

# ACCOUNTANCY

(Code No. 526)

CLASS XII

## BRIEF

The course in Accountancy is introduced at + 2 stage of Senior Secondary education, as formal commerce education is provided after first ten years of schooling. With the fast changing economic scenario and business environment in a state of continuous flux, elementary business education along with accountancy as the language of business and as a source of financial information has carved out a place for itself at the Senior Secondary stage. Its syllabus content should give students a firm foundation in basic accounting principles and methodology and also acquaint them with the changes taking place in the presentation and analysis of accounting information, keeping in view the development of accounting standards and use of computers.

Against this background, the course puts emphasis on developing basic understanding about the nature and purpose of the accounting information and its use in the conduct of business operations. This would help to develop among students logical reasoning, careful analysis and considered judgement.

Accounting as an information system aids in providing financial information. The emphasis at Class XI is placed on basic concepts and process of accounting leading to the preparation of accounts for a sole proprietorship firm. Computerised accounting is becoming more and more popular with increasing awareness about use of computers in business. Keeping this in view, the students are exposed compulsorily to the basic knowledge about computers and its use in accounting in the same year.

In class XII, Accounting for Not for Profit Organisations, Partnership Firms and companies are to be taught as a compulsory part. Students will also be given an opportunity to understand further about Computerized Accounting System, as an optional course to Analysis of Financial Statements.

## OBJECTIVES

- To familiarise the students with accounting as an information system;
- To acquaint the students with basic concepts of accounting and accounting standards;
- To develop the skills of using accounting equation in processing business transactions;
- To develop an understanding about recording of business transactions and preparation of financial statements;
- To enable the students with accounting for reconstitution of partnership firms;
- To enable the students to understand and analyse the financial statements; and
- To familiarize students with the fundamentals of computerized system of accounting.

**One Paper**

**1 Hour**

**Marks : 100**

**Unit**

**Marks**

Part A : Accounting for not for Profit Organisations,

Partnership Firms and Companies

- |    |  |    |
|----|--|----|
| 1. | Accounting for not for profit organizations. | 10 |
| 2. | Accounting for Partnership Firms             | 5  |
| 3. | Reconstitution of Partnership                | 20 |
| 4. | Accounting for Share Capital and Debenture   | 25 |

**Part B : Financial Statement Analysis**

- |    |                                  |    |
|----|----------------------------------|----|
| 5. | Analysis of Financial Statements | 12 |
| 6. | Cash Flow Statement              | 8  |
| 7. | Project Work                     | 20 |

Unit 1 : Project File 4 marks

Unit 2 : Written Test 12 marks (one hour)

Unit 3 : Viva Voce' 4 marks

OR

**Part C : Computerized Accounting**

- |    |  |    |
|----|--|----|
| 5. | Overview of Computerized Accounting System         | 5  |
| 6. | Accounting using Database Management System (DBMS) | 8  |
| 7. | Accounting Applications of Electronic Spread sheet | 7  |
| 8. | Practical Work in Computerized Accounting          | 20 |

Unit 1 : File 4 marks

Unit 2 : Practical Examination 12 marks (one hours)

Unit 3 : Viva Voce' 4 marks

**Part A :**

Accounting for Not-For-Profit Organisations, Partnership

Firms and Companies.

### **Unit 1 : Accounting for Not-for-profit Organisations**

Meaning and features of not for profit organisations.

Meaning and features of fundbased accounting.

Receipts and payments Account

Preparation of Income and Expenditure Account and Balance Sheet from Receipt and Payment Account with additional information.

### **Unit 2 : Accounting for Partnership firms**

Nature of Partnership firm, Partnership Deed-meaning, importance.

Partners' Capital Accounts : Fixed vs Fluctuating Capital, Division of Profit among partners, Profit and Loss Appropriation Account including past adjustments.

### **Unit 3 : Reconstitution of Partnership**

Changes in Profit Sharing Ratio among the existing partners-Sacrificing Ratio and Gaining Ratio.

Accounting for Revaluation of Assets and Liabilities and distribution of reserves (Accumulated Profits).

Goodwill: Nature, Factors affecting and methods of valuation: Average profit, Super profit and Capitalisation methods.

Admission of a Partner: Effect of Admission of Partner, Change in Profit Sharing Ratio, Accounting Treatment for Goodwill (as per AS 10), Revaluation of Assets and Liabilities, Adjustment of Capitals.

Retirement/Death of a Partner: Change in Profit Sharing ratio, accounting treatment of Good will, Revaluation of Assets and Liabilities, Adjustment of Capitals. Dissolution of a partnership firm.

### **Unit 4 : Accounting for Share Capital and Debenture**

Share Capital : Meaning and Types.

Accounting for share capital: Issue and Allotment of Equity and Preference Shares; public subscription of shares : over subscription and under subscription; issue at par, premium and at discount; calls in advance, calls in arrears, issue of shares for consideration other than cash. Meaning of Private placement of shares and employee stock option plan.

Forfeiture of shares : accounting treatment, re-issue of forfeited shares.

Presentation of Share Capital in company's Balance Sheet.

Issue of debentures at par; Premium and at discount; writing of discount and loss on issue of debentures; Issue of debentures as collateral security; issue of debentures for consideration other than cash.

Redemption of debentures; sources : out of profits - debenture redemption reserve / sinking fund; out of capital-methods : lump sum payment, draw by lots, purchase in the open market and conversion (excluding cum-interest and ex-interest).

## **Part B : Financial Statement Analysis**

### **Unit 5 : Analysis of Financial Statements**

Financial Statements of a Company: preparation of simple balance sheet of a company in the prescribed form with major headings only.

Financial Statement Analysis: meaning, significance, limitations,

Tools for Financial Statement Analysis: Comparative Statements, Common Size Statements,

#### **Accounting Ratios: meaning and objectives, types of ratios:**

Liquidity Ratios: Current Ratio, Liquid Ratio

Solvency Ratios: Debt to Equity, Total Assets to Debt, Proprietary Ratio

Activity Ratios: Inventory Turnover, Debtors Turnover, Payables Turnover, Working Capital Turnover, Fixed Assets Turnover,

Profitability Ratio: Gross Profit, Operating, Net Profit, Return on Investment, Earning Per Share, Dividend per Share, Price Earning Ratio

### **Unit 6 : Cash Flow Statement**

Cash Flow Statement: Meaning and objectives, preparation, adjustments related to depreciation, dividend and tax, sale and purchase of non-current assets (as per revised standard issued by ICAI)

### **Unit 7 : Project Work in Accounting**

OR

## **Part C : Computerised Accounting**

### **Unit 5 : Overview of Computerized Accounting System**

Concept and types of Computerised Accounting System (CAS)

Features of a Computerized Accounting System

Structure of a Computerised Accounting System

### **Unit 6 : Accounting using Database Management System (DBMS)**

Concept of DBMS

Objects in DBMS: Tables, Queries, Forms, Reports

Creating data tables for accounting

Using queries, forms and reports for generating accounting information.

Applications of DBMS in generating accounting information such as shareholders' records, sales reports, customers' profile, suppliers' profile, payroll, employees' profile, petty cash register.

## **Unit 7 : Accounting Applications of Electronic Spreadsheet**

Concept of an Electronic Spreadsheet (ES)

Features offered by Electronic Spreadsheet

Applications of Electronic Spreadsheet in generating accounting information, preparing depreciation schedule, loan repayment schedule, payroll accounting and other such applications.

### **Recommended text books**

1. Accountancy - I, Publishing by NCERT
2. Accountancy - II, Publishing by NCERT

