

Tamil Nadu State Council for Higher Education (TANSCHÉ) Syllabus
For B.Com. (General) & B.Com. (Accounting & Finance)

CORPORATE ACCOUNTING-I

R.L. GUPTA
M. RADHASWAMY



Sultan Chand & Sons



CORPORATE ACCOUNTING—I

*[For B.Com. (General) and B.Com (Accounting and Finance)
as per*

Tamil Nadu State Council for Higher Education (TANSCHÉ) Syllabus]

R.L. GUPTA

M.Com., GRAD. C.W.A.

*Formerly associated as Lecturer in Advanced Accounting with
the Institute of Chartered Accountants of India, New Delhi
Shri Ram College of Commerce, University of Delhi, Delhi*

M. RADHASWAMY

M.Com., A.I.C.W.A

*Associate Dean, School of Business Management Accounting & Finance,
Sri Sathya Sai Institute of Higher Learning (Deemed University)
Prasanthi Nilayam, Puttaparthi, Anantapur (A.P.)*



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: 2025

ISBN: 978-81-979992-7-7 (TC-1321)

Price: ₹ 450.00

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 authors 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

This textbook, Corporate Accounting – Volume 1, has been meticulously crafted to align with the Third-Semester syllabus for the Bachelor of Commerce (General) and Bachelor of Commerce in Accounting and Finance Programs, as prescribed by the Tamil Nadu State Council for Higher Education (TANSCHÉ). Recognizing the importance of a solid foundation in Corporate Accounting principles for aspiring commerce professionals, this book provides a comprehensive introduction to the essential concepts and practices of corporate accounting, focusing on areas integral to the field.

Corporate accounting plays a critical role in modern business, forming the backbone of financial decision-making and reporting. As students navigate the intricate facets of this discipline, they will find that this book has been structured to gradually build their understanding, starting from foundational knowledge and advancing towards more complex concepts. The book is divided into five units, each encompassing fundamental topics critical for a clear understanding of corporate accounting practices.

Unit I introduces students to the concept of a Joint Stock Company and the Issue of Share Capital. This unit sets the stage for understanding corporate structure and the nuances of raising capital through share issuance.

Unit II delves into the Issue and Redemption of Preference Shares and Debentures, providing students with insights into various methods of raising long-term finance, the rights and obligations associated with different classes of shares, and the significance of debentures in corporate finance.

Unit III covers the preparation of Final Accounts for companies, guiding students through the key elements of preparing Financial Statements that reflect the performance and position of a corporate entity, adhering to regulatory requirements.

Unit IV explores the Valuation of Goodwill and Shares, focusing on the methods used to value intangible assets. This unit is crucial for understanding how a company's Intangible Assets and equity are valued, which has far-reaching implications for mergers, acquisitions, and investor decision-making.

Unit V introduces Indian Accounting Standards (*Ind AS*) and Accounting Standards (*AS*), fostering an understanding of the regulatory framework that guides corporate accounting in India. This unit ensures that students are familiar with the standards that shape financial reporting and disclosure practices.

This textbook is structured to blend theoretical knowledge with practical application, making it a valuable resource for both classroom study and self-guided learning. We hope that students will find this book informative, insightful, and instrumental in their journey to mastering corporate accounting.

Editorial Team
Sultan Chand & Sons

S

Snapshot of the Book

| <i>Ch. No.</i> | <i>Chapter Name</i> | <i>Illustrations</i> | <i>No. of Pages</i> |
|--------------------|--|----------------------|-------------------------|
| | Unit I: Issue of Shares | | |
| 1. | An Introduction to Joint Stock Company | 1 | 32 |
| 2. | Share Capital | 44 | 98 |
| | Unit II: Issue & Redemption of Preference Shares & Debentures | | |
| 3. | Redeemable Preference Shares | 30 | 54 |
| 4. | Issue and Redemption of Debentures | 44 | 82 |
| | Unit III: Final Accounts | | |
| 5. | Final Accounts of Companies | 32 | 146 |
| | Unit IV: Valuation of Goodwill & Shares | | |
| 6. | Valuation of Intangible Assets, Goodwill and Shares | 48 | 72 |
| | Unit V: Indian Accounting Standards | | |
| 7. | Accounting Standard (AS) and Indian Accounting Standards (<i>Ind AS</i>) | | 28 |
| | | 199 | 512 |

