

MODULE -I
BASIC ACCOUNTING

1. Accounting - An Introduction
2. Accounting Concepts
3. Accounting Conventions and Standards
4. Accounting for Business Transactions
5. Journal
6. Ledger
7. Cash Book
8. Special Purpose Books

MODULE-II
TRIAL BALANCE AND COMPUTERS

9. Bank Reconciliation Statement
10. Trial Balance
11. Errors and their Rectification
12. Computer and Computerised Accounting System

QUESTIONS FOR PRACTICE

1. State the meaning of the term Accounting. Explain in brief any four objectives of accounting.
2. Explain Realisation concept giving example. Explain in brief its significance.
3. Explain the accounting convention of conservatism by giving an example.
4. What is Petty Cash Book? Explain with example Imprest system used in Petty Cash Book.
5. Name and explain the various Special Purpose Books.
6. Prepare accounting equation on the basis of the following transactions :

	Rs.
1. Commenced business with cash	40000
2. Paid into bank	30000
3. Purchased goods from Sridhar	18000
4. Sold goods for cash	16000
5. Purchased furniture and paid by cheque	7500
6. Paid by cheque to Sridhar	17800
discount allowed by him	200
7. Paid for office Rent	2000
8. Withdraw from bank for domestic use	2400

7. Journalise the following transactions and post them into ledger :

2006

March	01	Business started with cash Rs.120000
	02	Opened Bank account with PNB Rs.60000
	04	Purchased goods for cash Rs.40,000
	08	Cartage paid Rs.1000
	10	Sold goods to M/s Sunil Trader on credit Rs.30000
	14	Purchased goods from M/s Meena Traders Rs.36000
	18	Cash received from Sunil Traders Rs.29500
		Discount given Rs.500
	20	Cash paid to M/s Meena Traders on A/c Rs.16000
	25	Rent paid Rs.4000
	29	Salary paid Rs.2000
	30	Cash sales Rs.12000
	31	Cash purchase Rs.7000

8. Make journal entries of the following transactions :
- (a) Paid by cheque to Shah, a creditor Rs.2750 discount allowed Rs.150
 - (b) Paid for charity to Blind Relief Fund Rs.500
 - (c) Provide depreciation on machine of the book value of Rs.20000 @10% p.a.
 - (d) Rakesh who owed to us Rs.5000 becomes insolvent 50 paise in the rupee is received from his official assignee as first and final dividend.
 - (e) Goods of Rs.1200 are taken away by the proprietor for domestic use

9. Prepare Bank Column Cash Book from the following transactions :

2006

- January 1 Cash balance Rs.1500 bank Balance Rs.4600
- January 3 Cash received form Mohni Rs.3700
- January 6 Paid cash to Roshni Rs 2000
- January 7 Purchased goods for cash Rs.3200
- January 10 Cash sales Rs.12000
- January 20 Paid into bank Rs.6000
- January 27 Paid electricity bill by cheque Rs.2300
- January 31 Withdrew cash from bank for domestic use Rs.1000.

10. Enter the following transaction in Special Purchase Books of M/s Bansal Furniture Mart for the month of October 2005.

Date	Details
2005	
October 3	Sold on credit to M/s T.R. Woodcraft as per invoice No. 07234 10 chairs @300 each 2 double bed @ 9000 each Trade discount @10%
October 12	Sold on credit to M/s Woodland as per Invoice No. 7264 20 fancy chairs @ 600 each 10 tables @ 2000 each Trade discount 10%
October 16	Purchase from M/s Wood Furniture Mart as per Invoice No. 472 20 glass tables @3000 each Trade discount 10%

- October 20 Bought from M/s Steel Furniture as per Invoice No. 1072
5 sofa set @ 14000 each
Trade discount 5%
- October 22 Goods returned to M/s Wood furniture Mart as per debit note No. 22/06
3 glass table @ 3000 each
Trade discount 10%
- October 25 Goods Returned from M/s T.R. Wood craft is per credit note No. 14/06
2 chairs @ 300 each
Trade discount @ 10%
- October 29 Sold on credit to M/s King Furniture as per Invoice No. 7294
10 Fancy show case @ 5000 each

