

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 hours80 marks

Paper II- Project Work20 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. Knowledge and understanding of IFRS (International Financial Reporting Standards); GAAP (Generally Accepted Accounting Principles), Accounting Standards.

- (a) *Basic Terms: Event, Transaction, Vouchers, Debtors, Creditors, Purchases, Sales, Assets (intangible, tangible, fixed, current, liquid and fictitious), Liabilities (internal and external – current, fixed and contingent), Goods traded in, Stock (raw material, work in progress and finished goods), Profit, Loss, Expense, Revenue, Income, Drawings and Capital.*
- (b) *Accounting equation – Meaning and usefulness.*
- (c) *Evolution of accounting; difference between bookkeeping, accounting and accountancy; functions, characteristics, objectives, advantages and limitations of accounting;*

users of accounting information; subfields of accounting - meaning of financial accounting, cost accounting and management accounting.

2. Journal, Ledger and Trial Balance

- (i) Journal: recording of entries in journal with narration.
 - (a) *Classification of Accounts.*
 - (b) *Double Entry System.*
 - (c) *Rules of journalizing – traditional classification or modern approach.*
 - (d) *Meaning of journal.*
 - (e) *Format of journal.*
 - (f) *Simple and compound journal entries (with specimens to practice).*
 - (g) *Advantages of using a journal.*
- (ii) Ledger: posting from journal to respective ledgers.
 - (a) *Meaning of ledger.*
 - (b) *Format of a ledger.*
 - (c) *Mechanics of posting.*
 - (d) *Balancing of various ledger accounts.*
 - (e) *Practical problems on journal and ledger.*
- (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. 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.

Mechanics of posting from special subsidiary 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.

- (a) *Meaning and need for bank reconciliation statement.*
- (b) *Preparation of a bank reconciliation statement from the given cash book balance or pass book balance or both.*
- (c) *Preparation of a bank reconciliation statement from the extract of the cash book as well as the pass book relating to the same month.*
- (d) *Preparation of an amended cash book and a bank reconciliation statement from the given cash book balance.*
- (e) *Preparation of an amended cash book and a bank reconciliation statement from the extract of the cash book as well as the pass book relating to the same month.*

4. Depreciation

- (i) Depreciation.
Depreciation - meaning, need, causes, objectives and characteristics.
- (ii) Methods of charging depreciation: Straight Line and Written Down Value method.
Method of recording depreciation – charging to asset account, creating provision for depreciation / accumulated depreciation.
- (iii) Problems relating to purchase and sale of assets incorporating the application of depreciation under the two stated methods.
Self explanatory.
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, 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.
Self explanatory.
NOTE:
 - *Accommodation Bill is not required.*
 - *Entries 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);
- (a) *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.*
 - (b) *Basis of accounting – cash basis and accrual basis.*
 - (c) *Accounting Standards: Concept and objectives.*
 - (d) *Introduction to IFRS.*

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

- (i) Capital and Revenue Expenditure/Income.
(a) *Meaning and difference between capital expenditure and revenue expenditure with examples.*

- (b) *Meaning and difference between capital income and revenue income with examples.*
- (c) *Meaning and difference between capital profit and revenue profit with examples.*
- (d) *Meaning and difference between capital loss and revenue loss with examples.*
- (e) *Meaning of deferred revenue expenditure with examples.*

(ii) Provisions and Reserves.

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

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

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

(iv) 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 and goods taken by the owner for personal use and abnormal loss.

(v) Marshalling of a Balance Sheet: Order of permanence and order of liquidity.

Self explanatory.

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.

- (a) *Types of Errors: errors of omission, errors of commission, errors of principle, compensating errors.*

- (b) *Rectification of errors after the preparation of trial balance and through suspense account if required.*

- (c) *Rectification of errors after the preparation of Final Accounts through P/L Adjustment A/c if required. **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 and special donations are to be capitalised.
- (b) General donations and all receipts of a recurring nature such as membership fees 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.

Self-explanatory.

- A theoretical understanding of preparation of Trial Balance, Profit and Loss account and Balance Sheet with the help of spreadsheets.

Self explanatory.

- Comparison of accounting processes in manual and computerized accounting.
- Selection of an Accounting Software Package.

Factors affecting the selection of accounting software package/s based on organizational needs.

- Introduction to Computerised Accounting softwares.

Basic understanding and advantages and disadvantages of ready to use, customized, tailor-made accounting systems (E.g.: Tally, VISHESH or any other accounting system).

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:

1. 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.

2. 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.

3. 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.

4. Complete the labels.

(i) Prepare a Spreadsheet as per the following format:

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

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

CLASS XII

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

Paper I - Theory: 3 hours80 marks

Paper II- Project Work20 marks

PAPER - I (THEORY) – 80 Marks

There will be one paper of 3 hours duration of 80 marks divided into three Sections A, B and C.