Contents

Unit I: Issue of Shares

| | |
|---|-------------|
| 1. An Introduction to Joint Stock Company | 1–31 |
| Learning Objectives | 1 |
| Meaning of Company | 2 |
| ▪ What is a Company? | 2 |
| ▪ Characteristics of a Company | 2 |
| ▪ The Distinction between Partnership and Limited Liability Company | 3 |
| ▪ Types of Joint Stock Companies | 4 |
| ▪ Other Types of Companies | 6 |
| ▪ Distinction between Private and Public Limited Company | 7 |
| Formation Process for a Company | 8 |
| ▪ Commencement of Business | 9 |
| ▪ Shares and Share Capital | 9 |
| ▫ Meaning of a Share | 9 |
| ▫ Nature of a Share | 10 |
| ▫ Share <i>vs</i> Stock | 10 |
| ▫ Difference between Share and Stock | 10 |
| ▫ Types of Shares | 11 |
| ▫ Types of Share Capital | 12 |
| ▫ Distinction between Authorised Capital and Issued Capital | 15 |
| ▫ Distinction between an Equity Share and a Preference Share | 15 |
| Books of Account Maintained by Company [Section 128] | 16 |
| Financial Statement [Section 129] | 17 |
| Prospectus | 19 |
| ▪ Red Herring Prospectus [Section 32] | 19 |
| ▪ Shelf Prospectus [Section 31] | 19 |
| ▪ Deemed Prospectus [Section 25] | 20 |
| ▪ Abridged Prospectus [Section 33] | 20 |
| ▪ Allotment of Shares | 20 |
| ▪ Underwriting and Brokerage | 20 |
| Initial Public Offer (IPO) | 21 |

| | |
|---|---------------|
| Schedule III of the Companies Act, 2013 | 21 |
| General Instructions for Preparation of Balance Sheet | 22 |
| 2. Share Capital / Issue of Shares | 33–130 |
| Learning Objectives | 33 |
| Introduction | 34 |
| ▪ Definition of Shares | 34 |
| ▪ Kinds of Shares | 34 |
| ▫ Equity Share | 34 |
| ▫ Preference Share | 34 |
| ▪ Sweat Equity Shares | 35 |
| Kinds of Share Capital | 36 |
| ▪ Authorized Capital | 36 |
| ▪ Issued Capital | 36 |
| ▪ Subscribed Capital | 36 |
| ▪ Called-up Capital | 36 |
| ▪ Paid-up Capital | 37 |
| ▪ Uncalled Capital | 37 |
| Raising of Capital by Companies | 37 |
| ▪ Private Placement | 38 |
| ▪ Public Issue | 38 |
| ▪ Rights Issues | 38 |
| ▪ Issue of Shares to the Public for Cash | 38 |
| ▫ Prospectus | 38 |
| ▫ Minimum Subscription | 39 |
| ▫ Application of Shares | 39 |
| ▫ Allotment of Shares as per Section 39(4) | 39 |
| ▫ Under-Subscription | 41 |
| ▫ Over-Subscription | 42 |
| ▫ Calls of Shares | 42 |
| ▫ Journal Entries | 42 |
| ▫ Issue of Shares at Par and Payment in Instalments | 45 |
| ▫ Calls-in-Advance and Calls-in-Arrears | 46 |
| ▪ Issue of Share Other than Cash | 50 |
| ▫ Issue of Shares to Vendors | 50 |
| Issue of Shares at Premium | 52 |
| ▪ Security Premium | 52 |
| Issue of Shares at Discount | 54 |
| Issue of Sweat Equity Shares | 56 |
| Forfeiture of Shares | 57 |
| ▪ Accounting Treatment | 58 |
| ▫ Case 1. Forfeiture of Shares, Issued at Par | 58 |
| ▫ Case 2. Forfeiture of Shares, Issued at Premium | 58 |
| ▪ Surrender of Shares | 59 |
| ▪ Re-Issue of Forfeited Shares | 59 |
| ▪ Forfeiture of Shares in Case of <i>Pro-rata</i> Allotment | 68 |

| | |
|---|-----|
| Rights Issue (Section 62) | 84 |
| ▪ Advantages of Rights Issue | 85 |
| ▪ Distinction between Rights Issue and Public Issue | 86 |
| ▪ SEBI Regulations for Rights Issue | 88 |
| Buy-Back of Shares (Section 68) | 90 |
| ▪ Conditions of Buy-back of Shares | 91 |
| ▪ Prohibition for Buy-Back in Certain Circumstances | 92 |
| ▪ Accounting Treatment | 92 |
| ▪ Accounting Entries | 93 |
| Issue of Bonus Shares (Section 63) | 94 |
| ▪ SEBI Regulations 2009 for Bonus Issue | 95 |
| ▪ Advantages of Bonus Shares | 96 |
| ▪ Disadvantages of Bonus Shares | 96 |
| ▪ Distinction between Bonus Issue and Rights Issue | 96 |
| ▪ Accounting Treatment for Issue of Fully Paid Bonus Shares | 97 |
| Book Building | 104 |
| ▪ Concepts of Book Building | 104 |
| ▪ SEBI Guidelines for Book Building | 104 |
| ▫ Additional Disclosures | 108 |
| ▪ Procedure for the Book Building Process | 109 |
| ▪ Advantages of Book Building Process | 109 |
| ▪ Disadvantages of Book Building Process | 109 |
| Underwriting of Shares/Debentures [Section 40(6)] | 110 |
| ▪ Underwriting Commission | 110 |
| ▪ Underwriting Agreement | 111 |
| ▪ Underwriter and Broker Distinguished | 111 |
| ▪ Marked and Unmarked Applications | 112 |
| ▪ Accounting Treatment Under Pure Underwriting | 112 |
| ▪ Determination of the Liability of Underwriters | 112 |
| ▫ When the Entries Issue is Underwritten | 112 |
| ▫ When the Issue is Partially Underwritten | 115 |
| ▫ Firm Underwriting | 116 |
| Employee Stock Options (ESOP) | 123 |
| ▪ Need for ESOPs | 123 |
| ▪ Meaning of ESOPs | 123 |
| ▪ Financing of the Purchase | 126 |
| ▪ SEBI Guidelines | 126 |
| ▫ Eligibility to Participate in ESOPs | 126 |
| ▪ Accounting Policies | 127 |
| ▫ Accounting Policies for ESOS (Clause 13.1) | 127 |
| ▪ Certificate from Auditors | 129 |
| Employee Stock Purchase Scheme (ESPS) | 129 |
| ▪ Eligibility | 129 |
| ▪ Conditions for Issuing ESPS | 129 |
| ▪ Accounting Policies for ESPS (Clause 19.2) | 129 |