11. What is meant by Bank Reconciliation statement? Why is it prepared?
 12. Explain the following with two examples each :
 - (a) Error of omission
 - (b) Error of principle
 13. What are one sided errors and two sided errors? Explain with examples.
 14. What can be the possible reasons of difference between the bank balance of a businessman shown by Cash Book and bank pass book on a particular date? Enlist any four such reasons.
 15. How does computer help in preparing accounts? Explain.
 16. What is Trial Balance? What purpose does it serve? Explain in brief the various methods of preparing Trial Balance.
 17. "Trial Balance if tallied is not the conclusive proof of the correctness of the ledger posting" Do you agree? What are those errors that do not affect the Trial Balance?
 18. Asha a trader has the bank balance as per cash book Rs.17600 on 31st December, 2005. While comparing with the bank pass book it was found that following discrepancies appeared :
 - (a) Cheques of Rs.18700 were deposited in the bank but of Rs.14000 were credited by the bank.
 - (b) Cheques of Rs.8400 were issued by a cheque of Rs.1200 was presented in the first week of January 2006.
 - (c) Bank paid Rs.1200 for insurance premium as per the instructions of the trader.
 - (d) A cheque of Rs.600 was paid in the bank but was returned and dishonoured.
 - (e) Bank has allowed an interest of Rs.140 on the balance
- Prepare Bank Reconciliation Statement as on 31st December, 2006.

19. Make journal entries to rectify the following accounting errors :
- The total of Sale Return Book was undercost by Rs.1000
 - A motor cycle was purchased for Rs.12500 for proprietors' son was debited to Motor Vehicle Account.
 - Purchase of furniture of Rs.4000 was entered in the Purchases Book.
 - Cash of Rs.2170 was paid to Jeet Singh was entered correctly in the cash Book but was credited to ParamJeet Singh's Account as Rs.1270.
 - Salary of Rs.2500 paid to Accounts clerk Jai Dev was debited to his account.
20. Following are the balances of accounts taken from the ledger of Bhagawat Gupta; a trader prepare Trial Balance as on 31st December, 2006

	Rs
Cash in hand	2800
Cash at bank	16200
Bills Receivable	14500
Bills Payable	12700
Sundry creditors	25300
Sundry debtors	28600
Capital	50000
Drawings	18000
Salaries	6000
Carriage Inward	400
Opening stock	16200
Sales	60800
Discount Received	600
Depreciation	800
Bad debts	700
Insurances	900
Purchases	42000
Office Rent	2000
Stationery	300

CURRICULUM IN ACCOUNTANCY

(320)

RATIONALE

The last decade has witnessed tremendous changes in business education. The liberalisation and globalisation have been the primary cause for such changes. With the fast changing economic scenario, the elementary business education along with Accountancy 'as a language of business' is gaining its importance. The curriculum in Accountancy provides a firm foundation in basic accounting concepts and also keeps them informed of changes in its methodology concerning particular aspects of the subject.

The thrust of the course follows new trends in accounting practices and developing a basic understanding of the nature and purpose of the accounting information and reporting. Further, information technology has occupied a vital place in business activities. Therefore, a lesson designed on computer and computerised accounting shall expose the learners to the basic knowledge about the utility of computers in the

business world. The course in Accountancy will prepare learners to logically analyse, evaluate and respond to changes which affect business operations. It opens the doors for higher education as well as sharpens the skills for those who are going for self-employment.

COURSE OBJECTIVES

This course aims at enabling the learners to:

- familiarise towards the usage of basic accounting terminology;
- develop the skills of recording of business transactions and preparation of the financial statements and their analysis thereof;
- provide firm base for higher education;
- inculcate values and ethics of accounting system;
- make aware about the utility of computers in the business world;
- join professional courses in Accounting.

COURSE STRUCTURE

S.No.	Modules	Study hours	Marks
	Core Modules		
1.	Basic Accounting	55	20
2.	Trial Balance and Computers	30	13
3.	Financial Statements of Profit and Not for profit Organisations	45	18
4.	Partnership Accounts	40	17
5.	Accounting for Shares and Debentures	40	17
	Sub total	210	85
	Optional Module		
6.	Analysis of financial statements or Elementary cost accounting	30 each	15 each or 15 each
	Grand total	240	100

COURSE DESCRIPTION

Module 1 : Basic Accounting 20 Marks

Approach

This module has been designed to introduce Accounting to the learners. This familiarises the learners with some important basic accounting terms, accounting standards, accounting concepts, etc. This enables them to show the effect of transactions on accounting equation, Journal, Special Purpose Books and posting of transactions from Books of Original entry to ledger.

