

MC 203: BUSINESS ACCOUNTING

Course Objective:

To familiarize students with the mechanics of preparation of financial statements, understanding corporate financial statements, their analysis and interpretation, role of IFRS in accounting discipline, and the concept of management quality analysis and wealth creation.

Learning Outcomes:

- Understand the process of recording and classifying the business transactions and events
- Understand the financial statements, viz., Profit and Loss Account, Balance Sheet, and cash flow statement of a sole proprietor.
- Understand the role of IFRS/Ind-AS in accounting discipline.
- Understand and Analyse the financial statements from different the perspective of different stakeholders using ratio analysis.
- Understanding of financial distress or bankruptcy prediction and how to analyse management quality means the concept of beyond balance sheet.

Course Contents:

Unit I

(3 Weeks)

Introduction to Financial Accounting. Accounting as an Information System. Importance, Scope, and Limitations. Users of Accounting Information. Need for Generally Accepted Accounting Principles. Basic Concepts and Conventions: Business Entity, Dual Aspect, Going Concern, Accounting Period, Money Measurement, Accrual, Disclosure, Materiality, Consistency, and Conservatism. The Accounting Equation. Understanding Assets, Liabilities, Revenues, and Expenses. Understanding Capital Expenditure, Revenue Expenditure, Deferred Revenue Expenditure, Capital Receipts, and Revenue Receipts. Nature of Accounts and Rules of Debit and Credit. Recording Transactions in General Journal. Journal entries passed for accounting of GST. Recording Transactions in three-column Cash Book. Preparation of Ledger Accounts. Opening and Closing Entries. Preparation of Trial Balance.

References:

BUSINESS ACCOUNTING

Narayanaswamy R. Financial Accounting: A Managerial Perspective. PHI Learning Pvt. Ltd., Delhi [Chapter 1,2,3and 4]

Robert N. Anthony, David F. Hawkins, Kenneth A. Merchant. Accountancy- text and cases. McGraw Hill Education (India) Private Limited, New Delhi. [1,2,3,4 and5]

Maheshwari S. N., Maheshwari Sunil K., and Maheshwari Sharad K, An Introduction to Accountancy, Vikas Publishing House Pvt. Ltd. (Chapter No. 1 to 6)

Unit II

(3 Weeks)

Preparation of Financial Statements: Preparing Trading Account, Profit & Loss Account and Balance & Cash Flow Statement for a Sole Proprietor. Understanding of financial Statements of a Joint Stock Company as per Companies Act 2013. Understanding the contents of a Corporate Annual General Report. Preparation of cash flow statements.

References:

Robert N. Anthony, David F. Hawkins, Kenneth A. Merchant. Accountancy- text and cases. McGraw Hill Education (India) Private Limited, New Delhi. [Chapter 2,3,11,12 and 15]

Maheshwari S. N., Maheshwari Sunil K., and Maheshwari Sharad K, An Introduction to Accountancy, Vikas Publishing House Pvt. Ltd. (Chapter No 11)

Unit III

(3 Weeks)

Meaning and need for convergence of India accounting standard with IFRS; Benefits of achieving Convergence with IFRSs to Economy, the investors, the Industry and to the accounting professionals. Concept and procedure of issuing Indian Accounting Standards (Ind AS); Introduction to Ind AS - 7 – Statement of Cash Flows, Ind AS 10 – Events after Reporting Period, Ind AS 16 – Property, Plant and equipment and Ind AS 18 – Revenue Recognition; Ind AS 21 (The Effects of Changes in Foreign Exchange Rates).

References:

Garg CA Kamal, and Sehrawat Neeraj Kumar. Beginner's Guide to Ind AS & IFRS. Bharat Law House Pvt. Ltd., New Delhi [Chapter 1,4,6,9,11,14 ,36,37 and 38]

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Unit IV

(3 Weeks)

Analysing Financial Statement : Objectives of Financial Statement Analysis; Sources of information; Standards of Comparison; Techniques of financial statement Analysis- Horizontal Analysis and Vertical Analysis; Meaning and usefulness of Financial Ratios; Analysis of financial ratios from the perspective of different Stakeholders like investors, Lenders, Short-term creditors: Profitability ratios, Solvency Ratios, Liquidity Ratios and turnover Ratios; Limitations of Ratio Analysis; Concept of Earning Management and its Detection. Use of ratios to predict financial crisis of a company by using Altman Z –score and L.C. Gupta Model.

Beyond Balance Sheet: How to analyse management quality that is most often regarded by investment greats like Warren Buffet as the single biggest determinant of investment success means what are the desirable traits in managers running different kind of companies that are absolutely essential to the company and shareholder investment success. How certain type of management transformation can create massive wealth for shareholders

References:

Narayanaswamy R. Financial Accounting: A Managerial Perspective. PHI Learning Pvt. Ltd., Delhi. [Chapter 11,12 and 13]

Robert N. Anthony, David F. Hawkins, Kenneth A. Merchant. Accountancy- text and cases. McGraw Hill Education (India) Private Limited, New Delhi.[Chapter 14]

Text Books:

Latest editions of the following to be used:

1. Narayanaswamy R. Financial Accounting: A Managerial Perspective. PHI Learning Pvt. Ltd., Delhi
2. Robert N. Anthony, David F. Hawkins, Kenneth A. Merchant. Accountancy- text and cases. McGraw Hill Education (India) Private Limited, New Delhi.
3. Garg CA Kamal, and Sehrawat Neeraj Kumar. Beginner`s Guide to Ind AS & IFRS. Bharat Law House Pvt. Ltd., New Delhi
4. Maheshwari S. N., Maheshwari Sunil K., and Maheshwari Sharad K, An Introduction to Accountancy, Vikas Publishing House Pvt. Ltd.

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Additional Readings:

Latest editions of the following to be used:

1. Concept Paper on Convergence with IFRSs in India. The Institute of Chartered Accountants of India.
2. Lal Jawahar. Corporate Financial Reporting: Theory, Practice & Cases. Taxman Publications Private Limited.
3. Patricia M. Dechow, Richard G. Sloan and Amy P. Sweeney: Detecting earning management, the accounting review. 70, No. 2 (Apr., 1995), pp. 193-225.

Teaching Learning Process

Lecture, Solving of numerical problems, discussion, PowerPoint presentation, reference to annual reports and financial reports of companies.

Assessment Methods

- Internal Assessment: 25 marks
- Written Theory Exam: 75 marks

Keywords

Financial accounting, financial statements, accounting standards, IFRS, financial statement analysis and financial ratios.