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.


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 paisa 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 from 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.


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:

(a) The total of Sale Return Book was undercost by Rs.1000

(b) A motor cycle was purchased for Rs.12500 for proprietors’ son was debited to Motor Vehicle Account.

(c) Purchase of furniture of Rs.4000 was entered in the Purchases Book.

(d) 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.

(e) 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

<table>
<thead>
<tr>
<th>Account</th>
<th>Rs</th>
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<tbody>
<tr>
<td>Cash in hand</td>
<td>2800</td>
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<tr>
<td>Cash at bank</td>
<td>16200</td>
</tr>
<tr>
<td>Bills Receivable</td>
<td>14500</td>
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<tr>
<td>Bills Payable</td>
<td>12700</td>
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<tr>
<td>Sundery creditors</td>
<td>25300</td>
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<tr>
<td>Sundry debtors</td>
<td>28600</td>
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<tr>
<td>Capital</td>
<td>50000</td>
</tr>
<tr>
<td>Drawings</td>
<td>18000</td>
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<tr>
<td>Salaries</td>
<td>6000</td>
</tr>
<tr>
<td>Carriage Inward</td>
<td>400</td>
</tr>
<tr>
<td>Opening stock</td>
<td>16200</td>
</tr>
<tr>
<td>Sales</td>
<td>60800</td>
</tr>
<tr>
<td>Discount Received</td>
<td>600</td>
</tr>
<tr>
<td>Depreciation</td>
<td>800</td>
</tr>
<tr>
<td>Bad debts</td>
<td>700</td>
</tr>
<tr>
<td>Insurances</td>
<td>900</td>
</tr>
<tr>
<td>Purchases</td>
<td>42000</td>
</tr>
<tr>
<td>Office Rent</td>
<td>2000</td>
</tr>
<tr>
<td>Stationery</td>
<td>300</td>
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CURRICULUM IN ACCOUNTANCY

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

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

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)

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


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.

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**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 operatives; 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/rock, 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.