

# Accountancy

Class - XII



**Board of Secondary Education Rajasthan, Ajmer**

# Text Book Preparation Committee

## Accountancy

Class - XII

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### **Accountancy**

**Class - XII**

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## Preface

We are happy to present the first edition of the book on Accountancy for class XII of commerce stream as per newly sanctioned syllabus for 10 + 2 scheme of the Board of Secondary Education, Rajasthan.

Accountancy is an important part of commerce studies. The scope of accountancy was very limited in the ancient times, but with the continued developments in the field of business and industry, banking services, communication services and information technology has made scope of accountancy far and wide. The accountancy has become indispensable necessity for all types of business & trade, industry, transportation, banking, insurance etc.. Therefore, in-depth study of accountancy has become necessary for students of commerce stream. A part from this there has been phenomenal growth in various branches of higher studies. Keeping these in view the Board has encompassed prescribed chapters in the new syllabus. Accordingly this book of accountancy has been written. The main features of this book are as follows :

1. Effort has been made to cover full syllabus and to have co-ordination in the subject matter.
2. Keeping in view the breadth and to maintain interest, the principal aspects of accounting have been explained with the help of small illustrations.
3. To explain practical aspects of accounting sufficient number of illustrations, in the order from simple to tougher ones with detailed working notes, have been used.
4. Sufficient number of questions of every type as per guidelines of the Board viz. multiple choice type, very short answer type, short answer type, essay type and numerical type; have been given at the end of every chapter.
5. Technical terms are given in English language also.
6. Questions have been selected from earlier senior secondary examinations also.
7. Effort has been made to make book error-free, as-far-as possible.
8. Due to paucity of space and to maintain simplicity, standard presentation format has not been used at some places. However, students must use standard presentation format while solving problems.
9. Mandatory Accounting Standards issued by the Institute of Chartered Accountants of India have been applied at appropriate places.

Lastly, we are indebted to all colleagues, well-wishers and family members for their guidance and good wishes in completing this task. We are also grateful to Prof. B. L. Choudhary, the Chairman, Board of Secondary Education, Rajasthan, for his guidance and leadership in completion of the task.

We are hopeful that our efforts will be useful to keen learner students of accountancy. Study, teaching and writing a book are continuous process, therefore, it is requested that teaching fraternity and students will come forward with their useful positive suggestions in improving the book from time to time, and help us.

**Authors**

# Accountancy

## Class-XII

Time Allowed : 3.15 hours

Maximum Marks : 80

Weightage  
of Marks

### Part A

1. Introduction to Partnership	5	
2. Admission of New Partner	8	
3. Accounting for Retirement and Death of Partner	7	
4. Dissolution of the firm	5	25
5. Company Accounts: Issue of Shares & Debentures	8	
6. Introduction of Financial Statements of company	4	12
7. Joint Venture Accounts		7
8. Consignment Account		8
9. Accounting for Non-Trading Organisations and Professional Persons		8

### Part B

1. Analysis of financial Statements	7
2. Ratio analysis	9
3. Ethics in Accounting	4

(or)

### Part B

1. Application of Electronic Spreadsheet in Accounting	10
2. Computerised Accounting system	5
3. Database Management System	5

**Note :** Select any one from part B.

### Details of the Syllabus

#### Part A

- 1. Introduction to Partnership :** Meaning, types of partnership, Partnership Deed, Rules in the absence of Deed, Partners Capital A/c; Fixed and Fluctuating Capital Method, Calculation of Interest on Capital, Calculation; of Interest on Drawings; From the first date of a month, middle of the month and end of the month and also by product method. Division of Profit, Guarantee of Profit to a Partner, Past adjustments in closed Partnership by passing single entry & passing entries, Profit and Loss Adjustment Account.
- 2. Admission of a New Partner :** Rights of a new partner, profit sharing Ratio, Sacrificing ratio, Meaning of goodwill and definition, Types of goodwill, Methods of valuation of goodwill and its accounting (including hidden goodwill), Division of undistributed profits and losses, Revaluation of Assets and liabilities, Accounting when no change in book value of assets and liabilities, Adjustment of Partners Capital: Adjustment in Capital of old partners on the basis of new partners Capital and determination of new partners Capital on the basis of old partners Capital. Balance Sheet after admission, Change in profit sharing ratio among the existing partners and accounting for such effects.
- 3. Accounting for Retirement and Death of Partner :** Problems and their accounting, Determination of amount payables at the time death of retirement of a partner, Payment of amount payable, Gain ratio, New-profit sharing Ratio, Accounting for goodwill, Division of undistributed profits and losses, Revaluation of assets and liabilities, Interest on capital upto the date of retirement/Death, Remuneration, Share in profit. Adjustment for joint life policy and Separate life policy (including surrender Value), Capital Account of deceased Partners Successor and its accounting, Methods of Amount payable-lump-sum payment, payment in installments and payment by annuity method, Provision under section 37 for non-settlement of final payment of Retiring Partner or deceased Partner.
- 4. Dissolution of firm :** Modes of Dissolution, Difference between dissolution of firm and partnership, difference between Revaluation Account and Realisation Account. Accounting at the time of dissolution of firm- (i) Realisation Account, (ii) Bank and Cash Account, (iii) Partners Capital Accounts, (iv) Other necessary

