

122/c

CLASS-XI Financial Accounting-I

1. Introduction to Accounting

- **Accounting-** Meaning, Objectives, Types of accounting information, advantages and limitations. Users of Accounting information and their needs .Double Entry system. Basis of accounting – Cash basis, accrual basis and hybrid basis..
- **Basic Accounting Terms :** Business transaction, Event, Account, Capital, Drawings, Liability Internal& External, Long term & Short term) ,Asset(Intangible & Tangible, Fixed Current, Liquid , Fictitious) Receipts (Capital& Revenue),Expenditure (Capital, Revenue & Deferred Revenue),Expense , Income, Profits, Losses, Purchases, Sales ,Stock , Debtors , Bills Receivables , Creditors , Bills Payables, Goods, Cost, Vouchers, Discount (Trade, Cash, Received & Allowed).

2. Theory Base of Accounting

- **Fundamental Accounting Assumptions:** Going concern, Consistency, Accrual.
- **Accounting Principles:** Accounting Entity, Money Measurement, Accounting Period, Full Disclosure, Materiality, Prudence, Cost Concept, and Dual Aspect.
- **Accounting Standards :** Concept & objective

3. Recording of Transactions & Preparation of trial Balance

- **Accounting Equation:** Meaning, .Analysis of transactions using Accounting Equation.
- **Rules of Debit and Credit:** For Assets, Liabilities, Capital Revenue and Expenses.
- **Origin of transactions-** Source Documents (Invoice, Cash memo, Pay in slip, Cheque) ,Preparation of Vouchers – cash (Debit & Credit), Non Cash (Transfer) .
- **Books of Original Entry:** Meaning ,Format and Recording there in
- **Cash book:** Simple, Cash book with Bank Column, Petty Cash Book,
- **Other Books:** Purchases Book, Sales Book, Purchases Returns Book, Sales Returns Book, Bills Receivable Book, Bills Payable Book and Journal Proper.
- **Ledger** –Meaning, Utility, Format, Posting from Journal, Cash Book and other Special Purpose Books, Balancing of Accounts.
- **Trial balance:** Meaning, Objectives and Preparation

- **Bank Reconciliation Statement:** Meaning, Need and Preparation.

4. Depreciation, Provisions and Reserves

- **Depreciation:** Meaning, Need and Factors affecting depreciation,.
- **Methods of computation of Depreciation :** Straight Line Method, Written Down Value Method (Excluding Change in method)
- **Accounting Treatment of Depreciation:** By charging to asset account, by creating Provision for depreciation/ accumulated depreciation account, Preparation of Asset Disposal Account.
- **Provisions and Reserves:** Meaning, Objective and Difference between Provisions and Reserves.
- **Types of Reserves:** Revenue Reserve, Capital Reserve, General Reserve, Specific reserves, Secret reserves.

5. Accounting for Bills of Exchange

- **Bills of Exchange and Promissory Note:** Definition, Features, Parties ,Specimen and Distinction.
- **Important Terms :** Term of Bill ,Due date , Days of Grace ,Date of Maturity ,Bill at Sight, Bill after Date, Discounting of Bill, Endorsement of Bill, Bill Sent For Collection, Dishonor of Bill, Noting of Bill , Insolvency of Acceptor ,Retirement and Renewal of a bill.
- **Accounting Treatment of bill transactions.**

6. Rectification of Errors

- **Errors and their types:** Errors not affecting trial balance and Errors affecting trial balance.
- Rectification of errors before and after the preparation of financial statements
- **Suspense account:** Meaning, preparation and treatment of suspense account balance in final statements

7. Financial Statements of Business Organizations

- **Financial Statements:** Meaning, Objective and Importance.
- **Trading and profit and loss account:** Gross profit, Operating Profit and Net Profit.
- **Balance Sheet:** Need, Grouping, Marshalling of Assets and Liabilities.
- **Adjustments in Preparation of Financial Statements :** With respect 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 ,abnormal loss, goods taken for personal use , goods distributed as free Sample .
- Preparation of Trading and Profit and Loss Account and Balance Sheet of Sole Proprietorship Concerns.

8. Financial Statements of Not for Profit Organisations

- **Not For Profit Organisations :** Concept .
- **Receipts and Payment Account:** Meaning and Features.
- **Income and Expenditure Account:** Meaning and Features. Preparation of Income and Expenditure Account and Balance Sheet from the given Receipt and payment Account with additional information.
- **Balance Sheet :** Meaning and Features
- Preparation of Income and Expenditure Account and Balance Sheet from the given Receipt and payment Account with additional information.

9. Accounts from Incomplete Records

- **Incomplete Records:** Meaning, Uses and Limitations.
- Ascertainment of Profit/Loss by Statement of Affairs Method.
- Preparation of Trading and Profit and Loss Account and Balance Sheet (with reference to missing figures in total debtors account , total creditors account, Bills Receivable A/C , Bills Payable A/C ,Cash Book and Opening Statement of Affairs) .

116/c

10. Computers in Accounting

- **Introduction to Computer Accounting System** : Components of CAS, Features, Grouping of Accounts, Using Software of CAS, Advantages & Limitations CAS, Accounting Information System.
- Application of computers in Accounting – Automation of accounting process, designing accounting reports, data exchange with other information systems.
- Comparison of accounting processes in manual and computerized accounting highlighting advantages and limitations of automation.
- **Sourcing of accounting system**: Readymade, customized, tailor- made accounting system. Advantages and Disadvantages of each option.