Unit II: Issue & Redemption of Preference Shares & Debentures

| | |
|---|----------------|
| 3. Redeemable Preference Shares | 131–184 |
| Learning Objectives | 131 |
| Introduction | 132 |
| Conditions for Issue and Redemption of Redeemable Preference Shares | 132 |
| ▪ Legal Provisions | 133 |
| Proceeds of Fresh Issue | 133 |
| The Purpose of Fully Paid-up Shares | 134 |
| Accounting Entries Necessary for Redemptions | 135 |
| □ Issue of Shares | 135 |
| □ Redemption of Shares | 135 |
| □ Transfer Premium on Redemption Account | 135 |
| □ Transfer to Capital Redemption Reserve Account | 136 |
| □ Declaration of Bonus Shares | 136 |
| □ Arranging for Cash Balance | 136 |
| □ Conversion of Shares | 136 |
| Use of Equation for Determining the Amount | 139 |
| ▪ When to Use the Equation? | 140 |
| Partly Called-up Preference Shares | 168 |
| ▪ Proceeds from Partly Called-up Shares | 168 |
| ▪ Calls-in-Arrears and Redemption of Preference Shares | 170 |
| ▪ Calls-in-Arrear, Forfeiture of Shares and Redemption of Shares | 175 |
| Redemption of Preference Shares by Conversion | 177 |
| ▪ Journal Entries | 177 |
| 4. Issue and Redemption of Debentures | 185–266 |
| Learning Objectives | 185 |
| Nature of Debentures | 186 |
| ▪ Differences between Shares and Debentures | 186 |
| ▪ Similarities between Shares and Debentures | 186 |
| ▪ Purposes of Issuing Debentures | 187 |
| Types of Debentures | 187 |
| ▪ Security Point of View | 187 |
| ▪ Permanence Point of View | 187 |
| ▪ Priority Point of View | 187 |
| ▪ Convertibility Point of View | 187 |
| ▪ Records Point of View | 188 |
| Issue of Debentures | 188 |
| ▪ Important Provisions in the Section 71 | 188 |
| ▪ Accounting Aspects of Issue | 189 |
| ▪ Issue for Consideration other than Cash | 191 |
| ▪ Debentures Issued as Collateral Security | 193 |
| ▪ Debenture Discount | 195 |
| ▪ Interest on Debentures | 196 |
| □ Interest Accrued and Due (Outstanding Interest) | 196 |

| | |
|---|-----|
| ▫ Interest Accrued but not Due (Accrued Interest) | 197 |
| ▫ Debenture Interest in Trial Balance | 198 |
| Provision for Redemption of Debentures | 198 |
| ▪ SEBI on Creation of Debenture Redemption Reserve (DRR) | 199 |
| ▪ Restrictions on Dividends | 199 |
| ▫ Sinking Fund Method | 200 |
| ▫ Non-Cumulative Sinking Fund | 205 |
| ▫ Insurance Policy Method | 206 |
| Redemption of Debentures—Different Methods | 208 |
| Methods of Redemption of Debentures | 208 |
| ▫ Redemption of Total Debentures on a Specified Date | 208 |
| ▫ Redemption in Instalments | 209 |
| ▫ Purchase of Own Debentures in Open Market | 209 |
| ▪ Conversion | 212 |
| ▪ Rollover | 212 |
| Sources of Redemption | 213 |
| ▪ Redemption from Out of Capital | 213 |
| ▪ Redemption from Out of Profits | 214 |
| ▪ Difference between Capital Redemption Reserve Account and Debenture Redemption Reserve Account | 215 |
| ▪ Journal Entry | 216 |
| ▪ Conversion or Rollover | 217 |
| ▪ Redemption with the Help of Sinking Fund | 219 |
| The Time of Redemption of Debentures | 224 |
| ▪ Redemption by Annual Drawings | 224 |
| ▫ Purchase and Cancellation of Own Debentures | 226 |
| ▫ Purchase of Debentures from the Market | 226 |
| ▪ Purchase of Debentures from the Open Market | 226 |
| ▫ Ex-interest and Cum-interest Quotations | 234 |
| ▫ Interest on Own Debentures | 234 |
| ▪ Redemption Only on Maturity | 243 |
| Redemption at Discount | 243 |
| Redemption by Debenture Trustees | 246 |

