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 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 the process of accounting leading to the preparation of accounts for a sole proprietorship firm. Computerised accounting is becoming more and more popular with increased 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 and Partnership Firms are to be taught as a compulsory part. Students will also be given an opportunity to understand further about Computerised Accounting System, as an optional course to Company Accounts and 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 familiarise students with the fundamentals of computerised system of accounting.

Course Structure

Accountancy syllabus has been divided into four-semester course at the higher secondary stage. Each semester would be for about six months duration.
CLASS XI

Semester I: Financial Accounting-I
Semester-II: Financial Accounting-II

CLASS XII

Semester III: Accounting for Not-for-Profit Organisations and Partnership Firms
Semester IV: Company Accounts and Financial Statement Analysis

CLASS XI

Semester I: Financial Accounting - I  
(Total Periods 104)

Unit I: Introduction to Accounting  
(Periods 12)

• Accounting – Meaning, Objectives, Accounting as source of information, Internal and External users of accounting information and their needs.
• Qualitative Characteristics of Accounting Information – Reliability, Relevance, Understandability and Comparability.
• Basic Accounting Terms – Asset, Liability, Capital, Expense, Income, Expenditure, Revenue, Debtors, Creditors, Goods, Cost, Gain, Stock, Purchase, Sales, Loss, Profit, Voucher, Discount, Transaction, Drawings.

Unit II: Theory Base of Accounting  
(Periods 12)

• Accounting Principles – Meaning and Nature.
• Accounting Concepts: Entity, Money Measurement, Going Concern, Accounting Period, Cost Concept, Dual Aspect, Revenue Recognition (Realisation), Matching, Accrual, Full Disclosure, Consistency, Conservatism, Materiality.
• Accounting Standards – Concept and List of Indian Accounting Standards.
• Accounting Mechanism – Single Entry and Double Entry.
• Bases of Accounting – Cash Basis, Accrual Basis.

Unit III: Recording of Business Transactions  
(Periods 20)

• Voucher and Transactions: Origin of Transactions – Source documents and Vouchers, Preparation of vouchers; Accounting equation approach – Meaning and Analysis of transactions using accounting equation; Rules of debit and credit.
• Bank Reconciliation Statement: Meaning, Need and Preparation, Correct cash balance.
Unit IV: *Trial Balance and Rectification of Errors*  
(Periods 20)

- Trial Balance: Meaning, Objectives and Preparation.
- Errors: Types of Errors; Errors affecting trial balance; Errors not affecting trial balance.
- Detection and Rectification of Errors (one sided and two sided); uses of suspense account.

Unit V: *Depreciation, Provisions and Reserves*  
(Periods 20)

- *Depreciation*: Meaning and Need for charging depreciation, Factors affecting depreciation, Methods of depreciation — Straight line method, Written down value method (excluding change in method), Method of recording depreciation — charging to asset account, creating provision for depreciation/accumulated depreciation account; Treatment of disposal of an asset.
- *Provisions and Reserves*: Meaning, Importance, Difference between provisions and reserves, Types of reserves: Revenue reserve, Capital reserve, General reserve, Specific reserve and Secret reserve.

Unit VI: *Accounting for Bills of Exchange Transactions*  
(Periods 20)

- Bills of exchange and Promissory note: Definition, Features, Parties, Specimen and Distinction.
- Important Terms: Term of Bill, Concept of Accommodation Bill, Days of grace, Date of maturity, Bill after date, Negotiation, Endorsement, Discounting of bill, Dishonour, Retirement and Renewal of a bill.
- Accounting treatment of bill transactions.

Semester II: Financial Accounting - II  
(Total Periods 104)

Unit VII: *Financial Statements*  
(Periods 38)

- Financial Statements: Meaning and Users.
- Distinction between capital expenditure and revenue expenditure.
- Trading and Profit and Loss Account: Gross profit, Operating profit, Net profit.
- Balance Sheet: Need, Grouping, Marshalling of assets and liabilities, Vertical presentation of financial statement.
- Adjustments in preparation of financial statements with respect 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, Managers’ commission.
- Preparation of trading and profit and loss account and balance sheet of sole proprietorship.

