ISC

YEAR 2027

INDIAN SCHOOL CERTIFICATE EXAMINATION

ACCOUNTANCY

(858)

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ETHOS OF CISCE

- Trust and fair play.
- Minimum monitoring.
- Allowing schools to evolve their own niche.
- Catering to the needs of the children.
- Giving freedom to experiment with new ideas and practices.
- Diversity and plurality - the basic strength for evolution of ideas.
- Schools to motivate pupils towards the cultivation of:
  Excellence - The Indian and Global experience.
  Values - Spiritual and cultural - to be the bedrock of the educational experience.
- Schools to have an 'Indian Ethos', strong roots in the national psyche and be sensitive to national aspirations.

CLASS XII

*There will be **two** papers in the subject:*

***Paper I** - Theory: 3 hours ……80 marks* ***Paper II-** Project Work ……20 marks*

PAPER - I (THEORY) – 80 MARKS

There will be one paper of 3 hours duration of 80 marks divided into three Sections A, B and C.

*It will be **compulsory** for all candidates to attempt **Section A**. Candidates will have a choice of attempting questions **either** from **Section B** or **Section C**.*

S. No.	UNIT	TOTAL WEIGHTAGE
	SECTION A: 60 Marks	
1.	**Partnership Accounts**	
	A. Fundamentals of Partnership	11 Marks
	B. Goodwill	15 Marks
	C. Reconstitution of Partnership	
	I. Admission	
	II. Retirement and Death of a Partner	
	III. Dissolution of a Partnership Firm	8 Marks
2.	**Joint Stock Company Accounts**	
	A. Issue of Shares	11 Marks
	B. Issue of Debentures	8 Marks
	C. Redemption of Debentures	
	D. Final Accounts of Companies	7 Marks
	SECTION B (MANAGEMENT ACCOUNTING): 20 Marks	
3.	**Financial Statement Analysis**	4 Marks
4.	**Cash Flow Statement**	8 Marks
5.	**Ratio Analysis**	8 Marks
	OR **SECTION C (COMPUTERISED ACCOUNTING): 20 Marks**	
6.	Accounting Application of Electronic Spread Sheet	10 Marks
7.	Database Management System (DBMS)	10 Marks
TOTAL		**80 Marks**

SECTION A

1. Partnership Accounts

A. Fundamentals of Partnership

(i) Definition, meaning and features of a Partnership.

Self-explanatory.

(ii) Provisions of The Indian Partnership Act, 1932, with respect to books of accounts.

(i) *Meaning and importance.*

(ii) *Rules applicable in the absence of a partnership deed.*

(iii) Preparation of Profit and Loss Appropriation Account and Partners' Capital and Current Accounts.

(a) Profit and Loss Appropriation Account.

(b) Partners' capital accounts: fixed and fluctuating.

(c) Partners' Current Accounts when fixed capital method is followed

Interest on capital, interest on drawings, interest on current accounts (debit and credit) salary, commission to partners and managers, transfer to reserves, division of profit among partners,

(d) Guarantee of profits

(e) Past adjustments (Relating to interest on capital, interest on drawing, salary and profit-sharing ratio).

***NOTE*:**

- *Interest on loan given by the partner to the firm is to be taken as a charge against profits. This interest will be debited to the P/L account and credited to his loan account.*
- *Interest on loan taken by a partner from the firm should be credited to P/L account and debited to his capital/current account as the case may be.*
- *Rent due to a partner is a charge against profit and is to be credited to partners' current account in case of fixed capital system or to partners' capital account when capitals are fluctuating.*
- *Percentage of Partner's commission / General Reserve to be calculated only on the correct trading profit and not on the divisible profit.*
- *Rectification of errors (past adjustments) through a single journal entry/ adjusting and closing journal entries, preparation of partners' adjusted capital/current accounts.*
- *Admission of manager as a Partner is excluded from the topic of past adjustments/guarantee of profits.*

B. Goodwill

Concept of goodwill and mode of valuation.

(a) Meaning, nature and features of Goodwill.

(b) Factors affecting the value of goodwill.

(c) Mode of Valuation.

- *Average profit method – Meaning and practical application.*
  - *Simple average.*
  - *Weighted average method.*
- *Super profit method – Meaning and practical application.*
- *Capitalization method – Meaning and practical application.*
  - *Capitalization of average profit.*
  - *Capitalization of super profit.*

***NOTE*:** *Capital Employed/Net assets are Total assets (excluding purchased goodwill, non-trade investments and fictitious assets) less outside liabilities.*

Investments to be taken as non-trade investments unless specified as trade investments.

C. Reconstitution of Partnership

I. Admission

(i) Calculation of new profit-sharing ratio, sacrificing ratio and gaining ratio.

Self-Explanatory

(ii) Accounting treatment of goodwill on admission of a partner.

Based on Accounting Standard -26 issued by the Institute of Chartered Accountants of India in the context of Intangible Assets.

(a) Premium for goodwill paid privately.

(b) Premium for goodwill paid (in cash or kind) and retained in the business.

(c) Premium for goodwill paid and withdrawn by the old partners.

(d) When the incoming partner cannot bring premium for goodwill in cash, adjustments are to be done through his current account.

(e) Hidden goodwill.

(f) When goodwill appears in the old Balance Sheet.

(iii) Preparation of Revaluation Account.