It will be **compulsory** for all candidates to attempt **Section A**.

Section A (60 Marks): will consist of **two** parts, **Part I** and **Part II** and have a total of **eight** questions.

Part I (12 Marks): will consist of **Question 1 (compulsory)**. This question will include short answer questions, testing knowledge, application and skills relating to elementary/fundamental aspects. **Question 1** will be based on **Section A** of the syllabus.

Part II (48 Marks): Candidates will be required to answer **four** questions out of **seven** from this part. Each question shall carry 12 marks. Part II will also be based on **Section A** of the syllabus.

Section B/ C (20 marks): Candidates will have a choice of attempting questions **either** from **Section B** or **Section C**. Candidates will be required to answer **two** questions out of **three** from the section of their choice. Each question shall carry 10 marks.

SECTION A

1. Partnership Accounts

A. Fundamentals of Partnership

- (i) Definition, meaning and features of a Partnership.

Self explanatory.

- (ii) Provisions of The Indian Partnership Act, 1932, with respect to books of accounts.

(a) *Meaning and importance.*

(b) *Rules applicable in the absence of a partnership deed.*

- (iii) Preparation of Profit and Loss Appropriation Account and Partners' Capital and Current Accounts.

(a) *Profit and Loss Appropriation Account.*

(b) *Partners' capital accounts: fixed and fluctuating.*

(c) *Partners' Current Accounts when fixed capital method is followed*

Interest on capital, interest on drawings, interest on current accounts (debit and credit) salary, commission to partners and managers, transfer to reserves, division of profit among partners,

(d) *Guarantee of profits*

(e) *Past adjustments (Relating to interest on capital, interest on drawing, salary and Profit Sharing Ratio).*

NOTE:

- *Interest on loan given by the partner to the firm is to be taken as a charge against profits. This interest will be debited to the P/L account and credited to his loan account.*
- *Interest on loan taken by a partner from the firm should be credited to P/L account and debited to his capital/current account as the case may be.*
- *Rent paid to a partner is a charge against profit and is to be credited to partners' current account in case of fixed capital system or to partners' capital account when capitals are fluctuating.*
- *Admission of manager as a Partner is excluded.*

B. Goodwill

Concept of goodwill and mode of valuation.

(a) *Meaning, nature and features of Goodwill.*

(b) *Factors affecting the value of goodwill.*

(c) *Mode of Valuation.*

- *Average profit method – Meaning and practical application.*

– *Simple average.*

– *Weighted average method.*

- *Super profit method – Meaning and practical application.*
- *Capitalization method – Meaning and practical application.*
 - *Capitalization of average profit.*
 - *Capitalization of super profit.*

NOTE: *Capital Employed/Net assets are Total assets (excluding purchased non-trade investments and fictitious assets) less outside liabilities.*

Investments to be taken as non-trade investments unless specified as trade investments.

C. Reconstitution of Partnership

I. Admission

- (i) Calculation of new profit sharing ratio, sacrificing ratio and gaining ratio.

Self Explanatory

- (ii) Accounting treatment of goodwill on admission of a partner.

Based on Accounting Standard –26 issued by the Institute of Chartered Accountants of India in the context of Intangible Assets.

- Premium for goodwill paid privately.*
- Premium for goodwill paid (in cash or kind) and retained in the business.*
- Premium for goodwill paid and withdrawn by the old partners.*
- When the incoming partner cannot bring premium for goodwill in cash, adjustments are to be done through his current account.*
- Hidden goodwill.*
- When goodwill appears in the old Balance Sheet.*

- (iii) Preparation of Revaluation Account.

Preparation of a Revaluation Account where changes in the values of assets and liabilities are reflected

in the new Balance Sheet after reconstitution of a partnership firm.

NOTE: *Memorandum revaluation account is excluded from the syllabus.*

- (iv) Accounting treatment of accumulated profits and losses.

General Reserve / Reserve Fund, Workmen Compensation Reserve/ Fund, Investment Fluctuation Reserve/Fund, Contingency Reserve, Profit and Loss Account (Debit and Credit balance) and Advertisement Suspense Account/ Deferred Revenue Expenditure.

- (v) Adjustment of Capitals.

(a) *Adjustment of old partner's Capital Accounts on the basis of the new partner's capital.*

(b) *Calculation of new partner's capital on the basis of old partner's adjusted capital.*

- (vi) Change in Profit Sharing Ratio.

Change in PSR takes place at the time of admission of a partnership firm.

Accounting treatment of accumulated profits and losses through one journal entry: (Adjustment of the incoming partner's share to be done through his current account-similar to the treatment of goodwill not brought in cash.)

Gaining partners cap/current A/c Dr.

To sacrificing Partners cap/current (in case of profits).

Sacrificing partners' cap/current A/c Dr.

