Contents

	PAGE
Preface Preface	I-5
Chapter-Heads	I-7
1	
INTRODUCTION TO ACCOUNTING	
◆ Accounting - An Introduction	1
◆ Need and Importance of Accounting	2
◆ Definition of Accounting	2
◆ Process of Accounting	3
◆ Objectives of Accounting	4
 Overview of Objectives of Accounting 	4
◆ Meaning of Accounting Cycle	5
◆ Business Transactions	5
◆ Users of Accounting Information	5
◆ Branches of Accounting	7
◆ Functions of Accounting	7
◆ Terminology	8
◆ Advantages of Accounting	11
◆ Limitations of Accounting	11
◆ Relationships of Accounting with other Disciplines	12
◆ Summary	12
◆ Questions	14
◆ Case Study	16

I-10 CONTENTS

		PAGE
	2	
	CONCEPTUAL FRAMEWORK OF ACCOUNTING	
•	Concepts and Conventions in Accounting	18
•	Accounting Concepts	19
•	Accounting Conventions	20
•	Generally Accepted Accounting Principles (GAAP) and Accounting Standards	21
•	International Financial Reporting Standards (IFRS)	24
•	Benefits of IFRS Standards	25
•	List of International Financial Reporting Standards (IFRS)	25
•	Summary	26
•	Questions	27
•	Case Study	30
	3	
	BASIC ACCOUNTING PROCEDURES-I DOUBLE ENTRY SYSTEM OF BOOK KEEPING	
*	Introduction	31
*	Double Entry System	32
•	Approaches of Recording	32
•	Account	32
•	Classification of Account	32
•	Summary	33
•	Questions	34
•	Case Study	36
	<u>4</u>	
	BASIC ACCOUNTING PROCEDURES-II JOURNAL	
•	Source Documents	37
•	Accounting Equation	42
*	Books of Original Entry	46
•	Summary	63
•	Questions	63
•	Exercises	65
•	Case Study	70

CONTENTS	I-11

		PAGE
	5	
	BASIC ACCOUNTING PROCEDURES-III LEDGER	
		7.1
•	Ledger	71
•	Balancing of Account	73
•	Significance of Balancing	80
•	Summary	86
•	Questions	86
•	Exercises	88 90
•	Case Study	90
	6	
	SUBSIDIARY BOOKS I - SPECIAL PURPOSE BOOKS	
•	Subsidiary Books	91
•	Advantages of Subsidiary Books	92
•	Purchases Book	92
•	Purchase Return Book	94
•	Sales Book	95
•	Sales Return Book	97
•	Bill of Exchange	98
•	Dealing of Bill	99
•	Dishonour	99
•	Sales Day Book	104
•	Summary	106
•	Questions	107
•	Exercises	108
•	Case Study	113
	7	
	SUBSIDIARY BOOKS II -CASH BOOK	
•	Cash Book	114
•	Types of Cash Book	115
•	Summary	130
•	Questions	131

I-12 CONTENTS

		PAGE
•	Exercises	132
•	Case Study	139
	<u>8</u> BANK RECONCILIATION STATEMENT	
	Causes for Difference	141
•		141 148
•	Summary Questions	148
•	Exercises	140 149
•	Case Study	152
•	Case Study	132
	<u>9</u>	
	TRIAL BALANCE AND RECTIFICATION OF ERRORS	
•	Objectives of Trial Balance	153
•	Methods	154
•	Rectification of Errors	161
•	Kinds of Errors	162
•	Summary	167
•	Questions	168
•	Exercises	168
•	Case Study	171
	10	
	CAPITAL AND REVENUE	
•	Introduction	172
•	Capital and Revenue Expenditures	173
•	Capital and Revenue Receipts	175
•	Capital and Revenue Profits	176
•	Capital and Revenue Losses	176
•	Summary	179
•	Questions	179
•	Case Study	181
	<u>11</u>	
	DEPRECIATION	
•	Introduction	182

