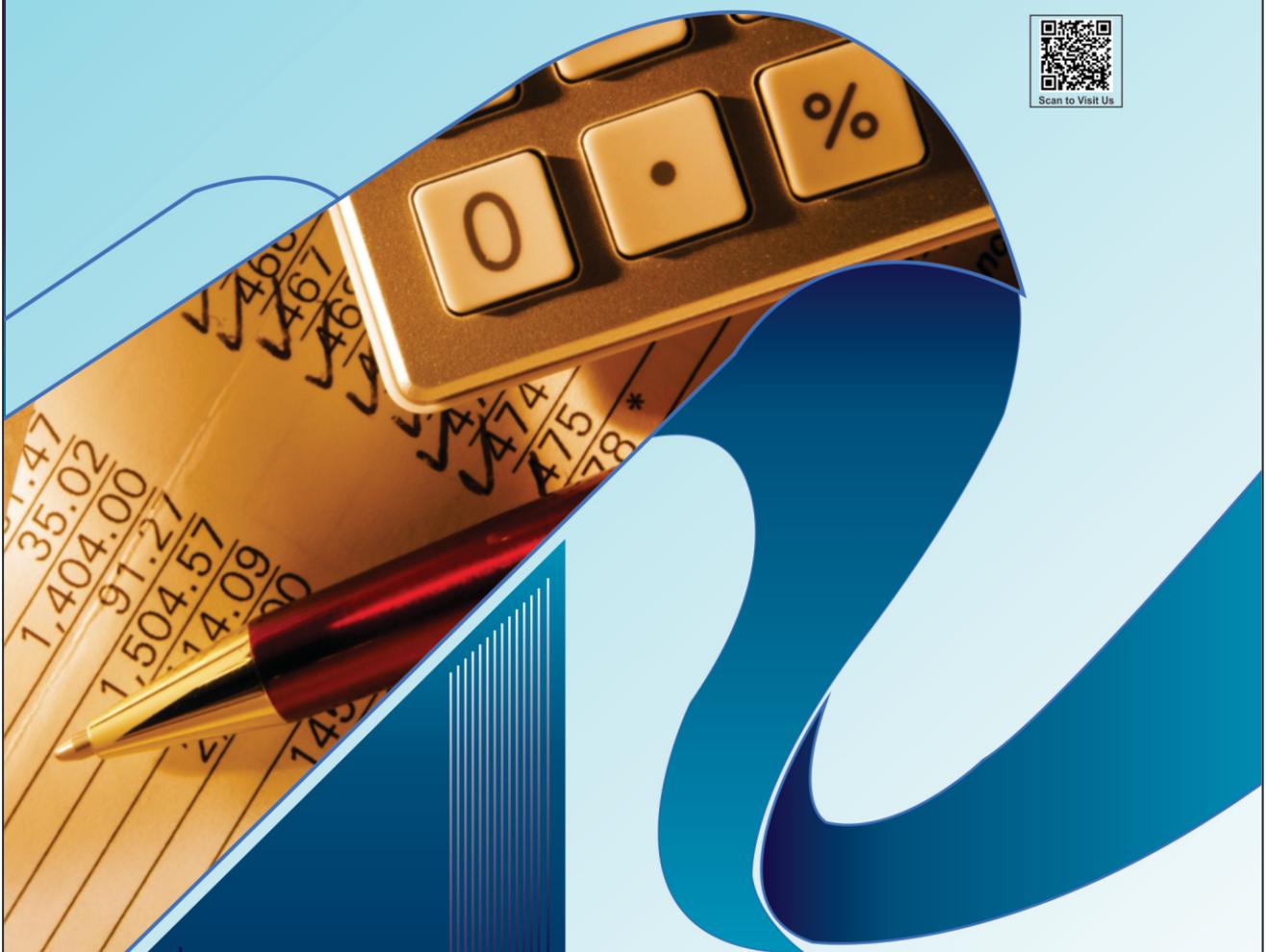


Financial Accounting



As per National Education Policy 2020



M.P. Gupta
B.M. Agarwal

SULTAN CHAND & SONS

Financial Accounting

Financial Accounting

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

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



Sultan Chand & Sons[®]

Educational Publishers

New Delhi

SULTAN CHAND & SONS®

Educational Publishers

23, Daryaganj, New Delhi-110002

Phones : 011-23281876, 23266105, 41625022 (Showroom & Shop)

011-23247051, 40234454 (Office)

E-mail : sultanchand74@yahoo.com; info@sultanchandandsons.com

Fax : 011-23266357; Website : www.sultanchandandsons.com.