To Gaining Partners cap/current (in case of losses)

General Reserve/ Reserve fund, Workmen Compensation Reserve/ Fund, Investment

Fluctuation Reserve/ Fund, Contingency Reserve, Profit and Loss Account (Debit and Credit Balance) and Advertisement Suspense Account/ Deferred Revenue Expenditure.

II. Retirement and death of a partner

- (i) Calculation of new profit sharing ratio, gaining ratio and sacrificing ratio.

Self Explanatory.

- (ii) Adjustment with regard to goodwill including hidden goodwill.

Self Explanatory.

- (iii) Adjustment with regard to undistributed profits and losses.

Self Explanatory.

- (iv) Adjustment with regard to share of profits of the retiring or deceased partner from the date of the last Balance Sheet to the date of retirement or death (on the basis of time or turnover).

Through P & L Suspense A/c (in case of no change in PSR of remaining partners).

Through Gaining Partners capital/ current A/c (in case of change in PSR of remaining partners).

- (v) Preparation of Revaluation Account on retirement or death of a partner.

Self Explanatory.

- (vi) Adjustment of capitals.

(a) *Readjusting the adjusted capital of the continuing partners in the new profit sharing ratio.*

(b) *Adjusting the capitals of the continuing partners on the basis of the total capital of the new firm.*

(c) *When the continuing partners bring in cash to pay off the retiring partners.*

- (vii) Calculation and payment of amount due to retiring partner.

Self Explanatory.

- (viii) Preparation of retiring partner's loan accounts and deceased partner's executor's loan account (with interest on loan accrued and due and interest on loan accrued but not due).

Self-explanatory.

- (ix) Change in Profit Sharing Ratio.

Change in PSR takes place at the time of retirement / death of a partnership firm.

Accounting treatment of accumulated profits and losses through one journal entry:

Gaining partners cap/current A/c Dr.

To sacrificing Partners cap/current (in case of profits).

Sacrificing partners' cap/current A/c Dr.

To Gaining Partners cap/current (in case of losses)

General Reserve/ Reserve fund, Workmen Compensation Reserve/ Fund, Investment Fluctuation Reserve/ Fund, Contingency Reserve, Profit and Loss Account (Debit and Credit Balance) and Advertisement Suspense Account/ Deferred Revenue Expenditure.

NOTE:

– *Preparation of Balance Sheet in Partnership Accounts to be done in Horizontal format only.*

– *Memorandum Revaluation Account, Joint Life Policy, Individual life policy are excluded from the syllabus.*

III. Dissolution of a Partnership firm.

- (i) Meaning of dissolution and settlement of accounts under Section 48 of The Indian Partnership Act 1932.

Self Explanatory

- (ii) Preparation of Realization Account, Partner's Loan Account, Partner's Capital Account and Cash/Bank Account.
Self-explanatory.

NOTE:

- *When an asset or a liability is taken to the realization account any corresponding/related fund or reserve is also transferred to realization account and not to capital account.*
- *When accounts are prepared on a fixed basis, partners current account balances are to be transferred to capital account. No adjustments are required to be passed through current account.*
- *Bank overdraft is to be taken to the bank/cash A/c and not to be transferred to realization account but bank loan must be transferred to realization account.*
- *If question is silent about the payment of a liability, then it is has to be paid out in full.*
- *If the question is silent about the realization of an asset, its value is assumed to be nil.*
- *Loan taken from a partner will be passed through cash or bank account.*
- *Loan given to a partner will be transferred (debited) to his Capital account.*
- *Admission cum retirement, amalgamation of firms and conversion/sale to a company together with piecemeal distribution and insolvency of a partner / partners not required.*

2. Joint Stock Company Accounts

A. Issue of Shares

Problems on issue of shares.

- (a) Issue of shares at par and premium under Companies Act, 2013.
- (b) Issue of shares for considerations other than cash:

- To promoters (can be considered either through Goodwill account or Incorporation costs account).
- To underwriters.
- To vendors.

- (c) Calls in arrears, calls in advance and interest thereon including the preparation of ledger accounts.
- (d) Over and undersubscription (including prorata allotment).

NOTE: *In prorata allotment when shares are issued at a premium, excess money received on application will first be adjusted towards the share capital. Any excess thereon will be utilized towards the Securities Premium Reserve.*

When allotment or any call money is due, it is to be transferred to the calls in arrears account, on which interest if provided in the Articles of Association will be calculated.

- (e) Forfeiture and reissue of shares at par, premium or discount.
Self explanatory.
- (f) Disclosure of Share capital in the company's Balance Sheet. *

NOTE: *Issue of bonus and rights shares, private placement of shares, sweat equity shares, employees' stock option scheme, reservations for small individual participants and minimum tradable lots are not required.*

B. Issue of Debentures

Problems on issue of debentures (at par, at premium and at discount.)