10. Project Work (Any one)

1. Collection of Source Documents, Preparation of Vouchers, Recording of Transactions With help of vouchers.
2. Preparation of Bank Reconciliation Statement with the help of given Cash book and Pass book.
3. **Project Work on any Windows based Accounting package**: Installing & starting the package, setting up a new Company, Setting up account heads, voucher entry, viewing and editing data.

FINANCIAL ACCOUNTING II

CLASS –XII

PART A

1. Introduction to Partnership

- **Meaning:** Partnership, Partners, Firm, Partnership Deed.
- Provisions of The Indian Partnership Act 1932 affecting Accounts in the absence of Partnership Deed.
- Fixed v/s Fluctuating Capital Accounts, Division of Profit among partners, Guarantee of profits, Past adjustments (Relating to interest on capital, interest on drawing, salary and Profit sharing Ratio), Preparation of P& L Appropriation Account.
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- Goodwill: Nature, Factors affecting and Methods of valuation – Average profit, super profit, and capitalisation

2. Reconstitution of Partnership

- **Change in the Profit Sharing Ratio among the existing partners** – Sacrificing ratio, Gaining Ratio. Accounting for Revaluation of Assets and Re-assessment of Liabilities and Distribution of Reserves and Accumulated profits.
- **Admission of a Partner** – Effect of admission of a Partner on : change in the Profit Sharing Ratio, Treatment of goodwill (As per AS 26), treatment for Revaluation of Assets and Re -assessment of Liabilities, Treatment of Reserves and Accumulated profits, Adjustment of Capital Account and Preparation of Balance Sheet
- **Retirement and Death of a Partner** : Effect of Retirement /Death of a partner – change in Profit Sharing Ratio, Treatment of goodwill ,treatment for Revaluation of Assets and Re -assessment of Liabilities, Adjustment of Accumulated Profit and Reserves. Calculation of deceased partner's share of profit till the date of death. Preparation of Deceased partner's Executor's account and Preparation of Balance Sheet

3. Consignment Accounts

- Meaning of consignment.
- Circumstances under which consignment takes place.
- Formalities in consignment.
- Accounting treatment in the books of consigner and consignee.
- Meaning of consignment A/c.
- Meaning of consignment stock.

- Abnormal Loss.

The above topic should be included in the syllabus (COBSE)

112)C.

- **Dissolution of Partnership Firm:** Meaning and Types of Dissolution of firm. Settlement of accounts -Preparation of Realisation Account, and related accounts (excluding piecemeal distribution, sale to a company and insolvency of partners, Firm) .

3. Accounting for Shares

- **Share and Share Capital :** Meaning, Nature and Types
- **Accounting for Share Capital:** Issue and Allotment of Equity Shares. Private placement of Shares. Public Subscription of shares – over subscription and Under subscription of shares .Issue at Par and Premium, calls in advance and arrears, Issue of shares for consideration other than cash.
- **Accounting treatment of forfeiture and re-issue.**
- **Disclosure of Share capital in Company's Balance Sheet (Horizontal form)**

4. Accounting for Debentures

- **Debentures:** Meaning Issue of debentures at par and at premium. Issue of debentures for consideration other than cash, Debentures as collateral security. Interest on Debentures

PART B

5. Analysis of financial Statements

- **Financial statements of a company:** Balance Sheet of a Company in the prescribed Horizontal Form with major headings and sub headings (As per Schedule VI to The Companies Act 1956).
- **Financial Statement Analysis:** Meaning, Objectives and Limitations.
- **Tools for Financial Statement Analysis:** Comparative Statements, Common Size Statements, Cash flow Analysis, Ratio Analysis.
- **Accounting Ratios:** Meaning, Objectives and Classification of Ratios.
- **Liquidity ratios:** Current Ratio and Quick Ratio.

11/1/21

- **Solvency Ratios:** Debt to Equity Ratio, Total Asset to Debt Ratio, Proprietary Ratio, Interest Coverage Ratio.
- **Activity ratios:** Stock Turnover Ratio, Debtors Turnover Ratio, Creditors Turnover Ratio, Working Capital Turnover Ratio.
- **Profitability Ratios :** Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio,

6. Cash Flow Statement

- **Meaning, Objective and preparation (as per AS 3, Without Adjustment).**
- **(Indirect Method)**

7. Project work

- **Comprehensive Problem :** From the given set of Transactions Preparation of vouchers ,books of account, trial balance and financial statements of a proprietorship firm or a partnership firm .
- **Analysis :**Analysis of given data using analytical tools such as ratio analysis and cash flow

OR Part C

Application of Computers in Financial Accounting

Unit 5 (C) Electronic Spread Sheet

- Concept, Data Entry Text Management and Cell formatting, Data Formatting, Output Reports, Preparation of Reports Using Pivot table, Common Errors in Spread Sheet.
- **Use of Spreadsheet in Business Application :** Payroll Accounting, Asset Accounting.
- **Graphs And Charts for Business:** Data Graphs and Charts, Preparation of Graphs and Charts using Excel, Advantages of using Graphs and Charts.

Unit 6 (C) Data Base Management System for Accounting

- Defining Database Requirements, Identification of data to be stored in Tables, Structuring of Data .
- Creating data tables for accounting, Using queries, forms and reports for generating accounting information with the help of Microsoft Access Software.

Unit 11(C) Project Work

3. Consignment ~~Accounts~~ Accounts.

- Meaning of consignment.
- Circumstances under which consignment takes place.
- Formalities in consignment.
- Accounting treatment in the books of consignor and consignee.
- Meaning of consignment A/c
- Meaning of consignment stock
- Abnormal Loss.

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