Preparation of a Revaluation Account where changes in the values of assets and liabilities are reflected in the new Balance Sheet after reconstitution of a partnership firm.

(iv) Accounting treatment of accumulated profits and losses.

General Reserve / Reserve Fund, Workmen Compensation Reserve/ Fund, Investment Fluctuation Reserve/Fund, Contingency Reserve, Profit and Loss Account (Debit and Credit balance) and Advertisement Suspense Account/ Deferred Revenue Expenditure.

(v) Adjustment of Capitals.

(a) Adjustment of old partner's Capital Accounts on the basis of the new partner's capital.

(b) Calculation of new partner's capital on the basis of old partner's adjusted capital.

(vi) Change in Profit-Sharing Ratio.

Change in PSR takes place at the time of admission of a partnership firm.

Accounting treatment of accumulated profits and losses through one journal entry: (Adjustment of the incoming partner's share to be done through his current account-similar to the treatment of goodwill not brought in cash.)

Gaining Partners' Cap/Current A/c Dr.

To Sacrificing Partners Cap/Current (in case of profits).

Sacrificing Partners' Cap/Current A/c Dr.

To Gaining Partners Cap/Current (in case of losses)

General Reserve/ Reserve fund, Workmen Compensation Reserve/ Fund, Investment Fluctuation Reserve/ Fund, Contingency Reserve, Profit and Loss Account (Debit and Credit Balance) and Advertisement Suspense Account/ Deferred Revenue Expenditure.

NOTE:

- *Preparation of Balance Sheet during admission of a partner to be done in Horizontal format.*
- *Memorandum revaluation account, Joint Life Policy, Individual life policy are excluded from the syllabus.*
- *Admission of a partner during an accounting year is excluded from the syllabus.*

II. Retirement and death of a partner

(i) Calculation of new profit-sharing ratio, gaining ratio and sacrificing ratio.

Self-Explanatory.

(ii) Adjustment with regard to goodwill including hidden goodwill.

Self-Explanatory.

(iii) Adjustment with regard to undistributed profits and losses.

Self-Explanatory.

(iv) Adjustment with regard to share of profits of the retiring or deceased partner from the date of the last

Balance Sheet to the date of retirement or death (on the basis of time or turnover).

Through P & L Suspense A/c (in case of no change in PSR of remaining partners).

Through Gaining Partners capital/ current A/c (in case of change in PSR of remaining partners).

(v) Preparation of Revaluation Account on retirement or death of a partner.

Self-Explanatory.

(vi) Adjustment of capitals.

(a) Readjusting the adjusted capital of the continuing partners in the new profit-sharing ratio.

(b) Adjusting the capitals of the continuing partners on the basis of the total capital of the new firm.

(c) When the continuing partners bring in cash to pay off the retiring partners.

(vii) Calculation and payment of amount due to retiring partner.

Self-Explanatory.

(viii) Preparation of retiring partner's loan accounts and deceased partner's executor's loan account (with interest on loan accrued and due and interest on loan accrued but not due).

Self-explanatory.

(ix) Change in Profit-Sharing Ratio.

Change in PSR takes place at the time of retirement / death of a partnership firm.

Accounting treatment of accumulated profits and losses through one journal entry:

Gaining Partners' Cap Current A/c Dr.

To Sacrificing Partners' Cap/Current (in case of profits).

Sacrificing Partners' Cap/Current A/c Dr.

To Gaining Partners' Cap/Current (in case of losses)

General Reserve/ Reserve fund, Workmen Compensation Reserve/ Fund, Investment Fluctuation Reserve/ Fund, Contingency Reserve, Profit and Loss Account (Debit and Credit Balance) and Advertisement Suspense Account/ Deferred Revenue Expenditure.

NOTE:

- *Preparation of Balance Sheet during retirement / death of a partner to be done in Horizontal format only.*
- *Memorandum Revaluation Account, Joint Life Policy, Individual life policy are excluded from the syllabus.*

III. Dissolution of a Partnership firm.

(i) Meaning of dissolution and settlement of accounts under Section 48 of The Indian Partnership Act 1932.

Self- Explanatory

(ii) Preparation of Memorandum Balance Sheet, Realization Account, Partner's Loan Account, Partner's Capital Account and Cash/Bank Account.

Self-explanatory.

NOTE:

When an asset or a liability is taken to the realization account any corresponding/related fund or reserve is also transferred to realization account and not to the partners' capital accounts.

When accounts are prepared on a fixed capital basis, partners' current account balances are to be transferred to capital account. No adjustments are required to be passed through current account.

Bank overdraft is to be taken to the Bank/Cash A/c and not to be transferred to realization account but bank loan must be transferred to realization account.

- *If question is silent about the payment of a liability, then it has to be paid out in full.*
- *If the question is silent about the realized value of tangible assets and investments it should be considered as realized at book value itself.*

- *If the question is silent about the realized value of intangible assets, accrued income and prepaid expenses it should be considered as nil (zero value).*
- *Loan taken from a partner will be passed through cash or bank account even if the partner's capital account has a debit balance.*
- *Loan given to a partner will be transferred (debited) to his Capital account.*
- *Realization expenses – paid by the firm; paid by a partner; borne by a partner; to be borne by a partner but paid by the firm on his behalf; partner reimbursed by the firm for the realization expenses paid by him with an asset of the firm.*
- *Admission cum retirement, amalgamation of firms and conversion/sale to a company together with piecemeal distribution and insolvency of a partner / partners not required.*

2. Joint Stock Company Accounts

A. Issue of Shares

Problems on issue of shares.