Problems on issue of debentures to include:

- (a) *Issue of debentures at par, at premium and at discount under Companies Act 2013.*
- (b) *Issue of debentures as collateral security for a loan.*
- (c) *Issue of debentures for considerations other than cash.*
- *To promoters.*
 - *To underwriters.*
 - *To vendors*

- (d) Accounting entries at the time of issue when debentures are redeemable at par and premium.
- (e) Interest on debentures (with TDS).
- (f) Disclosure of Debentures in the company's Balance Sheet.
- (g) Disclosure of discount on issue of debentures in the company's Balance Sheet when debentures are redeemed in instalments.

NOTE:

Premium on the redemption of debentures to be recorded under the head → Non Current Liabilities, subhead → Long Term Borrowings.

C. Redemption of Debentures

- Creation of Debenture Redemption Reserve (DRR).
- Redemption of debentures out of profits.
- Redemption of debentures out of capital.
- Redemption of debentures in a lump sum.
- Redemption of debentures in annual instalments by draw of lots.
- Redemption of debentures by purchase in the open market.

Self-Explanatory.

NOTE: Calculation of ex-interest and cum-interest are not required.

D. Final Accounts of Companies

Preparation of the Balance Sheet of a company (along with notes to accounts) as per Schedule III Part I of Companies Act 2013. **

NOTE: Schedule III Part II of Companies Act 2013 (Statement of Profit and Loss) is not required for the purpose of preparing final accounts of a Company.

However, for the preparation of Comparative and Common Size Income Statements (Section B – Unit 4: Financial Statement Analysis), the extent and format of the Statement of Profit and Loss as per

Schedule III Part II of the Companies Act 2013 to be studied is as follows:

Statement of Profit and Loss for the year ended:.....

	Particulars	Note No.	Figures for the Current reporting period	Figures for the Previous reporting period
I	Revenue from operations			
II	Other Income			
III	Total Revenue (I + II)			
IV	Expenses: Cost of materials consumed Purchases of Stock-in-Trade Changes in inventories of finished goods Work-in-progress and Stock-in Trade Employee benefits expense Finance costs Depreciation and amortization expense Other expenses Total expense			
V	Profit before tax (III-IV)			
VI	Less Tax			
VII	Profit after Tax (V-VI)			

SECTION B
MANAGEMENT ACCOUNTING

3. Financial Statement Analysis

Comparative Statements and Common Size Statements.

Meaning, significance and limitations of Comparative Statements and Common Size Statements.

Preparation of Comparative Balance Sheet and Statement of Profit and Loss (inter-firm and intra-firm) showing absolute change and percentage change.

Common size Balance Sheet to be prepared as a percentage of total assets and total liabilities.

Common size Statement of Profit and Loss to be prepared as a percentage of Revenue from operations.

NOTE: Preparation of comparative statements and common size statements to be made from the Balance Sheets and Statements of P/L without notes to accounts.

4. Cash Flow Statement (Only for Non-Financing Companies)

(i) Meaning, importance and preparation of a Cash Flow Statement.

***NOTE:** Based on Accounting Standard – 3 (revised) issued by the Institute of Chartered Accountants of India.*

(ii) Calculation of net cash flows from operating activities based on Indirect Method only.

Preparation of a Cash Flow Statement from two consecutive years' Balance Sheet with or without adjustments.

Preparation of complete/partial cash flow statement from extracts of Balance Sheets and Statements of P/L with or without adjustments.

NOTE: Any adjustment or an item in the Balance Sheet relating to issue of bonus shares, extraordinary items and refund of tax are not required.

(iii) Preparation of Cash Flow Statement on basis of operating, investing and financing activities.

The following items are to be taken when calculating net cash flows from financing activities:

- *Issue or redemption of shares and debentures at par.*
- *Interest paid on Long Term and Short Term Borrowings and dividend – interim and proposed/paid on shares.*
- *Long term borrowings and Short term borrowings – bank overdraft, cash credit and short term loan. whether taken or repaid.*
- *Share issue expenses / underwriting commission paid.*

The following items are to be taken when calculating net cash flows from investing activities:

- *Cash purchase of fixed assets.*
- *Cash sale of fixed assets.*
- *Purchase of shares or debentures or long term investments of other companies.*
- *Interest and dividend received on shares or debentures or long term investments of other companies.*
- *Sale of shares or debentures or long term investments of other companies.*

The following items are to be taken for cash and cash equivalents:

- *Cash*
- *Bank*
- *Short term investments*
- *Marketable securities*

NOTE: Adjustments relating to provision for taxation, proposed dividend, interim dividend, amortization of intangible assets, profit or loss on sale of fixed assets including provision for/accumulated depreciation on them, Profit or loss on sale of investment are also included.

To calculate cash flow from operating activities the Adjusted Profit and Loss Account is not acceptable as per AS-3.

Calculation of Net Profit before Tax has to be shown as a Working Note.

