



#### A TEXTBOOK OF ACCOUNTING FOR ACCOUNTING FOR





viii Preface to the First Edition

We are confident that with all these PLUS features readers will find the book extremely useful and rewarding for them. Constructive and helpful suggestions for improvements in the book will be gratefully acknowledged.

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#### Authors



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# Section – I: ACCOUNTING FUNDAMENTALS

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### 1. MEANING AND SCOPE OF ACCOUNTING

Need for Accounting; Development of Accounting; Definition and Functions of Accounting; Book-Keeping and Accounting; Is Accounting a 'Science' or an 'Art'?; End Users of Accounting Information; Accounting and other Disciplines; Role of Accountants; Branches of Accounting; Objectives of Accounting; Outsourcing of Accounting Function; Accounting as an Information System; Key Terms; Test Questions

### 2. ACCOUNTING PRINCIPLES

Meaning of Accounting Principles; Accounting Standards and International Accounting Standards Committee/Board; Accounting Principles and the Institute of Chartered Accountants of India; IFRS— Convergence in India; Systems of Book-Keeping; Systems of Accounting; Key Terms; Test Questions; Practical Problems

### 3. BASIC ACCOUNTING TERMS

Accounting Terms; Key Terms; Test Questions

### 4. JOURNALIZING TRANSACTIONS

Journal; Rules of Debit and Credit; Compound Journal Entry; Opening Entry; Key Terms; Test Questions; Practical Problems

### 5. LEDGER POSTING AND TRIAL BALANCE

Ledger; Posting; Relationship Between Journal and Ledger; Rules Regarding Posting; Trial Balance; Voucher System; Key Terms; Test Questions; Practical Problems

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### 7. NEGOTIABLE INSTRUMENTS

Promissory Note; Bill of Exchange; Cheque; Accounting Entries; Bills Sent for Collection; Accommodation Bills; Bills Receivable and Payable Books; Key Terms; Test Questions; Practical Problems

### 8. FINAL ACCOUNTS

Trading Account; Profit and Loss Account; Manufacturing Account; Balance Sheet; Adjustment Entries; Work Sheet; Key Terms; Test Questions; Practical Problems

### 9. RECTIFICATION OF ERRORS

Classification of Errors; Location of Errors; Suspense Account; Rectifying Accounting Entries; Effect on Profit; Key Terms; Test Questions; Practical Problems

#### DEPRECIATION PROVISIONS AND RESERVES 10.

Concept of Depreciation; Causes of Depreciation; Basic Features of Depreciation; Depreciation, Depletion, Amortization and Dilapidations; Meaning of Depreciation Accounting; Objectives of Providing Depreciation; Fixation of Depreciation Amount; Methods of Recording Depreciation; Methods for Providing Depreciation; Depreciation of Different Assets; Depreciation on Replacement Cost; Depreciation Policy; Accounting Standard 6 (Revised): Depreciation Accounting; Provisions and Reserves; Key Terms; Test Questions; Practical Problems

### 11. INVENTORY VALUATION

Meaning of Inventory; Objectives of Inventory Valuation; Inventory Systems; Methods of Valuation of Inventories; Valuation of Inventory for Balance Sheet Purposes; Accounting Standard 2 (Revised): Valuation of Inventories; Key Terms; Test Questions; Practical Problems

### 1. MANAGEMENT ACCOUNTING: NATURE AND SCOPE

Meaning of Management Accounting; Functions of Management Accounting; Scope of Management Accounting; The Management Accountant; Utility of Management Accounting; Limitations of Management Accounting; Installation of the Management Accounting System; Tools of Management Accounting; Key Terms; Test Questions

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#### 3. BASIC COST CONCEPTS

Concept of Cost; Cost, Expense and Loss; Elements of Cost; Components of Total Cost; Making Stock Adjustments; Computation of Profit; Cost Sheet; Classification of Costs; Cost Ascertainment; Cost Estimation and Cost Ascertainment; Cost Objective and Cost Accumulation; Cost Allocation and Cost Apportionment; Cost Reduction and Cost Control; Methods of Costing; Techniques of Costing; Items Excluded from Cost Accounts; Key Terms; Test Questions; Practical Problems

### 4. HUMAN RESOURCE ACCOUNTING

Introduction; Concept of Human Resource Accounting; Valuation of Human Resources; Recording and Disclosure in Financial Statements; Importance of Human Resource Accounting; Objections Against Human Resource Accounting; Human Resource Accounting in India; Key Terms; **Test Questions** 

#### 5. INNOVATIVE CONCEPTS

Value Added Statement; Economic Value Added; Target Costing; Kaizen Costing; Balanced Scorecard; Test Questions; Key Terms