Accounts. Transfer of Assets and Liabilities, Payment of liabilities. Accounting for unrecorded assets and liabilities, Accounting treatment, when partner become insolvent (including Garner Vs. Murry rule)

5. **Company Accounts : Issue of Shares and Debentures – Issue of shares :** Kinds of shares, kinds of share Capital and their disclosure in Balance Sheet, Procedure for issue of shares: Issue of shares at par and at premium, Issue of shares for consideration other than cash, Calls-in-arrears, Calls-in-Advance, Right Shares, Sweat Equity Shares, Issue of Debentures: Meaning of debentures, Types, Difference between shares and debentures, Issue of Debentures-at par, At discount and at premium issue lieu of collateral securities, writing off Discount/Loss on issue of debentures, Accounting for Interest on Debentures, Disclosure in Balance Sheet.
6. **Introduction to Financial Statement of Company :** Introduction to financial statements and meaning of various items shown in Balance Sheet. Format of Statement of Profit and Loss and general instructions for its preparation, Format of Balance Sheet and general instructions for its preparation.
7. **Joint Venture Accounts :** Meaning of Joint venture, Characteristics, Difference between joint venture and Partnership, Methods of accounting for transactions related to joint Venture : (i) Separate books are kept for accounting of joint Venture. (ii) No separate books are maintained- When each co-venturer records its own transactions, when each co-venturer records all the transactions.
8. **Consignment Account :** Meaning of Consignment, Characteristics, Terminology related to consignment. Difference between Performa Invoice and Invoice, Difference between consignment and sale, difference between consignment and joint venture, Accounting for consignment related transactions, Valuation of unsold stock with consignee, Loss of goods sent on consignment: Normal and Abnormal, Damaged goods, Loss due to negligence of consignee, Fall in market value of stock, Repairs of partially damaged goods, Sale of damaged goods by consignee, Goods sent on consignment at invoice price and its accounting, Special commission or share in profit to consignee, Conversion of consignment into Joint Venture.
9. **Accounting for Non-Trading Organisations and Professional Persons :** Introduction, Books-Kept: Membership Register, stock Register and Cash Book, specific items; Receipts and Payments Account: Meaning, Procedure of Preparing and preparation, Difference between Receipts and Payments Account and Cash Book; Income and Expenditure Account: Meaning, Procedure of Preparing and to preparation, Preparation of Balance Sheet, Difference between Receipts and Payments Account and Income and Expenditure Account, Preparation of opening and closing Balance Sheet from Receipts and Payments Account and Income & Expenditure Account, Preparation of Receipts and Payments Account from Income and Expenditure Account and Balance Sheet.

#### **Part-B**

1. **Analysis of Financial Statements :** Preface, meaning of Financial Statements, Definition, objects, Nature, Characteristics, Utility and limitations. Procedure for analysis of financial statements: Techniques of Analysis of Financial Statements, Comparative Financial Statement: Common-Size Statement, Trend Analysis.
2. **Ratio Analysis :** Meaning of Ratio Analysis, Expression of Ratios, Objectives, significance, Limitations, Precautions in using Ratios, Classification of Ratios; Structural Classification, Functional Classification, Calculation of further mentioned main ratios : Liquidity ratios, Solvency ratios, Activity ratios, Profitability ratios and Investment Analysis Ratios
3. **Ethics in Accountancy :** Introduction, Concept of Ethics and meaning, Nature, Sources, Professional Accountant and Ethics, Ethics in Accounting transactions: with regards to cash receipts, with regards to cash payments, with regard to goods, with regards to other assets, window Dressing.

**Or**

#### **Part B**

1. **Application of Electronic Spreadsheet in Accounting :** Concept , Utility, Features, Preparation of Payroll, Tables, Graphs, Formulas, Computation of Tax, Calculation of Interest and Installment on Loan, Calculation of depreciation, Financial forecasting.
2. **Computerized Accounting System :** Procedure for Installation of system, Accounting Information system, Difference in Manual and Computerised Accounting system, Characteristics and limitations, Basic structure, types of Software, coding and sequence of Account, Data: Profit and Loss Account and Balance Sheet.
3. **Data Base Management System :** Concept, characteristics, structure, Profit elements, Types, Business Utility Elements, Tables, Query and Report (M.S. Excess), creation of Various accounting information, S.Q.L.

# INDEX

Chapter	Page No.
<b>Part-A</b>	
1. General Introduction to Partnership	1-25
2. Admission of a New Partner	26-86
3. Accounting for Retirement & Death of Partner	87-134
4. Dissolution of Firm	135-160
5. Company Accounts : Issue of Shares & Debentures	161-210
6. Introduction to Financial Statements of Company	211-237
7. Joint Venture Accounts	238-260
8. Consignment Accounts	261-284
9. Accounting for Non Trading Organisations & Professional Persons	285-329
<b>Part-B</b>	
10. Analysis of Financial Statements	330-366
11. Ratio Analysis	367-401
12. Ethics in Accounting	402-405
<b>OR</b>	
<b>Part-B</b>	
13. Application of Electronic Spreadsheet in Accounting	406-423
14. Computerised Accounting System	424-441
15. Database Management System	442-457