First Edition: 2023

ISBN: 978-93-91820-00-8 (TC-1270)

Price: ₹ 595.00

EVERY GENUINE COPY OF THIS BOOK HAS A HOLOGRAM



In our endeavour to protect you against counterfeit/fake books, we have pasted a copper hologram over the cover of this book. The hologram displays the full visual image, unique 3D multi-level, multi-colour effects of our logo from different angles when tilted or properly illuminated under a single light source, such as 3D depth effect, kinetic effect, pearl effect, gradient effect, trailing effect, emboss effect, glitter effect, randomly sparking tiny dots, micro text, laser numbering, etc.

A fake hologram does not display all these effects.

Always ask the bookseller to put his stamp on the first page of this book.

All Rights Reserved: No part of this book, including its style and presentation, can be reproduced, stored in a retrieval system, or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise without the prior written consent of the publishers. Exclusive publication, promotion and distribution rights reserved with the Publishers.

Warning: An unauthorised act done in relation to a copyright work may result in both civil claim for damages and criminal prosecution.

Special Note: Photocopy or Xeroxing of educational books without the written permission of publishers is illegal and against Copyright Act. Buying and Selling of pirated books is a criminal offence. Publication of a key to this book is strictly prohibited.

General: While every effort has been made to present authentic information and avoid errors, the author and the publishers are not responsible for the consequences of any action taken on the basis of this book.

Limits of Liability/Disclaimer of Warranty: The publisher and the author make no representation or warranties with respect to the accuracy or completeness of the contents of this work and specifically disclaim all warranties, including without limitation warranties of fitness for a particular purpose. No warranty may be created or extended by sales or promotional materials. The advice and strategies contained therein may not be suitable for every situation. This work is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If professional assistance is required, the services of a competent professional person should be sought. Neither the publishers nor the author shall be liable for damages arising herefrom.

Disclaimer: The publishers have taken all care to ensure highest standard of quality as regards typesetting, proofreading, accuracy of textual material, printing and binding. However, they accept no responsibility for any loss occasioned as a result of any misprint or mistake found in this publication.

Author's Acknowledgement: The writing of a Textbook always involves creation of a huge debt towards innumerable author and publications. We owe our gratitude to all of them. We acknowledge our indebtedness in extensive footnotes throughout the book. If, for any reason, any acknowledgement has been left out we beg to be excused. We assure to carry out correction in the subsequent edition, as and when it is known.



Preface



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

Syllabus

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
				T/F	MCQ		
Unit-I Theoretical Framework and Accounting Process							
1. Theoretical Framework – Accounting Theory and Philosophy	40	29	3	27	17	11	—
2. Rules of Accounting and the Journal Including Appendix on GST	64	36	34	19	36	8	10
3. Ledger	36	22	11	5	12	—	10
4. Cash Books	30	25	16	9	11	3	8
5. Subsidiary Books	24	15	8	7	21	—	6
6. Trial Balance and Rectification of Errors	58	14	32	27	29	7	20
Unit-II Business Income, Accounting for Property, Plant and Equipment, and Valuation of Inventory							
7. Capital and Revenue (Expenditure and Receipts)	16	8	10	—	17	2	3
8. Accounting for Property, Plant, Equipment & Depreciation	68	7	32	10	13	8	16
9. Valuation of Inventory	30	11	23	5	17	5	9
Unit-III Financial Statements of Sole Proprietorship and Not-for-Profit Organisations							
10. Final Accounts for Sole Proprietors	98	46	46	15	31	9	16
11. Financial Statements of Non-Trading Organisations	76	7	37	10	10	2	15
Unit-IV Accounting for Inland Branches, Departments and Leases							
12. Accounting for Branches	68	5	32	8	9	4	11
13. Departmental Accounting	34	10	19	5	—	7	13
14. Lease Accounting	30	11	9	13	5	6	4
Unit-V Computerized Accounting Systems							
15. Computerized Accounting	16	1	—	—	—	—	—
16. Introduction to Accounting Package — Tally	14	5	—	5	5	7	—
17. Creation of Groups, Ledger & Voucher in Tally	14	—	—	—	—	—	—
18. Display of Financial Statements	16	—	—	—	—	—	—
19. Application of Tally in Inventory Management	12	—	—	—	—	—	—
20. Goods and Service Tax (GST) Accounting in Tally	14	—	3	—	—	—	—
21. Backup, Restore, Data Export & Trouble Shooting Index	8	—	—	—	—	—	—
	24	—	—	—	—	—	—
TOTAL	814	252	315	165	233	79	141