(a) Issue of shares at par and premium under Companies Act, 2013.

(b) Issue of shares for considerations other than cash:

- To promoters (can be considered either through Goodwill account or Incorporation costs account).
- To underwriters.
- To vendors.

(c) Calls in arrears, calls in advance and interest thereon.

(d) Over and undersubscription (including pro-rata allotment).

(e) Preparation of Journal; Cash Book and Journal Proper; Ledger Accounts.

NOTE: *In pro-rata allotment when shares are issued at a premium, excess money received on application will first be adjusted towards the share capital. Any excess thereon will be utilized towards the Securities Premium.*

When allotment or any call money is due, it is to be transferred to the calls in arrears account, on which interest, if provided in the Articles of Association, will be calculated.

(f) Forfeiture and reissue of shares at par, premium or discount.

Self-explanatory.

(g) Disclosure of Share capital in the company's Balance Sheet.

NOTE: *Issue of bonus and rights shares, private placement of shares, sweat equity shares, employees' stock option scheme, reservations for small individual participants and minimum tradable lots are not required.*

B. Issue of Debentures

Problems on issue of debentures (at par, at premium and at discount.)

Problems on issue of debentures to include:

(a) Issue of debentures at par, at premium and at discount under Companies Act 2013.

(b) Issue of debentures as collateral security for a loan.

(c) Issue of debentures for considerations other than cash.

- *To promoters.*
- *To underwriters.*
- *To vendors*

(d) Accounting entries at the time of issue when debentures are redeemable at par and premium.

(e) Calls in arrears, calls in advance and interest thereon.

(f) Interest on debentures (with TDS).

(g) Disclosure of Debentures in the company's Balance Sheet.

NOTE: *All capital losses to be written off in the year in which they occur. The sequence for writing off such losses will be first from Securities Premium, then from Statement of Profit and Loss and lastly from Capital Reserve.*

C. Redemption of Debentures

- Creation of Debenture Redemption Reserve (wherever applicable)
- Redemption of debentures out of profits.
- Redemption of debentures out of capital.
- Redemption of debentures in a lump sum.

- Redemption of debentures in annual instalments by draw of lots (theoretical concepts only).

  Self-Explanatory.

NOTE:

I. All capital losses to be written off in the year in which they occur. The sequence for writing off such losses will be first from Securities Premium, then from Statement of Profit and Loss and lastly from Capital Reserve.

II. Calculation of ex-interest and cum-interest are not required.

III. In case of redemption of debentures in annual instalments by draw of lots:

(i) The entire DRI purchased for the redemption of the instalment of debentures is not sold at the end of the year but sold/further purchased to the extent to maintain 15% of the face value of the debentures to be redeemed in the next instalment. In case of redemption in equal instalments, DRI purchased for the first instalment remains invested till the last instalment.

(ii) Wherever applicable, DRR is transferred to General Reserve in proportion to the debentures redeemed.

IV. Rules relating to creation of

Debenture Redemption Reserve (DRR):

(i) Listed companies including NBFCs registered with RBI and HFCs registered with National Housing Bank (NHB) both for public issue as well as private placements do not require the creation of any DRR.

(ii) Unlisted NBFCs registered with RBI and HFCs registered with National Housing Bank (NHB) both for public issue as well as private placements do not require the creation of any DRR.

(iii) For unlisted companies (other than NBFCs and HFCs), DRR is created to the extent of 10 per cent of the outstanding debentures.

Rules regarding Debenture Redemption Investment (DRI)

- Unlisted NBFCs and HFCs need not deposit any amount of its debentures maturing during the year with scheduled banks or invest it in specified government securities.
- The following companies will continue to invest or deposit, on or before 30th April in each year, a sum which shall not be less than 15 per cent, of the amount of its debentures maturing during the year, ending on 31st March of the next year, in deposits with any scheduled bank, free from any charge or lien / in unencumbered securities of the Central Government or any State Government / in unencumbered securities mentioned in Section 20 of the Indian Trusts Act, 1882/ in unencumbered bonds issued by any other company notified under Section 20 of the Indian Trusts Act, 1882:

  (i) Listed companies including NBFCs registered with RBI HFCs National Housing Bank (NHB) and unlisted companies (other than NBFCs and HFCs).

  (ii) Unlisted companies (other than NBFCs and HFCs).

Basically, All India Financial Institutions regulated by RBI, Banking Companies for both public as well as privately placed debentures, other Financial Institutions within the meaning of Section 2(72) of the Companies Act, 2013 and unlisted NBFCs registered with RBI and HFCs registered with National Housing Bank (NHB) are exempted both, from creating DRR and from making a DRI.

D. Final Accounts of Companies

Preparation of the Balance Sheet of a company (along with notes to accounts) as per Schedule III Part I of Companies Act 2013.

Amendments:

1. *As per the amendment made in Accounting Standard 4, dividend proposed for a year is not a liability till it has been approved by the shareholders. Thus, proposed dividend is not shown as a short-term provision in the current Balance Sheet of a company but*

disclosed in Notes to Accounts under Contingent Liabilities.

2. *Schedule III of the Companies Act, 2013, has been amended whereby:*

   (I) The sub-head 'Fixed Assets' under Non-Current Assets is replaced with 'Property, Plant and Equipment and Intangible Assets.'