	CONTENTS	I-13
		PAGE
◆ Mear	ing of Depreciation	182
◆ Caus	es of Depreciation	183
◆ Object	ctives for Providing Depreciation	184
	Factors for Calculation of Depreciation	184
	ods of Depreciation	184
_	eciation Accounting	186
♦ Sumi		200
♦ Ques		201
♦ Exerc		203
◆ Case	Study	204
	<u>12</u>	
	FINANCIAL STATEMENTS (NON-CORPORATE ORGANIZATION)	
♦ Object	ctives of Financial Statements	205
◆ Prepa	aration of Financial Statements	206
◆ Tradi	ng Account	206
♦ Elem	ents Appearing on the Debit Side of Trading Account	207
◆ Elem	ents Appearing on the Credit Side of Trading Account	207
◆ Equa	tion of Trading Account	208
♦ Calcu	llation of Gross Profit or Loss	208
◆ Closi	ng Entries for Trading Account	208
◆ Profi	t & Loss Account	209
♦ Balar	ace Sheet	211
♦ Speci	men Form of Balance Sheet	213
◆ Class	ification of Assets and Liabilities	218
♦ Adjus	etment Entries	221
♦ Sumi	mary	241
♦ Ques	tions	241
♦ Exerc	cises	243
◆ Case	Study	248
	<u>13</u>	
	VALUATION OF INVENTORY	
♦ Intro	duction	249

I-14 CONTENTS

	PAGE
◆ Types of Inventory	250
◆ Objective of Inventory Valuation	251
Basic Principle of Inventory Valuation	251
◆ System for Recording Inventory	252
◆ Methods of Inventory Valuation	253
◆ First In First Out (FIFO) Method	254
◆ Last In First Out (LIFO) Method	255
♦ Weighted Average Cost Method	256
◆ Base Stock Method	257
◆ Market Value Method	257
◆ Standard Cost Method	257
♦ Summary	263
◆ Questions	264
◆ Exercises	265
◆ Case Study	267
◆ Appendix : Accounting Standard (AS) 2	268
1.1	
14	a.i.\
FINANCIAL STATEMENTS (CORPORATE ORGANIZATIO	N)
♦ Meaning of Financial Statements	274
◆ Objectives of Financial Statements	275
◆ Nature of Financial Statements	275
◆ Financial Statements of Company	276
◆ Form of Balance Sheet	276
◆ Equity and Liabilities	277
♦ Non-Current Liabilities	279
♦ Assets	281
♦ Summary	291
◆ Questions	292
◆ Exercises	293
◆ Case Study	296
◆ Appendix : Schedule III of Companies Act, 2013	297

CONTENTS	I-15

	PAGE
15	
CASH FLOW STATEMENT	
	244
◆ Significance of Cash Flow Statement	314
◆ Preparation of Cash Flow Statement	315
◆ Method of Preparing the Cash Flow Statement	316
◆ Method of Calculating Cash Flow from Operating Activities	319
◆ Cash Flows from Investing Activities	321
◆ Cash flows from Financing Activities	323
◆ Summary	333
♦ Questions	334
◆ Exercises	335
◆ Case Study	338
◆ Appendix : Accounting Standard (AS) 3	340
16	
FINANCIAL STATEMENT ANALYSIS	
♦ Introduction	357
◆ Objectives of Financial Analysis	358
♦ Significance of the Financial Analysis	358
◆ Parties interested in Financial Analysis	358
◆ Limitations of Financial Analysis	359
◆ Types of Financial Analysis	360
◆ Methods or Techniques of Financial Analysis	362
♦ Summary	379
♦ Questions	380
♦ Exercises	381
◆ Case Study	383
17	
RATIO ANALYSIS	
◆ Objectives of Ratio Analysis	395
Significance of Ratio Analysis	396
◆ Limitation of Ratio Analysis	397
· · · · · · · · · · · · · · · · · · ·	

I-16 CONTENTS

	PAGE
◆ Different Forms in which Ratio can be Expressed	397
◆ Classification of Ratios	398
♦ Liquidity Ratios	398
◆ Activity Ratios or Turnover Ratios	402
◆ Profitability Ratios	409
◆ Long-Term Solvency and Leverage Ratios	420
♦ Summary	423
♦ Questions	424
♦ Exercises	425
◆ Case Study	428
◆ Project	428
Glossary	432