Contents

Unit 1: Theoretical Framework and Accounting Process

1. Theoretical Framework – Accounting Theory and Philosophy	1.3-1.40
Accounting Information System (<i>AIS</i>)	1.4
Definition of the System	1.4
Definition of Accounting Information System	1.4
Functions of Accounting Information System	1.5
Benefits of Accounting Information System	1.5
Functions of Accounting Information System	1.5
Artificial Intelligence (<i>AI</i>) in Accounting	1.5
Human Function and Artificial Intelligence Functions	1.6
Data Analytics	1.7
Types of Data Analytics	1.7
Importance of Data Analytics in Accounting	1.8
Advantages of Data Analytics	1.8
Commonly used Statistical Models for Practical Data Analytics	1.8
Need for Accounting	1.9
Evolution of Accounting	1.9
Meaning and Definition of Accounting	1.9
Main Characteristics of Accounting	1.9
Book-Keeping, Accounting and Accountancy	1.10
Accounting Cycle	1.11
Branches of Accounting	1.11
Systems of Accounting	1.11
Objectives of Accounting	1.12
Advantages of Accounting	1.12
Users of Accounting and their Information Need	1.13
Accounting Principles – Concepts and Conventions	1.14
Accounting Equation	1.17
Profit or Loss under Accounting Equations	1.19
Accounting Terminology	1.21
Trade Debtors	1.21

Trade Creditors	1.21
Assets	1.21
Liability	1.21
Goods	1.22
Stock (or Inventory)	1.22
Profit	1.22
Loss	1.22
Revenue	1.23
Income	1.23
Drawing	1.23
Capital	1.23
Provision	1.23
Contingent Liability	1.23
Measurement Bases	1.23
Historical Cost	1.23
Current Cost	1.23
Realisable Value	1.24
Present Value	1.24
Economic Concept of Income	1.24
Capital	1.24
Income	1.24
Distinction between Capital and Income	1.25
Measurement of Income	1.25
The Transactions Approach to Income Measurement	1.25
The Activities Approach to Income Measurement	1.25
The Balance Sheet Approach	1.26
Limitations of Accounting	1.26
Role of Accountants in Society	1.26
Relationship of Accounting with other Disciplines (Environment of Accounting)	1.27
Accounting and Statistics	1.27
Accounting and Economics	1.28
Accounting and Law	1.28
Accounting and Management	1.29
Accounting and Mathematics	1.29
Accounting Policies and their Disclosures	1.29
Consideration in Selection of Accounting Policy	1.29
Disclosure of Accounting Policies	1.30
Change in Accounting Policies	1.31
Disclosure of Change	1.31
Accounting Standards	1.31
Old AS and New Indian AS [<i>Ind AS</i>]	1.31
Objectives of Accounting Standards	1.34
Benefits / Advantages of Accounting Standards	1.34
Limitations of Accounting Standards	1.35