   (II) Tangible Assets under Fixed Assets is replaced with 'Property, Plant and Equipment.'

3. *Current maturities of long-term borrowings to be shown under the Head - Current Liabilities Sub head- Short Term Borrowing.*
4. *Securities Premium Reserve to be replaced with Securities Premium.*

All capital losses to be written off in the year in which they occur unless otherwise mentioned.

NOTE: Schedule III Part II of Companies Act 2013 (Statement of Profit and Loss) is not required for the purpose of preparing final accounts of a Company.

SECTION B

MANAGEMENT ACCOUNTING

3. Financial Statement Analysis

Comparative Statements and Common Size Statements.

Meaning, significance and limitations of Comparative Statements and Common Size Statements.

Preparation of Comparative Balance Sheet and Statement of Profit and Loss (inter-firm and intra-firm) showing absolute change and percentage change.

Common size Balance Sheet to be prepared as a percentage of total assets and total liabilities.

Common size Statement of Profit and Loss to be prepared as a percentage of Revenue from operations.

NOTE: Preparation of comparative statements and common size statements to be made from the Balance Sheets and Statements of P/L without notes to accounts.

4. Cash Flow Statement (Only for Manufacturing Companies)

(i) Meaning, importance and preparation of a Cash Flow Statement.

NOTE: *Based on Accounting Standard – 3 (revised) issued by the Institute of Chartered Accountants of India.*

(ii) Calculation of net cash flows from operating activities based on Indirect Method only.

Preparation of a Cash Flow Statement from two consecutive years' Balance Sheet with or without adjustments.

Preparation of complete/partial cash flow statement from extracts of Balance Sheets and Statements of P/L with or without adjustments.

NOTE: *Any adjustment or an item in the Balance Sheet relating to extraordinary items and refund of tax are not required.*

(iii) Preparation of Cash Flow Statement on basis of operating, investing and financing activities.

The following items are to be taken when calculating net cash flows from financing activities:

- *Issue of shares at par and premium, issue of debentures at par, premium and discount.*
- *Redemption of preference shares and debentures at par.*
- *Interest paid on Long-Term and Short-Term Borrowings.*
- *Dividend– interim and final- paid on shares.*
- *Long-term borrowings and Short-term borrowings – bank overdraft, cash credit and short-term loan. whether taken or repaid.*
- *Share issue expenses / underwriting commission paid.*

The following items are to be taken when calculating net cash flows from investing activities:

- *Cash purchase of Property, Plant & Equipment & intangible assets.*
- *Cash sale of Property, Plant & Equipment & intangible assets.*
- *Purchase and proceeds from the sale of shares or debentures or long- term investments of other companies.*

- *Loans and advances given (whether short-term or long-term).*
- *Repayment of Loans and advances given (whether short-term or long-term).*
- *Interest and dividend received on shares or debentures or long- term investments of other companies.*
- *Interest received on Loans and advances given (whether short-term or long-term).*

The following items are to be taken for cash and cash equivalents:

- *Cash*
- *Bank*
- *Short term investments*
- *Marketable securities*

***NOTE**:*

(i) Adjustments relating to provision for taxation, proposed dividend, interim dividend, amortization of intangible assets, profit or loss on sale of fixed assets including provision for/accumulated depreciation on them, Profit or loss on sale of investment, uses of Securities Premium as per Companies Act, 2013.

(ii) Treatment of proposed dividend:

(a) Dividend proposed for the previous year will be an outflow for cash, unless otherwise stated, on the assumption that the proposed amount has been approved by the shareholders in the AGM.

(b) No effect is given to Proposed Dividend for the current year as it is not provided for and is a contingent liability.

(c) Any unpaid dividend is transferred to Dividend Payable Account / Unpaid Dividend Account which is shown in the Balance Sheet of the current year as Other Current Liabilities under Current Liabilities.

(iii) Treatment of provision for doubtful debts- Provision for doubtful debts can be treated as a charge against profits or as part of the working capital changes. In case of good debtors, the provision will be treated as an appropriation of profit.

(iv) To calculate cash flow from operating activities the Adjusted Profit and Loss Account is not acceptable as per AS-3.

(v) Calculation of Net Profit before Tax has to be shown as a Working Note.

(vi) Excluded: Any transaction pertaining to Capital Reserve.

5. Ratio Analysis

A. <u>Liquidity Ratios:</u>

(i) Current Ratio:

$$= \frac{Current\ Assets}{Current\ Liablities}$$

Current Assets = Current Investments + Inventories (excluding Loose Tools and Spare Parts) + Trade Receivables + Cash and Bank Balance + Short-term Loans and Advances + Other Current Assets

Current Liabilities = Short term borrowings + Trade payables + Other Current Liabilities + Short term Provisions

(ii) Quick Ratio / Liquid Ratio / Acid Test Ratio:

$$= \frac{Quick\ Assets}{Current\ Liablities}$$

OR

$$= \frac{All\ Current\ Assets - Inventories\ (excluding\ Loose\ Tools\ \&\ Spare\ Parts) - Prepaid\ Expenses}{Current\ Liabilities}$$

