



INCLUDES
IFRS



FINANCIAL ACCOUNTING

For BCom, CA, CS and ICWA (Foundation) Courses

FIFTH EDITION



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SYLLABUS

INSTITUTE OF COMPANY SECRETARIES OF INDIA
Foundation Programme
 Paper III Financial Accounting NS

Level of Knowledge: Basic Knowledge

Objective: To familiarize and develop an understanding the skills of accounting principles for effective recording of business operations of an entity.

Course Content:

Sl No.	Topic	Coverage in the book	
		Section	Chapter(s)
1	Introduction to accounting	I	1
2	Recording of transactions	I	4 to 6
3	Preparation of bank reconciliation statement	I	8
4	Rectification of errors	I	12
5	Preparation of final accounts (non-corporate entities)	I	11&12
6	Accounting for depreciation	I	14
7	Accounting for bills of exchange	I	7
8	Accounts of non-profit organizations	I	16
9	Single entry accounts - preparation of accounts from incomplete records	I	17
10	Accounting for consignments and joint ventures	II	1&2
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|----------------------------------|----------------|-----------|
| 1. BCom (Hons) Delhi University, | 2009 | 4.1–4.21 |
| 2. BCom (Hons) Delhi University, | 2010 | 4.22–4.41 |
| 3. BCom (Hons) Delhi University, | 2011 | 4.42–4.63 |
| 4. CS (Foundation), | June, 2010 | 4.64–4.75 |
| 5. CS (Foundation), | December, 2010 | 4.76–4.87 |
| 6. CS (Foundation), | June, 2011 | 4.88–4.98 |

APPENDICES

Appendix I: Present Value of Re 1 Received Annually for N Years

Appendix II: Periodic Payment Required to Amortise Re 1 and Interest

Appendix III: Periodic Deposit which will Amount to Re 1

Appendix IV: Present Value of Re 1

Chapter 1

MEANING AND SCOPE OF ACCOUNTING

Learning Objectives

After studying this chapter you should be able to:

- ▶ appreciate the need of accounting;
- ▶ perceive the development of accounting;
- ▶ explain the meaning of accounting;
- ▶ name the persons interested in accounting disclosures;
- ▶ identify the objectives of accounting;
- ▶ explain the relationship of accounting with other disciplines;
- ▶ appreciate the role of accountant in the society;
- ▶ explain the different branches of accounting;
- ▶ differentiate between management accounting and financial accounting;
- ▶ state the objectives of accounting and its outsourcing;
- ▶ explain the essential characteristics of accounting as an information system;
- ▶ explain the meaning of certain key terms.

NEED FOR ACCOUNTING

Accounting has rightly been termed as the language of the business. The basic function of a language is to serve as a means of communication. Accounting also serves this function. It communicates the result of business operations to various parties who have some stake in the business, viz., the proprietor, creditors, investors, Government and other agencies. Though accounting is generally associated with business but it is not only business which makes use of accounting. Persons like housewives, Government and other individuals also make use of accounting. For example, a housewife has to keep a record of the money received and spent by her during a particular period. She can record here receipts of money on one page of her "household diary", while payments for different items such as milk, food, clothing, house, education, etc., on some other page or pages of her diary in a chronological order. Such a record will help her in knowing about:

- (i) The sources from which she received cash and the purposes for which it was utilised.
- (ii) Whether her receipts are more than her payments or *vice versa*?
- (iii) The balance of cash in hand or deficit, if any, at the end of a period.

In case the housewife records her transactions regularly, she can collect valuable information about the nature of her receipts and payments. For example, she can find out the total amount spent by her during a period (say, a year) on different items, say milk, food, education, entertainment, etc. Similarly, she can find the sources of her receipts such as salary of her husband, rent from property, cash gifts from her near relations, etc. Thus, at the end of a period (say, a year) she can see for herself about her financial position, i.e., what she owns and what she owes. This will help her in planning her future income and expenses (or making out a budget) to a great extent.



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Financial Accounting provides a comprehensive coverage to course requirements of students appearing in the accounting paper at the Foundation examinations of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Cost Accountants of India. It also meets the requirements of students appearing in the Financial Accounting paper at the BCom examinations of different Indian universities. The book is divided into four sections: Section I explains the fundamental principles necessary for understanding the subject. It covers the entire accounting cycle—from recording of financial transactions to the preparation of final accounts. Section II deals with accounting problems related to certain specific types of business transactions. Section III deals with partnership accounts. Section IV provides suggested answers to recent examinations' questions.

- New in the Fifth Edition**
- Issue of 32 Accounting Standards affecting the preparation of accounts by corporate enterprises.
 - Notification of 35 Ind ASs by the Ministry of Corporate Affairs (MCA).
 - Formulation of a road map for the convergence of Indian Accounting Standards with IFRS.
 - Brief details of 32 Accounting Standards issued by the ICAI.

Dr S N Maheshwari is presently Chairman, Indian Society of Accounting and Management, New Delhi. During his long and varied experience, he has worked as Director General, Delhi Institute of Advanced Studies, Delhi; Principal, Hindu College, University of Delhi; Professor and Dean, Faculty of Commerce and Business Management, Goa University; Director, Institute of Management Science and Productivity Research, New Delhi; Director (Academic), BLS Institute of Management, Mohan Nagar; Vice-Principal, Shri Ram College of Commerce, University of Delhi; and Principal, Staff Training College, New Bank of India, Chandigarh. Dr S N Maheshwari has around five decades of experience in teaching students of B.Com, BBA, M.Com, MBA, CA, CS and CMA. He has authored about a hundred books/monographs and participated in several national and international seminars.

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