Unit VIII: *Accounts from Incomplete Records*  
(Periods 30)

- Incomplete Records: Meaning, Uses and Limitations.
- Ascertainment of profit/loss by Statement of Affairs method.
- Preparation of trading and profit and loss account and balance sheet.
- Ascertaining missing figures in Total debtors account, Total creditors account, Bill receivables, Bills payables and Cash book and Opening statement of affairs.
Unit IX: *Computers in Accounting* (Periods 18)
- Introduction to Computer and Accounting Information System (AIS).
- Applications of computers in accounting:
  - Automation of accounting process, designing accounting reports, MIS reporting, data exchange with other information systems.
- Comparison of accounting processes in manual and computerised accounting, highlighting advantages and limitations of automation.
- Sourcing of accounting system: Readymade and customised and tailor-made accounting system. Advantages and disadvantages of each option.

Unit X: *Accounting and Database System* (Periods 18)
- Accounting and Database Management System.
- Concept of Entity and Relationship: Entities and relationships in an Accounting System: Designing and Creating Simple Tables, Forms, Queries and Reports in the context of accounting system.

Semester III: Accounting for Not-for-Profit Organisations and Partnership Firms (Total Periods 104)

Unit I: *Accounting Not-for-Profit Organisation* (Periods 24)
- Not-for-profit organisation: Meaning and Examples.
- Receipts and Payments: Meaning and Concept of fund based and non-fund based accounting.
- Preparation of Income and Expenditure account and Balance sheet from receipt and payment account with additional information.

Unit II: *Accounting for Partnership* (Periods 16)
- Nature of Partnership Firm: Partnership deed (meaning, importance).
- Final Accounts of Partnership: Fixed v/s Fluctuating capital, Division of profit among partners, Profit and Loss Appropriation account.

Unit III: *Reconstitution of Partnership* (Periods 40)
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 and accumulated profits.
- Admission of a Partner: Effect of admission of partner, Change in profit sharing ratio, Accounting treatment for goodwill, Revaluation of assets and liabilities, Reserves (accumulated profits) and Adjustment of capitals.
• Retirement/Death of a Partner: Change in profit sharing ratio, Accounting treatment of goodwill, Revaluation of assets and liabilities, Adjustment of accumulated profits (Reserves).

**Unit IV: Dissolution of Partnership Firm**

(Periods 24)

• Meaning, Settlement of accounts: Preparation of realisation account and related accounts (excluding piecemeal distribution, sale to a company and insolvency of a partner)

**Semester IV: Company Accounts and Financial Statement Analysis**

(Total Periods 104)

**Unit V: Accounting for Share and Debenture Capital**

(Periods 42)

• Share Capital: Meaning, Nature and Types.
• Accounting for Share Capital: Issue and Allotment of Equity and Preference 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.
• Forfeiture of Shares: Accounting treatment, Re-issue of forfeited shares.
• Presentation of shares and Debentures Capital in company’s balance sheet.
• Issue of Debenture – At par, premium and discount; Issue of debentures for consideration other than cash.
• Redemption of debenture.
• Out of proceeds of fresh issue, accumulated profits and sinking fund.

**Unit VI: Analysis of Financial Statements**

(Periods 42)

• Financial Statements of a Company: Preparation of simple financial statements of a company in the prescribed form with major headings only.
• Financial Analysis: Meaning, Significance and Purpose, Limitations.
• Tools for Financial Analysis: Comparative statements, Common size statements.
• Accounting Ratios: Meaning and Objectives, Types of ratios:
  - **Liquidity Ratio:** Current ratio, Liquidity ratio.
  - **Solvency Ratio:** Debt to equity, Total assets to debt, Proprietary ratio.
  - **Activity Ratio:** Inventory turnover, Debtors turnover, Payables turnover, Working capital turnover, Fixed assets turnover, Current assets turnover.
  - **Profitability Ratio:** Gross profit, Operating ratio, Net profit ratio, Return on Investment, Earnings per Share, Dividend per Share, Profit Earnings ratio.
Unit VII: Statement of Changes in Financial Position (Periods 20)

- 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).

OR

Semester IV: Computerised Accounting System (Total Periods 104)

Unit I: Overview of Computerised Accounting System (Periods 10)

- Concept and Types of Computerised Accounting System (CAS).
- Features of a Computerised Accounting System.
- Structure of a Computerised Accounting System.

Unit II: Using Computerised Accounting System (Periods 30)

- Steps in installation of CAS, Preparation of chart of accounts, Codification and Hierarchy of account heads.
- Data entry, Data validation and Data verification.
- Adjusting entries, Preparation of financial statements, Closing entries and Opening entries.
- Security of CAS and Security features generally available in CAS (Students are expected to understand and practise the entire accounting process using an accounting package.)

Unit III: Accounting Using Database Management System (DBMS) (Periods 34)

- Concepts 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 IV: Accounting Applications of Electronic Spreadsheet (Periods 30)

- 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.