



## **PRINCIPLES OF ACCOUNTING – I**

**(SUBJECT CODE: 124)**

Grade XI

Full Marks: 100

Teaching Hrs: 150

### **Introduction**

Accounting is an activity designed to identify, measure, and communicate financial information about economic entities to interested persons. It is both an art and a science of keeping record of financial transactions, presenting and analysing financial information of government and non-governmental enterprises. It is an essential component of commerce education.

### **General Objectives**

General objectives of this course are to:

- introduce basic principles of book-keeping and accounting, accounting of non-profit organization and governmental accounting.
- provide fundamental knowledge of book-keeping and accounting required while pursuing higher education in commerce and management fields.

### **Specific Objectives**

On completion of this course, the student shall be able to:

- develop strong foundation in terms of knowledge and understanding required for advanced level education in management and accounting;
- learn basic concepts and procedures to prepare financial statements;
- understand the procedure of accounting for government, non-government and non-profit organizations;
- ascertain profit or loss from incomplete accounting records.

<b>Unit-wise Teaching Hours</b>			
<b>Units</b>	<b>Chapters</b>	<b>Teaching Hours</b>	
1	Book-keeping and accounting concept	8	
2	Recording of transactions	18	
3	Cash and banking transaction	15	
4	Trial Balance and Accounting Errors	10	
5	Final Accounts	36	
6	Depreciation	8	
7	Reserve and Provision	4	
8	Accounting for Non-profit Organisation	15	
9	Accounting for Incomplete Records	6	
10	Government Accounting	30	
	<b>Total</b>	<b>150</b>	

## Course Content

### Unit 1 Book Keeping and Accounting Concept

8 Teaching Hours

Meaning and concept of Book-keeping and Accounting; Origin and evolution of Book-keeping; Objectives of Book-keeping and Accounting; Functions of Book-keeping and Accounting; Scopes of Accounting

#### Basic Accounting Concepts:

Business Entity Assumption, Money Measurement Assumption, Going Concern Assumption, Accounting Period Assumption, Revenue Realization Principle, Cost Principle, and Matching Principle.

#### Double Entry Book-keeping:

Meaning and Concept, Features and Advantages of Double Entry System of Book-keeping; Accounting cycle; Accounting Equation.

### Unit 2 Recording of Transactions

18 Teaching Hours

#### Basic terminologies:

*Capital; Liabilities:* Long term and short term liabilities;

*Assets:* Fixed assets, Current assets, Investment, Tangible and Intangible assets, Inventory; Revenue, and Expenses.

*Rules of debit and credit:* On the basis of personal, real, and nominal accounts; On the basis of increase or decrease of assets, liabilities and capital.

#### Books of Original Entry:

*Journal entries for following transactions:* Capital, liabilities, assets, purchase, sales, credit transactions for purchase and sales, loss and gains, revenues and expenses, return outward and inward, compound transactions including acceptance, discounting, and dishonour of bills of exchange.

*Ledger Account:* Concept, objectives, importance and utility, opening of accounts, format of account - "T" form and continuous balance form, posting into ledger accounts with and without journal entries, closing and balancing of ledger accounts.

#### Subsidiary Books and its types

*Purchase Book:* Concept, Purchase Invoice, Trade discount and Cash discount, Preparation of purchase book and posting to purchase account

*Sales Book:* Concept, Sales invoice, preparation of sales book and posting to sales account.

*Purchase Return Book:* Concept of debit note, preparation of purchase return book and posting to purchase return account.

*Sales Return Book:* Concept of credit note, preparation of sales return book and posting to sales return account.

### Unit 3 Cash and Banking Transactions

15 Teaching Hours

#### Concept of Cash and Banking Transactions

*Banking Concepts:* Cheque - meaning and types; Parties to cheque, Endorsement of cheque, Dishonour of cheque, Bank statement (Pass Book).

*Cash Book:* Simple cash book and bank book, Cash book with: Cash and bank column, Cash and discount column, Bank and discount column, Triple columns cash book.

*Petty cash book:* Simple and analytical.

*Bank Reconciliation Statement:* Reasons for disagreement between cashbook and bank Statement (passbook) balances, overdraft and its meaning, preparation of bank reconciliation statement from cashbook and passbook balances and overdrafts.