### **1. FINANCIAL STATEMENTS:** ANALYSIS AND INTERPRETATION

Meaning and Types of Financial Statements; Nature of Financial Statements; Limitations of Financial Statements; Analysis and Interpretation of Financial Statements; Steps Involved in the Financial Statements' Analysis; Techniques of Financial Analysis; Ratio Analysis; Profitability Ratios; Turnover Ratios; Financial Ratios; Advantages of Ratio Analysis; Limitations of Accounting Ratios; Key Terms; Test Questions; Practical Problems

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### 2. INNOVATIVE BUDGETING TECHNIQUES

Programme Budgeting; Performance Budgeting; Responsibility Accounting; Zero Based Budgeting; Key Terms; Test Questions; Practical Problems

### 3. STANDARD COSTING

Meaning of Standard Costing; Budgetary Control and Standard Costing; Historical Costing, Estimated Costing and Standard Costing; Suitability of Standard Costing; Standard Costing as a Management Tool; Limitations of Standard Costing; Meaning of Standard Costs; Standard Costs and Budgeted Costs; Determination of Standard Costs; Standard Cost Sheet; Revision of Standards; Key Terms; Test Questions; Practical Problems

### 4. VARIANCE ANALYSIS

Cost Variances; Direct Material Cost Variance; Direct Labour Cost Variances; Overhead Cost Variance; Sales Variances; With Reference to Turnover; With Reference to Profit; Control of Variances; Key Terms; Test Questions; Essay Type; Practical Problems

### 5. MARGINAL COSTING AND PROFIT PLANNING

Absorption Costing; Marginal Costing; Marginal Costing and Direct Costing; Marginal Costing and Differential Costing; Marginal Cost; Segregation of Semi-variable Costs; Contribution; Key Factor; Profit Planning; Cost-volume-profit Analysis; Break-even Analysis; Break-