OR

$$= \frac{Liquid\ Assets}{Current\ Liablities}$$

B. <u>Solvency Ratios:</u>

(i) Debt to Equity Ratio:

$$= \frac{Debt/Long\ Term\ Debt}{Equity/Shareholders'Funds}$$

Debt = Long Term Borrowings + Long Term Provisions

Equity / Shareholders' Funds = Share Capital + Reserves and Surplus

OR

= Non-Current Assets + (Current Assets – Current Liabilities) – Non-Current Liabilities

OR

= Non-Current Assets + Working Capital – Non-Current Liabilities

OR

= (Property, Plant & Equipment + Intangible Assets + Non-Current Investments + Long Term Loans and Advances)
+ Working Capital – (Long Term Borrowings + Long Term Provisions)

(ii) Proprietary Ratio:

$$= \frac{Shareholders\ Funds/Equity}{Total\ Assets}$$

Total Assets = Non-Current Assets + Current Assets

= Property, Plant & Equipment + Intangible Assets + Non- Current Investments + Long Term Loans and Advances + Current Investments + Inventories (including Loose Tools and Spare Parts) + Trade Receivables + Cash and Bank Balance + Short-term Loans and Advances + Other Current Assets

(iii) Debt to Total Assets Ratio:

$$= \frac{Debt}{Total\ Assets}$$

(iv) Interest coverage ratio:

$$= \frac{Net\ profit\ before\ interest\ and\ taxes}{Fixed\ Interest\ Charges}$$

Fixed Interest Charges includes interest on only long-term borrowings.

C. <u>Activity Ratios</u>:

(i) Trade Receivables Turnover Ratio:

$$= \frac{Credit\ Revenue\ from\ Operations}{Average\ Trade\ Receivables}$$

Credit Revenue from Operations = Revenue from Operation – Cash Revenue from Operation

Average Trade Receivables:

$$= \frac{Opening\ Trade\ Receivables + Closing\ Trade\ Receivables}{2}$$

(ii) Trade Payables Turnover Ratio :

$$= \frac{Net\ Credit\ Purchases}{Average\ Trade\ Payables}$$

Average Trade Payables:

$$= \frac{Opening\ trade\ Payable + Closing\ Trade\ Payable}{2}$$

(iii) Working Capital Turnover Ratio :

$$= \frac{Revenue\ from\ Operations}{Working\ Capital}$$

(iv) Inventory Turnover Ratio :

$$= \frac{Cost\ of\ revenue\ from\ Operations}{Average\ Inventory}$$

Cost of Revenue from Operations = Revenue from Operations – Gross Profit

OR

Cost of Material Consumed (including direct expenses) + Change in inventories of WIP and Finished Goods

OR

Opening Inventory + Net Purchases+ Direct Expenses – Closing inventory

Average Inventory:

$$= \frac{Opening\ Inventory + Closing\ Inventory}{2}$$

D. <u>Profitability Ratios:</u>

(i) Gross Profit Ratio:

$$= \frac{Gross\ Profit}{Revenue\ from\ Operations} \times 100$$

Gross Profit = Revenue from Operations – Cost of Revenue from Operations/ Cost of Goods Sold

Cost of Revenue from Operations = Cost of Material Consumed (including direct expenses) + Change in inventories of WIP and Finished Goods.

OR

Opening Inventory + Net Purchases + Direct Expenses – Closing inventory

***(ii) Net Profit Ratio*:**

$$= \frac{Net\ Profit}{Revenue\ from\ Operations} \times 100$$

Net Profit = Gross profit + Other Income – Indirect Expenses – Provision for Tax

(iii) Operating Ratio:

$$= \frac{Cost\ of\ Revenue\ from\ Operations + Operating\ Expenses}{Revenue\ from\ Operations} \times 100$$

OR

$$\frac{Cost\ of\ Revenue\ from\ Operations + Operating\ Expenses - Operating\ Income}{Revenue\ from\ Operations} \times 100$$

Operating Expenses = Employee Benefit Expenses + Depreciation of Tangible Assets + Selling and Distribution Expenses+ Office and Administrative Expenses.

Operating Income = Commission received, Cash discount received.

***(iv) Operating Profit Ratio*:**

$$= \frac{Net\ Operating\ Profit}{Revenue\ from\ Operations} \times 100$$

Net operating profit = Net Profit after Tax+ Provision for Tax +Non-Operating Expenses – Non-Operating Incomes

OR

Gross Profit – Operating Expenses + Operating Incomes

Non-Operating Expenses = Finance Cost (Interest on Long-term Borrowings) + Loss on sale of Non-Current Assets + Amortisation of Intangible Assets + Writing off capital losses

Non-Operating Incomes = Interest and Dividend Received on Investment + Profit on sale of Non-Current Assets.

(v) Earning per share:

$$= \frac{Net\ Profit\ after\ Tax\ and\ Preference\ Dividend}{No.\ of\ Equity\ Shares}$$

(vi) Price Earning Ratio:

$$= \frac{Market\ Value\ of\ an\ Equity\ Share}{Earing\ per\ share}$$

(vii) Return on Investment:

$$= \frac{Net\ Profit\ before\ Interest\ and\ Tax}{Capital\ Employed} \times 100$$

NOTE:

1. *Current Ratio includes Net Debtors (Gross Debtors – Provision for doubtful debts) while Trade Receivables Turnover Ratio includes Gross Debtors.*
2. *Other Current Assets' is restricted to Prepaid Expenses and Accrued Income.*
3. *Capital employed = Shareholders' Funds + Non-current Liabilities – Non-trade Investments*