Unit III: Final Accounts

| | |
|---|----------------|
| 5. Final Accounts of Companies | 267–412 |
| Learning Objectives | 267 |
| Preparation of Financial Statement | 268 |
| ▪ Books of Account..... | 268 |
| ▪ Financial Year | 268 |
| ▪ Legal Framework of Financial Statement as per Section 129 of Chapter IX Account of Companies | 269 |
| ▪ Schedule III of the Companies Act, 2013 | 270 |
| ▪ General Instructions for Preparation of Financial Statements | 270 |
| Balance Sheet | 271 |

| | |
|--|-----|
| ▪ General Instructions for Preparation of Balance Sheet | 272 |
| ▫ Share Capital | 273 |
| ▫ Reserves and Surplus | 274 |
| ▫ Long-term Borrowings | 274 |
| ▫ Other Long-term Liabilities | 275 |
| ▫ Long-term Provisions | 275 |
| ▫ Short-term Borrowings | 275 |
| ▫ Other Current Liabilities | 275 |
| ▫ Short-term Provisions | 276 |
| ▫ Tangible Assets | 276 |
| ▫ Intangible Assets | 276 |
| ▫ Non-current Investments | 277 |
| ▫ Long-term Loans and Advances | 278 |
| ▫ Other Non-current Assets | 278 |
| ▫ Current Investments | 278 |
| ▫ Inventories | 279 |
| ▫ Trade Receivables | 279 |
| ▫ Cash and Cash Equivalents | 279 |
| ▫ Short-term Loans and Advances | 280 |
| ▫ Other Current Assets (Specify Nature) | 280 |
| ▫ Contingent Liabilities and Commitments (To the Extent not Provided For) | 280 |
| ▪ Presentation of Balance Sheet Items | 281 |
| Statement of Profit and Loss | 284 |
| ▪ General Instructions for Preparation of Statement of Profit and Loss | 285 |
| ▫ Finance Costs | 286 |
| ▫ Other Income | 286 |
| ▫ Additional Information | 286 |
| ▪ Treatment of Some Selected Items Appearing in the Trial Balance | 288 |
| ▪ Treatment of Items of Adjustment Appearing Outside the Trial Balance | 289 |
| Applicability of <i>Ind AS</i> | 291 |
| ▪ Net Worth Calculation | 292 |
| ▪ Revised Format of Financial Statements (MCA under <i>Ind. AS</i>) | 292 |
| ▪ Definitions | 295 |
| ▫ Current Assets | 295 |
| ▫ Non-Current Assets | 295 |
| ▫ Operating Cycle | 295 |
| ▫ Current Liability | 295 |
| ▫ Non-Current Liability | 295 |
| ▫ Trade Receivable | 295 |
| ▫ Trade Payable | 296 |
| ▪ Contents and Disclosures of Balance Sheet | 296 |

| | |
|--|-----|
| □ Equity and Liabilities | 296 |
| □ Assets | 298 |
| ■ Treatment of Proposed or Declared Dividend | 300 |
| Related Party Disclosure (as per AS-18) | 312 |
| ■ Control Aspect | 312 |
| ■ Associate/Joint Venture | 312 |
| ■ Key Management Personnel | 313 |
| ■ Significant Influence | 313 |
| ■ Timing of Relationship | 313 |
| Company Financial Statements | 314 |
| ■ Objectives of Financial Statements | 315 |
| ■ Financial Statements—Requirements and Contents | 315 |
| □ Need for Regulation | 315 |
| □ Legal Framework | 315 |
| ■ Preparation of Financial Statements—Statutory and Accounting Standard Requirements | 318 |
| ■ Accrual Basis | 318 |
| ■ Guidance by ICAI for Preparation of General Instructions for Preparation of Financial Statements | 319 |
| □ General Instructions for Preparation of Balance Sheet | 319 |
| □ General Instructions for Preparation of Statement of Profit and Loss | 322 |
| Accounting Treatment of Items Relating to Balance Sheet and Profit and Loss A/c as per Schedule III | 335 |
| ■ Accounting for Taxes on Income | 335 |
| □ Deferred Taxes | 336 |
| □ Provision for Taxes | 337 |
| □ Advance Taxes | 337 |
| □ Tax Deducted at Source | 338 |
| □ End of the Financial Year Adjustment for Provision of Tax, TDS and Tax Paid | 338 |
| ■ Calls-in-Arrears | 341 |
| ■ Interest on Debentures | 342 |
| ■ Interest on Investments | 342 |
| ■ Disposal of Profit and Reserves and Surplus | 342 |
| □ Declaration of Dividend out of Reserves (As per Rule 3 of Companies Rules) | 342 |
| ■ Payment of Dividend | 343 |
| □ Legal Provisions Relating to Dividend | 343 |
| □ Other Provisions Relating to Payment of Dividend | 344 |
| □ Provision of Table F of Schedule I of the Companies Act, 2013 | 346 |
| □ Types of Dividend | 347 |
| □ Dividend on Preference Shares | 349 |
| □ Unpaid Dividend Account | 349 |

