

## 19. ACCOUNTANCY (Code No. 055)

### Rationale

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 School 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. Computerized accounting is becoming popular with the increasing 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 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 familiarize 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 and dissolution 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.

**Accountancy (Code No. 055)  
Class-XII (2017-18)**

One Paper

**Theory: 80 Marks  
3 Hours**

Units		Periods	Marks
<b>Part A</b>	<b>Accounting for Partnership Firms and Companies</b>		
	Unit 1. Accounting for Partnership Firms	90	35
	Unit 2. Accounting for Companies	60	25
		<b>150</b>	<b>60</b>
<b>Part B</b>	<b>Financial Statement Analysis</b>		
	Unit 3. Analysis of Financial Statements	30	12
	Unit 4. Cash Flow Statement	20	8
		<b>50</b>	<b>20</b>
<b>Part C</b>	<b>Project Work</b>	<b>40</b>	<b>20</b>
	Project work will include:		
	Project File	4 Marks	
	Written Test	12 Marks (One Hour)	
	Viva Voce	4 Marks	
<b>OR</b>			
<b>Part B</b>	<b>Computerized Accounting</b>		
	Unit 3. Computerized Accounting	50	20
<b>Part C</b>	<b>Practical Work</b>	<b>26</b>	<b>20</b>
	Practical work will include:		
	Practical File	4 Marks	
	Practical Examination	12 Marks (One Hour)	
	Viva Voce'	4 Marks	

**Part A: Accounting for Partnership Firms and Companies**

**60 Marks 150 Periods**

**Unit 1: Accounting for Partnership Firms**

**90 periods**

Units/Topics	Learning Outcomes
<ul style="list-style-type: none"> <li>Partnership: features, Partnership Deed.</li> <li>Provisions of the Indian Partnership Act 1932 in the absence of partnership deed.</li> <li>Fixed v/s fluctuating capital accounts. Preparation of Profit and Loss Appropriation account- division of profit among partners, guarantee of profits.</li> <li>Past adjustments (relating to interest on capital, interest on drawing, salary and profit</li> </ul>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"> <li>state the meaning of partnership, partnership firm and partnership deed.</li> <li>describe the characteristic features of partnership and the contents of partnership deed.</li> <li>discuss the significance of provision of Partnership Act in the absence of partnership</li> </ul>

<p>sharing ratio).</p> <ul style="list-style-type: none"> <li>● Goodwill: nature, factors affecting and methods of valuation - average profit, super profit and capitalization.</li> </ul> <p><b>Note:</b> Interest on partner's loan is to be treated as a charge against profits.</p> <p><b>Accounting for Partnership firms - Reconstitution and Dissolution.</b></p> <ul style="list-style-type: none"> <li>● <b>Change in the Profit Sharing Ratio</b> among the existing partners - sacrificing ratio, gaining ratio, accounting for revaluation of assets and reassessment of liabilities and treatment of reserves and accumulated profits. Preparation of revaluation account and balance sheet.</li> <li>● <b>Admission of a partner</b> - effect of admission of a partner on change in the profit sharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and re-assessment of liabilities, treatment of reserves and accumulated profits, adjustment of capital accounts and preparation of balance sheet.</li> <li>● <b>Retirement and death of a partner:</b> effect of retirement / death of a partner on change in profit sharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and reassessment of liabilities, adjustment of accumulated profits and reserves, adjustment of capital accounts and preparation of balance sheet. Preparation of loan account of the retiring partner.  Calculation of deceased partner's share of profit till the date of death. Preparation of deceased partner's capital account and his executor's account.</li> <li>● <b>Dissolution of a partnership firm:</b> meaning of dissolution of partnership and partnership firm, types of dissolution of a firm. Settlement of accounts - preparation of realization account, and other related accounts: capital accounts of partners and cash/bank a/c (excluding piecemeal distribution, sale to a company and insolvency of partner(s)).</li> </ul> <p><b>Note:</b></p> <ol style="list-style-type: none"> <li>(i) The realized value of each asset must be given at the time of dissolution.</li> <li>(ii) In case, the realization expenses are borne by a</li> </ol>	<p>deed.</p> <ul style="list-style-type: none"> <li>● differentiate between fixed and fluctuating capital, outline the process and develop the understanding and skill of preparation of Profit and Loss Appropriation Account.</li> <li>● develop the understanding and skill of preparation profit and loss appropriation account involving guarantee of profits.</li> <li>● develop the understanding and skill of making past adjustments.</li> <li>● state the meaning, nature and factors affecting goodwill</li> <li>● develop the understanding and skill of valuation of goodwill using different methods.</li> <li>● state the meaning of sacrificing ratio, gaining ratio and the change in profit sharing ratio among existing partners.</li> <li>● develop the understanding of accounting treatment of revaluation assets and re-assessment of liabilities and treatment of reserves and accumulated profits by preparing revaluation account and balance sheet.</li> <li>● explain the effect of change in profit sharing ratio on admission of a new partner.</li> <li>● develop the understanding and skill of treatment of goodwill as per AS-26, treatment of revaluation of assets and re-assessment of liabilities, treatment of reserves and accumulated profits, adjustment of capital accounts and preparation of balance sheet of the new firm.</li> <li>● explain the effect of retirement / death of a partner on change in profit sharing ratio.</li> <li>● develop the understanding of accounting treatment of goodwill, revaluation of assets and re-assessment of liabilities and adjustment of accumulated profits and reserves on retirement / death of a partner and capital adjustment.</li> <li>● develop the skill of calculation of deceased partner's share till the time of his death and prepare deceased partner's executor's account.</li> <li>● discuss the preparation of the capital accounts of the remaining partners and the balance sheet of the firm after retirement / death of a partner.</li> </ul>
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partner, clear indication should be given regarding the payment thereof.	<ul style="list-style-type: none"> <li>understand the situations under which a partnership firm can be dissolved.</li> <li>develop the understanding of preparation of realisation account and other related accounts.</li> </ul>
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## Unit-2 Accounting for Companies