OR

Non-current Assets (excluding Non-trade Investments) + Working Capital

OR

Property, Plant & Equipment & Intangible Assets + Trade Investments + Working Capital

4. *Investments to be taken as non-trade investments unless specified as trade investments.*
5. *In Return on Investments Ratio- Net Profit before interest and tax will not include interest on non-trade investments.*
6. *Revenue from operations (for a manufacturing company)*
   - *Net Sales*
   - *Sale of scrap*

   } *For a manufacturing company*

   Other Income: (for a manufacturing company)
   - *Rent received (non- operating)*
   - *Commission received (operating)*
   - *Interest and Dividend Received (non- operating)*
   - *Profit from Sale of Fixed Assets (non- operating)*
   - *Cash discount received (operating)*
7. *Problems on effect of transactions on ratios to be restricted to Current Ratio, Quick Ratio and Debt-Equity Ratio.*
8. *Net Profit Ratio is to be calculated on 'Net Profit after Tax'.*

SECTION C

COMPUTERISED ACCOUNTING

6. Accounting Application of Electronic Spread Sheet

(i) Concept of Electronic Spreadsheet.

Meaning, utility, merits and demerits of Electronic spreadsheets.

(ii) Features offered by Electronic Spreadsheet.

An understanding of basic features of electronic spreadsheets such as: Creating worksheet, entering data into worksheet, heading information, data, text, dates, alphanumeric values, saving & quitting worksheet. Opening and moving around in an existing worksheet. Toolbars and Menus, keyboard shortcuts. Working with single and multiple workbooks - copying, renaming, moving, adding and deleting, copying entries and moving between workbooks. Formatting of worksheet- Auto format, changing - alignment, character styles, column width, date format, borders and colours. Previewing and Printing worksheet - Page setting, Print titles, Adjusting margins, Page break, headers and footers. Formulas – summation, subtraction, division, multiplication, average and percentage. Functions: date, if-then- else, freezing panes.

(iii) Application of spreadsheets in generating the following accounting information:

1. Payroll

   Components of payroll – Basic, HRA, DA and TA, CCA, CTC deduction for PF and income tax.

2. Sale of goods - *finding profit on sales; cost / commission of salesmen.*

3. Marks obtained by students - *Total marks / average marks.*
4. Business transactions - *Journal*

(iv) Data Presentation

Graphs and charts- using wizards, various charts type, formatting grid lines and legends, previewing & printing charts

Database - creation, sorting, query and filtering a database.

7. Database Management System (DBMS)

(i) Concept and Features of DBMS.

Types and features of DBMS.

A conceptual understanding of the basic features of Data Base Management System (DBMS), i.e. data update and retrieval using basic functions and commands of SQL.

Basic Commands: Select, Where, And, Or, Update, Delete and

Basic Functions: Avg, Count, Max, Min, Sum.

(ii) DBMS in Business Application.

Database design, tables, fields, relationships, forms reports and indexing.

The following examples of DBMS in business application:

- *Accounting Information*
- *Debtors and Creditors*
- *Bank Reconciliation Statement*
- *Asset Accounting*

PAPER II – PROJECT WORK – 20 MARKS

Candidates will be expected to have completed **two** projects from any topic covered in Theory.

The project work will be assessed by the teacher and a Visiting Examiner appointed locally and approved by CISCE.

Mark allocation for **each** Project [10 marks]:

Overall format	1 mark
Content	4 marks
Findings	2 marks
Viva-voce based on the Project only	3 marks

A list of suggested Projects is given below:

1. Preparation of Journal / sub-division of journal, Ledger, Trial balance and Financial Statements of a partnership form of business on the basis of a case study.
   - Develop a case study showing how two or more friends decide to come together and start a business with a certain amount of capital.
   - Prepare their Partnership Deed including interest on capital, partner's salary, commission, interest on drawings, interest on partner's loan and rent paid to a partner.
   - Write in detail, their transactions during the year: purchases - cash and credit, sales - cash and credit, expenses, purchase of fixed assets and depreciation charged on them, any outstanding expenses, prepaid expenses, accrued income, drawing bills of exchange, accepting bills payable etc.
   - From this case study developed (which should have at least 15 transactions), pass the journal entries, post them into the ledger, prepare a Trial Balance and the Trading and Profit and Loss Account, Profit and Loss Appropriation Account and Balance Sheet.
   - The various expenses, for comparison purposes, could be depicted in the form of bar diagrams and pie charts.
   - Calculate relevant accounting ratios like liquidity, solvency, activity and profitability giving their formulae and computation (all this could be part of the viva-voce).
   - The ratios could also be shown graphically and/ or pictorially (bar diagrams and pie charts) and if possible, could be compared with the ratios of the industry.
2. Preparation of a Cash Flow Statement with the help of audited / unaudited / imaginary Balance Sheets of a company for two consecutive accounting years or two consecutive quarters of an accounting year could be taken along with at least five additional information (depreciation, purchase/ sale of fixed assets, dividend paid/ proposed, tax paid/ proposed, amortization of intangible assets, profit or loss on sale of fixed assets including provision for depreciation on them and profit or loss on sale of investment).

- The results of the operating, investing and financing activities could be shown graphically and/ or pictorially (bar diagrams and pie charts).

3. Preparation of Common Size and Comparative Income Statement and Balance Sheet of a company by taking into account its audited, unaudited / imaginary financial results of two consecutive quarters of an accounting year or of two consecutive accounting years.