| | |
|---|-----|
| ▪ Payment of Interest Out of Capital | 350 |
| Managerial Remuneration | 351 |
| ▪ Calculation of Profit for the Purpose of Managerial Remuneration | 353 |
| ▪ Remuneration Payable by Companies having No Profit or Inadequate Profit [Schedule V Part II] | 355 |
| ▪ Perquisites not Included in Managerial Remuneration [Schedule V, Part IV] | 357 |
| ▪ Meaning of the “Effective Capital” | 358 |
| ▪ Company to Fix Limit with Regard to Remuneration | 358 |
| ▪ Remuneration Committee | 358 |
| ▪ Methods of Calculating Net Profit for the Purposes of Calculating the Managerial Remuneration | 360 |
| □ Gross Profit Approach | 360 |
| □ Net Profit Approach | 361 |
| Bonus Shares | 364 |
| ▪ Advantages of the Issue of Bonus Shares | 365 |
| □ From the Viewpoint of the Company | 365 |
| □ From the Viewpoint of Shareholders | 365 |
| ▪ SEBI Guidelines for Bonus Shares | 365 |
| ▪ Changes in the Guidelines | 366 |
| ▪ Provisions of the Companies Act regarding Issue of Bonus Shares | 366 |
| ▪ Accounting Treatment | 367 |
| □ Capitalisation by Making Partly Paid-up Shares Fully Paid-up | 367 |
| □ Capitalisation by Issuing Fully Paid-up Bonus Shares | 367 |

Unit IV: Valuation of Goodwill & Shares

| | |
|---|----------------|
| 6. Valuation of Intangible Assets, Goodwill and Shares | 413–483 |
| Learning Objectives | 413 |
| Intangible Assets | 414 |
| ▪ Cost of Intangible Assets | 414 |
| ▪ Internally Generated Intangible Asset | 414 |
| □ Items Included in the Cost of Internally Generated Assets | 415 |
| ▪ Amortization | 415 |
| ▪ Computer Software and Website Cost | 415 |
| Goodwill | 419 |
| ▪ What is Goodwill? | 419 |
| ▪ Features of Goodwill | 420 |
| Types of Goodwill | 421 |
| ▪ Inherent Goodwill | 421 |
| ▪ Purchased Goodwill | 421 |
| Factors Affecting Value of Goodwill | 422 |
| ▪ Personal and Impersonal Factors | 422 |
| Need for Valuation | 422 |
| ▪ In the Case of Limited Companies | 423 |
| Methods for Valuing Goodwill | 423 |

| | |
|--|-----|
| ▪ Average Profits Method | 423 |
| ▫ Why Average Profits? | 423 |
| ▫ How to Calculate Average Profits? | 423 |
| ▫ Why Multiply by Number of Years? | 424 |
| ▪ Super Profits Method | 425 |
| ▫ Normal Rate of Earnings | 425 |
| ▫ Fair Value of Capital Employed | 425 |
| ▫ Normal Profit | 429 |
| ▫ Average Profit | 429 |
| ▫ Super Profit | 430 |
| ◦ Purchase of Super Profit Method | 430 |
| ◦ Sliding-Scale Valuation of Super Profit | 431 |
| ◦ Capitalization of Super Profit | 432 |
| ▪ Annuity Method of Super Profit | 432 |
| ▪ Capitalisation Method | 433 |
| Valuation of Shares | 440 |
| ▪ Circumstances Warranting Valuation | 440 |
| ▪ Quoted Shares | 441 |
| Need for Valuation | 441 |
| Methods of Valuation | 442 |
| ▪ Net Assets Method | 442 |
| ▫ Factors to be Considered in Valuing the Assets | 443 |
| ▫ Valuation of Liabilities | 443 |
| ▫ Different Classes of Equity Shares | 444 |
| ▪ Yield Basis | 445 |
| ▫ Dividend Basis of Yield Value | 446 |
| ▫ Earnings per Share Basis | 447 |
| ◦ Computation of Maintainable Future Profits | 448 |
| Computing Past Average Profit | 448 |
| Projection of Future Profits | 449 |
| Adjustment of Preferred Rights | 449 |
| Normal Rate of Return | 449 |
| ◦ Relationship between Normal Rate of Return and Price-Earnings Ratio | 450 |
| ◦ Evaluation of Yield Method | 452 |
| ▪ Fair Value or Dual Method of Share | 452 |
| ▫ Miscellaneous Cases | 455 |
| ▪ Market Premium Method | 478 |
| ▪ Price-Earnings Ratio (<i>PE</i> Ratio) | 478 |