Unit 1.1 Introduction to Accounting

1.1.1 Accounting - An introduction

- Meaning of Book keeping
- Accounting - Meaning, objectives, need and scope, branches, limitation of accounting.
- Accounting as an information system
- Basic accounting terms - Assets, Liabilities, Capital, Drawings, Expenses, Income, Expenditure, Revenue, Debtors, Creditors, Goods, Cost, Gain, Stock, Purchases, Sales, Loss, Profit, Voucher, Discount, Transactions, Debit Note, Credit Note,

1.1.2 Accounting Concepts and Conventions

- Basic Accounting concepts : Business entity, Money measurement, going concern, accounting period, cost concept, realisation concept, Duality aspect concept, Accrual concept, Matching concept
- Accounting conventions : Materiality consistency, conservatism, full disclosure
- Generally Accepted Accounting Principles.
- Accounting standards : Introduction and list of Indian accounting standards

Unit 1.2 Recording of Transactions

1.2.1 Accounting for Business Transactions

- Origin of Transactions Source documents and Accounting Vouchers
- Accounting equation-Meaning, effects of transactions on Accounting equation
- Rules of Accounting - Meaning and types of accounts: Assets, liabilities, Capital, Revenue and Expense, Double Entry Mechanism.

1.2.2 Journal/Books of original entry

- Journal : Meaning, format and recording of transactions, classification of journal into special journals and journal proper.

1.2.3 Ledger

- Meaning, features and importance, types, posting from journal and special purpose books, balancing of an account.

1.2.4 Special Purpose Books

- Cash Book-Simple, Cash Book with bank Column, Petty Cash Book, Purchase returns Book, Sales Book, Sales Returns Book, Purchases returns book, Journal proper.

Module 2 Trial Balance and Computers

13 marks

Approach

This has been designed to prepare Bank Reconciliation Statement and to know preparation of Trial Balance and detection of errors. This will expose the learners to the utility of computers in the accounting.

Unit 2.1 Bank Reconciliation Statement

2.1.1 Bank Reconciliation Statement

- Meaning, need and its preparation

Unit 2.2 Trial Balance and Errors

2.2.1 Trial Balance

- Meaning objectives and its preparation

2.2.2 Errors and their Rectifications

- Meaning, classification of errors, methods of rectification of errors, Suspense Account

Unit 2.3 Computer Awareness

2.3.1 Computer and Computerised Accounting system

- Characteristics and components of a computer, limitations, role of computer in accounting, need and requirements of computerised accounting.

Module 3 Financial Statements for Profit and Not-for-Profit Organisations

18 Marks

Approach

This module has been designed to prepare Income Statement and Position Statement of Profit Organisations and Receipts and Payments Account and Income and Expenditure Account and Balance Sheet of Not-for-Profit organisations.

Unit 3.1 Profit organisations

3.1.1 An introduction to Financial Statements

- Meaning, need and objectives, distinction between capital expenditure and Revenue expenditure, capital receipts and revenue receipts : Types of financial Statements: Trading Account, Profit and Loss Account and Balance Sheet meaning, need, objectives.

3.1.2 Financial Statements-I

- Preparation of Trading Account. Profit and Loss Account. Balance Sheet, Marshalling of Balance Sheet.

3.1.3 Financial Statements-II

- Adjustments : Closing Stock. Outstanding Expenses, Prepaid Expenses. Accrued Income. Income earned in advance depreciation, provision for bad and doubtful debts, interest on capital, interest on drawings, preparation (with adjustments)

Unit 3.2 Not-for-Profit Organisations

3.2.1 An Introduction to Not-for-profit organisations (NPO)

- Meaning, Characteristics, Receipts and Payments A/c : Meaning, need and preparation, distinction between Receipts and Payments A/c and Cash Book.

3.2.2 Financial statements

- Meaning, need and items, preparation, Income and Expenditure A/c, adjustments : Subscription, donation, etc. preparation (with adjustments), preparation of Balance sheet.

Module 4 Partnership Accounts 17 Marks

Approach

This module has been designed to explain to the learners the fundamentals of Partnership, accounting procedure regarding admission, retirement and Death of a Partner and Dissolution of partnership firm.

Unit 4.1 Fundamentals of Partnership

4.1.1 Partnership - An Introduction

- Meaning, Characteristics of Partnership, Meaning of Partnership Deed, Accounting Treatment in the absence of Partnership Deed - distribution of Profits, interest on capital, Interest on Drawings, Interest on Partner's Loan, Salaries and commission, capitals-fixed and fluctuating, Drawings. Profit and Loss Appropriation A/c - Meaning,

Purpose and its Preparation, Preparation of Capital accounts.

