

# Financial Accounting



As per National Education Policy 2020



**M.P. Gupta**  
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**SULTAN CHAND & SONS**

## Financial Accounting



# Financial Accounting

For B.Com. (H), B.Com. Semester-I, (UGCF 2022)  
University of Delhi

Dr. M.P. Gupta  
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# Preface



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It gives us great pleasure to present our new book 'Financial Accounting' for B.Com. students according to latest syllabus under new education policy.

The present book aims to meet in full measure the requirement of B.Com students opting Financial Accounting as a text book.

The objective of the text book is basic treatment of main principles of Financial Accounting. The standard set for the book is complete clarity for beginners and such simplicity of exposition to make the text practically the best one.

It is with this purpose that a maximum range of examples and illustrations (about 315) form the part of text book. The book covers all topics of the syllabus. The syllabus of B.Com. comprises Five Units which are elaborated in 21 chapters running in 814 text pages.

The Chapters of the book are arranged according to five broad units: 1. Theoretical Framework and Accounting Process. 2. Business Income, Accounting for Plant Property and Equipment and Valuation of Inventory. 3. Financial Statements of Sole Proprietorship and Not-for-Profit Organisations. 4. Accounting for Inland Branches, Departments and Leases. 5. Computerised Accounting.

Certain noteworthy features of the book may be narrated:

1. Most comprehensive coverage of subject matter. All topics under the syllabus have been explained in detail.
2. Most authentic and elaborate presentation of subject matter in simple and lucid style with a very large numbers of examples and illustrations (about 315).
3. At the beginning of each chapter an outline of chapter is given. Important Aspects of the chapters are given at the end of the chapter.
4. In each chapter Objective and Multiple Choice Questions are given in large number. At the end of each chapter, Assignments containing theoretical and numerical questions are also given for practice and revision.
5. The book also contains GST Accounting as an Appendix of Chapter 2.
6. The book covers latest changes and amendments in the law. It is based on Accounting Standard (AS) and Indian Accounting Standard (*Ind. AS*).

Thus it is a complete text book for B.Com. students. They will find it as the best textbook for practice and comprehension of the subject.

We are grateful to the management of our publishers, Sultan Chand & Sons, New Delhi. We are also thankful to the Editorial Board and DTP staff of Sultan Chand & Sons for their co-operation.

We invite suggestions and criticisms for improvement of the book by learned readers.

Dr. M.P. Gupta  
Dr. B.M. Agarwal

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# Syllabus

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## Unit 1: Theoretical Framework and Accounting Process

### (A) Theoretical Framework

- ◆ Accounting as an Information System
  - The users of Financial Accounting Information and their Needs
  - An Overview of Artificial Intelligence and Data Analytics in Accounting
- ◆ Qualitative Characteristics of Accounting Information
  - Functions, Advantages and Limitations of Accounting
  - Branches of Accounting.
  - Basis 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.
- ◆ Financial Accounting Principles: Meaning and Need
  - Generally Accepted Accounting Principles (GAPP): 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.
- ◆ 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 Adjusting, Transfer and Closing Entries.
- ◆ Application of Generally Accepted Accounting Principles in Recording 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**

- ◆ 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.
- ◆ Revenue Recognition with Reference to AS 9.
- ◆ 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.
- ◆ 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**

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

**Unit 4: Accounting for Inland Branches, Departments and Leases**

- ◆ Accounting for Inland Branches: Concept of Dependent Branches, Branch Accounting as per Debtors System, Stock and Debtors' System
- ◆ Accounting for Departments (excluding Mark-up Account)
- ◆ Accounting for Leases with reference to AS 19

**Unit 5: Computerized Accounting Systems**

- ◆ Computerized Accounting Systems: Computerized Accounts by using any popular accounting software
  - Creating a Company
  - Configure and Features settings
  - Creating Accounting Ledgers and Groups
  - Creating Stock Items and Groups
  - Vouchers Entry including GST
  - Generating Reports – Cash Book, Ledger Accounts, Trial Balance, Profit and Loss Account, Balance Sheet, Cash Flow Statement
  - Selecting and Shutting a Company
  - Backup, and Restore Data of a Company.



# Brief Contents

|                                                                                                          | Pages      | Imp. Aspects | Illus. & Exam. | Objective  |            | Theoretical | Numerical  |
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| <b>TOTAL</b>                                                                                             | <b>814</b> | <b>252</b>   | <b>315</b>     | <b>165</b> | <b>233</b> | <b>79</b>   | <b>141</b> |

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## About the Book

The objective of the text book is basic treatment of main principles of Financial Accounting. The standard set for the book is complete clarity for beginners and such simplicity of exposition to make the text practically the best one.

It is with this purpose that a maximum range of examples and illustrations (about 320) form the part of text book. The book covers all topics of the syllabus. The syllabus of B.Com. (H.) & B.Com. comprises Five Units which are elaborated in 21 chapters running in 816 text pages.

The Chapters of the book are arranged according to five broad units: 1. Theoretical Framework and Accounting Process. 2. Business Income, Accounting for Plant Property and Equipment and Valuation of Inventory. 3. Financial Statements of Sole Proprietorship and Not-for-Profit Organisations. 4. Accounting for Inland Branches, Departments and Leases. 5. Computerised Accounting.

Certain noteworthy features of the book may be narrated:

1. Most comprehensive coverage of subject matter. All topics under the syllabus have been explained in detail.
2. Most authentic and elaborate presentation of subject matter in simple and lucid style with a very large numbers of examples and illustrations (about 320).
3. At the beginning of each chapter an outline of chapter is given. Important Aspects of the chapters are given at the end of the chapter.
4. In each chapter Objective and Multiple Choice Questions are given in large number. At the end of each chapter, Assignments containing theoretical and numerical questions are also given for practice and revision.
5. The book also contains GST Accounting as an Appendix of Chapter 2.
6. The book covers latest changes and amendments in the law. It is based on Accounting Standard (AS) and Indian Accounting Standard (*Ind. AS*).

Thus, it is a complete text book for B.Com. (Hons.) & B.Com. students. They will find it as the best textbook for practice and comprehension of the subject.

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