

Semester II

MAJOR PAPER 2 – FINANCIAL ACCOUNTING

Duration Time: 3Hrs

Marks: 100

Lecture:65

(End Semester Exam 75 Marks + Semester Internal Exam 30Marks)

Objective:

The course aims to help learners to acquire conceptual knowledge on financial accounting, to impart skills for recording various kinds of business transactions and to prepare financial statements.

Learning Outcomes: After completion of the course, learners will be able to:

1. Apply the generally accepted accounting principles while recording transactions and preparing financial statements.
2. Demonstrate accounting process under computerized accounting system.
3. Measure business income applying relevant Accounting Standards.
4. Use appropriate software for recording transactions and preparing accounts under Hire Purchase and Installment Purchase system.
5. Prepare cash book and other accounts necessary while running a business.
6. Prepare financial statements of sole proprietors and partnership firms.
7. Prepare accounts for Inland Branches and Not-for-Profit Organisations.

Course Content:

Unit 1: Theoretical Framework:

Lecture:10

1.1 Accounting as an information system, the users of financial accounting information and their needs. Qualitative characteristics of accounting information. Functions, advantages and limitations of accounting. Branches of accounting. Bases of accounting: cash basis and accrual basis.

1.2 Financial accounting principles: Meaning and need; Generally Accepted Accounting Principles: entity, money measurement, going concern, cost, revenue recognition, realization, accruals, periodicity, consistency, prudence (conservatism), materiality and full disclosure.

1.3 Accounting standards: Concept, benefits and Process of formulation of Accounting Standards including Ind AS (IFRS converged standards) and IFRSs; convergence Vs. adoption; Application

of accounting standards (AS and Ind AS) on various entities in India. International Financial Accounting Standards (IFRS) – meaning, need and scope; Process of issuing IFRS.

1.4 Accounting Process from recording of a business transaction to preparation of trial balance including adjustments. Application of Generally Accepted Accounting Principles in recording financial transactions and preparing financial statements.

Unit 2: Computerized Accounting Systems:

Lecture:12

2.1 Computerized Accounting Systems: Computerized Accounts by using any popular accounting software Creating a Company; Configure and Features settings;

2.2 Creating Accounting Ledgers and Groups; Creating Stock Items and Groups; Vouchers Entry;

2.3 Generating Reports - Cash Book, Ledger Accounts, Trial Balance, Profit and Loss Account, Balance Sheet, Cash Flow Statement.

2.4 Selecting and shutting a Company; Backup, and Restore data of a Company.

Unit 3: Business Income, Accounting for Hire Purchase and Instalment Systems:

Lecture:12

3.1 Business income: Concept of Revenue and Business Income, Measurement of business income; relevance of accounting period, continuity doctrine and matching concept in the measurement of business income; Objectives of measurement of Business income.

3.2. Revenue recognition: Recognition of expenses and income. Recognition of expenses and income with a reference to AS 9 and Ind AS 18.

3.3 Meaning, features, advantages and disadvantages of Hire Purchase and Instalment Systems.

3.4 Accounting for hire purchase and instalment transactions including transactions of high value and small value, default and repossession (manually and using appropriate accounting software)

Unit 4: Financial statements of Sole Proprietorship and Partnership Firms:

Lecture 12

4.1 Capital and revenue expenditures and receipts: general introduction only.

4.2 Preparation of financial statements of non-corporate business entities - Sole Proprietorship and Partnership firms (both manual and using appropriate software)

Unit 5: Accounting for Branch and Not-for Profit Organisations:

Lecture:19

5.1 Accounting for Branch: Concept of Dependent branches; Branch Accounting - debtors system, stock and debtors' system, branch final account system and wholesale basis system. Independent branches: concept, accounting treatment with necessary adjustment entries; Incorporation of Branch Trial Balance in Head Office Books for home branches.

5.2 Accounting for Not-for-Profit Organisations: Meaning of Not-for-Profit Organisation; Significance of Receipt and Payment Account, Income and Expenditure Account and Balance Sheet; Difference between Profit and Loss Account and Income and Expenditure Account;

Preparation of Receipt and Payment Account, Income and Expenditure Account and Balance Sheet.

Note:

1. The relevant Accounting Standards (both AS and Ind AS) for all of the above topics should be covered.
2. Any revision of relevant Indian Accounting Standard/Accounting Standard would become applicable.

Practical Exercises:

The learners are required to:

1. Download 'Framework for the Preparation and Presentation of Financial Statements' from the websites of the Institute of Chartered Accountants of India (ICAI) analyse the qualitative characteristics of accounting information provided therein.
2. Collect and examine the balance sheets of business Organisations to study how these are prepared.
3. Examine the accounting policies and revenue recognition policies by collecting necessary data from small business firms.
4. Use of appropriate software for recording transactions and preparing accounts under Hire Purchase and Installment Purchase system and provide comparative data for decision making.
5. Prepare Trading and Profit & Loss Account and Balance Sheet collecting necessary data from small business firms.
6. Prepare financial statements manually and using appropriate software.
7. Prepare accounts of Inland Branches.
8. Collect data from your college and prepare Receipt and Payment Account, Income and Expenditure Account and Balance Sheet.

Suggested Readings:

Dr. B.K. Mehta, Dr. P.K. Pani and Dr. Jayant Kumar Chakraborty, Financial Accounting, Siksha Sagar Publication, Agra.

Dr. B.N. Ojha, Financial Accounting (Hindi Edition).

Jain, S. P and K. L. Narang. Financial Accounting, Kalyani Publishers, New Delhi.

Anthony, R. N., Hawkins, D., & Merchant, K. A. (2010). Accounting: Text and Cases. New York: McGraw-Hill Education India.

Dam, B. B., & Gautam, H. C. (2019). Financial Accounting. Guwahati: Gayatri Publications.
Horngren, C. T., & Philbrick, D. (2017). Introduction to Financial Accounting. London: Pearson Education.

Lal, J., & Srivastava, S. (2012). Financial Accounting Text & Problems. Mumbai: Himalaya Publishing House.

Monga, J. R. (2017). Financial Accounting: Concepts and Applications. New Delhi: Mayur Paperback Publishing.

Shukla, M. C., Grewal, T. S., & Gupta, S. C. (2016). Advanced Accounts. Vol.-I. New Delhi: Sultan Chand Publishing

Maheshwari, S. N., Maheshwari, S. K., & Maheshwari, S. K. (2018). Financial Accounting. New Delhi: Vikas Publishing House Pvt. Ltd.

Sehgal, D. (2014). Financial Accounting. New Delhi: Vikas Publishing House Pvt. Ltd.

Goyal, B. K., & Tiwari, H. N. (2019). Financial Accounting. New Delhi: Taxmann Publication.

Goldwin, N., Alderman, W., & Sanyal, D. (2016). Financial Accounting. Boston: Cengage Learning.

Tulsian, P. C. (2002). Financial Accounting. Chennai: Pearson Education.

Note: Learners are advised to use latest edition of text books.