60 Periods

Units/Topics	Learning Outcomes
<b>Accounting for Share Capital</b> <ul style="list-style-type: none"> <li>Share and share capital: nature and types.</li> <li>Accounting for share capital: issue and allotment of equity shares. Public subscription of shares - over subscription and under subscription of shares; issue at par and at premium, calls in advance and arrears (excluding interest), issue of shares for consideration other than cash.</li> <li>Concept of Private Placement and Employee Stock Option Plan (ESOP).</li> <li>Accounting treatment of forfeiture and re-issue of shares.</li> <li>Disclosure of share capital in the Balance Sheet of a company.</li> </ul> <b>Accounting for Debentures</b> <ul style="list-style-type: none"> <li>Debentures: Issue of debentures at par, at a premium and at a discount. Issue of debentures for consideration other than cash; Issue of debentures with terms of redemption; debentures as collateral security-concept, interest on debentures. Writting off discount / loss on issue of debentures.</li> <li>Redemption of debentures for immediate cancellation: Lump sum, draw of lots, purchase in the open market (excluding ex-interest and cum-interest) and conversion of existing debentures into new debentures or shares. Creation of Debenture Redemption Reserve.</li> <li>Conversion method.</li> </ul> <p><i>Note: Related sections of the Companies Act, 2013 will apply.</i></p>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"> <li>state the meaning of share and share capital and differentiate between equity shares and preference shares and different types of share capital.</li> <li>understand the meaning of private placement of shares and Employee Stock Option Plan.</li> <li>explain the accounting treatment of share capital transactions regarding issue of shares.</li> <li>develop the understanding of accounting treatment of forfeiture and re-issue of forfeited shares.</li> <li>describe the presentation of share capital in the balance sheet of the company as per schedule III part I of the Companies Act 2013.</li> <li>explain the accounting treatment of different categories of transactions related to issue of debentures.</li> <li>develop the understanding and skill of writing of discount / loss on issue of debentures.</li> <li>understand the concept of collateral security and its presentation in balance sheet.</li> <li>develop the skill of calculating interest on debentures and its accounting treatment.</li> <li>state the meaning of redemption of debentures.</li> <li>develop the understanding of accounting treatment of transactions related to redemption of debentures by lump sum, draw of lots, purchase in open market and conversion method.</li> </ul>

## Part B: Financial Statement Analysis

20 Marks

### Unit 3: Analysis of Financial Statements

30 Periods

<ul style="list-style-type: none"> <li>Financial statements of a company: Statement of Profit and Loss and Balance Sheet in the prescribed form with major</li> </ul>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"> <li>develop the understanding of major headings</li> </ul>
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<p>headings and sub headings (as per Schedule III to the Companies Act, 2013).</p> <p><b>Note:</b> <i>Exceptional items, extraordinary items and profit (loss) from discontinued operations are excluded.</i></p> <ul style="list-style-type: none"> <li>● <b>Financial Statement Analysis:</b> Objectives, importance and limitations.</li> <li>● <b>Tools for Financial Statement Analysis:</b> Comparative statements, common size statements, cash flow analysis, ratio analysis.</li> <li>● <b>Accounting Ratios:</b> Objectives, classification and computation.</li> </ul> <p><b>Liquidity Ratios:</b> Current ratio and Quick ratio.</p> <p><b>Solvency Ratios:</b> Debt to Equity Ratio, Total Asset to Debt Ratio, Proprietary Ratio and Interest Coverage Ratio.</p> <p><b>Activity Ratios:</b> Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Trade Payables Turnover Ratio and Working Capital Turnover Ratio.</p> <p><b>Profitability Ratios:</b> Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment.</p>	<p>and sub-headings (as per Schedule III to the Companies Act, 2013) of balance sheet as per the prescribed norms / formats.</p> <ul style="list-style-type: none"> <li>● state the meaning, objectives and limitations of financial statement analysis.</li> <li>● discuss the meaning of different tools of 'financial statements analysis'.</li> <li>● develop the understanding and skill of preparation of comparative and common size financial statements.</li> <li>● state the meaning, objectives and significance of different types of ratios.</li> <li>● develop the understanding of computation of current ratio and quick ratio.</li> <li>● develop the skill of computation of debt equity ratio, total asset to debt ratio, proprietary ratio and interest coverage ratio.</li> <li>● develop the skill of computation of inventory turnover ratio, trade receivables and trade payables ratio and working capital turnover ratio.</li> <li>● develop the skill of computation of gross profit ratio, operating ratio, operating profit ratio, net profit ratio and return on investment.</li> </ul>
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**Note:** Net Profit Ratio is to be calculated on the basis profit before and after tax.