Important Aspects of the Chapter	1.35
Objective Questions	1.36
Assignments	1.39
2. Rules of Accounting and the Journal	2.1-2.64
Double Entry System	2.2
Kinds of Accounts	2.2
Personal Accounts	2.2
Impersonal Accounts	2.3
Recording of Transactions: American Approach	2.3
Rules of Debit and Credit	2.3
British Approach or Traditional Approach or Popular Approach	2.5
Rules of Debit and Credit	2.5
Procedure of Making Journal Entries	2.6
Points to be Noted while Passing Journal Entries	2.7
Purchases and Sales	2.8
Sales Return and Purchase Return	2.13
Compound Entry	2.16
Accounting of Trade Discount and Cash Discount	2.18
Accounting of Outstanding Expenses/Prepaid Expenses/ Accrued Income/Advance Income	2.22
Opening Entry	2.26
Important Aspects of the Chapter	2.38
Objective Questions	2.40
Assignments	2.43
Appendix: GST Accounting	2.45
Meaning of GST	2.45
Kinds of GST	2.45
Input and Output GST	2.45
Journal Entries for Business Transactions with GST	2.46
Setting Off GST	2.47
Table Showing Entries	2.47
Inter-state Transactions	2.49
Order of Set off	2.50
Reverse Input GST	2.55
Miscellaneous Illustrations	2.57
Salient Features and Advantages of GST	2.61
Goods Exempted from GST	2.62
Objective Questions	2.63
Assignments	2.64
3. Ledger	3.1-3.36
Meaning of Ledger	3.2
Form of Ledger Account	3.2
Difference between Journal and Ledger	3.2
Ledger Posting	3.3
Balancing of Accounts	3.13

Significance of Balances	3.30
Personal Accounts	3.30
Real Accounts	3.31
Nominal Accounts	3.31
Important Aspects of the Chapter	3.32
Objective Questions	3.33
Assignments	3.34
4. Cash Book	4.1-4.30
Cash Book	4.2
Types of Cash Book	4.2
Simple or Single Column Cash Book	4.2
Proforma of a Simple Cash Book	4.2
Posting of the Simple Cash Book	4.3
Double Column Cash Book with Cash and Discount Columns	4.5
Balancing of Cash Book	4.5
Double Column Cash Book having Cash and Bank Columns	4.6
Some Important Transactions	4.6
Triple Column Cash Book	4.11
Posting from the Triple Column Cash Book	4.12
Petty Cash Book	4.14
Types of Petty Cash Book	4.15
Simple Petty Cash Book	4.15
Columnar Petty Cash Book	4.15
Imprest System of Petty Cash Book	4.16
Sale through Debit Card, Credit Card, Mobile Banking, Online Banking <i>etc.</i>	4.20
Single Column Cash Book as only Book of Original Entries	4.21
Important Aspects of the Chapter	4.26
Objective Questions	4.26
Assignments	4.28
5. Subsidiary Books	5.1-5.24
Nature of Subsidiary Books	5.2
Various Kinds of Subsidiary Books, their Contents and Procedure of Recording	5.2
Sales Book	5.2
Purchase Book	5.5
Sales Return Book or Return Inward Book	5.6
Sales Returns Journal	5.6
Purchase Return Book or Return Outward Book	5.7
Purchases Returns Journal	5.7
Journal Proper	5.10
Important Aspects of the Chapter	5.19
Objective Questions	5.20
Assignments	5.21

6. Trial Balance and Rectification of Errors	6.1-6.58
Meaning of a Trial Balance	6.2
Features and Purposes of a Trial Balance	6.2
Balances of Ledger Accounts	6.2
Types of Trial Balance and Preparation of Trial Balance	6.2
Gross Trial Balance	6.2
Net Trial Balance	6.3
Closing Stock Included in the Trial Balance	6.6
Distinction between Trial Balance and Balance Sheet	6.15
Disagreement of Trial Balance	6.15
Classification of Errors	6.15
Clerical Errors	6.15
Errors of Principle	6.16
Distinction between Errors of Principle and Errors of Omission	6.17
Location of Errors	6.17
Rectification of Errors	6.17
One-side Errors Located before Trial Balance	6.17
Two-sided Errors	6.17
Suspense Account and Rectification	6.18
Rectification of Errors when Books have been Closed	6.28
Rectification in the Next Year	6.28
Important Aspects of the Chapter	6.48
Objective Questions	6.49
Assignments	6.52

