

CA FOUNDATION

Paper 01 - Principles and Practice of Accounting



Name:

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PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

(One paper – Three hours – 100 Marks)

Objective:

To develop an understanding of the basic concepts and principles of Accounting and acquire the ability to apply the same in preparing financial statements and simple problem solving.

Contents:

1. Theoretical Framework

- (i) Meaning and Scope of accounting
- (ii) Accounting Concepts, Principles and Conventions
- (iii) Accounting terminology - Glossary
- (iv) Capital and revenue expenditure, Capital and revenue receipts, Contingent assets and contingent liabilities
- (v) Accounting Policies
- (vi) Accounting as a Measurement Discipline - Valuation Principles, Accounting Estimates.
- (vii) Accounting Standards - Concepts and Objectives.
- (viii) Indian Accounting Standards - Concepts and Objectives.

2. Accounting Process

- (i) Books of Accounts
- (ii) Preparation of Trial Balance
- (iii) Rectification of Errors.

3. Bank Reconciliation Statement

Introduction, reasons, preparation of bank reconciliation statement.

4. Inventories

Cost of inventory, Net realizable value, Basis and technique of inventory valuation and record keeping.

5. Concept and Accounting of Depreciation

Concepts, Methods of computation and accounting treatment of depreciation, Change in depreciation methods.

6. Accounting for Special Transactions

(i) Bills of exchange and promissory notes

Meaning of Bills of Exchange and Promissory Notes and their Accounting Treatment; Accommodation bills.

(ii) Sale of goods on approval or return basis

Meaning of goods sent on approval or return basis and accounting treatment.

(iii) Consignments

Meaning and Features of consignment business, Difference between sale and consignment, Accounting treatments for consignment transactions and events in the books of consignor and consignee.

(iv) Average due Date

Meaning, Calculation of average due date in various situations.

(v) Account Current

Meaning of Account Current, Methods of preparing Account Current.

7. Final Accounts of Sole Proprietors

Elements of financial statements, Closing Adjustment Entries, Trading Account, Profit and Loss Account and Balance Sheet of Manufacturing and Non-manufacturing entities.

8. Partnership Accounts

- (i) Final Accounts of Partnership Firms
- (ii) Admission, Retirement and Death of a Partner including Treatment of Goodwill
- (iii) Introduction to LLPs and Distinction of LLPs from Partnership.

9. Financial Statements of Not-for-Profit Organizations

Significance of Receipt and Payment Account, Income and Expenditure Account and Balance Sheet, Difference between Profit and Loss Account and Income and Expenditure Account. Preparation of Receipt and Payment Account, Income and Expenditure Account and Balance Sheet.

10. Introduction to Company Accounts

- (i) Definition of shares and debentures
- (ii) Issue of shares and debentures, forfeiture of shares, re-issue of forfeited shares
- (iii) Statement of Profit and Loss and Balance Sheet as per Schedule III to the Companies Act, 2013.

Preparation and Presentation Strategies:

How to Score 80+ Marks in Principles and Practice of Accounting

1. Study Material – Complete ICAI Package and Additional material given
2. Cover Entire syllabus – No selective studies
3. Complete Assessment – Unit test and Mock exam
4. Revise thoroughly
5. Prepare your own notes in chart form
6. Time is constraint in this paper – Practice more problems to improve accuracy and speed