

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 one paper of 3 hours duration of 100 marks divided into two parts.

Part I (30 marks) will be compulsory and will consist of **two questions** based on the entire syllabus.

Question 1 (20 marks) will include compulsory short answer questions, testing knowledge, application and skills relating to elementary/ fundamental aspects of the syllabus.

Question 2 (10 marks) will be a compulsory numerical question.

Part II (70 marks): Candidates will be required to answer **five** questions out of **eight** questions from this section. Each question shall carry 14 marks.

1. Basic Accounting Concepts

Background of accounting and accountancy: knowledge and understanding of GAAP; accounts - types and classification; basic terms used in accounting, Accounting Standards and Accounting Equation.

- (a) *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.*
- (b) *Accounting concepts – GAAP - money measurement, dual aspect, going concern, periodicity, accrual, matching; realisation, business entity, materiality, consistency, conservatism, historical cost, disclosure and objectivity.*
- (c) *Basic Terms: Debtors, Creditors, Assets, Liabilities, Goods, Stock, Profit, Loss, Expense, Expenditure, Revenue, Income, Transactions, Drawings and Capital.*
- (d) *Accounting Standards – meaning and usefulness.*

(e) *Basis of accounting – cash basis and accrual basis.*

(f) *Accounting equation.*

2. Journal and Ledger

(i) Journal: recording of entries in journal with narration.

- a) *Classification of Accounts.*
- b) *Double Entry System.*
- c) *Rules of journalising.*
- d) *Meaning of journal.*
- e) *Format of journal.*
- f) *Simple and compound journal entries (with specimens to practice).*
- g) *Advantages of using a journal.*
- h) *Sub-division of journal - cash book (including petty cash book), sales day book, purchases day book, sales return day book, purchases return day book, bills receivable book, bills payable book and Journal proper.*

(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.*

3. Cash Book and Bank Reconciliation Statement

(i) Cash book (including petty cash book): single column; double column; triple column.

- a) *Cash Book: single, double and triple column cash book.*
 - *Meaning, need and importance.*
 - *Recording transactions in a cash book.*

- b) *Petty Cash Book -*
 - *Meaning and advantages.*
 - *Analytical Petty Cash Book.*
 - *Meaning and advantages of the Imprest System including practical problems.*

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

4. Trial Balance, Rectification, Capital and Revenue Expenditure and Income

- (i) Trial balance.
 - a) *Meaning, objectives, advantages and limitations of a trial balance.*
 - b) *Preparation of the trial balance from given ledger account balances.*
 - c) *Redrafting of a trial balance.*
- (ii) Errors and types of errors: errors of omission; errors of commission; errors of principles; compensating errors.
 - a) *Errors disclosed by the trial balance.*
 - b) *Errors not disclosed by the trial balance.*
 - c) *Rectification of errors after the preparation of trial balance and use of suspense account.*
- (iii) Capital and revenue expenditure/income.
 - a) *Meaning and difference between expenditure and expense, income and receipt.*
 - b) *Meaning and difference between capital expenditure and revenue expenditure with examples.*
 - c) *Meaning and difference between capital income and revenue income with examples.*
 - d) *Meaning and difference between capital profit and revenue profit with examples.*
 - e) *Meaning and difference between capital loss and revenue loss with examples.*

- f) *Meaning of deferred revenue expenditure with examples.*

NOTE: *Rectification of errors after the preparation of final accounts is not required.*

5. Depreciation, Provisions and Reserves

- (i) Depreciation.
 - Depreciation - meaning, need, causes, objectives and characteristics.*
- (ii) Methods of charging depreciation (straight line and WDV method).
 - a) *Method of recording depreciation – charging to asset account, creating provision for depreciation / accumulated depreciation, treatment of disposal of assets.*
 - b) *Change of method (Retrospective method only – Accounting Standard – 6).*
- (iii) Application of depreciation with the above mentioned methods: problems with purchase and sale of assets. Change in method (Retrospective method as per AS - 6).
 - Application of depreciation with the above mentioned methods; problems with purchase and sale; retrospective change of method.*
- (iv) Provisions and Reserves.
 - Meaning, importance; difference between provisions and reserves; types of reserves - revenue reserve, capital reserve, general reserve, specific reserve and secret reserve.*

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

- (i) Concept of Manufacturing Accounts.
 - Find out the cost of manufacturing and preparation of a manufacturing account.*
- (ii) Meaning and preparation of Manufacturing, Trading, Profit and Loss account and Balance Sheet of sole tradership. (Horizontal format) – without adjustments.
- (iii) 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 and bad debts, provision for doubtful debts, provision for discount on debtors and creditors, manager's commission, goods sold on approval basis, abnormal loss, adjustments pertaining to goods, interest on capital and drawings.

- (iv) Marshalling of a Balance Sheet: Order of liquidity and Order of permanence.

Self explanatory.

7. Single Entry - Accounts from incomplete records

- (i) Single entry and difference with double entry.
(a) Meaning, characteristics and limitations.
(b) Applications to practical problems/exercises.
(c) Difference between Statement of Affairs and Balance Sheet.
- (ii) Ascertainment of profit/loss by statement of affairs method including application.
Self explanatory.
- (iii) Application to Problems.
Various types of problems under statement of affairs method/Balance Sheet approach.

NOTE:

Single entry system as applied to partnerships is not required.

8. 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 Sheets and their respective roles.
- (iii) Application of non-trading exercises involving: preparation of Receipts and Payments Account; Income and Expenditure Account and Opening and Closing Balance Sheet.

- (a) Preparation of Income and Expenditure Account and Balance Sheet when trial balance and other information is given.*
- (b) Preparation of Income and Expenditure Account and Balance Sheet when Receipts and Payments Account and other information is given.*
- (c) Preparation of Receipts and Payments Account when Income and Expenditure account, Balance Sheet and other information is given.*
- (d) Preparation of opening and closing balance sheets when Receipts and Payments Account and Income and Expenditure Account and other information is given.*

NOTE: *Preparation of a Receipts and Payments Account only or an Income and Expenditure Account with a Balance Sheet **from incomplete records** need not be covered.*

9. Bills of Exchange

- (i) Introduction to Negotiable Instruments: explanation of basic terms.
Meaning of negotiable instruments; Bills of exchange, promissory note, cheque, advantages and disadvantages of Bills of Exchange, explanation of basic terms - drawer, drawee, payee, endorser, endorsee, bill at sight, bill after date, tenure of the bill, days of grace, due date, dishonour of a bill, noting charges, notary public, renewal of a bill and retirement of a bill.
- (ii) Applications to practical problems/exercises.
Applications to practical problems including insolvency.

NOTE: *Accommodation Bill is not required.*

10. Introduction to the use of Computers in Accounting

- (i) Applications of Computers in Accounting.
(a) Automation of accounting process.
(b) MIS reports.
- (ii) Comparison of Manual and Computerized Accounting.
Meaning, advantages and limitations of Manual and Computerized System of Accounting.
- (iii) Accounting Software.
Readymade and computerized accounting softwares. Advantages and disadvantages of each.