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PAPER 4: BASIC ACCOUNTANCY

1. INTRODUCTION:

- a) Meaning of Accountancy and Accounting.
- b) Branches of Accounting.
- c) System or Basis of Accounting: Cash System, Mercantile System and Hybrid system.
- d) Income-Revenue income and capital income.
- e) Expenditure: Revenue Expenditure and capital Expenditure and deferred revenue expenditure.
- f) Financial Statements: Purpose of preparing financial statements, Groups interested in financial statements and Components of financial statements -Trading, Profit and Loss Account and Balance sheet.

2. CONCEPTUAL FRAMEWORK:

- a) Going concern concept: Meaning, significance with reference to accounting period, different accounting periods for different branches of accounting, and statutory accounting period.
- b) Accrual Concept: Meaning, significance with reference to financial statements and various items of expenses and incomes like interest on capital, interest on drawings, reserves and provisions.
- c) Business Entity Concept: Distinction between business unit and the owner and distinction between profit of the business unit and profit from the unit to the owner.
- d) Other concepts: Dual Aspect, Revenue Recognition, Matching.
- e) Accounting conventions- (a) Materiality (b) Conservatism (c) Consistency d) Disclosures, Accounting Standards-Meaning only

3. DEPRECIATION:

- a) Meaning
- b) Principle or basis of charging depreciation.
- c) Methods of Depreciation(Change in the method of depreciation excluded)
 - (i) Straight Line method.
 - (ii) Reducing Balance Method/ Diminishing Balance Method/ written down value
 - (iii) Annuity method
 - (iv) Sinking Fund Method

4. RECTIFICATION OF ERRORS:

- a) Classification of Errors: Errors of omission, Errors of Commission, errors of Principle and compensating errors.
- b) Suspense Account: Purpose of opening suspense A/C and Rectification through suspense A/C.

5. **FINAL ACCOUNTS OF SOLE-TRADING CONCERNS:**
 - a) Manufacturing Account
 - b) Trading Account
 - c) Profit and Loss Account
 - d) Balance Sheet

6. **FINAL ACCOUNTS OF NON-TRADING CONCERNS:**
 - a) Components of Final Accounts: Receipts and Payments A/C, Income & Expenditure A/C and Balance Sheet.
 - b) Preparation of Income and Expenditure A/C and Balance Sheet from the given Receipts and Payments A/C (Preparation of Receipts and Payment A/C & Balance Sheet from Income and Expenditure A/C and other preparations are excluded).

7. **ACCOUNTING FROM INCOMPLETE RECORDS (Single-Entry System):**
 - a) Meaning
 - b) Merits and limitations
 - c) Synthetical method of calculating profit: Preparation of statements of affairs.
 - d) Analytical method of calculating profit: Conversion into Double Entry Book Keeping.

8. **ACCOUNTING FOR SPECIAL SALES:**
 Consignment Account: Meaning, Preparation, valuation of unsold stock, normal loss and abnormal loss.

9. **JOINT VENTURE ACCOUNT:** Meaning, Differences between joint venture and partnership, Preparation of Joint venture account when a separate set of books is maintained (Other methods excluded.)

10. **CONTROL ACCOUNTS:**
 - a) Self Balancing System: Meaning, Need for the system and preparation of Adjustment Accounts including for transfer from one ledger to another.
 - b) Sectional Balancing System: Meaning, differences between self-Balancing and Sectional Balancing System, Preparation of total debtors A/C and total creditors account, and rectification of errors in Sectional Balancing System.

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| 3. Gupta R.L | : Advanced Accountancy (Delhi, S.Chand) |
| 4. Sukia & Grewal | : Advanced Accounts (Delhi, S.Chand) |
| 5. Gillespie | : Accounting System: Proceeding and Methods (Delhi, Prentice Hall, India Ltd.) |
| 6. B.S.Raman | : Advanced Accountancy |