Unit V: Indian Accounting Standards

| | |
|---|----------------|
| 7. Accounting Standards (AS) and Indian Accounting Standards (<i>Ind AS</i>) | 485–511 |
| Learning Objectives | 485 |
| Introduction | 486 |

| | |
|---|-----|
| Concept of Accounting Standards | 486 |
| ▪ Who Issues these Standards? (Procedure for Issuing Accounting Standards) | 486 |
| ▪ Compliance of Accounting Standards (As per Companies Act, 2013) | 487 |
| ▪ Objectives of Accounting Standards — Salient Features of First Time Adoption of AS | 487 |
| ▪ Benefits / Advantages of Accounting Standards | 488 |
| ▪ Limitations of Accounting Standards | 488 |
| Accounting Policies and their Disclosures | 489 |
| ▪ Consideration in Selection of Accounting Policy | 489 |
| ▫ Prudence | 489 |
| ▫ Substance Over Form | 489 |
| ▫ Materiality | 489 |
| Disclosure of Accounting Policies | 489 |
| ▪ Change in Accounting Policies | 490 |
| ▪ Disclosure of Change | 491 |
| ▪ Accounting Standards Issued by the Institute of Chartered Accountants of India | 491 |
| ▪ Applicability of AS | 492 |
| ▫ Applicability for Level II & III | 492 |
| ▫ Meaning of SMC | 492 |
| Indian Accounting Standards (<i>Ind AS</i>) | 493 |
| What is International Financial Reporting Standards (<i>IFRS</i>)? | 494 |
| ▪ Need and Procedure of Convergence with <i>IFRS</i> | 494 |
| ▪ Benefits of Convergence of <i>IFRS</i> | 494 |
| ▪ Voluntary Phase | 495 |
| ▪ Mandatory Phase | 495 |
| ▪ Non-Banking Financial Companies (<i>NBFCs</i>) | 495 |
| ▪ Difference between AS and IAS (<i>IFRS</i>) | 496 |
| First Time Adoption of <i>Ind AS</i> | 498 |
| ▪ Indian Accounting Standard (<i>Ind AS</i> 101) | 498 |
| ▪ Categorization of Standards | 498 |
| ▫ Income and Expenses | 498 |
| ▫ Group Accounts | 499 |
| ▫ Financial Instruments and Foreign Exchange | 499 |
| ▫ Presentation and Disclosures | 499 |
| ▫ Industry Specific | 499 |
| Synopses of <i>Ind AS</i> | 499 |
| ▪ <i>IND AS</i> 1 — Presentation of Financial Statement | 499 |
| ▪ <i>IND AS</i> 2 — Inventories | 500 |
| ▪ <i>IND AS</i> 7 — Statement of Cash Flows | 500 |
| ▪ <i>IND AS</i> 8 — Policy Changes in Accounting Estimates and Errors | 501 |
| ▪ <i>IND AS</i> 10 — Events After the Reporting Period | 502 |

| | |
|--|-----|
| ▪ IND AS 12 — Income Taxes | 502 |
| ▪ IND AS 16 — Property, Plant and Equipment (<i>PPE</i>) | 502 |
| ▪ IND AS 17 — Leases | 503 |
| ▪ IND AS 19 — Employees Benefits | 503 |
| ▪ IND AS 20 — Accounting for Government Grants and Disclosure of Govt. Assistance | 503 |
| ▪ IND AS 21 — The Effects of Changes in Foreign Exchange Rates | 503 |
| ▪ IND AS 23 — Borrowing Costs | 504 |
| ▪ IND AS 24 — Related Party Disclosures | 504 |
| ▪ IND AS 27 — Separate Financial Statements | 504 |
| ▪ IND AS 28 — Investment in Associates and Joint Ventures | 504 |
| ▪ IND AS 29 — Financial Reporting in Hyperinflationary Economics | 505 |
| ▪ IND AS 32 — Financial Instruments: Presentation | 505 |
| ▪ IND AS 33 — Earning per Share | 505 |
| ▪ IND AS 34 — Interim Financial Reporting | 505 |
| ▪ IND AS 36 — Impairment of Assets | 506 |
| ▪ IND AS 37 — Provisions, Contingent Liabilities and Contingent Assets | 506 |
| ▪ IND AS 38 — Intangible Assets | 506 |
| ▪ IND AS 40 — Investment Property | 506 |
| ▪ IND AS 41 — Agriculture | 507 |
| ▪ IND AS 101 — First Time Adoption of Indian Accounting Standard | 507 |
| ▪ IND AS 102 — Share Based Payments | 507 |
| ▪ IND AS 103 — Business Combinations | 507 |
| ▪ IND AS 104 — Insurance Contracts | 508 |
| ▪ IND AS 105 — Non-current Assets Held for Sale and Discontinued Operations | 508 |
| ▪ IND AS 106 — Explanation for and Evaluation of Mineral Resources | 508 |
| ▪ IND AS 107 — Financial Instruments: Disclosures | 508 |
| ▪ IND AS 108 — Operating Segment | 509 |
| ▪ IND AS 109 — Financial Instrument | 509 |
| ▪ IND AS 110 — Consolidated Financial Statements | 509 |
| ▪ IND AS 111 — Joint Arrangement | 510 |
| ▪ IND AS 112 — Disclosure of Interest in Other Entities | 510 |
| ▪ IND AS 113 — Fair Value Measurement | 510 |
| ▪ IND AS 114 — Regulatory Deferral Accounts | 511 |
| ▪ IND AS 115 — Revenue from Contracts with Customers | 511 |
| ▪ IND AS 116 — Leases | 511 |