Unit 2: Business Income, Accounting for Property, Plant and Equipment, and Valuation of Inventory

7. Capital and Revenue (Expenditure and Receipts)	7.3-7.16
Nature of Expenditure	7.4
Classification of Expenditure	7.4
Capital Expenditure	7.4
Revenue Expenditure	7.5
Revenue Expenditure Treated as Capital Expenditure	7.6
Classification of Income	7.6
Classification of Receipts	7.7
Deferred Revenue Expenditure	7.7
Important Aspects of the Chapter	7.13
Objective Questions	7.14
Assignments	7.16
8. Accounting for Property, Plant, Equipment and Depreciation	8.1-8.68
Definition of PPE (Tangible)	8.2
Non-Applicability	8.2
Biological Assets	8.2
Conditions of Recognition	8.3

Treatment of Spare Parts, Stand by Equipment and Servicing Equipment	8.3
Treatment of Subsequent Costs	8.3
Measurement of PPE	8.3
Decommissioning, Restoration and Similar Liabilities	8.4
Cost of a Self-Constructed Asset	8.4
Measurement of Cost	8.4
Measurement after Recognition	8.5
Rules and Accounting of Revaluation	8.5
Depreciation on PPE	8.7
Land and Buildings	8.8
Depreciation Method	8.8
Review of Depreciation Methods	8.9
Depreciation as a Source of Working Capital	8.13
Effective Date for Calculating Depreciation	8.13
<i>Ind AS-16</i>	8.13
Depreciation	8.14
Component Method of Depreciation	8.14
Causes of Depreciation	8.14
Need for Providing Depreciation	8.15
Measurement of Depreciation	8.16
Characteristics of Depreciation	8.16
Determinants of a Sound Depreciation Policy	8.17
Entries for Depreciation	8.17
Methods of Depreciation	8.18
Straight Line Method	8.18
Diminishing Balance Method or Written Down Value Method	8.24
Sum of Years Digit Method	8.27
Annuity Method	8.28
Depreciation Fund or Sinking Fund Method	8.30
Insurance Policy Method	8.35
Revaluation Method	8.37
Depletion Method	8.37
Machine Hour Rate Method	8.38
Production Units Method	8.39
Double Declining Method	8.39
Change in the Method of Depreciation	8.39
Depreciation when Useful Life of Asset is Revised	8.40
Depreciation when Asset is Revalued	8.44
Miscellaneous Illustrations	8.45
Important Aspects of the Chapter	8.62
Objective Questions	8.62
Assignments	8.64
9. Valuation of Inventory	9.1-9.30
Meaning of Inventory	9.2
Necessity of Inventory Valuation	9.2

Basis of Inventory Valuation	9.3
Indian Accounting Standard–2 (<i>Ind AS–2</i>)	9.3
Techniques of Inventory Valuation	9.4
Inventory Record Systems	9.6
Stores Ledger	9.7
Bin Card	9.7
Stock Taking before or after the Balance Sheet Date	9.14
Illustrations based on FIFO, LIFO and Average Cost Methods	9.14
Important Aspects of the Chapter	9.24
Objective Questions	9.24
Assignments	9.26

Unit 3: Financial Statements of Sole Proprietorship and Not-for-Profit Organisation

