

**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 the concept of accounting for companies, cost accounting, and auditing, and to develop their ability to prepare and analyse financial statements.
- provide fundamental knowledge of book-keeping and accounting required while pursuing higher education in commerce and management fields.

**Specific Objectives**

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

- develop strong foundation in terms of knowledge and understanding required for advanced level education in management.
- be familiar with formation of companies, raising of capital by issuing shares and debentures, and preparation of final accounts for companies.
- use worksheet for preparing the financial statements in the format prescribed by the Company Act 2053 BS.
- utilize and analyse accounting data for meaningful interpretation.
- understand the basic knowledge of cost accounting.

**Course Scheme**

Units	Chapters	Teaching Hours
1	Accounting for Companies .....	35
2	Final Accounts of a Company.....	30
3	Financial Statement Analysis.....	35
4	Cost Accounting.....	50
	<b>Total.....</b>	<b>150</b>

**Course content**
**1. Accounting for Companies**

- **Company formation, types, and documents:**

Company and its formation: Meaning and concept of the company, characteristics of a company; Types of companies: Statutory Company, Registered Company: Companies limited by shares and guarantee, Unlimited Company; Private Company; Public Company; Characteristic and privileges of Private Company, advantages of company form of organisation; company promoters; Concept of Memorandum of Association, Article of Association and Prospectus relating to shares and debentures.

- **Shares and Share Capital of a Company:**

Meaning of share capital. Types of share capital: Authorised, Issued, Subscribed, Called up and Paid up Capital. Methods of Raising Capital: Meaning and types of shares- ordinary and Preference shares; Types of preference shares - cumulative, non-cumulative, participating and redeemable.

**Accounting treatment for:** Share application, share allotment, share calls; issue of shares: at par, at discount and at premium; calls in arrears; calls in advance; share forfeiture, re-issue of forfeited shares. Minimum subscription, under subscription, over subscription and share allotment; Refund and transfer of excess application money to allotment and share calls and pro-rata allotment. Share underwriting, commission and brokerage, Issue of shares in consideration for other than cash.

- **Accounting for Debentures:**

Meaning, characteristics, importance and types of debentures: Bearer and Registered, Naked and secured, Redeemable and Irredeemable, Convertible and non-convertible, First and second debentures, **Accounting treatment:** for debenture application, allotment and calls; Issue of debentures for cash, for consideration other than cash and as collateral security; Issue of debenture: at par, at a premium and at a discount, Issue of debentures with redeemable conditions; Redemption of debentures in lump sum cash and conversion into shares and debentures.

**Treatment** of shares and debentures in the Balance Sheet of a Company

## 2. Final Accounts of a Company

**Trading Account:** Concept and preparation of Trading Account

**Profit and Loss Account:** Concept and preparation of Profit and Loss Account

**Profit and Loss Appropriation Account:** Concept and preparation of Profit & Loss Appropriation Account

**Balance Sheet:** Concept, objectives and marshalling of assets and liabilities, and preparation of a Balance Sheet.

**Preparation of company final account** with or without the following adjustments: outstanding expenses, prepaid expenses, accrued income, income received in advance, depreciation and amortization, appreciation, closing stock, bad debts, loss of goods, provision for bad debts, provision for discount on debtors, interest on loans, interest on investments, purchase or sale of fixed assets, Goods distributed as samples, transfer to reserves and funds, tax paid and provision for tax, proposed dividend and final dividend, manager's commission, bonus and retirements to employees in cash, and goods sent to customers on sale or return basis. Concept and preparation of Income Statement and Balance Sheet as prescribed by the Company Act 2053 BS using a **work sheet**.

## 3. Financial Statement Analysis

Meaning, concept, objectives, and limitation of financial statement analysis; parties interested in financial statement analysis.

### ▪ Ratio Analysis:

Concept and limitations of ratio analysis. Calculation of following ratios (without interpretation): Current ratio, Quick ratio, Debt-equity ratio, Debt to total capital ratio, Inventory turnover ratio, Debtor turnover ratio, Average collection period, Fixed assets turnover ratio, Total assets turnover ratio, Capital employed turnover ratio, Gross profit margin, Net profit margin, Return on assets, Return on shareholder's equity, Return on common shareholder's equity, Return on capital employed, Earning per share, and Dividend per share.

### ▪ Statement of Changes in Financial Position:

Meaning, objectives, and preparation of the statement of changes in financial position on working capital and cash basis - determination of funds from operations, cash from operations, cash from investing and financing activities with simple and direct adjustments.

## 4. Cost Accounting

**Conceptual Foundation:** Concept, objectives, importance and limitations of cost accounting, limitations of financial accounting, difference between financial and cost accounting; Methods of costing: Job order costing, Process costing, Service costing, Unit costing, Batch costing, and Multiple costing.

**Introduction and classification of costs:** Concept of cost, classification of cost on the basis of production and process, element, functions, variability and controllability.

**Materials and material control:** Meaning and types of materials; Material control: objectives and essential of material control

### ▪ Material Scheduling or Routing:

**Purchases:** Material purchasing and purchase department; centralized and decentralized purchasing; purchase order; preparation of Purchase Requisition form, Tender form, Purchase Order form, and Inspection and Receiving form.

**Store keeping:** Meaning, types and location of stores, storekeeper: duties and responsibilities of storekeeper; classification and codification of materials. Bin cards.

**Issuing:** Meaning and preparation of inventory requisition form, pricing of materials issued, and valuation of closing stock under LIFO and FIFO by preparing store ledgers.

**Stock Level:** Meaning and computation of stock levels: minimum stock level, maximum stock level, average stock level, reordering level, and reordering quantity.

**Economic Order Quantity (EOQ):** Meaning, concept, and computation of EOQ and total cost at EOQ using formula.

### ▪ Accounting for labour:

**Labour cost:** Meaning and importance, Labour cost control and its need. Departments and their functions: personnel department, engineering department, Rate or time and motion study department, Time keeping department, payroll department, and cost accounting department. Basic knowledge about the following forms: Labour Requisition form, Employee's History Card, Time Card, Piece Card, and Payroll Sheet.

**System of wages payment:** Piece Rate and Time Rate System: Meaning, advantages and disadvantages and difference between piece rate and time rate system. Determination of Total wages using Piece Rate and Time Rate System.

- **Accounting for Overheads:**  
**Overheads:** Concept and meaning of overheads; Classification of overhead on the basis of function, behaviour, elements, and control; Allocation, Apportionment and Absorption of overheads: Meaning and importance.
- **Unit or Output costing:**  
**Unit Costing:** Concept and importance of unit costing; **Components of cost sheet:** Prime cost, work Oncost, Works Cost, Office Oncost, Cost of production, cost of goods sold, Selling and Distribution Oncost, Cost of sales, Profit, and Total sales; Preparation of cost sheet; **Tender:** Meaning and calculation of tender cost on the basis of cost sheet; **Manufacturing account:** Meaning and preparation of Manufacturing Account for determination of cost of manufacturing and manufacturing profit.  
**Cost Reconciliation Statement:** Concept and preparation of Cost Reconciliation Statement.

### **Unit-wise Weightage**

Units	Chapters	No. of Questions			Marks Allocated		
		Th.	Pr.	Total	Th.	Pr.	Total
1	Accounting for Companies	2	4	6	5	16	21
2	Final Accounts of a Company	-	2	2	-	20	20
3	Financial Statement Analysis	2	3	5	5	20	25
4	Cost Accounting	4	5	9	10	24	34
	<b>Total</b>	<b>8</b>	<b>14</b>	<b>22</b>	<b>20</b>	<b>80</b>	<b>100</b>