

# **PAPER – 1 : PRINCIPLES AND PRACTICE OF ACCOUNTING**

*(One paper – Three hours – 100 Marks)*

## **Objective:**

To develop an understanding of the basic concepts and principles of Accounting and acquire the ability to apply the same in preparing financial statements and simple problem solving.

## **Contents:**

### **1. Theoretical Framework**

- (i) Meaning and Scope of accounting
- (ii) Accounting Concepts, Principles and Conventions
- (iii) Accounting terminology - Glossary
- (iv) Capital and revenue expenditure, Capital and revenue receipts, Contingent assets and contingent liabilities
- (v) Accounting Policies
- (vi) Accounting as a Measurement Discipline – Valuation Principles, Accounting Estimates.
- (vii) Accounting Standards – Concepts and Objectives.
- (viii) Indian Accounting Standards – Concepts and Objectives.

### **2. Accounting Process**

- (i) Books of Accounts
- (ii) Preparation of Trial Balance
- (iii) Rectification of Errors.

### **3. Bank Reconciliation Statement**

Introduction, reasons, preparation of bank reconciliation statement.

### **4. Inventories**

Cost of inventory, Net realizable value, Basis and technique of inventory valuation and record keeping.

**5. Concept and Accounting of Depreciation**

Concepts, Methods of computation and accounting treatment of depreciation, Change in depreciation methods.

**6. Accounting for Special Transactions**

**(i) Bills of exchange and promissory notes**

Meaning of Bills of Exchange and Promissory Notes and their Accounting Treatment; Accommodation bills.

**(ii) Sale of goods on approval or return basis**

Meaning of goods sent on approval or return basis and accounting treatment.

**(iii) Consignments**

Meaning and Features of consignment business, Difference between sale and consignment, Accounting treatments for consignment transactions and events in the books of consignor and consignee.

**(iv) Average due Date**

Meaning, Calculation of average due date in various situations.

**(v) Account Current**

Meaning of Account Current, Methods of preparing Account Current.

**7. Final Accounts of Sole Proprietors**

Elements of financial statements, Closing Adjustment Entries, Trading Account, Profit and Loss Account and Balance Sheet of Manufacturing and Non-manufacturing entities.

**8. Partnership Accounts**

**(i) Final Accounts of Partnership Firms**

**(ii) Admission, Retirement and Death of a Partner including Treatment of Goodwill**

**(iii) Introduction to LLPs and Distinction of LLPs from Partnership.**

**9. Financial Statements of Not-for-Profit Organizations**

Significance of Receipt and Payment Account, Income and Expenditure Account and Balance Sheet, Difference between Profit and Loss Account and Income and Expenditure Account. Preparation of Receipt and Payment Account, Income and Expenditure Account and Balance Sheet.

## **10. Introduction to Company Accounts**

- (i) Definition of shares and debentures
- (ii) Issue of shares and debentures, forfeiture of shares, re-issue of forfeited shares
- (iii) Statement of Profit and Loss and Balance Sheet as per Schedule III to the Companies Act, 2013.

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