting cycle.
- (v) Users of accounting information.

(vi) Subfields of accounting: Meaning of financial accounting, cost accounting and management accounting.

**NOTE:** Practical problems in Accounting Equation are not required.

#### 2. Journal, Ledger and Trial Balance

- (i) Journal: recording of entries in journal with narration.
  - (a) Classification of Accounts- traditional classification or modern approach.
  - (b) Double Entry System.
  - (c) Rules of journalizing – traditional classification or modern approach.
  - (d) Meaning of journal; Advantages of using a journal.
  - (e) Format of journal.
  - (f) Simple and compound journal entries.
  - (g) Opening Journal entry.
  - (h) Journal Entries- Input CGST and Input SGST / Input IGST; Output CGST and Output SGST/ Output IGST) / Setting off Input GST against Output GST.
- (ii) Ledger: posting from journal to respective ledgers.
  - (a) Meaning of ledger.
  - (b) Format of a ledger.
  - (c) Mechanics of posting.
  - (d) Closing / Balancing of ledger accounts- expenses and revenues to be closed by transferring to Trading / P/L Account depending upon their direct/ indirect nature and balances of Assets, Liabilities and Capital to be carried down.
  - (e) Adjusting and closing journal entries.

(iii) Sub-division of journal - cash book [including simple cash book and triple column cash book (cash, bank and discount) with - contra entry pertaining to receipt of cheque not deposited on the same day; adjustments pertaining to a definite cash balance to be maintained / overdraft facility to be availed at the end of the month. Petty cash book (including analytical and imprest system), sales day book, purchases day book, sales return day book, purchases return day book and Journal proper.

- (a) Cash book [including simple cash book and triple column cash book (cash, bank and discount) with - contra entry pertaining to receipt of cheque not deposited on the same day; adjustments pertaining to a definite cash balance to be maintained / overdraft facility to be availed at the end of the period].
- (b) Petty cash book (including analytical and imprest system).
- (c) Sales day book, purchases day book- Simple (Date, Particulars, I. No, L.F, Details, Amount); Columnar (Date, Particulars, I. No, L.F, Details, Net Invoice, Goods, Carriage, GST-Input CGST and Input SGST / Input IGST; Output CGST and Output SGST / Output IGST- Amount or percentage given).
- (d) Sales return day book, purchases return day book- Simple (Date, Particulars, Credit/ Debit Note No., L.F, Details, Amount).
- (e) Journal proper.
- (f) Mechanics of posting from special subsidiary books.

**NOTE:** Transactions with GST is excluded in Cash Book and Returns Books.

(iv) Trial Balance.

- (a) Meaning, objectives, advantages and limitations of a Trial Balance.
- (b) Preparation of the Trial Balance by the balance method from the given ledger account balances.

### 3. Bank Reconciliation Statement

Bank Reconciliation statement.

- (i) Meaning and need for bank reconciliation statement.
- (ii) Preparation of a bank reconciliation statement from the given cash book balance / overdraft or pass book balance / overdraft.
- (iii) Preparation of a bank reconciliation statement from the extract of the cash book as well as the pass book relating to the same month. (Practical problem not required)
- (iv) Preparation of an amended cash book and a bank reconciliation statement after adjusting the cash book balance from the given cash book balance.

### 4. Depreciation

Depreciation, Methods of charging depreciation, Method of recording depreciation.

- (i) Depreciation: meaning, need, causes, objectives and characteristics.
- (ii) Methods of charging depreciation: Straight Line and Written Down Value method; advantages, limitations of both the methods and differences between the two.
- (iii) Methods of recording depreciation: charging to asset account, creating provision for depreciation / accumulated depreciation.
- (iv) Problems relating to purchase and sale of assets (with or without asset disposal account) incorporating the application of depreciation under the two stated methods.

**NOTE:** Questions on change of method from SLM to WDV and vice-versa are not required.

### 5. Bills of Exchange

- (i) Introduction to Negotiable Instruments: explanation of basic terms.

Meaning of negotiable instruments; Bills of exchange, promissory note (including specimen and distinction), cheque, advantages and disadvantages of Bills of Exchange, explanation of basic terms - drawer, drawee, payee, endorser, endorsee, bill on demand / bill on sight, bill after date, bill after sight, tenure of the bill, days of grace, due date, endorsement and discounting of bills, bill sent for collection, dishonour of a bill, holder of a bill, noting charges, notary public, renewal of a bill, retirement of a bill and insolvency of the drawee/acceptor.

