

# ACCOUNTS (858)

## CLASS XI

There will be **two** papers in the subject:

**Paper I** - Theory: 3 hours .....80 marks

**Paper II**- Project Work.....20 marks

### PAPER - I (THEORY) – 80 Marks

There will be one paper of 3 hours duration of 80 marks divided into two parts:

**Part I (20 marks):** will be compulsory and will consist of short answer questions, testing knowledge, application and skills relating to elementary/ fundamental aspects of the entire syllabus.

**Part II (60 marks):** Candidates will be required to answer **five** questions out of **eight** from this section. Each question shall carry **12 marks**.

#### 1. Introduction to Accounting

Background of accounting and accountancy; types of accounts; basic terms used in accounting, and Accounting Equation.

- (i) *Evolution of accounting: The three phases.*
- (ii) *Basic Terms: Event, Transaction, Vouchers, Capital, Assets (intangible, tangible, fixed, current, liquid, wasting and fictitious), Liabilities (internal and external – current, long-term and contingent), Trade Debtors, Trade Creditors, Purchases, Sales, Goods traded in, Stock (raw material, work in progress and finished goods), Profit, Loss, Expense, Revenue, Income and Drawings.*
- (iii) *Accounting equation: Meaning and usefulness.*
- (iv) *Meaning and definition of Book-keeping, Accounting and Accountancy; difference between book-keeping, accounting and accountancy; accounting cycle.*
- (v) *Users of accounting information.*
- (vi) *Subfields of accounting: Meaning of financial accounting, cost accounting and management accounting.*

**NOTE:** Practical problems in Accounting Equation are not required.

#### 2. Journal, Ledger and Trial Balance

- (i) *Journal: recording of entries in journal with narration.*

- (a) *Classification of Accounts- traditional classification or modern approach.*
- (b) *Double Entry System.*
- (c) *Rules of journalizing – traditional classification or modern approach.*
- (d) *Meaning of journal; Advantages of using a journal.*
- (e) *Format of journal.*
- (f) *Simple and compound journal entries.*
- (g) *Opening Journal entry.*
- (h) *Journal Entries- Input CGST and Input SGST / Input IGST; Output CGST and Output SGST/ Output IGST.*

- (ii) *Ledger: posting from journal to respective ledgers.*

- (a) *Meaning of ledger.*
- (b) *Format of a ledger.*
- (c) *Mechanics of posting.*
- (d) *Closing / Balancing of ledger accounts- expenses and revenues to be closed by transferring to Trading / P/L Account depending upon their direct/ indirect nature and balances of Assets, Liabilities and Capital to be carried down.*
- (e) *Adjusting and closing journal entries.*

- (iii) *Sub-division of journal - cash book [including simple cash book and triple column cash book (cash, bank and discount) with - contra entry pertaining to receipt of cheque not deposited on the same day; adjustments pertaining to a definite cash balance to be maintained / overdraft facility to be availed at the end of the month. Petty cash book (including analytical and imprest system), sales day book, purchases day book, sales return day book, purchases return day book and Journal proper.*

- (a) *Cash book [including simple cash book and triple column cash book (cash, bank and discount) with - contra entry pertaining to receipt of cheque not deposited on the same day; adjustments pertaining to a definite cash balance to be maintained / overdraft facility to be availed at the end of the period].*
- (b) *Petty cash book (including analytical and imprest system).*

- (c) *Sales day book, purchases day book- Simple (Date, Particulars, I. No, L.F, Details, Amount); Columnar (Date, Particulars, I. No, L.F, Details, Net Invoice, Goods, Carriage.*
- (d) *Sales return day book, purchases return day book- Simple (Date, Particulars, Credit/ Debit Note No., L.F, Details, Amount.*
- (e) *Journal proper.*
- (f) *Mechanics of posting from special subsidiary books.*

**NOTE:** *Transactions with GST in Cash Book and in all the Day Books and journal entries for setting off Input GST against Output GST are excluded.*

(iv) Trial Balance.

- (a) *Meaning, objectives, advantages and limitations of a Trial Balance.*
- (b) *Preparation of the Trial Balance by the balance method from the given ledger account balances.*

### 3. Bank Reconciliation Statement

Bank Reconciliation statement.

- (i) *Meaning and need for bank reconciliation statement.*
- (ii) *Preparation of a bank reconciliation statement from the given cash book balance / overdraft or pass book balance / overdraft.*
- (iii) *Preparation of a bank reconciliation statement from the extract of the cash book as well as the pass book relating to the same month. (Practical problem not required)*
- (iv) *Preparation of an amended cash book and a bank reconciliation statement after adjusting the cash book balance from the given cash book balance.*

### 4. Depreciation

Depreciation, Methods of charging depreciation, Method of recording depreciation.