10. Final Accounts (Financial Statements) for Sole Proprietors	10.3-10.98
Final Accounts	10.4
Trading and Profit & Loss Account	10.4
Trading Account	10.4
Items of Trading Account	10.4
Closing Entries for Trading Account	10.6
Balancing the Trading Account	10.6
Profit and Loss Account	10.8
Items of Profit and Loss Account	10.8
Expenses not to be Debited to Profit & Loss Account	10.9
Closing Entries for Profit & Loss Account	10.9
Balance Sheet	10.11
Capital	10.11
Classification of Assets and Liabilities	10.11
Grouping and Presentation of Assets & Liabilities (Marshalling of a Balance Sheet)	10.13
Adjustments for Preparation of Final Accounts	10.16
Adjustment Items Given in the Trial Balance	10.18
Other Basic Adjustments	10.19
Bad Debts	10.19
Provision for Bad Debts	10.19
Discount Allowed to Debtors and Provision for Discount Allowed to Debtors	10.24
Discount Received from Creditors and Reserve for Discount on Creditors	10.26
Commission Payable on Profits	10.27
Some Typical Adjustments	10.27
Modern Form and Layout of Final Accounts	10.48
Balance Sheet in Vertical Form	10.49

Manufacturing Account	10.50
Miscellaneous Illustrations	10.67
Important Aspects of the Chapter	10.83
Objective Questions	10.85
Assignments	10.89
11. Financial Statements of Non-Trading (Not-for-Profit) Organisations	11.1-11.76
Non-Trading Organisation	11.2
Receipts and Payments Account	11.2
Income and Expenditure Account	11.3
Balance Sheet or Statement of Affairs	11.4
Procedure of Preparing Balance Sheet	11.4
Treatment of Some Important Items	11.5
Donation	11.5
Legacy	11.5
Entrance or Admission Fee	11.5
Life Membership Fee	11.5
Special Funds	11.6
Endowment Fund	11.6
Grants	11.6
Some Important Adjustments	11.7
Subscription	11.7
Consumable Items	11.8
Assets	11.8
Bank Balance as per Pass Book	11.9
Expenses	11.10
Distinction between Income & Expenditure and Profit and Loss Account	11.12
When Receipt and Payment Account is Given	11.12
When Details of Various Transactions are Given	11.27
When Income and Expenditure Account is Given	11.31
When Income and Expenditure Account and Receipt and Payment Accounts are Given	11.34
Procedure of Preparation of Balance Sheet	11.34
When Trial Balance is Given	11.37
When Incorrect Statement is Given	11.39
Income-Expenditure Account for Professionals	11.40
Miscellaneous Illustrations	11.45
Important Aspects of the Chapter	11.65
Objective Questions	11.66
Assignments	11.67

Unit 4: Accounting for Inland Branches, Departments and Leases

12. Accounting for Inland Branches	12.3-12.68
Meaning of Branch	12.4

Dependent Branches (Branches having Limited Power)	12.4
Methods of Accounting	12.4
Debtors Method	12.4
Stock and Debtors Method	12.21
Whole Sale Branches	12.29
Independent Branches (Branches Keeping Complete Set of Accounts)	12.32
Incorporation of Branch Accounts in H.O. Books	12.42
Independent Branch – Goods Sent to Branch at a Price above Cost	12.54
Important Aspects of the Chapter	12.62
Objective Questions	12.62
Assignments	12.63
13. Departmental Accounting	13.1-13.34
Departmental Accounts	13.2
Allocation of Common Expenses	13.2
Inter Departmental Transfers	13.8
Transfer at a Fixed Margin of Profit	13.11
Transfer at Selling Price	13.13
Miscellaneous Illustrations	13.23
Important Aspects of the Chapter	13.28
Objective Questions	13.29
Assignments	13.32
14. Lease Accounting	14.1-14.30
Meaning of Lease	14.2
Types of Leases	14.2
Difference between Operating Lease and Finance Lease	14.3
Advantages of Leasing	14.3
Disadvantages of Leasing	14.5
Characteristics of Finance Leases	14.6
Characteristics of Operating Leases	14.7
Accounting of Finance Leases	14.8
When Lessor is Manufacturer or Dealer	14.9
Accounting of Operating Leases	14.9
Sale and Buy-Back Lease	14.10
Specimen Entries in Case of Finance Lease	14.12
Specimen Entries for Operating Lease	14.13
Ind AS-116, Leases	14.23
Introduction	14.23
Accountancy of Individual Lease	14.24
Exemption	14.24
Identification of Leases	14.24
Separating Component of Contract	14.24
Lease Term	14.24
Recognition and Measurement of Lease in the Books of Lessee	14.25
Cost Model	14.25