- (ii) Practical problems on the above in the books of drawer, drawee and endorsee- Journal entries and Ledger accounts.

*Self explanatory.*

**NOTE:**

- *Accommodation Bill is not required.*
- *Recording in the books of the bank not required.*

## 6. Accounting Concepts

GAAP (Generally Accepted Accounting Principles), Basis of Accounting; Accounting Standards; Knowledge and understanding of IFRS (International Financial Reporting Standards).

- GAAP: Going Concern, Accounting Entity, Money Measurement, Accounting Period, Complete Disclosure, Revenue Recognition, Verifiable Objective, Matching Principle, Historical Cost, Accrual Concept, Dual Aspect Concept, Materiality, Consistency, Prudence and Timeliness, Industry Practice, Substance over legal form.*
- Basis of accounting – cash basis and accrual basis (meaning; difference).*
- Accounting Standards: Meaning; Utility/Advantages.*
- IFRS (International Financial Reporting Standards) - Meaning; Need for IFRS; Fundamental Assumptions in IFRS- Going Concern, Accrual, Measuring Unit, Purchasing Power; difference between IFRS and Indian GAAP; Procedure for implementation of IFRS; India and IFRS.*

## 7. Final Accounts and Concept of Trading, Profit and Loss account and Balance Sheet (with and without adjustments), Marshalling of Balance Sheet

- Capital and Revenue Expenditure/Income.
  - Meaning and difference between capital expenditure and revenue expenditure with examples.*
  - Meaning and difference between capital income and revenue income with examples.*
  - Meaning and difference between capital profit and revenue profit with examples.*
  - Meaning and difference between capital loss and revenue loss with examples.*
  - Meaning of deferred revenue expenditure with examples.*

- Provisions and Reserves.

*Meaning, importance; difference between provisions and reserves; types of reserves - revenue reserve, capital reserve, general reserve, specific reserve and secret reserve.*

- Trading, Profit and Loss Account and Balance Sheet of a sole trader, (Horizontal Format) without adjustments.

*Meaning, objectives, importance and preparation of Trading, Profit and Loss Account and Balance Sheet of a sole trader.*

- Preparation of Trading Account, Profit and Loss Account and Balance Sheet with necessary adjustments.

*Adjustments relating to closing stock, outstanding expenses, prepaid expenses, accrued income, income received in advance, depreciation, bad debts, provision for doubtful debts, provision for discount on debtors, manager's commission (on the net profit before and after charging such commission), goods distributed as free samples, goods taken by the owner for personal use and abnormal loss; Treatment of Adjusted Purchases and calculation of cost of goods sold.; Input CGST and Input SGST/ Input IGST and Output CGST and Output SGST/ Output IGST given in the Trial Balance to offset against each other in the Balance Sheet.*

- Marshalling of a Balance Sheet: Order of permanence and order of liquidity.
- Adjusting, closing and transfer entries.

*GST is excluded in Adjustments.*

**NOTE:**

- Practical problems on preparation of provision for doubtful debts account are not required.*
- Since creating provision for doubtful debts accounts involves being prudent, in the absence of any information of the amount of the new provision, it will be assumed that the amount of the new provision will be the same as the old provision unless the remaining debtors are good.*

## 8. Rectification of Errors

Errors and types of errors: Rectification of errors after the preparation of trial balance and rectification of errors after the preparation of Final Accounts.

- (i) *Types of Errors: errors of omission, errors of commission, errors of principle, compensating errors.*
- (ii) *Rectification of errors after the preparation of trial balance and through suspense account if required.*
- (iii) *Rectification of errors after the preparation of Final Accounts through P/L Adjustment A/c if required.*

**NOTE:** Redrafting of Balance Sheet not required.

## 9. Accounts from incomplete records

- (i) Single entry and difference with double entry.
  - (a) *Meaning, characteristics and limitations.*
  - (b) *Difference between Statement of Affairs and Balance Sheet.*
- (ii) Ascertainment of profit/loss by statement of affairs method including application.

*Self-explanatory.*

**NOTE:** Single entry system as applied to partnership firms is not required.

*Conversion of Single Entry into Double Entry not required.*

## 10. Non -Trading Organisation

- (i) Non-Trading Organization: meaning, objectives, necessity and treatment of specific items.
 

