

# Accountancy

Code No. 320

## Introduction

Owners of an enterprise record financial information to analyse profits. In order to measure the performance of a company, owners require accounting data. Entrepreneurs require capital to start and run a business. If capital is to be raised from banks, then financial statements are to be given to them. Management of every business is done on the basis of financial information given by accountants. Because of this importance of Accounting in organisations, we have introduced Accounting as a course at Higher Secondary Level. This course gives a clear explanation of the activities done by an accountant. The curriculum in Accountancy has been designed to help specific needs of NIOS learners. The main areas covered relates to the daily working environment of the Accountant learners. The course contains seven modules.

## Rationale

The last decade has witnessed tremendous changes in business education. The liberalization and globalization 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 computerized 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.

## Objectives

After completing this course, the learner will be able to:

- recall basic accounting terminology;
- record business transactions;
- prepare Journal, Ledger and Trial Balance;
- prepare the financial statements and to do analysis of it;
- construct Depreciation Account using different methods;
- develop skill in preparing Partnership accounts ;
- explain and prepare Company Accounts; and
- understand the need, importance and advantages of computerized accounting .

## Scope and job opportunity

This field has a large number of opportunities for employment, some of these are:

- career in the field of Accounts Manager
- career in the field of Chartered Accountant
- career in the field of Management Consultant
- career in the field of Teaching

## Eligibility conditions

**Age:** 15 Years

**Qualification:** 10<sup>th</sup> Pass

**Medium of instruction:** Hindi, English, Urdu, Bengali, Gujarati and Odia

**Duration of the course:** 1 Year

## Weightage

**Theory:** 100 Marks

**Tutor Marked Assignment (TMA):** 20% Marks of theory

**Scheme of studies:** Theory (250 hours), TMA (self paced)

**Scheme of evaluation:** Theory paper 100 marks (3 hours), internal assessment (TMA) (20% of theory marks)

**Pass criteria:** 33% marks in theory

## Course content

There are three parts in Accountancy. Part A is compulsory for all, while the learner has to choose any one part from B or C respectively, during Public Examination.

S. No.	Module/Topics	Duration (in hours)	Module Approach/Description	Weightage (marks)
<b>PART –A</b>				
1.	<b>Module-I</b> <b>Basic Accounting</b> 1. Accounting - An Introduction	25	<ul style="list-style-type: none"><li>• Accounting: Meaning, Objectives, Types of accounting information, advantages and limitations. Users of Accounting information and their needs.</li></ul>	10

	<ol style="list-style-type: none"> <li>2. Accounting Concepts</li> <li>3. Accounting Conventions and Standards</li> <li>4. Accounting for Business Transactions</li> <li>5. Journal</li> <li>6. Ledger</li> <li>7. Cash book</li> <li>8. Special Purpose Books</li> </ol>		<p>Double Entry system. Basis of accounting-Cash basis, accrual basis and hybrid basis.</p> <ul style="list-style-type: none"> <li>• Basic Accounting Terms: Business transaction, Event, Account, Capital, Drawings, Liability : Internal &amp; External, Long term &amp; Short term, Asset (Intangible &amp; Tangible, Fixed, Current, Liquid, Fictitious) Receipts (Capital &amp; Revenue), Expenditure (Capital, Revenue &amp; Deferred Revenue), Expense, Income, Profits, Losses, Purchases, Sales, Stock, Debtors, Bills Receivables, Creditors, Bills Payables, Goods, Cost,</li> <li>• Vouchers, Discount (Trade, Cash, Received &amp; Allowed).</li> </ul> <ol style="list-style-type: none"> <li>1. Fundamental Accounting Assumptions: Going concern, Consistency, Accrual.</li> <li>2. Accounting Principles: Accounting Entity, Money Measurement, Accounting Period, Full Disclosure, Materiality, Prudence, Cost Concept, and Dual Aspect.</li> </ol> <ol style="list-style-type: none"> <li>1. Accounting conventions: consistency, Full Disclosure, Materiality, Conservatism.</li> <li>2. Accounting Standards: Concept &amp; objective</li> </ol> <ol style="list-style-type: none"> <li>1. Accounting Equation: Meaning, Analysis of transactions using Accounting Equation.</li> <li>2. Rules of Debit and Credit: For Assets, Liabilities, Capital, Revenue and Expenses.</li> </ol>	
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			<p>3. Origin of transaction-Source Documents (Invoice, Cash memo, Pay in slip, Cheque), Preparation of Vouchers-cash (Debit &amp; Credit), Non Cash (Transfer).</p> <p>1. Journalising the simple and compound transactions, classification of journal into special journal &amp; journal proper.</p> <p>2. Books of Original Entry : Meaning, Format and Process of Journalising</p> <ul style="list-style-type: none"> <li>• Meaning, Utility, Format, Posting from Journal in to ledger.</li> </ul> <p>Simple Cash book, Cash Book with Bank Column, Petty Cash Book.</p> <p>Purchases Book , Sales Book, Purchases Returns Book, Sales Returns Book, Bills Receivable Book, Bills Payable Book and Journal Proper , with formats &amp; recording of transactions.</p>	
2.	<p><b>Module-II</b></p> <p><b>Trial Balance and Computers</b></p> <p>9. Trial balance</p> <p>10. Bank Reconciliation Statement</p> <p>11. Bills of Exchange</p> <p>12. Errors and Their Rectification</p> <p>13. Computers and Computerised Accounting System</p>	25	<ul style="list-style-type: none"> <li>• Meaning, Objectives and Preparation of Trial Balance</li> <li>• Meaning, Objectives, Causes of differences between Cash Book and Balances as per Pass Book/ Bank Statement and Methods of Preparing Bank Reconciliation Statement.</li> </ul> <p>Bills of Exchange and Promissory Note: Definition, Feature, Parties, Specimen and Distinction.</p> <ul style="list-style-type: none"> <li>• <b>Important Terms:</b> 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</li> </ul>	10