5. Ratio Analysis

(a) Liquidity Ratios:

$$1. \text{ Current Ratio: } \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Assets = Current Investments + Inventories (excluding Loose Tools and Spare Parts) + Trade Receivables + Cash and Bank Balance + Short-term Loans and Advances + Other Current Assets

Current Liabilities = Short term borrowings + Trade payables + Other Current Liabilities + Short term Provisions

$$2. \text{ Quick Ratio / Liquid Ratio: } \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

OR

$\frac{\text{All Current Assets- Inventories(excluding Loose Tools and Spare Parts)- Prepaid Expenses}}{\text{Current Liabilities}}$

OR

$$\frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

(b) Solvency Ratios:

1. *Debt to Equity Ratio:*

$$\frac{\text{Debt / Long Term Debt}}{\text{Equity / Shareholders' Funds}}$$

Debt = Long Term Borrowings + Long Term Provisions

Equity / Shareholders' Funds = Share Capital + Reserves and Surplus

Or

Non Current Assets + (Current Assets – Current Liabilities) - Non Current Liabilities

= Non Current Assets + Working Capital- Non Current Liabilities

= (Tangible Assets + Intangible Assets + Non Current Investments + Long Term Loans and Advances) + Working Capital – (Long Term Borrowings + Long Term Provisions)

2. *Proprietary Ratio:*

$$\frac{\text{Shareholders Funds/ Equity}}{\text{Total Assets}}$$

Total Assets = Non Current Assets + Current Assets
= Tangible Assets + Intangible Assets + Non Current Investments + Long Term Loans and Advances
+

Current Investments + Inventories (**including** Loose Tools and Spare Parts) + Trade Receivables + Cash and Bank Balance + Short-term Loans and Advances + Other Current Assets

$$3. \text{ Debt to Total Assets Ratio: } \frac{\text{Debt}}{\text{Total Assets}}$$

4. *Interest coverage ratio =*

$$\frac{\text{Net profit before interest and taxes}}{\text{Interest}}$$

Interest includes interest on only long term borrowings.

(c) Activity Ratios:

1. *Debtors Turnover Ratio will be replaced by Trade Receivable Turnover Ratio: =*

$$\frac{\text{Credit Revenue from Operation}}{\text{Average Trade Receivable}}$$

Credit Revenue from Operation = Revenue from Operation – Cash Revenue from Operation

$$\frac{\text{Average Trade Receivables}}{\frac{\text{Opening Trade Receivable} + \text{Closing Trade Receivable}}{2}} =$$

2. *Creditors Turnover Ratio will be replaced by Trade Payable Turnover Ratio: =*

$$\frac{\text{Net Credit Purchases}}{\text{Average Trade Payable}}$$

$$\frac{\text{Average Trade Payables}}{\frac{\text{Opening Trade Payable} + \text{Closing Trade Payable}}{2}} =$$

$$3. \text{ Working Capital Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

4. **Stock Turnover Ratio will be replaced by Inventory Turnover Ratio =**

$$\frac{\text{Cost of Goods Sold / Cost of Revenue from Operation}}{\text{Average Inventory}}$$

Cost of goods sold = Opening Stock + Net Purchases + Direct Expenses – Closing Stock

Cost of Revenue from Operations = Revenue from Operations – Gross Profit

Or

Cost of Material Consumed (including direct expenses) + Change in inventories of WIP and Finished Goods

Or

Opening Inventory + Net Purchases + Direct Expenses – Closing inventory

Average Inventory =

$$\frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

(d) Profitability Ratios:

1. **Gross Profit Ratio:**

$$\frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$$

Gross Profit = Revenue from Operations – Cost of Revenue from Operations / Cost of Goods Sold
 Cost of Revenue from Operations = Cost of Material Consumed (including direct expenses) + Change in inventories of WIP and Finished Goods.

Or

Opening Inventory + Net Purchases + Direct Expenses – Closing inventory

2. **Net Profit Ratio: =**

$$\frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

Net Profit = Gross profit + Other Income – Indirect Expenses – Tax

3. **Operating Ratio:**

$$\frac{\text{Cost of Revenue from Operations / Cost of Goods Sold} + \text{Operating Expenses}}{\text{Revenue from Operations}} \times 100$$

Operating Expenses = Employee Benefit Expenses + Depreciation and Amortisation Expenses + Selling and Distribution Expenses + Office and Administrative Expense.

Operating Income = Sale of scrap, trading commission received, cash discount received, revenue from services.