- Unit 4 Trial Balance and Accounting Errors 10 Teaching Hours**
- Trial Balance**  
Concept, objectives and preparation of unadjusted trial balance.
- Accounting Errors**  
Meaning and types of accounting errors, errors disclosed and not disclosed by trial balance, rectification of errors before and after preparation of trial balance. Suspense account: Meaning, utility, and preparation of suspense account.
- Unit 5 Final Accounts 36 Teaching Hours**
- Capital and Revenue Concept:**  
Meaning and concept, types and difference between capital and revenue: receipts, expenditure, losses, profit, and reserves.
- Trading Account:**  
Concept, importance, advantages and its preparation; closing entries.
- Profit and Loss Account:**  
Concept, advantages and method of its preparation, difference between gross profit and net profit; closing entries.
- Balance Sheet:**  
Concept, importance, objectives, assets and liabilities; Marshalling of assets and liabilities.
- Journal Proper:**  
Concept and importance, entries for adjustments. Preparation of Adjusted Trial Balance.
- Preparation of Final Accounts:**  
Preparation with or without following adjustments: outstanding expenses, prepaid expenses, advance income, accrued income, depreciation, appreciation, closing stock, bad debts, loss of goods, provision for bad debt, provision for discount on debtors, drawings in cash and in kinds, interest on loans, and investments.
- Unit 6 Depreciation 8 Teaching Hours**
- Concept and causes of depreciation, advantages of providing depreciation, factors affecting the amount of depreciation.
- Fixed Instalment Method:**  
Meaning, advantages and disadvantages, Accounting treatment for; purchase of assets, charging yearly depreciation, addition and disposal of assets.
- Reducing Balance Method**  
Meaning, advantages and disadvantages, Accounting treatment for purchase of assets, addition and disposal of assets, preparation of ledger accounts.
- Unit 7 Reserves and Provisions 4 Teaching Hours**
- Concept and the objectives of maintaining the following reserves: General reserve and secret reserve, Specific reserves: Sinking fund, Research and development fund, Reserve for redemption of liabilities, Accounting treatment for: Provision for bad debt, Provision for discount on debtors, General reserve and Research and Development fund.

- Unit 8 Accounting for non-profit organisations 15 Teaching Hours**  
 Concept and terminologies of non-profit organizations  
**Receipt and Payment account**  
 Concept, features and limitations, relevant items of receipt and payment account  
**Income and Expenditure Account**  
 Meaning and relevant items of income and expenditure account, distinction between receipt and payment account and income and expenditure account.  
**Balance Sheet**  
 Meaning and concept of Balance Sheet for non-profit organisations.  
**Preparation of Final Accounts for non-profit organisations with or without following adjustments:**  
 Outstanding subscription, advance subscription, outstanding expenses and prepaid expenses, accrued income and advance income, revenue and capital nature of receipts, gain or loss on sale of assets, depreciation, interest on loan and investment, life membership fees, entrance fees, legacies, endowment fund and donations.
- Unit 9 Accounting for Incomplete Records 6 Teaching Hours**  
**Single entry system of book keeping:**  
 Concept and features, advantages and disadvantages, difference between single and double entry system of book keeping.  
**Preparation of statement of affairs and ascertainment of profit or loss:**  
 Meaning and importance of statement of affairs, preparation of opening and closing statement of affairs and ascertainment of profit or loss.
- Unit 10 Government Accounting 30 Teaching Hours**  
 Concept, objectives and features of government accounting, difference between government and commercial accounting  
**HMG Accounting System:** Historical background of HMG accounting systems, Present accounting system: Introduction, objectives, importance, features, and forms used  
**Principles of HMG accounting system:** Budgetary accounting (Heads of expenditure classification), rules of debit and credit, and cash basis of accounting.  
**Accounting for operating level:**  
*General journal voucher:* Meaning, journal voucher for Budget expenditure, advance expenditure and clearance of advances under budget heads and miscellaneous transactions; current fund and budget release, establishment of petty cash fund and closing of its account, budget transfer, loan and yearly closing for regular and development budget.  
*Bank Cash Book:* Meaning of bank cash book, preparation of bank cash book with or without vouchers for different types of transactions.  
*Budget sheet:* Introduction to budget sheet, Preparation of budget sheet with or without preparing vouchers for different types of transactions  
*Ledger account:* Meaning and maintenance of ledger account for current fund and budget release and other miscellaneous transactions.  
*Petty Cash Book:* Meaning and maintenance of petty cash fund, record keeping for petty cash expenses, reporting for reimbursement of expenditure.  
*Expenditure report:* Meaning and preparation of monthly expenditure report, and monthly advance expenditure report.

<b>Unit-wise Weightage</b>							
<b>Units</b>	<b>Title</b>	<b>No. of Questions</b>			<b>Marks allocated</b>		
		<b>Th.</b>	<b>Pr.</b>	<b>Tot.</b>	<b>Th.</b>	<b>Pr.</b>	<b>Tot.</b>
1	Book-keeping and accounting concept	2	1	3	6	2	8
2	Recording of transactions	-	2	2	-	6	6
3	Cash and banking transaction	-	2	2	-	12	12
4	Trial Balance and Accounting Errors	1	1	2	2	4	6
5	Final Accounts	1	2	3	2	18	20
6	Depreciation	-	1	1	-	8	8
7	Reserve and Provision	1	1	2	2	2	4
8	Accounting for Non-profit Organisation	-	1	1	-	10	10
9	Accounting for Incomplete Records		1			4	4
10	Government Accounting	2	3	5	6	16	22
	<b>Total</b>	<b>7</b>	<b>15</b>	<b>22</b>	<b>18</b>	<b>82</b>	<b>100</b>