			<p>Collection, Dishonour of Bill, Noting of Bill, Insolvency of Acceptor , Retirement and Renewal of a bill, Accounting Treatment of bill transactions.</p> <ul style="list-style-type: none"> <li>• Errors and their types: Errors not affecting trial balance and Errors affecting trial balance.</li> <li>• Rectification of errors before and after the preparation of financial statements.</li> <li>• Suspense account: Meaning, preparation and treatment of suspense account balance in final statements.</li> </ul> <ol style="list-style-type: none"> <li>1. Introduction to Computer Accounting System: Components of CAS, Features, Grouping of Accounts, Using Software of CAS, Advantages &amp; Limitations CAS, Accounting Information System.</li> <li>2. Application of computers in Accounting – Automation of accounting process, designing accounting reports, data exchange with other information systems.</li> <li>3. Comparison of accounting processes, manual and computerized accounting, highlighting advantages and limitations of automation.</li> <li>4. Sourcing of accounting system: Readymade, customized, tailor-made accounting system. Advantages and Disadvantages of each option.</li> </ol>	
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3.	<b>Module-III</b> <b>Financial Statements</b> 14. Depreciation 15. Provision and Reserves 16. Financial Statement - An Introduction 17. Financial Statements – I 18. Financial Statements – II 19. Not for Profit Organisations - An Introduction 20. Financial Statements (Not for Profit Organisation) 21. Accounts From Incomplete Records	50	1. Depreciation: Meaning, Need and Factors affecting depreciation. 2. 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. 1. Meaning, Objective and Difference between Provisions and Reserves. 2. Types of Reserves: Revenue Reserve, Capital Reserve, General Reserve, Specific reserves, Secret reserves. 1. Financial Statements: Meaning, Objective and Importance. 2. Trading and Profit and Loss account: Gross Profit, Operating Profit and Net Profit 3. Balance Sheet. 1. Preparing Trading Account and Profit & Loss Account 2. 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,	20
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			<p>provision for discount on debtors, Manager 's commission, abnormal loss, goods taken for personal use, goods distributed as free Sample.</p> <p>Preparation of Trading and Profit and Loss Account and Balance Sheet of Sole Proprietorship Concerns.</p> <ol style="list-style-type: none"> <li>1. Not For Profit Organisations: Concept.</li> <li>2. Receipts and Payment Account: Meaning and Features.</li> <li>3. Balance Sheet: Meaning and Features</li> <li>4. 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.</li> </ol> <p>Preparation of Income &amp; Expenditure Account</p> <p>Preparation of Receipts &amp; Payments Account</p> <p>Preparation of Balance Sheet of a Not for Profit Organisation.</p> <ol style="list-style-type: none"> <li>1. Incomplete Records: Meaning, Uses and Limitations.</li> <li>2. Ascertainment of Profit/Loss by Statement of Affairs Method.</li> <li>3. 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).</li> </ol>	
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4.	<b>Module-IV</b> <b>Partnership Accounts</b> 22. Partnership - An Introduction 23. Admission of Partners 24. Retirement and Death of a Partner 25. Dissolution of Partnership Firm	50	1. Meaning: Partnership, Partners, Firm, Partnership Deed. 2. Provisions of The Indian Partnership Act 1932 affecting Accounts in the absence of Partnership Deed. 3. 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), and Preparation of P & L Appropriation Account. 4. Goodwill: Nature, Factors affecting and Methods of valuation – Average profit, super profit, and capitalization. 1. 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. 2. 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. • Effect of Retirement/Death of a partner – change in Profit	20
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			<p>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.</p> <ul style="list-style-type: none"> <li>• Meaning and Types of Dissolution of firm. Settlement of accounts –Preparation of Realization account, and related accounts as Capital, Cash &amp; Bank (excluding piecemeal distribution, sale to a company and insolvency of partners).</li> </ul>	
5.	<p><b>Module-V</b> <b>Company Accounts</b></p> <p>26. Company - An Introduction</p> <p>27. Issue of Shares</p> <p>28. Forfeiture of Shares</p> <p>29. Reissue of Forfeited Shares</p> <p>30. Issue of Debentures</p>	50	<p>Meaning of company form of business rganization, characteristics of company, types of companies, difference between public &amp; private company, various types of shares issued by company with the type of share capital.</p> <ol style="list-style-type: none"> <li>1. Meaning, Nature and Types</li> <li>2. 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.</li> </ol> <p>Meaning of forfeiture shares, Various situations in which share can be</p>	20