Unit 4.2 Admission of a partner

4.2.1 Admission of a Partner

- Meaning, new profit ratio, sacrificing ratio, Treatment of undistributed profits and reserves and accounting treatment of goodwill. Goodwill : Nature, factors affecting goodwill and methods of valuation Revaluation of assets and reassessment of liabilities, Adjustment of capitals of partners. Preparation of Accounts : Revaluation A/c, Partners capital Account and Balance Sheet.

Unit 4.3 Retirement and Death of partner

4.3.1 Retirement of a partner

- Meaning, new profit sharing ratio, gaining ratio Treatment of goodwill, treatment of undistributed profits and reserves, Revaluation of assets and reassessment of liabilities. Settlement of dues, adjustment of capital, preparation of accounts - Revaluation Account, Partner's Capital Account and Balance Sheet

4.3.2 Death of a partner

- Ascertainment of profit and loss upto the date of death of a partner, settlement of dues, new profit sharing ratio gaining ratio. treatment of goodwill. Treatment of undistributed profits and reserves. revaluation of assets and reassessment of liabilities, Preparation: Revaluation Account. Partner's capital Account. Executor's Account, Balance Sheet.

Unit 4.4 Dissolution

4.4.1 Dissolution of partnership firm

- Meaning, difference between dissolution of partnership and dissolution of partnership firm, realisation of assets and settlement of

liabilities. Treatment of unrecorded assets and liabilities. Preparation of Accounts - Realisation Account. Partners Capital Account, Bank or Cash Account.

Module 5 Accounting for Shares and Debentures 17 marks

Approach

This module has been designed to impart to the learners the knowledge of shares and debentures as a source of finance and their accounting treatment.

Unit 5.1 Shares

5.1.1 An introduction to Company

- Meaning, Characteristics, kinds of companies differences between public and private company, types of shares, kinds of share capital

5.1.2 Issue of Shares

- Issued at par, premium and at discount: for cash and consideration other than cash; minimum subscription, over subscription and under subscription, calls in advance, calls in arrears. Recording of issue of shares in the books of company. Preparation of relevant accounts and Balance Sheet.

5.1.3 Forfeiture and Reissue of shares

- Meaning of forfeiture of shares, Accounting treatment of forfeiture of shares, Meaning of reissue of Shares. Accounting Treatment for reissue of shares.

Unit 5.2 Debentures

5.2.1 Issue of Debenture,

Meaning, kinds of Debentures. issue of Debentures at par, at premium and at discount (with reference to terms of issue) Issue of debentures in consideration other than cash,

Issue of debentures as collateral security. Interest on Debentures, writing off Discount and loss on issue of Debentures, accounting treatment.

Module 6 Analysis of Financial Statements

15 marks

Approach

This module will give exposure to the learners about the tools of financial analysis. This will enable the learners to calculate various ratios in addition to preparation of cash flow statement as per AS-3 (Revised).

Unit 6.1 Financial Analysis

6.1.1 An introduction to financial analysis

- Meaning, need and purpose, types of analysis interfirm, intrafirm and time series analysis tools for financial analysis, comparative statements, common size statement, trend analysis, ratio analysis, cash flow statement, limitation.

6.1.2 Ratio analysis

Meaning and objective of accounting ratios, classification of ratios, liquidity ratios (current ratio, quick ratio) activity ratios (stock turnover ratio, debtors turnover ratio, creditor turnover ratio and working capital turnover ratio; solvency ratio (debt-equity ratio, proprietary ratio, profitability ratio (gross profit ratio, Net profit ratio, operating profit ratio and return on investment ratio.

6.1.3 Statement of Cash Flow

Meaning and objectives and preparation of cash flow statement by using direct and indirect method (AS-3 revised) limitations of cash flow statement.

OR

Module 6 Elementary Cost Accounting

15 marks

Approach

The module will give exposure to the learners about basic cost concepts, cost sheet, methods of stock valuation, economic order quantity etc.

Unit 6.1 Cost Accounting - An Introduction

6.1.1 An Introduction to cost accounting

Meaning, need and objectives; advantages, limitations, difference between cost accounting and financial accounting

6.1.2 Basic Cost concepts

Meaning of cost, classification of cost, elements of cost; material, expenses, etc.

6.1.3 Cost sheet

Meaning, objectives, preparation of cost sheet, Items to be excluded from cost sheet.

Unit 6.2 Stock and Materials

6.2.1 Stock and materials

Meaning of spares, material Bin/stock, classification of stock levels, economic order quantity, pricing of issues : LIFO, FIFO.

Scheme of Evaluation

The learners will be evaluated through public examination and through continuous and comprehensive evaluation in the form of Tutor Marked Assignments (TMA). The awards/grades of TMA will be reflected in the mark sheets separately.