Presentation	14.25
Accounting in the Books of Lessor	14.26
Important Aspects of the Chapter	14.27
Objective Questions	14.28
Assignments	14.29

Unit 5: Computerized Accounting Systems

15. Computerized Accounting	15.3-15.16
Meaning of Computerized Accounting	15.4
Need for Computerized Accounting	15.4
Special Features of Computerized Accounting System	15.5
Requirements of the Computerized Accounting System	15.5
Accounting Framework	15.5
Operating Procedure	15.5
Advantages of Computerized Accounting	15.5
Disadvantages of Computerized Accounting	15.6
Problems Faced in Computerized Accounting System	15.6
Manual Accounting <i>versus</i> Computerized Accounting systems	15.7
Codification of Accounting Information	15.9
Advantages of Classification and Codification of Materials	15.10
Limitations of Computerised Accounting System	15.10
Codification of Accounts	15.11
Number Based Coding System	15.11
Name Based Accounting System	15.11
Trial Balance in Computerized Financial Accounting	15.12
Format for Profit and Loss Account and Balance Sheet	15.13
Profit and Loss Account	15.13
Balance Sheet	15.13
Developing a Computerized Accounting System	15.14
Important Aspects of the Chapter	15.15
Assignments	15.15
16. Introduction to Accounting Package–Tally	16.1-16.14
Introduction	16.2
Tally Features	16.2
Accounting Feature	16.2
Categorization of Accounts	16.2
Ledger and Group Management	16.2
Audit Trail And Drill Down Display	16.3
Reports Filters	16.3
Bank Reconciliation	16.3
Inventory Features	16.3
Stock Group and Stock Category Management	16.3
Physical Stock Position	16.3
Stock Transfer and Appropriation	16.4

Multiple Godowns Stock Evaluation	16.4
Multiple Rate Lists	16.4
Actual Bill Quantity	16.4
Receipts and Delivery Notes	16.4
Use of F11	16.4
Configuration Dialog Window (F12 button)	16.5
Getting Started with Tally	16.6
Tally Graphical User Interface	16.7
Creating a New Company	16.10
How to Select a Company	16.12
Shut a Particular Company	16.12
Delete a Particular Company	16.12
Important Aspects of the Chapter	16.12
Objective Questions	16.13
Assignments	16.13
17. Creation of Groups, Ledger and Voucher in Tally	17.1-17.14
Aim and Objectives	17.2
Introduction	17.2
Gateway of Tally Menu	17.2
Use of Pointing device – Mouse	17.3
Selection of Menu Option	17.3
Tally Groups	17.3
Capital Account	17.3
Current Assets	17.3
Current Liabilities	17.3
Fixed Assets	17.3
Investment	17.3
Loans (Liability)	17.3
Suspense Account	17.4
Miscellaneous Expenses (Asset)	17.4
Branches and Divisions	17.4
Sales	17.4
Purchases	17.4
Direct Incomes [Income (Direct)]	17.4
Indirect Incomes [Income (Indirect)]	17.4
Direct Expenses [Expenses (Direct)]	17.4
Indirect Expenses [Expense (Indirect)]	17.4
Reserves and Surplus	17.4
Bank Accounts	17.4
Cash-in hand	17.4
Deposits	17.4
Loans & Advances	17.4
Stock-in-hand	17.5
Sundry Debtors	17.5
Duties and Taxes	17.5
Provisions	17.5