			<p>forfeited.</p> <ol style="list-style-type: none"> <li>1. Meaning of reissue of Shares, Minimum price of which a company can reissue its forfeited shares and accounting treatment of reissue of shares in different situations.</li> <li>2. Disclosure of Share capital in Company's Balance Sheet (Vertical form)</li> </ol> <p>Meaning &amp; types of debentures, procedure of Issue of debentures and its accounting treatment. Issue of debentures for consideration other than cash, Debentures as collateral security accounting treatment for writing off discount &amp; loss on Issue of debentures. Interest on Debentures.</p>	
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**PART – B**

6.	<p><b>Module-VI</b></p> <p><b>Analysis of Financial Statements</b></p> <p>31. Financial Statements Analysis - An Introduction</p> <p>32. Accounting Ratios – I</p> <p>33. Accounting Ratios - II</p> <p>34. Cash Flow Statement</p>	50	<ol style="list-style-type: none"> <li>1. Balance Sheet of a Company in the prescribed Vertical Form with major headings and sub headings (As per Schedule VI of The Companies Act 1956).</li> <li>2. Financial Statement Analysis: Meaning, Objectives and Limitations.</li> <li>3. Tools for Financial Statement Analysis: Comparative Statements, Common Size Statements, Cash Flow Analysis, Ratio Analysis.</li> </ol> <ol style="list-style-type: none"> <li>1. Accounting Ratios: Objectives and Classification of Ratios.</li> <li>2. Liquidity ratios: Current and Quick Ratio.</li> </ol> <ol style="list-style-type: none"> <li>1. Solvency Ratios: Debt to Equity Ratio, Total Asset to Debt Ratio,</li> </ol>	20
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			<p>Proprietary Ratio, Interest Coverage Ratio.</p> <p>2. Activity ratios: Stock Turnover Ratio, Debtors Turnover Ratio, Creditors Turnover Ratio, Working Capital Turnover Ratio.</p> <p>3. Profitability Ratios: Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio.</p> <ul style="list-style-type: none"> <li>• Meaning Objective and preparation of Cash Flow Statement.</li> </ul>	
<b>PART – C</b>				
7.	<p><b>Module-VII</b></p> <p><b>Application of Computers in Financial Accounting</b></p> <p>35. Electronic Spread Sheet</p> <p>36. Use of Spreadsheet in Business Application</p> <p>37. Graphs And Charts for Business</p> <p>38. Data Base Management System for Accounting</p>	50	<p>Concept, Data Entry Text Management and Cell formatting, Data Formatting, Output Reports, Preparation of Reports Using Pivot table, Common Errors in Spread Sheet.</p> <p>Payroll Accounting, Asset Accounting</p> <ul style="list-style-type: none"> <li>• Data Graphs and Charts, Preparation of Graphs and Charts using Excel, Advantages of using Graphs and Charts.</li> </ul> <p>1. Defining Database Requirements, Identification of data to be stored in Tables, Structuring of Data.</p> <p>2. Creating data tables for accounting, Using queries, forms and reports for generating accounting information with the help of Microsoft Access Software.</p>	20