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#### 7. PRICING DECISIONS

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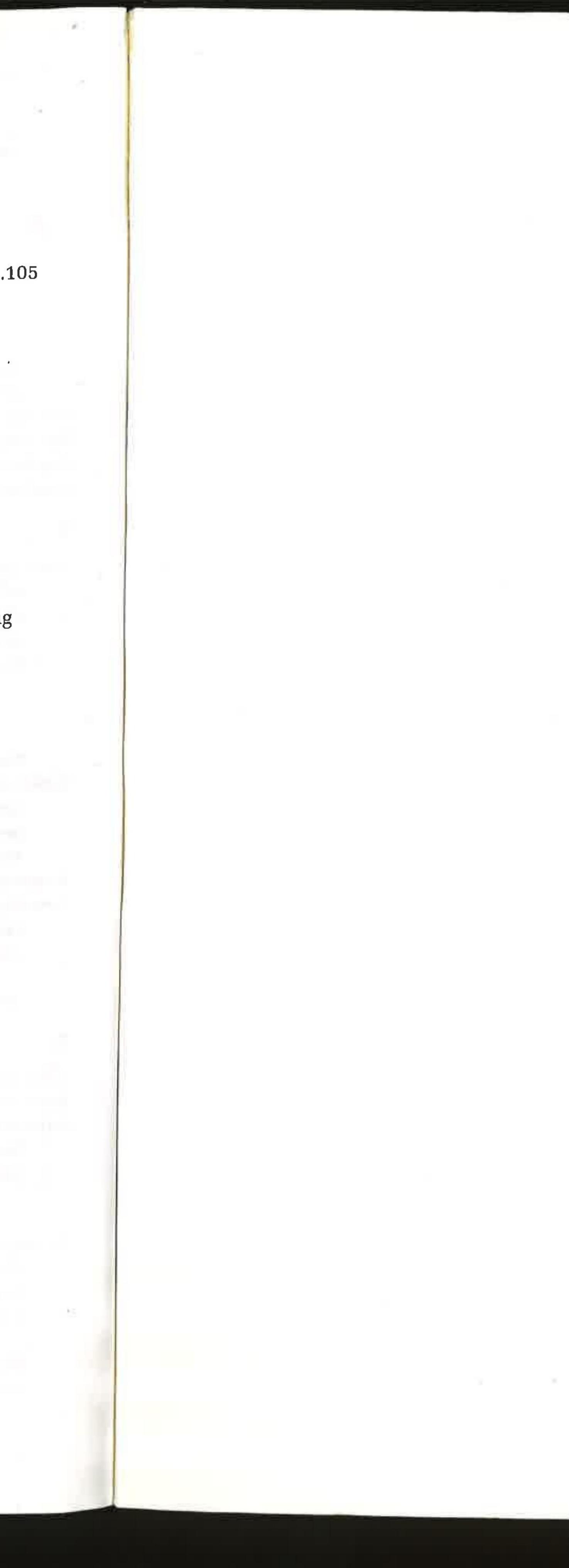
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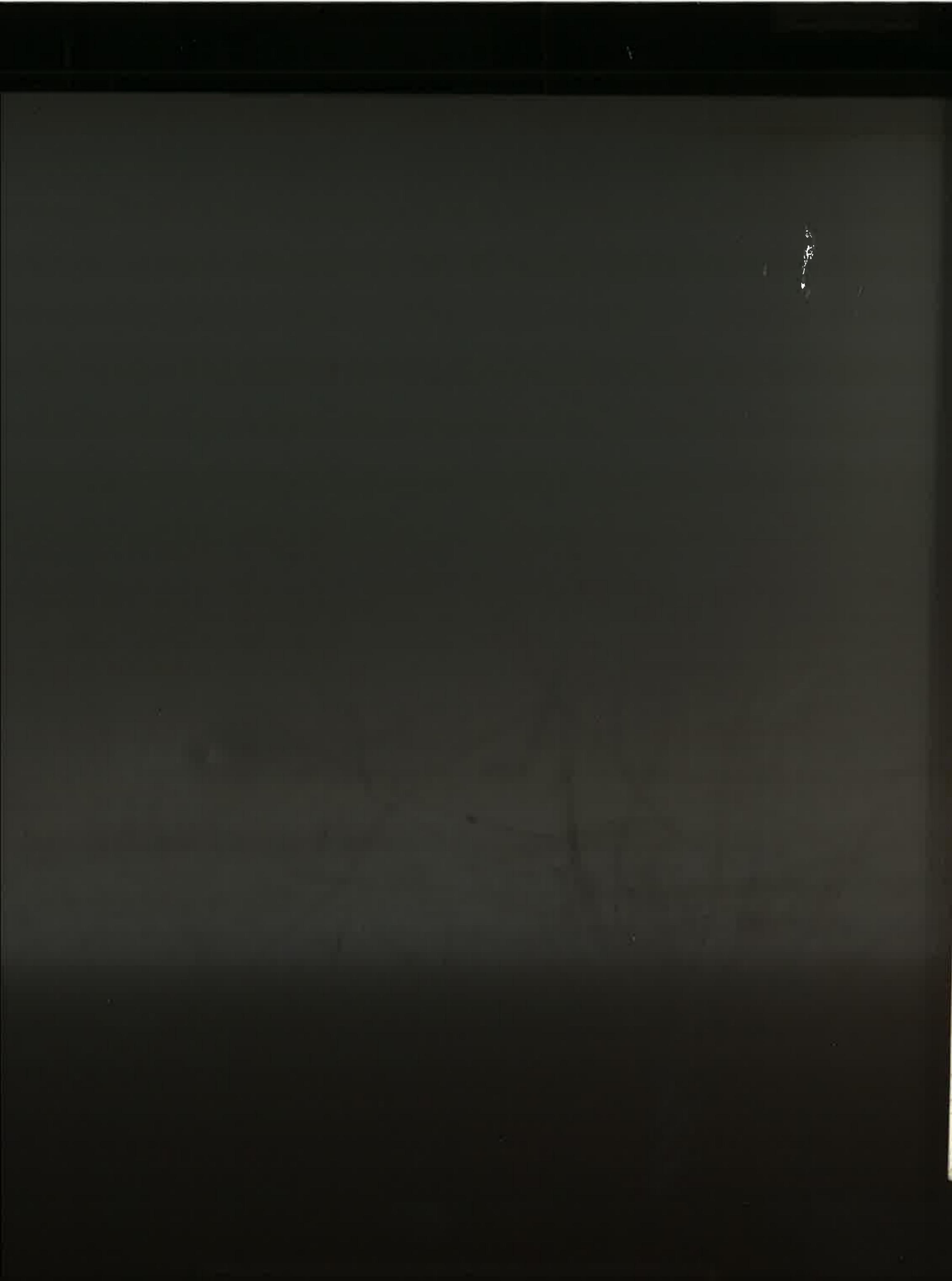
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# A TEXTBOOK OF MANAGEMENT

The book provides a comprehensive coverage of the course-content requirements of the students appearing in the paper 'Management Accounting' at the MBA and MCom Examinations of different Indian Universities and those of professional institutions. The book has been divided into Five Convenient Sections. Each Section covers a different aspect of 'Management Accounting' with the subject divided into chapters covering different topics in a systematic and concise manner

The unique features of this book lie in its simple and systematic presentation of theory, which would enable the students to solve practical problems with ease. The other main strengths of this book are: plentiful illustrative examples and end-of-the-chapter exercises with answers.

#### **NEW IN THIS EDITION**

Updated position regarding IFRSs and steps for their convergence in India Two new chapters, namely: Human Resource Accounting and Innovative Concepts in Section II of the book Section V relating to Case Problems to make the study of the subject more interesting and a real value addition to the knowledge of the reader

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