Sundry Creditors	17.5
Bank Overdraft	17.5
Secured Loans	17.5
Unsecured Loans	17.5
Creation of Group	17.5
Alteration of Group	17.6
Deletion of Group	17.6
Multiple Groups	17.6
Ledger Handling	17.7
Alteration of Ledger	17.7
Deletion of Ledger	17.7
Voucher: An Introduction	17.8
Types of Voucher	17.8
Contra Voucher	17.8
Payment Voucher	17.8
Receipt Voucher	17.9
Journal Voucher	17.10
Sales Voucher / Invoice	17.10
Credit Note Voucher	17.11
Purchase Voucher	17.11
Debit Note Voucher	17.11
Memo Voucher	17.11
Voucher Printing	17.11
Voucher Alteration	17.11
Voucher Deletion	17.12
Important Aspects of the Chapter	17.13
Objective Questions	17.13
Assignments	17.13
18. Display of Financial Statements	18.1-18.16
Aim and Objectives	18.2
Introduction	18.2
Accounting Reports Display from Gateway of Tally	18.2
Predefined Balance Sheet	18.4
Display of Balance Sheet	18.4
Predefined Profit and Loss Account	18.9
Display of Profit and Loss Account	18.9
Cash Flow Statement Predefined	18.11
Display of Cash Flow Statement In Tally	18.12
Fund Flow Statement Predefined	18.12
Display of Cash Flow Statement in Tally	18.12
Ratio Analysis Predefined	18.13
Display of Various Ratios	18.13
Ratio Analysis in Quarterly Columnar View	18.14
Important Aspects of the Chapter	18.15
Objective Questions	18.15
Assignments	18.15

19. Application of Tally in Inventory Management	19.1-19.12
Aim and Objectives	19.2
Introduction	19.2
Stock Groups	19.2
Creating a Stock Group	19.2
Creating Multiple Stock Groups	19.3
Displaying and Altering Single Stock Group	19.4
Displaying and Altering Multiple Stock Groups	19.4
Stock Categories	19.4
Creating a Stock Category	19.4
Creating Multiple Stock Categories	19.5
Displaying, Altering and Deleting Stock Categories	19.6
Displaying, Altering and Deleting Multiple Stock Categories	19.6
Stock Items	19.7
Creating Multiple Stock Items	19.8
Displaying and Altering Stock Items	19.8
Reorder Levels	19.9
Specifying Reorder Levels	19.9
Altering Reorder Levels and Minimum Quantities	19.10
Displaying and Altering Stock Locations	19.11
Units of Measurement	19.11
Important Aspects of the Chapter	19.11
Objective Questions	19.11
Assignments	19.12
20. Goods and Services Tax (GST) Accounting in Tally	20.1-20.14
Introduction	20.2
Components of GST	20.2
Registration	20.3
Input Tax Credit	20.4
Under Standing GST with Tally	20.4
GST Reports	20.12
GST R-1	20.12
GST R-2	20.12
21. Backup, Restore, Data Export & Trouble Shooting	21.1-21.10
Backup	21.2
Restore	21.2
Data Exports	21.3
Tally Trouble Shooting	21.4
Short Cut keys in Tally	21.6
Function Key Combination	21.6
Keyboard Shortcuts	21.6
Special Function Key Combination	21.7
Key Combination used for Navigation	21.8

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.

About the Authors

Dr. M.P. Gupta is retired Director of Jagaran College, Kanpur. He has been Former Head, Deptt. of Commerce. VSSD College, Kanpur and Ex. Dean Faculty of Commerce CSJM, Kanpur University. He has been visiting faculty member at the Northern India Regional Council of The Institute of Chartered Accountants of India and at Kanpur Chapter of the Institute of Company Secretaries of India. He has experience of guiding students of B.Com./M.Com. and Professional Course of C.A., C.S. and CMA for more than 50 years.

Dr. B.M. Agarwal is ex-head of the Department of Commerce DAV College, Kanpur. He has been guiding students of C.A., C.S. & CMA for more than 50 years. He has been visiting faculty member at the Northern India Regional Council of The Institute of Chartered Accountants of India and at Kanpur Chapter of The Institute of Company Secretaries of India.



Sultan Chand & Sons

Publishers of Standard Educational Textbooks

23 Daryaganj, New Delhi-110002

Phones (S) : 011-23281876, 23266105, 41625022

(O) : 011-23247051, 40234454

Email : sultanchand74@yahoo.com

info@sultanchandandsons.com



Scan to Visit Us

ISBN 978-93-91820-00-8



TC 1270

9 789391 820008