4. **Operating Profit Ratio:**

$$\frac{\text{Net Operating Profit}}{\text{Revenue from Operations}} \times 100$$

Net operating profit = Net Profit after Tax + Non-Operating Expenses – Non Operating Incomes

Or

Gross Profit – Operating Expenses + Operating Incomes

Non Operating Expenses = Finance Cost (Interest on Borrowings) + Loss on sale of Non Current Assets

Non Operating Incomes = Interest and Dividend Received on Investment + Profit on sale of Non Current Assets

5. **Earning per share:**

$$\frac{\text{Net Profit after Tax and Preference Dividend}}{\text{No. of Equity Shares}}$$

Price Earning Ratio

$$6. \frac{\text{Market Value of an Equity share}}{\text{Earning per share}}$$

7. **Return on Investment**

$$= \frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$$

NOTE:

1. *Current Ratio includes Net Debtors (Gross Debtors – Provision for doubtful debts) while Trade Receivables Turnover Ratio includes Gross Debtors.*
2. *Capital employed = Shareholders' Funds + Non-current liabilities – non trade investments*
OR
Non-current assets (excluding Non-trade investments) + Working Capital
OR
Fixed Assets + Trade Investments + Working Capital
3. *Investments to be taken as non-trade investments unless specified as trade investments.*
4. *In Return on Investments Ratio- Net Profit before interest and tax will not include interest on non-trade investments.*

SECTION C

COMPUTERISED ACCOUNTING

6. Accounting Application of Electronic Spread Sheet

- (i) Concept of Electronic Spreadsheet.

Meaning, utility, merits and demerits of Electronic spreadsheets.

- (ii) Features offered by Electronic Spreadsheet.

An understanding of basic features of electronic spreadsheets such as: Creating worksheet, entering data into worksheet, heading information, data, text, dates, alphanumeric values, saving & quitting worksheet. Opening and moving around in an existing worksheet. Toolbars and Menus, keyboard shortcuts. Working with single and multiple workbooks - copying, renaming, moving, adding and deleting, copying entries and moving between workbooks. Formatting of worksheet- Auto format, changing - alignment, character styles, column width, date format, borders and colours. Previewing and Printing worksheet - Page setting, Print titles, Adjusting margins, Page break, headers and footers. Formulas – summation, subtraction, division, multiplication, average and percentage. Functions: date, if-then-else, freezing panes.

- (iii) Application of spreadsheets in generating the following accounting information:

1. Payroll
Components of payroll – Basic, HRA, DA and TA, CCA, deduction for PF and income tax.
2. Data Presentation
Graphs and charts- using wizards, various charts type, formatting grid lines and legends, previewing & printing charts
Database - creation, sorting, query and filtering a database.

7. Database Management System (DBMS)

- (i) Concept and Features of DBMS.

Types and features of DBMS.

A conceptual understanding of the basic features of Data Base Management System (DBMS), i.e. data update and retrieval using basic functions and commands of SQL.

Basic Commands: Select, Where, And, Or, Update, Delete and

Basic Functions: Avg, Count, Max, Min, Sum.

- (ii) DBMS in Business Application.

Database design, tables, fields, relationships, forms reports and indexing.

The following examples of DBMS in business application:

- *Accounting Information*
- *Debtors and Creditors*
- *Bank Reconciliation Statement*
- *Asset Accounting*

PAPER II – PROJECT WORK – 20 Marks

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

The project work will be assessed by the teacher and a Visiting Examiner appointed locally and approved by the Council.

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 partnership form of business on the basis of a case study.
 - Develop a case study showing how two or more friends decide to come together and start a business with a certain amount of capital.
 - Prepare their Partnership Deed including interest on capital, partner's salary, commission, interest on drawings, interest on partner's loan and rent paid to a partner.
 - Write in detail, their transactions during the year: 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, Profit and Loss Appropriation Account and Balance Sheet.
 - The various expenses, for comparison purposes, could be depicted in the form of bar diagrams and pie charts.
 - Calculate relevant accounting ratios like liquidity, solvency, activity and profitability giving their formulae and computation (all this could be part of the viva-voce).
 - The ratios could also be shown graphically and/ or pictorially (bar diagrams and pie charts) and if possible, could be compared with the ratios of the industry.
- Preparation of a Cash Flow Statement with the help of audited / unaudited / imaginary Balance Sheets of a company for two consecutive accounting years or two consecutive quarters of an accounting year could be taken along with at least five additional information (depreciation, purchase/ sale of fixed assets, dividend paid/ proposed, tax paid/ proposed, amortization of intangible assets, profit or loss on sale of fixed assets including provision for depreciation on them and profit or loss on sale of investment).
 - The results of the operating, investing and financing activities could be shown graphically and/ or pictorially (bar diagrams and pie charts).
- Preparation of Common Size and Comparative Income Statement and Balance Sheet of a company by taking into account its audited, unaudited / imaginary financial results of two consecutive quarters of an accounting year or of two consecutive accounting years.
 - The comparison has to be made in the form of Common Size and Comparative Income Statement and Balance Sheet.
 - The comparison could also be shown graphically and/ or pictorially (bar diagrams and pie charts).
- Taking the audited/ unaudited / imaginary financial results of any leading company, its liquidity, solvency, activity and profitability ratios of two consecutive accounting years or of two consecutive quarters of an accounting year should be calculated and the comparison of the ratios of both the years or quarters should be shown graphically and/ or pictorially (bar diagrams and pie charts).
- Employee Salary Sheet:
 - Design a spreadsheet using the following fields:

