

Semester II

Financial Accounting

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Financial Accounting	4	3	1	0	Pass in Class XII	NIL

Learning Objectives

The course aims to help learners to acquire conceptual knowledge of financial accounting, to impart skills for recording various kinds of business transactions and to prepare financial statements.

Learning Outcomes

After completion of the course, learners will be able to:

1. Analyse the applicability of Accounting Standards in the preparation of Financial statements of companies.
2. Apply the Generally Accepted Accounting Principles while recording transactions and preparing financial statements.
3. Measure business income applying relevant accounting standards.
4. Evaluate the impact of depreciation and inventories on Business Income.
5. Prepare the Financial Statements of sole proprietor firms and Not-For-Profit Organisations.
6. Prepare the accounts for Inland Branches, Departments and Leases.
7. Demonstrate accounting process under a computerized accounting system.

Course Contents:

Unit 1: Theoretical Framework and Accounting Process (9 hours)

(A) Theoretical Framework

(i) Accounting as an information system, the users of financial accounting information and their needs. An overview of Artificial Intelligence and Data Analytics in Accounting.

(ii) Qualitative characteristics of accounting information. Functions, advantages and limitations of accounting. Branches of accounting. Bases of accounting: cash basis and accrual basis. Capital and revenue expenditures and receipts. Events occurring after the balance sheet date, Extraordinary Items, Prior Period Items, Accounting Estimate. Accounting Policies, Fair Value, Meaning, Recognition and Disclosure Requirements of Provision, Contingent Liability and Contingent Asset.

(iii) Financial Accounting Principles: Meaning and need; Generally Accepted Accounting Principles

(GAAP): Entity, Money Measurement, Going Concern, Cost, Revenue Recognition, Realization, Fundamental Accounting Assumptions, Accruals, Periodicity, Full Disclosure, Consistency, Materiality, and Prudence (Conservatism). Fundamental Accounting Assumptions as per AS 1.

(iv) Accounting Standards: Concept, benefits, and Process of formulation of Accounting Standards including Ind AS (IFRS converged standards) and IFRSs; convergence vs adoption; Application of accounting standards (AS and Ind AS) on various entities in India. International Financial Accounting Standards (IFRS) -meaning, need, and scope.

(B) Accounting Process

From the recording of a business transaction to the preparation of trial balance including transfer and closing entries. Application of Generally Accepted Accounting Principles in financial transactions and preparing financial statements and accounting treatment of GST.

Unit 2: Business Income, Accounting for Property, Plant and Equipment, and Valuation of Inventory (9 hours)

(a) Business income: Concept of Revenue and Business Income, Measurement of business income; relevance of accounting period, continuity doctrine and matching concept in the measurement of business income; Objectives of measurement of Business income.

(b) Revenue recognition with reference to AS 9.

(c) Accounting for Property, Plant, and Equipment with reference to AS 10. Impact of Depreciation on measurement of business income. Accounting for Intangible Assets with reference to AS 26.

(d) Valuation of Inventory with reference to AS 2. Impact of inventory valuation on measurement of business income by using FIFO, LIFO, and Weighted Average Method.

Unit 3: Financial Statements of Sole Proprietorship and Not-for-Profit Organisations (14 hours)

Preparation of Financial Statements of Sole Proprietorship and Not-for-Profit Organisations

Unit 4: Accounting for Inland Branches, Departments and Leases (13 hours)

(a) Accounting for Inland Branches: Concept of Dependent branches; Branch Accounting as per Debtors System, Stock and Debtors' System

(b) Accounting for Departments (excluding Mark-up Account)

(c) Accounting for Leases with reference to AS 19

Notes:

- The relevant Accounting Standards (both AS Ind AS) for all of the above topics should be covered.
- Any revision of the relevant Indian Accounting Standard/Accounting Standard would become applicable.

Exercises

The learners are required to:

1. Identify the applicability of different accounting standards on the basis of examining the nature of business transactions after considering Framework for the Preparation and Presentation of Financial Statements from the websites of the Institute of Chartered Accountants of India (ICAI).
2. Analyse Generally Accepted Accounting Principles applied in financial statements of listed companies.
3. Examine the accounting policies and revenue recognition policies by collecting necessary data from small business firms.
4. Prepare Trading and Profit & Loss Account and Balance Sheet collecting necessary data from small business firms and analyse the impact of depreciation and inventories on Business Income.
5. Prepare financial statements manually and using appropriate software with the help of financial transaction data of sole proprietor firms and Not-For-Profit Organisations.

6. Prepare accounts of Inland Branches, Departments and Leases by collecting data from the annual report of two Multinational Companies and two NGOs and prepare their relevant accounts.

Suggested Readings

- Anthony, R. N., Hawkins, D. F., Merchant, K. A., & Singh, P. (2019). Accounting: Text and Cases. (13th Ed.). New Delhi: McGraw-Hill Education.
- Batra, J. K. (2018). Accounting and Finance for Non-finance Managers. (1st Ed.). New Delhi: SAGE Publications Pvt. Ltd.
- Dam, B. B., & Gautam, H. C. (2019). Financial Accounting. Guwahati: Gayatri Publications.
- Goldwin, N., Alderman, W., & Sanyal, D. (2016). Financial Accounting. Boston: Cengage Learning.
- Goyal, B. K., & Tiwari, H. N. (2021). Financial Accounting. (9th Ed.). New Delhi: Taxmann Publication.
- Horngren, C., Sundem, G., Elliott, J., & Philbrick, D. (2013). Introduction to Financial Accounting. (11th Ed.). London: Pearson Education.
- Kumar, A. (2019). Financial Accounting. (2nd Ed.). New Delhi: Singhal Publication.
- Lal, J., Srivastava, S., & Abrol, S. (2017). Financial Accounting Text & Problems. Mumbai: Himalaya Publishing House.
- Lt Bhupinder. (2020). Financial Accounting - Concepts and Applications. New Delhi: Cengage Learning.
- Maheshwari, S. N., Maheshwari, S. K., & Maheshwari, S. K. (2018). Financial Accounting. (6th Ed.). New Delhi: Vikas Publishing House Pvt. Ltd.
- Monga, J. R. & Bahadur, R. (2021). Financial Accounting: Concepts and Applications. New Delhi: Scholar Tech Press.
- Sehgal, D. (2014). Financial Accounting. New Delhi: Vikas Publishing House Pvt. Ltd.
- Shukla, M. C., Grewal, T. S., & Gupta, S. C. (2013). Advanced Accounts. Vol.-I. (Rev. Ed.). New Delhi: Sultan Chand Publishing.
- Tulsian, P. C., & Tulsian, B. (2016). Financial Accounting. (2nd Ed.). New Delhi: S. Chand Ltd.

Additional Resources

- Accounting Standards at the Website of the Institute of Chartered Accountants of India
- Indian Accounting Standards at the Website of the Ministry of Corporate Affairs.

Note: Suggested readings will be updated by the Department of Commerce and uploaded on the Department's website.