S

Syllabus

Tamilnadu State Council for Higher Education (TANSCH E)
B.Com., General and B.Com., Accounting & Finance
Corporate Accounting – I

Unit-I – Issue of Shares: Issue of Shares – Premium – Discount – Forfeiture – Reissue – Pro-rata Allotment – Issue of Rights and Bonus Shares – Underwriting of Shares and Debentures – Underwriting Commission – Types of Underwriting.

Unit-II – Issue & Redemption of Preference Shares & Debentures: Redemption of Preference Shares – Provisions of Companies Act – Capital Redemption Reserve – Minimum Fresh Issue – Redemption at Par, Premium and Discount.

Debentures: Issue and Redemption – Meaning – Methods – In-One Lot – In Instalment – Purchase in the Open Market includes Ex-interest and Cum-interest – Sinking Fund Investment Method.

Unit-III – Final Accounts: Introduction – Final Accounts – Form and Contents of Financial Statements as per Schedule III of Companies Act, 2013 – *Part I:* Form of Balance Sheet – *Part II:* Form of Statement of Profit and Loss – Ascertaining Profit for Managerial Remuneration.

Unit-IV – Valuation of Goodwill & Shares: Valuation of Goodwill – Meaning – Need for Valuation of Goodwill – Methods of Valuing Goodwill – Average Profit – Super Profit – Annuity and Capitalisation Method.

Valuation of Shares – Need for Valuation of Shares – Methods of Valuation of Shares – Net Assets Method – Yield and Fair Value Methods.

Unit-V – Indian Accounting Standards: International Financial Reporting Standard (IFRS) – Meaning and its Applicability in India – Indian Accounting Standards – Meaning – Objectives – Significance – Procedures for Formulation of Standards – *Ind AS – 1* (Presentation of Financial Statement), *Ind AS – 2* (Valuation of Inventories), *Ind AS – 7* (Cash Flow Statement), *Ind AS – 8* (Accounting Policies, Changes in Accounting Estimate and Errors), *Ind AS – 16* (Property, Plant & Equipment), *Ind AS 38* – (Intangible Assets), *Ind AS – 103* (Business Combinations), *Ind AS 110*, (Consolidated Financial Statement, – Theory only).

SULTAN CHAND & SONS USEFUL BOOKS FOR

B.Com & BBM / BBA / BBS of All Indian Universities & Diploma Courses

MANAGEMENT

| | |
|---|---|
| Paramjeet Kaur K.G. R.S. Babu, B. Anbazhagan, S. Meenakumari P. Sudha S.S. Khanka V. Balachandran L.M. Prasad L.M. Prasad L.M. Prasad L.M. Prasad Y.K. Bhushan | <i>Financial Markets and Institutions</i> <i>Digital Marketing</i> |
| C.B. Gupta C.B. Gupta C.B. Gupta C.B. Gupta & Rajan Nair C.B. Gupta C.B. Gupta S.S. Khanka Madhurima Lall & Sultan Ahmad Madhurima Lall & Sultan Ahmad Pardeep Kumar Pardeep Kumar Rajan N. Nair P.C. Tripathi S.N. Maheshwari R.P. Rustagi R.P. Rustagi Dinkar Pagare C. Jeevanandam C. Jeevanandam | <i>Financial Markets and Services</i> <i>Human Resource Management</i> <i>Securities Market & Regulations</i> <i>Principles and Practice of Management</i> <i>Organizational Behaviour</i> <i>Human Resource Management</i> <i>Strategic Management</i> <i>Fundamentals of Business</i> <i>Organisation & Management</i> <i>Business Organisation & Management</i> <i>Business Management</i> <i>Management : Theory & Practice</i> <i>Marketing Management</i> |
| | <i>Human Resource Management</i> <i>Entrepreneurial Development</i> <i>Creativity and Innovation in Entrepren.</i> <i>Export Import: Procedure and Documentation</i> <i>Fundamentals of Entrepreneurship and Project Planning</i> <i>Management Principles and App. (NEP)</i> <i>Principles of Marketing (NEP)</i> <i>Marketing</i> <i>Personnel Management and Ind. Relations</i> <i>Elements of Financial Management</i> <i>Basic Financial Management</i> <i>Investment Analysis and Portfolio Managt.</i> <i>Principles of Management</i> <i>Foreign Exchange: Practice, Con. & Control</i> <i>Foreign Exchange and Risk Management</i> |