   - The comparison has to be made in the form of Common Size and Comparative Income Statement and Balance Sheet.
   - The comparison could also be shown graphically and/ or pictorially (bar diagrams and pie charts).

4. Taking the audited/ unaudited / imaginary financial results of any leading company, its liquidity, solvency, activity and profitability ratios of two consecutive accounting years or of two consecutive quarters of an accounting year should be calculated and the comparison of the ratios of both the years or quarters should be shown graphically and/ or pictorially (bar diagrams and pie charts).

5. Employee Salary Sheet:

   (i) Design a spreadsheet using the following fields:

   Employee's Name: String Variable of maximum size of 40 characters

   Date of Joining: Date in English U.K. format

   Basic Salary: upto 2 places after decimal

   Calculate their net salary using the Employee's data. [Feed in random data for 20 to 25 employees]

   Some of the instructions are given below:

   Important Instructions:

   Dearness Allowance (DA) is paid @ 45% of Basic Salary.

   House Rent Allowance (HRA) is paid @ 15% of (Basic Salary + DA)

   City Compensatory Allowance (CCA) is paid @ 8.3% of (Basic Salary + DA + HRA)

   Provident Fund (PF) is deducted @ 12% of (Basic Salary + DA)

   Income Tax (IT) is deducted @ 10% of (Basic Salary + DA + HRA + CCA)

   Net Salary is summation of Basic Salary + DA + HRA + CCA less PF and IT

   (ii) Save your worksheet on the desktop as **Employee_Salary.**

   (iii) Print a Hard Copy of your work and close the file.

6. Revenue and Commission Statement

   Prepare a Spreadsheet for a certain Company, which pays a commission based upon books sold.

   Prepare a revenue and commission statement based upon the following information:

Name of Salesperson	Number of Soft Cover Books sold	Number of Hard Cover Books sold
Suresh Mehta	1546	360
Gladstone David	1788	315
Manish Arora	1340	294
Manmeet Singh	990	450
Vineet Saighal	1105	689

Assumption:

Price of Hard Cover Books: @Rs. 34.45 per Book

Price of Soft Cover Books: @ Rs. 22.05 per Book

Commission on Hard Cover Books: 9.0%

Commission on Soft Cover Books: 12%

Prepare a spreadsheet showing your calculation to determine:

(i) Revenue (Hard Cover Books and Soft Cover Books)

(ii) Total Revenue

(iii) Commission (Hard Cover Books and Soft Cover Books)

(iv) Total Commission

(v) Create a Chart (any style) showing the above information.

Open the original page (with lines and shading) as well as a formula page. (The entire formula must been shown)

Use **"=round (.0)"** where applicable so that all columns add correctly.

7. Spreadsheet on Outstanding Report

Prepare and Present a Spreadsheet for a list of outstanding notes receivable each month. The information for a particular month is as follows:

Use the following financial information:

Face Value	Interest Rate	Other details
0	10.8%	Late Penalty: 11%
500	9.2%	Report date: July 30, 2011
1000	8.96%	Days / Year: 365

Note Number	Face Value	Period Days	Issue Date
1	Rs. 525	90	7/2/2011
2	Rs. 612	60	14/3/2011
3	Rs. 210	45	19/5/2011
4	Rs. 800	120	10/6/2011
5	Rs. 1469	30	24/6/2011

Show the Interest rate, Days outstanding, Interest earned, Late penalty and Total due.

Use appropriate Lines and Shading to make the report interesting and easy to read. Use two places after the decimals where appropriate.

Prepare a chart to show the above information.

8. Database Management

(i) Create a Database with at least 10 records with each record having the following fields:

Employees Details: PAN Number, Name, Address and Phone Number

(ii) Sort the names in alphabetical order.

(iii) The Employee database has another table called Loan Details that stores the details of loan taken by various employees. Create a query that gives a list of employees names along with loan details.

The loan details table has following fields:

Loan Amount, Loan Date, Interest Rate, Amount Paid and Amount Balance.

(iv) Create a Report as per the format given below:

Employee Loan Details:

Emp. No.	Emp. Name	Loan Amount	Loan Date	Amount Paid	Balance Amount

Decide tables, relationships etc. on your own.

9. Database Management:

(i) Create an Accounts Table by following the steps given below:

(a) Click on the new button and highlight Design View in the dialog box that appears.

(b) Click the OK button and the Table Design View will appear.

(c) Fill in the Field Name, Data Type and Description for each column/field in the Account Table.

Field Name	Data Type	Description
CustomerID	Number	The Unique Identifier for a Customer
AccountNo	Number	The Unique Identifier for a Bank Account
AccountType	Text	The type of account (Checking, Saving etc.)
DateOpened	Date	The date the account was opened
Balance	Number	The current balance (money) in this account.

(ii) Define a Primary Key for the Accounts table. Click on the Account Number field with the right mouse button and choose Primary Key from the pop-up menu.

(iii) Save the new Accounts Table.

10. Selection Grade Card

(i) Make a Spreadsheet of a Selection Grading Chart using the following details:

Candidate's Name:	**String type**
Test 1:	Integer type
Test 2:	Integer type
Test 3:	Integer type
Test 4:	Integer type

The Worksheet format is as follows:

S.N.	Name of the Candidate	Test-1 (Max 25 Mks)	Test-2 (Max 25 Mks)	Test-3 (Max 25 Mks)	Test-4 (Max 25 Mks)
1	Alfred Gomes	24	22	18	23
2	Shankar Pandey	17	20	17	20
3	Ali Hassan Raza	22	19	20	14
4	P. Subba Rao	20	19	19	17
5	Sushanto Mukerjee	19	21	24	22

(ii) Compute the percentage for each candidate's total. Show the total score and the percentage for each candidate.