Employee's Name: String Variable of maximum size of 40 characters

Date of Joining: Date in English U.K. format

Basic Salary: upto 2 places after decimal

Calculate their net salary using the Employee's data. [Feed in random data for 20 to 25 employees]

Some of the instructions are given below:

Important Instructions:

Dearness Allowance (DA) is paid @ 45% of Basic Salary.

House Rent Allowance (HRA) is paid @ 15% of (Basic Salary + DA)

City Compensatory Allowance (CCA) is paid @ 8.3% of (Basic Salary + DA + HRA)

Provident Fund (PF) is deducted @ 12% of (Basic Salary + DA)

Income Tax (IT) is deducted @ 10% of (Basic Salary + DA + HRA + CCA)

Net Salary is summation of Basic Salary + DA + HRA + CCA less PF and IT

(ii) Save your worksheet on the desktop as **Employee_Salary**.

(iii) Print a Hard Copy of your work and close the file.

6. Revenue and Commission Statement

Prepare a Spreadsheet for a certain Company, which pays a commission based upon books sold.

Prepare a revenue and commission statement based upon the following information:

Name of Salesperson	Number of Soft Cover Books sold	Number of Hard Cover Books sold
Suresh Mehta	1546	360
Gladstone David	1788	315
Manish Arora	1340	294
Manmeet Singh	990	450
Vineet Saighal	1105	689

Assumption:

Price of Hard Cover Books: @Rs. 34.45 per Book

Price of Soft Cover Books: @ Rs. 22.05 per Book

Commission on Hard Cover Books: 9.0%

Commission on Soft Cover Books: 12%

Prepare a spreadsheet showing your calculation to determine:

(i) Revenue (Hard Cover Books and Soft Cover Books)

(ii) Total Revenue

(iii) Commission (Hard Cover Books and Soft Cover Books)

(iv) Total Commission

(v) Create a Chart (any style) showing the above information.

Open the original page (with lines and shading) as well as a formula page. (The entire formula must be shown)

Use “=round (.0)” where applicable so that all columns add correctly.

7. Spreadsheet on Outstanding Report

Prepare and Present a Spreadsheet for a list of outstanding notes receivable each month. The information for a particular month is as follows:

Use the following financial information:

Face Value	Interest Rate	Other details
0	10.8%	Late Penalty: 11%
500	9.2%	Report date: July 30, 2011
1000	8.96%	Days / Year: 365

Note Number	Face Value	Period Days	Issue Date
1	Rs. 525	90	7/2/2011
2	Rs. 612	60	14/3/2011
3	Rs. 210	45	19/5/2011
4	Rs. 800	120	10/6/2011
5	Rs. 1469	30	24/6/2011

Show the Interest rate, Days outstanding, Interest earned, Late penalty and Total due.

Use appropriate Lines and Shading to make the report interesting and easy to read. Use two places after the decimals where appropriate.

Prepare a chart to show the above information.

8. Database Management

(i) Create a Database with at least 10 records with each record having the following fields:

Employees Details: PAN Number, Name, Address and Phone Number

(ii) Sort the names in alphabetical order.

(iii) The Employee database has another table called Loan Details that stores the details of loan taken by various employees. Create a query that gives a list of employees names along with loan details.

The loan details table has following fields:
Loan Amount, Loan Date, Interest Rate, Amount Paid and Amount Balance.

(iv) Create a Report as per the format given below:

Employee Loan Details:

Emp. No.	Emp. Name	Loan Amount	Loan Date	Amount Paid	Balance Amount
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Decide tables, relationships etc. on your own.

9. Database Management:

(i) Create an Accounts Table by following the steps given below:

(a) Click on the new button and highlight Design View in the dialog box that appears.

(b) Click the OK button and the Table Design View will appear.

(c) Fill in the Field Name, Data Type and Description for each column/field in the Account Table.

Field Name	Data Type	Description
CustomerID	Number	The Unique Identifier for a Customer
AccountNo	Number	The Unique Identifier for a Bank Account
AccountType	Text	The type of account (Checking, Saving etc.)
DateOpened	Date	The date the account was opened
Balance	Number	The current balance (money) in this account.

(ii) Define a Primary Key for the Accounts table. Click on the Account Number field with the right mouse button and choose Primary Key from the pop-up menu.

(iii) Save the new Accounts Table.