*Self-explanatory.*
- (ii) Different books maintained and differences between them.
  - (a) *Receipts and Payments Accounts: meaning, features, differences between Receipts and Payments Account and Cash Book.*
  - (b) *Income and Expenditure Accounts: meaning, features, difference between Income and Expenditure account and Profit and Loss account.*
  - (c) *Balance Sheet and its role.*

- (iii) Preparation of Income and Expenditure Account and Closing Balance Sheet.

*Preparation of Income and Expenditure Account and Balance Sheet when Receipts and Payments Account and other information is given.*

- (a) *Entrance, admission fees, life membership fees, legacies, special grants and special donations are to be capitalised.*
- (b) *General donations, general grants and all receipts of a recurring nature such as membership fees/ subscriptions are to be taken as revenue receipts.*
- (c) *Preparation of accounts of incidental activities such as restaurant accounts are not required.*

**NOTE:** Preparation of a Receipt and Payments Account only or an Income and Expenditure Account with a Balance Sheet from incomplete records need not be covered (in horizontal format).

## 11. Introduction to the use of Computers in Accounting

### Introduction to Computerised Accounting

**System:** Components of CAS, Features, Advantages and Limitations of CAS, Accounting Information System and Management Information System.

- (i) *Components of Computerised Accounting System (CAS)-hardware and software; operation of the computer system- input, processing, auxillary storage, output, application of computer in accounting.*
- (ii) *Comparison of accounting processes in manual and computerized accounting.*
- (iii) *Advantages and limitations of CAS.*
- (iv) *Types of Accounting Packages or software- ready to use, customized, tailor-made with their advantages and limitations.*
- (v) *Accounting Information System and Management Information System-Meaning.*



## PAPER II – PROJECT WORK – 20 Marks

Candidates will be expected to have completed **two** projects from any topic covered in Theory.

Mark allocation for **each** Project [10 marks]:

Overall format	1 mark
Content	4 marks
Findings	2 marks
Viva-voce based on the Project only	3 marks

### A list of suggested Projects is given below:

- Preparation of Journal / sub-division of journal, Ledger, Trial balance and Financial Statements of a trading organization on the basis of a case study.
  - Develop a case study of a sole trader starting business with a certain amount of capital.  
He could have got the amount from his past savings or by borrowing from a bank by mortgaging his personal assets or by winning a lottery or any other source.
  - Write in detail, his transactions during the year- his purchases - cash and credit, sales-cash and credit, expenses, purchase of fixed assets and depreciation charged on them, any outstanding expenses, prepaid expenses, accrued income, drawing bills of exchange, accepting bills payable, etc.
  - From this case study developed (which should have at least 15 transactions), pass the journal entries, post them into the ledger, prepare a Trial Balance and the Trading and Profit and Loss Account and Balance Sheet.
  - The various expenses for comparison purposes, could be depicted in the form of bar diagrams and pie charts.
- Preparation of the accounts of a Not-for-Profit-Organisation on the basis of a case study.
  - Develop a case study of an NPO by beginning with the primary motive of establishing it, that is, why have you decided to open a club or a library or a hospital, etc.
  - Write in detail about the sources of capital fund, subscriptions, donations (ordinary and special), other receipts and payments of your NPO as well as outstanding expenses, prepaid expenses, subscription due but not received, subscription received in advance, purchase of

fixed assets and depreciation charged on them, legacy received, etc.

- From this case study developed (which should have at least 15 transactions), pass the journal entries, post them into the ledger, prepare a trial balance and thereafter prepare the NPO's Cash Book, Receipts and Payment Account, its Income and Expenditure Account and its Balance Sheet.
- The various expenses, for comparison purposes, could be depicted in the form of bar diagrams and pie charts.

- Prepare a Bank Reconciliation Statement and Amended Cash Book from the information given in your Cash Book and Bank Statement (Pass Book) with at least fifteen transactions.

- Complete the labels.

- Prepare a Spreadsheet as per the following format:

Revenue	Jan.	Feb.	March	April
Outdoor Sales				
Indoor Sales				
Total Sales				
Expenses				
Salaries				
Rent & Utilities				
Others				

- Fill the Sales and Expenses for the months in lakhs and calculate the Total Sales and Total Expenses.
- Calculate the Net Profit using the excel formulas by subtracting the expenses from revenue.
- Highlight all the numbers and prepare a Bar Chart showing the Indoor and Outdoor Sales for the months.
- Save your work on the desktop as **Label\_Project**.
- Print a hard copy of your work and close the file.