Contents

Acknowledgements Teaching Plan	vi. ix xı
1. Introduction to Financial Accounting Accounting as an Information System 3 Financial, Cost and Management Accounting and their Interrelationships Finance Function and Accounting 9 Accounting as an Academic Discipline 10 Accounting as a Career and Profession 11 Place of Accounting Officers in the Organisation 13 Auditing and Internal Control 13 Ethical Issues in Accounting 15 Forms of Organisations and Their Effect on Accounting 17 Accounting and Corporate Governance 18 Summary 20 Multiple Choice Questions 21 Theory Questions 22	8
2. Accounting Concepts, Standards and IFRS Introduction 25 Accounting Concepts and Convention 25 Accounting Policies 29 Generally Accepted Accounting Principles (GAAP) 30 International Financial Reporting Standards (IFRS) 33 Indian Accounting Standards (Ind AS) 38 India's Road Map to Convergence with IFRS 41 Indian Government Accounting Standards (IGAS) 43 Summary 44	24

xvi Contents

Multiple Choice Questions 45 Theory Questions 48 Research Assignments 49 Interpreting Financial Reports 49 Business Case 50	
3. Presentation of Financial Statements: Balance Sheet Conceptual Basis of a Balance Sheet 55 Capital and Revenue Expenditure and Receipts 56 Classification of Items on a Balance Sheet 57 Format of Balance Sheet 62 Balance Sheet Equation 65 Preparing Balance Sheet 66 Summary 69 Multiple Choice Questions 69 Theory Questions 70 Practical Problems 71 Research Assignment 74 Interpreting Financial Reports 74 Business Cases 75	54
4. Preparation of Final Accounts: The Income Statements Introduction 78 Format of Profit and Loss Account 79 Profit and Loss Account of a Manufacturing Concern 81 Appropriation of Profit 83 Advantages of Profit and Loss Account 84 Summary 86 Multiple Choice Questions 87 Theory Questions 89 Practical Problems 89 Research Assignments 92 Interpreting Financial Reports 93 Business Case 98	76
5. Mechanics of Accounting Introduction 101 Classification of Accounts 101 Double Entry System 103 Overview of Accounting Cycle 104 Preparing Journals 105 Subsidiary Books 108 Ledger 115 Preparation of Trial Balance 120 Accounting Errors and Their Rectification 123 Bank Reconciliation Statement (BRS) 125	100

Computerised Accounting 128 Summary 131 Multiple Choice Questions 132 Theory Questions 134 Practical Problems 135 Research Assignments 143 Interpreting Financial Reports 144 Business Cases 145	
Introduction 149 Cost of Fixed Assets 150 Depreciation 153 Method of Computing Depreciation 155 Accounting Treatments for Transactions 161 Impairment of Assets 166 Summary 167 Multiple Choice Questions 168 Theory Questions 169 Practical Problems 170 Research Assignments 174 Interpreting Financial Reports 174 Business Cases 178	148
7. Inventory Valuation Introduction 192 Record Keeping for Inventory 193 Perpetual Inventory System 193 Inventory Valuation/Measurement 194 Methods of Valuation of Inventories 196 Analysis of Inventories 204 Summary 206 Multiple Choice Questions 206 Theory Questions 208 Practical Problems 208 Research Assignments 212 Interpreting Financial Reports 212 Business Cases 214	190
8. Corporate Accounts Introduction to Companies 217 Types of Companies 218 Shares and Share Capital 220 Issue of Shares 223 Share Issue: Payments in Instalment 226 Buyback of Shares 233	216

xviii Contents

Debentures and Bonds 234 Income Statement/Profit and Loss Account 235 Balance Sheet 239 Company Annual Report 253 Summary 254 Multiple Choice Questions 256 Theory Questions 258 Practical Problems 258 Research Assignments 264 Interpreting Financial Reports 264 Business Case 265	
9. Cash Flow Statement Introduction to Cash Flow Statement 271 Cash and Cash Equivalents 273 Cash Flow Activities 276 Operating Activities 276 Some Special Items 282 Free Cash Flow 284 Fund Flow Statement 285 Analysis of Cash Flow Statement 288 Preparation of Cash Flow Statement 289 Summary 296 Multiple Choice Questions 297 Theory Questions 299 Practical Problems 300 Research Assignments 306 Interpreting Financial Reports 307 Business Cases 309	270
10. Financial Statement Analysis Introduction 321 Techniques for Financial Statement Analysis 321 Horizontal Analysis: Comparative and Trend Statements 325 Vertical Analysis: Common Size 330 Liquidity Ratios: Current and Quick Ratio 332 Solvency Ratios: D/E, Interest Coverage 335 Profitability Ratios: GP, NP, EBIT, EBDITA, EPS 339 Return Ratios: ROI, ROE 341 Turnover Ratios 343 Analysis of Stock and Debtors 345 Working Capital Management 346 Stock Prices and Financial Data: P/E 348 Summary 350 Multiple Choice Questions 351	320

Theory Questions 355 Practical Problems 355 Research Assignments 363 Interpreting Financial Reports 363 Business Cases 367	
11. Investments Introduction 373 Financial Instrument, Assets and Liabilities 374 Joint Ventures 376 Subsidiaries and Associates 379 Consolidated Financial Statement 383 Business Combinations 385 Accounting for Investments 386 Summary 390 Multiple Choice Questions 391 Theory Questions 393 Research Assignments 393	372
Interpreting Financial Reports 393 Business Case 394	
12. Contemporary Issues in Accounting Introduction 405 Foreign Currency Accounting 406 Creative Accounting 409 Forensic Accounting 411 Environmental Accounting 413 Lean Accounting 416 Human Resource Accounting 419 Objectives of Human Resource Accounting 419 HRA in India 422 Inflation Accounting 423 Responsibility Accounting 427 Transfer Pricing 428 Segment Reporting 430 eXtensible Business Reporting Language (XBRL) 434 Summary 437 Multiple Choice Questions 439 Theory Questions 441 Research Assignment 442 Business Cases 442 Reading an Annual Report	404
Reading an Annual Report Glossary	448 451
Index	464