10. Selection Grade Card

(i) Make a Spreadsheet of a Selection Grading Chart using the following details:

Candidate's Name: String type

Test 1: Integer type

Test 2: Integer type

Test 3: Integer type

Test 4: Integer type

The Worksheet format is as follows:

S.N.	Name of the Candidate	Test-1 (Max 25 Mks)	Test-2 (Max 25 Mks)	Test-3 (Max 25 Mks)	Test-4 (Max 25 Mks)
1	Alfred Gomes	24	22	18	23
2	Shankar Pandey	17	20	17	20
3	Ali Hassan Raza	22	19	20	14
4	P. Subba Rao	20	19	19	17
5	Sushanto Mukerjee	19	21	24	22

(ii) Compute the percentage for each candidate's total. Show the total score and the percentage for each candidate.

(iii) Create a Header for the Chart. Include your name.

(iv) Save your work on the desktop as **Merit_Project**.

(v) Print a hard copy of your work and close the file.

NOTE: No question paper for Practical work will be set by the Council.

***EXPLANATION AND PRESENTATION OF ITEMS UNDER SHAREHOLDERS' FUNDS**

Share Capital

Particulars	Note No.	Figures at the end of the current reporting period	Figures at the end of the previous reporting period
1	2	3	4
I. EQUITY AND LIABILITIES			
1. Shareholders Funds			
(a) Share Capital	1	x x x	

Notes to Accounts: 1.

Particulars	Amount (₹)
(a) Share Capital	
Authorised Capital	
..... shares of ₹..... each	x x x
Issued Capital	
..... shares of ₹..... each	x x x
(of the above shares.....shares are allotted as fully paid up pursuant to a contract without payment being received in cash)	
Subscribed Capital	
Subscribed and fully paid up	x x x
..... shares of ₹.... each	
(of the above shares.....shares are allotted as fully paid up pursuant to a contract without payment being received in cash)	x x x
Subscribed but not fully paid up	
..... shares of ₹.... each, ₹ Called up	x x x
Less calls –in- arrear	(xx)
Add Shares Forfeited A/c	x
TOTAL	x x x

Points to be noted:

- ◆ Equity share capital and preference share capital to be shown separately.
If the authorised/issued capital is not mentioned in the question it has to be shown in the notes to accounts. However, no figures will be shown as illustrated above.

****FORMAT OF THE BALANCE SHEET OF A JOINT STOCK COMPANY**

**PART-1
BALANCE SHEET**

Name of the Company.....

Balance Sheet as at.....

(Rupees in)

Particulars	Note No.	Figures at the end of the current reporting period	Figures at the end of the previous reporting period
1.	2	3	4.
I. EQUITY AND LIABILITIES			
1. Shareholders Funds			
(a) Share Capital			
(b) Reserves and Surplus			
(c) Money received against share warrants			
2. Share application money pending allotment			
3. Non- Current Liabilities			
(a) Long- term borrowings			
(b) Deferred tax liabilities (Net)			
(c) Other Long term liabilities			
(d) Long-term provisions			
4. Current Liabilities			
(a) Short term borrowings			
(b) Trade payables			
(c) Other current liabilities			
(d) Short term provisions			
TOTAL			
II. ASSETS			
1. Non- Current Assets			
(a) Fixed Assets			
(i) Tangible Assets			
(ii) Intangible Assets			
(iii) Capital work-in-progress			
(iv) Intangible assets under development			
(b) Non-current Investments			
(c) Deferred Tax Assets (Net)			
(d) Long term loans and advances			
(e) Other non-current assets			
2. Current Assets			
(a) Current Investments			
(b) Inventories			
(c) Trade Receivables			
(d) Cash and Bank Balance			
(e) Short-term loans and advances			
(f) Other current assets			
TOTAL			

SAMPLE TABLE FOR PRACTICAL WORK

S. No.	Unique Identification Number (Unique ID) of the candidate	<u>PROJECT 1</u>					<u>PROJECT 2</u>					TOTAL MARKS
		A	B	C	D	E	F	G	H	I	J	(E + J)
		Teacher	Visiting Examiner	Average Marks (A + B ÷ 2)	Viva-Voce by Visiting Examiner	Total Marks (C + D)	Teacher	Visiting Examiner	Average Marks (F + G ÷ 2)	Viva-Voce by Visiting Examiner	Total Marks (H + I)	20 Marks
		7 Marks*	7 Marks*	7 Marks	3 Marks	10 Marks	7 Marks*	7 Marks*	7 Marks	3 Marks	10 Marks	
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												

*Breakup of 7 Marks to be awarded separately by the Teacher and the Visiting Examiner is as follows:		Name of Teacher:	
Overall Format	1 Mark	Signature:	Date
Content	4 Marks	Name of Visiting Examiner	
Findings	2 Marks	Signature:	Date

NOTE: VIVA-VOCE (3 Marks) for each Project is to be conducted only by the Visiting Examiner, and should be based on the Project only.