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FINANCIAL ACCOUNTING

For BCom, CA, CS and ICWA (Foundation) Courses

FIFTH EDITION



S N MAHESHWARI | SUNEEL K MAHESHWARI | SHARAD K MAHESHWARI

Financial Accounting

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Dedicated to
Shri R.N. Jaju
Humanist, Laureate and Management Wizard





PREFACE TO THE FIFTH EDITION

We feel pleased and privileged to place before the esteemed readers the Fifth Revised and Enlarged Edition of our book “**Financial Accounting**”. The heartwarming response given by the readers to each new edition of the book is really a matter of great satisfaction to us.

The new edition, besides maintaining the *PLUS* features of the Fourth Edition, *viz.*, simplicity of style, exhaustive text with plenty of illustrative material, variety of questions and problems for self-study, has certain additional welcome features. These include the following:

- The book now meets all the more exhaustively the course-content requirements of the students preparing for the paper Financial Accounting of BCom & BCom (Hons) of Delhi University, BCom of other Indian universities and Foundation examinations of the Institute of Chartered Accountants of India, Institute of Company Secretaries of India, and Institute of Cost & Works Accountants of India.
- Since the publication of the Fourth edition, three important developments regarding the application and convergence of the Indian Accounting Standards (IASs) with the International Financial Reporting Standards (IFRS) have taken place. These include the following:
 - Issue of 32 Accounting Standards in all, by Institute of Chartered Accountants of India (ICAI) laying standards for recording, presenting and disclosure of accounting information.
 - Formulation of Road map for convergence of Indian Accounting Standards (IASs) with International Financial Reporting Standards (IFRSs).
 - Notification of 35 Indian Accounting Standards (Ind ASs) by the Ministry of Corporate Affairs, Govt. of India.

All these developments have been incorporated at appropriate places in the book.

- A new chapter ‘Basic Accounting Terms’ has been added to Section I of the book. This will help the students in familiarizing with the terminology used in accounting.
- Brief details of all 32 Accounting Standards issued by the ICAI have been incorporated in Section 1, Chapter 2, “Accounting Principles”, of the book.
- The examination-oriented approach of the book has been further sharpened and enhanced.
- The book does not presuppose the knowledge of accountancy to the readers and hence is bound to make learning of accountancy a painless exercise for the beginners.

We hope with all these additions, adaptations and modifications, the readers will find the revised edition of the book all the more helpful and rewarding.

Constructive and helpful suggestions for improvement in the book will be gratefully acknowledged.

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Authors



PREFACE TO THE FIRST EDITION

Accounting is a growing and developing subject, as such accounting concepts, procedures and techniques are also being constantly reviewed and revised. A clear exposition of these concepts, procedures and techniques is a must for every student planning a career in accounting or related field. The Universities and Professional Institutes which prepare young men and women for careers in business and industry have therefore a solemn duty to perform. Their courses must be constantly updated so that they meet the growing and dynamic needs of business and industry.

Keeping the above objective in view, the Institute of Chartered Accountants of India (*ICAI*), The Institute of Company Secretaries of India (*ICSI*) and the Delhi University (*DU*) have restructured their courses. While the two professional institutes, *viz.*, *ICAI* and *ICSI* have introduced One-year Foundation Course as a pre-professional course, the Delhi University has tried to give a new orientation to its BCom (Hons) course to make it more acceptable to business and industry. “Accounting” is one of the core papers at all the above courses. The present book “Financial Accounting” has been primarily written keeping in view the requirements of the students preparing for these courses.

The book has several distinctive features:

- Comprehensively meets the combined requirements of the students appearing at BCom (Hons) I Yr., CA Foundation and CS Foundation Examinations.
- Written in simple and straight style.
- Gives a lucid explanation of the basic concepts of accounting with plenty of illustrative material.
- The subject matter has been presented in a manner that even a student who has not studied Accountancy at ‘10 + 2 level’ can easily understand and have a grasp over the subject.
- Incorporates at the end of each chapter:
 - objective type questions with short answers to enable the students to test their understanding,
 - essay type questions for review, discussion and practice, and
 - practical problems with short answers for practice to develop a sense of confidence amongst the students.
- Provides Learning Objectives at the beginning of each chapter to tell the students what they will learn after studying the chapter.
- Defines Key Terms at the end of each chapter for recapitulation and better grasp over the subject.

I am confident that with all these *PLUS* features the readers will find the book extremely useful and rewarding for them. Their constructive and helpful suggestions for improvement in the book will be gratefully acknowledged.

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DR S N MAHESHWARI

SYLLABUS

DELHI UNIVERSITY
BCom Semester I
 Financial Accounting

Objective: To make the student familiar with generally accepted accounting principles of financial accounting and their applications in business organizations excluding corporate entities.

Course Content:

Sl No.	Topic	Coverage in the book	
		Section	Chapter(s)
1	Unit I: Basic Concepts and Conventions, Accounting Standards: Meaning, Significance, Generally Accepted Accounting Principles (GAAP)	I	1
2	Accounting Process: From recording of transactions to preparation of final accounts.	I	2 to 12
3	Final Accounts of Not-for-profit Organization: From receipts and payments account with additional information and vice-versa. Preparation of Balance Sheets (opening and closing) from Receipts and Payments Account and Income Expenditure Account and additional information.	I	16
4	Unit II: Consignments: Features, Accounting treatment in the books of the consignor and consignee.	II	1
5	Joint Ventures: Accounting procedures: Joint Bank Account, Records maintained by co-venturer of (a) all transactions (b) only his own transactions. (Memorandum joint venture account)	II	2
6	Unit III: Depreciation Accounting: Meaning of depreciation, causes, objects of providing depreciation, factors affecting depreciation, accounting treatment including provision for depreciation accounting. Methods of depreciation: Straight line method, Diminishing balance method, Change of method as per revised AS-6.	I	14
7	Accounting for Hire Purchase Transactions, Journal entries and Ledger accounts in the books of Hire Vendors and Hire Purchaser for large value items including default and repossession.	II	5
8	Unit IV: Inland Branches: Dependent branches only and Ascertainment of Profit by Debtors method and Stock and Debtors method.	II	6
9	Unit V: Dissolution of Partnership Firms: Legal position, Accounting for simple dissolution, Applications of rule in case of <i>Garner vs Murray</i> in case of insolvency of partner(s) (excluding piecemeal distribution and sale of a firm to a company).	III	4

Financial Accounting



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K. Maheshwari

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