- (i) *Depreciation: meaning, need, causes, objectives and characteristics.*
- (ii) *Methods of charging depreciation: Straight Line and Written Down Value method; advantages, limitations of both the methods and differences between the two.*
- (iii) *Methods of recording depreciation: charging to asset account, creating*

*provision for depreciation / accumulated depreciation.*

- (iv) *Problems relating to purchase and sale of assets (with or without asset disposal account) incorporating the application of depreciation under the two stated methods.*

**NOTE:** *Questions on change of method from SLM to WDV and vice-versa are not required.*

### 5. Bills of Exchange

- (i) *Introduction to Negotiable Instruments: explanation of basic terms. Meaning of negotiable instruments; Bills of exchange, promissory note (including specimen and distinction), cheque, advantages and disadvantages of Bills of Exchange, explanation of basic terms - drawer, drawee, payee, endorser, endorsee, bill on demand / bill on sight, bill after date, bill after sight, tenure of the bill, days of grace, due date, endorsement and discounting of bills, bill sent for collection, dishonour of a bill, holder of a bill, noting charges, notary public, renewal of a bill, retirement of a bill and insolvency of the drawee/acceptor.*

- (ii) *Practical problems on the above in the books of drawer, drawee and endorsee- Journal entries and Ledger accounts.*

*Self explanatory.*

**NOTE:**

- *Accommodation Bill is not required.*
- *Recording in the books of the bank not required.*

### 6. Accounting Concepts

GAAP (Generally Accepted Accounting Principles), Basis of Accounting; Accounting Standards; Knowledge and understanding of IFRS (International Financial Reporting Standards).

- (i) *GAAP: Going Concern, Accounting Entity, Money Measurement, Accounting Period, Complete Disclosure, Revenue Recognition, Verifiable Objective, Matching Principle, Historical Cost, Accrual Concept, Dual Aspect Concept, Materiality, Consistency, Prudence and Timeliness, Industry Practice, Substance over legal form.*
- (ii) *Basis of accounting – cash basis and accrual basis (meaning; difference).*

- (iii) *Accounting Standards: Meaning; Utility/ Advantages.*
- (iv) *IFRS (International Financial Reporting Standards) - Meaning; Need for IFRS; Fundamental Assumptions in IFRS- Going Concern, Accrual, Measuring Unit, Purchasing Power; difference between IFRS and Indian GAAP; Procedure for implementation of IFRS; India and IFRS.*

**7. Final Accounts and Concept of Trading, Profit and Loss account and Balance Sheet (with and without adjustments), Marshalling of Balance Sheet**

- (i) Capital and Revenue Expenditure/Income.
  - (a) *Meaning and difference between capital expenditure and revenue expenditure with examples.*
  - (b) *Meaning and difference between capital income and revenue income with examples.*
  - (c) *Meaning and difference between capital profit and revenue profit with examples.*
  - (d) *Meaning and difference between capital loss and revenue loss with examples.*
  - (e) *Meaning of deferred revenue expenditure with examples.*
  - (f) *Meaning and difference between capital receipts and revenue receipts with examples.*

(ii) Provisions and Reserves.

*Meaning, importance; difference between provisions and reserves; types of reserves - revenue reserve, capital reserve, general reserve, specific reserve and secret reserve.*

(iii) Trading, Profit and Loss Account and Balance Sheet of a sole trader, (Horizontal Format) without adjustments.

*Meaning object, importance and preparation of Trading, Profit and Loss Account and Balance Sheet of a sole trader.*

(iv) Preparation of Trading Account, Profit and Loss Account and Balance Sheet with necessary adjustments.

*Adjustments relating to closing stock, outstanding expenses, prepaid expenses, accrued income, income received in advance, depreciation, bad debts, provision for doubtful debts, provision for discount*

*on debtors, manager's commission (on the net profit before and after charging such commission), goods distributed as free samples, goods taken by the owner for personal use and abnormal loss; Treatment of Adjusted Purchases and calculation of cost of goods sold.*

- (v) *Marshalling of a Balance Sheet: Order of permanence and order of liquidity.*
- (vi) *Adjusting, closing and transfer entries.*

*GST is excluded in Adjustments and in the Trial Balance.*

**NOTE:**

1. *Practical problems on preparation of provision for doubtful debts account are not required.*
2. *Since creating provision for doubtful debts accounts involves being prudent, in the absence of any information of the amount of the new provision, it will be assumed that the amount of the new provision will be the same as the old provision unless the remaining debtors are good.*

**8. Rectification of Errors**

Errors and types of errors: Rectification of errors after the preparation of trial balance and rectification of errors after the preparation of Final Accounts.

- (i) *Types of Errors: errors of omission, errors of commission, errors of principle, compensating errors.*
- (ii) *Rectification of errors after the preparation of trial balance and through suspense account if required.*
- (iii) *Rectification of errors after the preparation of Final Accounts through P/L Adjustment A/c if required.*

**NOTE:** *Redrafting of Balance Sheet not required.*

## PAPER II – PROJECT WORK – 20 Marks

Candidates will be expected to have completed **two** projects from any topic covered in Theory.

Mark allocation for **each** Project [10 marks]:

Overall format	1 mark
Content	4 marks
Findings	2 marks
Viva-voce based on the Project only	3 marks

### A list of suggested Projects is given below:

1. Preparation of Journal / sub-division of journal, Ledger, Trial balance and Financial Statements of a trading organization on the basis of a case study.
  - Develop a case study of a sole trader starting business with a certain amount of capital.

He could have got the amount from his past savings or by borrowing from a bank by

mortgaging his personal assets or by winning a lottery or any other source.

- Write in detail, his transactions during the year- his purchases - cash and credit, sales- cash and credit, expenses, purchase of fixed assets and depreciation charged on them, any outstanding expenses, prepaid expenses, accrued income, drawing bills of exchange, accepting bills payable, etc.
  - From this case study developed (which should have at least 15 transactions), pass the journal entries, post them into the ledger, prepare a Trial Balance and the Trading and Profit and Loss Account and Balance Sheet.
2. Prepare a Bank Reconciliation Statement and Amended Cash Book from the information given in your Cash Book and Bank Statement (Pass Book) with at least fifteen transactions.