LAW

| | |
|--|--|
| Kush Kalra K. Kush & B. Tanwar Anita Raman & A. Lydia A. Mary N.D. Kapoor N.D. Kapoor N.D. Kapoor N.D. Kapoor N.D. Kapoor P.C. Tripathi, Gupta and Kapoor P.N. Varshney K.P.M. Sundharam & P.N. Varshney Preeti Rani Mittal & Anshika Bansal Preeti Rani Mittal & Anshika Bansal V. Balachandran Vineet Gupta & N.K. Gupta | <i>Alternate Dispute Resolution (ADR)</i> <i>Constitutional Law of India</i> <i>A Textbook of Income Tax: Law and Practice (AY 2024-25)</i> <i>Elements of Mercantile Law</i> <i>Elements of Company Law</i> <i>Elements of Industrial Law</i> <i>Company Law & Secretarial Practice</i> <i>Business Law (NEP)</i> <i>Industrial Relations and Labour Laws</i> <i>Banking Law and Practice</i> <i>Banking Theory, Law & Practice</i> |
| | <i>Income Tax: Law & Practice (Assessment Year 2024-25)</i> <i>Fundamentals of Income Tax</i> <i>Problems & Solutions</i> <i>Textbook of GST & Customs Law</i> <i>Goods and Services Tax with Customs Law</i> |

ENGLISH

| | |
|---|---|
| Rajendra Pal & Prem Lata Suri Rajendra Pal & J.S. Korlahalli | <i>English Grammar & Composition</i> <i>Essentials of Business Communication</i> |
|---|---|

MATHEMATICS/STATISTICS

| | |
|---|---|
| S.P. Gupta S.P. Gupta S.P. Gupta & M.P. Gupta Kanti Swaroop P.K. Gupta & Man Mohan V.K. Kapoor D.C. Sancheti & S.P. Gupta, Man Mohan & P.K. Gupta S.P. Gupta & P.K. Gupta S.C. Gupta & V.K. Kapoor S.C. Gupta & V.K. Kapoor S.C. Gupta & V.K. Kapoor | <i>Introductory Business Statistics</i> <i>Statistical Methods (All Courses)</i> |
| | <i>Business Statistics</i> <i>Operations Research</i> |
| | <i>Operations Research</i> <i>Business Mathematics (All India)</i> <i>Business Statistics & Operations Research</i> |
| | <i>Quantitative Techniques and Operations Research (NEP)</i> <i>Fundamentals of Mathematical Statistics</i> <i>Fundamentals of Applied Statistics</i> |
| | <i>Elementary Mathematical Statistics</i> |

ACCOUNTING

| | |
|---|--|
| M.P. Gupta & B.M. Agarwal M.P. Gupta & Ajay Gupta R.L. Gupta & V.K. Gupta R.L. Gupta & M. Radhaswamy M.P. Gupta & B.M. Agarwal M.P. Gupta B.M. Agarwal R.L. Gupta & M. Radhaswamy R.L. Gupta & V.K. Gupta S.P. Iyenger V.K. Saxena & C.D. Vashist S.N. Maheshwari S.N. Maheshwari S.N. Maheshwari | <i>Corporate Accounting (NEP)</i> <i>Cost Accounting</i> <i>Principles and Practice of Accounting</i> <i>Advanced Accountancy, Volume I & II</i> <i>Advanced Accountancy, Volume I & II</i> <i>Financial Accounting (NEP)</i> |
| | <i>Corporate Accounting</i> <i>Financial Accounting</i> |
| | <i>Cost Accounting</i> <i>Cost Accounting (Textbook)</i> |
| | <i>Fundamentals of Cost Accounting</i> <i>Problems & Sol. in Cost Accounting</i> <i>Principles of Management Accounting</i> <i>Principles & Practice of Auditing</i> <i>Auditing and Corporate Governance</i> |
| Dinkar Pagare Preeti Rani Mittal, Anshika Bansal & R.C. Bhatia | |

ECONOMICS

| | |
|---|--|
| Jhumur Sengupta P.L. Mehta R.L. Varshney & K.L. Maheshwari I.C. Dhingra I.C. Dhingra P.N. Varshney & D.K. Mittal K.P.M. Sundharam & E.N. Sundharam | <i>Introduction to Econometrics</i> <i>Managerial Economics</i> <i>Managerial Economics</i> |
| | <i>Indian Economy (All India)</i> <i>Concise Indian Economy (BBA)</i> <i>Indian Financial System</i> |
| | <i>Business Economics (NEP)</i> |



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

TC-1321

ISBN 978-81-979992-7-7