#### Unit 4: Cash Flow Statement

20 Periods

<ul style="list-style-type: none"> <li>● Meaning, objectives and preparation (as per AS 3 (Revised) (Indirect Method only)</li> </ul> <p><b>Note:</b></p> <p>(i) <i>Adjustments relating to depreciation and amortization, profit or loss on sale of assets including investments, dividend (both final and interim) and tax.</i></p> <p>(ii) <i>Bank overdraft and cash credit to be treated as short term borrowings.</i></p> <p>(iii) <i>Current Investments to be taken as Marketable securities unless otherwise specified.</i></p>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"> <li>● state the meaning and objectives of cash flow statement.</li> <li>● develop the understanding of preparation of Cash Flow Statement using indirect method as per AS 3 with given adjustments.</li> </ul>
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#### Project Work

20 Marks 40 Periods

**Note:** Kindly refer to the Guidelines published by the CBSE.

OR

#### Part B: Computerised Accounting

20 Marks 50 Periods

#### Unit 3: Computerised Accounting

### Overview of Computerised Accounting System.

- Introduction: Application in Accounting.
- Features of Computerised Accounting System.
- Structure of CAS.
- Software Packages: Generic; Specific; Tailored.

### Accounting Application of Electronic Spreadsheet.

Concept of electronic spreadsheet.

Features offered by electronic spreadsheet.

Application in generating accounting information - bank reconciliation statement; asset accounting; loan repayment of loan schedule, ratio analysis

Data representation- graphs, charts and diagrams.

### Using Computerized Accounting System.

Steps in installation of CAS, codification and Hierarchy of account heads, creation of accounts.

Data: Entry, validation and verification.

Adjusting entries, preparation of balance sheet, profit and loss account with closing entries and opening entries. Need and security features of the system.

### Database Management System (DBMS)

Concept and Features of DBMS.

DBMS in Business Application.

Generating Accounting Information - Payroll.

## Part C: Practical Work

20 Marks 26 Periods

Please refer to the guidelines published by CBSE.

### Prescribed Books:

Financial Accounting -I	Class XI	NCERT Publication
Accountancy -II	Class XI	NCERT Publication
Accountancy -1	Class XII	NCERT Publication
Accountancy -II	Class XII	NCERT Publication

Guidelines for Project Work in Accounting and Practical work in computerised Accounting Class XII CBSE Publication

**Suggested Question Paper Design**  
**Accountancy (Code No. 055)**  
**Class XII (2017-18) March 2018 Examination**

One Paper

Theory: 80 Marks

Duration: 3 hrs.

S. No.	Typology of Questions	Very Short Answer 1 Mark	Short Answer I 3 Marks	Short Answer II 4 Marks	Long Answer I 6 Marks	Long Answer II 8 Marks	Marks	%
1.	<b>Remembering</b> - (Knowledge based Simple recall questions, to know specific facts, terms, concepts, principles, or theories; Identify, define, or recite, information)	3	1	1	1	-	16	20%
2.	<b>Understanding</b> - (Comprehension - to be familiar with meaning and to understand conceptually, interpret, compare, contrast, explain, paraphrase, or interpret information)	2	-	2	1	1	24	30%
3.	<b>Application</b> - (Use abstract information in concrete situation, to apply knowledge to new situations; Use given content to interpret a situation, provide an example, or solve a problem)	-	2	2	1	-	20	25%
4.	<b>High Order Thinking Skills</b> - (Analysis & Synthesis- Classify, compare, contrast, or differentiate between different pieces of information; Organize and/or integrate unique pieces of information)	2	-	-	1	1	16	20%
5.	<b>Evaluation</b> - (Appraise, judge, and/or justify the value or worth of a decision or outcome, or to predict outcomes based on values)	1	1	-	-	-	04	05%
	<b>TOTAL</b>	<b>8x1=8</b>	<b>4x3=12</b>	<b>5x4=20</b>	<b>4x6=24</b>	<b>2x8=16</b>	<b>80(23) +20 Project</b>	<b>100 %</b>

*Scheme of options: All questions carrying 8 marks will have an internal choice.*

**Note:** The Board has introduced Learning Outcomes in the syllabus to motivate students to constantly explore all levels of learning. However these are only indicative. These do not in any way restrict the scope of questions asked in the examinations. The examination questions will be strictly based on the prescribed question paper design and syllabus