(iii) Create a Header for the Chart. Include your name.

(iv) Save your work on the desktop as **Merit_Project.**

(iv) Print a hard copy of your work and close the file.

NOTE: No question paper for Practical work will be set by CISCE.

For the preparation of Comparative and Common Size Income Statements (Section B – Unit 4: Financial Statement Analysis), the extent and format of the Statement of Profit and Loss as per Schedule III Part II of the Companies Act 2013 to be studied is as follows:

Statement of Profit and Loss of ……
For the year ended……..

	Particulars	*Note No.*	*Figures for the Current reporting period*	*Figures for the Previous reporting period*
I	*Revenue from operations*			
II	*Other Income*			
III	*Total Revenue (I + II)*			
IV	*Expenses:* *Cost of materials consumed* *Purchases of Stock-in-Trade* *Changes in inventories of finished goods* *Work-in-progress and Stock-in Trade* *Employee benefits expense* *Finance costs* *Depreciation and amortization expense* *Other expenses* *Total expense*			
V	*Profit before tax (III-IV)*			
VI	*Less Tax*			
VII	*Profit after Tax (V-VI)*			

Disclosure of Share capital in the company's Balance Sheet

Balance Sheet of ……
As at …….

Particulars	Note No.	Figures at the end of the current reporting period	Figures at the end of the previous reporting period
1	2	3	4
I. EQUITY AND LIABILITIES 1. **Shareholders' Funds** (a) Share Capital	1	x x x x y	

Notes to Accounts: 1

Particulars	Amount (₹)
(a) Share Capital **Authorised Capital** ..... shares of ₹..... each	a a a
Issued Capital ..... shares of ₹..... each (of the above shares…..shares are allotted as fully paid up pursuant to a contract without payment being received in cash)	b b b
Subscribed Capital Subscribed and fully paid up ..... shares of ₹.... each (of the above shares…..shares are allotted as fully paid up pursuant to a contract without payment being received in cash)	x x x
Subscribed but not fully paid up ..... shares of ₹.... each, ... ₹ Called up x x x Less calls –in- arrear (xx)	x
	x x x x
Shares Forfeited A/c	y
	x x x x y

1. Equity Share Capital and Preference Share Capital to be shown separately.
2. If the Authorised / Issued Capital is not mentioned in the question it has to be shown in the notes to accounts. However, no figures will be shown as illustrated above.
3. Balance of Shares Forfeited Account is shown as a separate item under Share Capital in the Notes to Account. *In other words: Subscribed Capital + Balance of Shares Forfeited A/c = Share Capital*

Format of the Balance Sheet of a Joint Stock Company

PART-1

Balance Sheet of ……
As at …….

Particulars	Note No.	Figures at the end of the current reporting period	Figures at the end of the previous reporting period
1.	2	3	4.
I. EQUITY AND LIABILITIES **1. Shareholders' Funds** (a) Share Capital (b) Reserves and Surplus (c) Money received against share warrants 2. **Share application money pending allotment** 3. **Non- Current Liabilities** (a) Long- term borrowings (b) Deferred tax liabilities (Net) (c) Other Long term liabilities (d) Long-term provisions 4. **Current Liabilities** (a) Short term borrowings (b) Trade payables (c) Other current liabilities (d) Short term provisions			
TOTAL			
II. ASSETS **1. Non- Current Assets** (a) Property, Plant & Equipment & Intangible Assets (i) Property, Plant & Equipment (ii) Intangible Assets (iii) Capital work-in-progress (iv) Intangible assets under development (b) Non-current Investments (c) Deferred Tax Assets (Net) (d) Long term loans and advances (e) Other non-current assets **2. Current Assets** (a) Current Investments (b) Inventories (c) Trade Receivables (d) Cash and Bank Balance (e) Short-term loans and advances (f) Other current assets			
TOTAL			

SAMPLE TABLE FOR PRACTICAL WORK

S. No.	Unique Identification Number (Unique ID) of the candidate	PROJECT 1					PROJECT 2					TOTAL MARKS
		A	B	C	D	E	F	G	H	I	J	
		Teacher	Visiting Examiner	Average Marks (A + B ÷ 2)	Viva-Voce by Visiting Examiner	Total Marks (C + D)	Teacher	Visiting Examiner	Average Marks (F + G ÷ 2)	Viva-Voce by Visiting Examiner	Total Marks (H + I)	(E + J)
		7 Marks*	7 Marks*	7 Marks	3 Marks	10 Marks	7 Marks*	7 Marks*	7 Marks	3 Marks	10 Marks	20 Marks
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												

*Breakup of 7 Marks to be awarded separately by the Teacher and the Visiting Examiner is as follows:		Name of Teacher: Signature: Date
Overall Format	1 Mark	
Content	4 Marks	Name of Visiting Examiner
Findings	2 Marks	Signature: Date

NOTE: VIVA-VOCE (3 Marks) for each Project is to be conducted <u>only</u> by the Visiting Examiner, and should be based on the Project only