CS EXECUTIVE CHART BOOK QUICK REVISION GUIDE

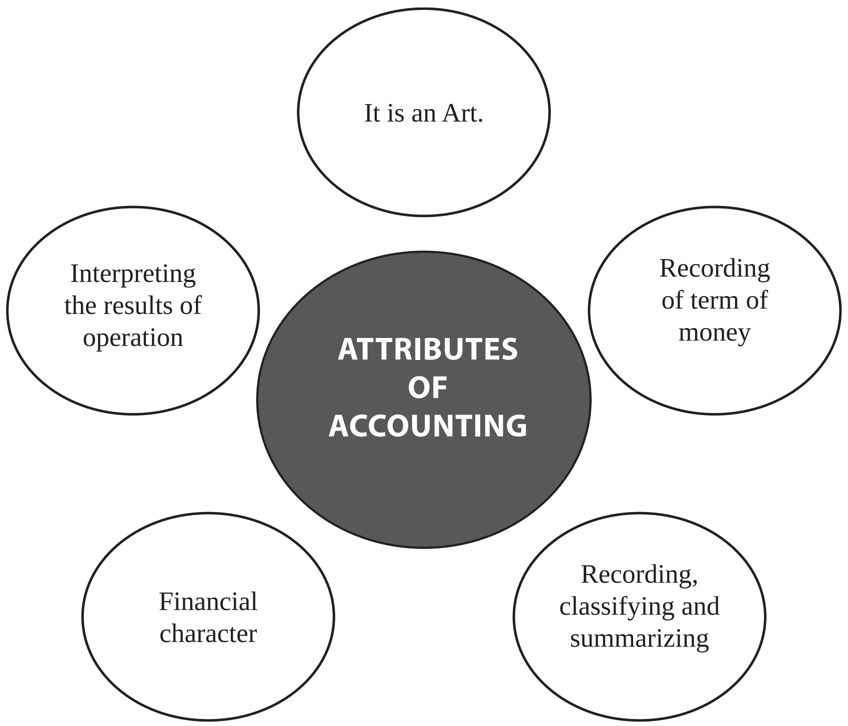
CORPORATE ACCOUNTING AND FINANCIAL MANAGEMENT

- **Summarised Tabular Chart** Format for revising the subject matter in an easy-to-learn format
- **Point-wise Summaries** of each chapter are provided in a nutshell
- **Full-coverage of the New Syllabus** for CS-Executive Dec 2024 exams

Module 1

Contents

1 INTRODUCTION OF ACCOUNTING



ATTRIBUTES OF ACCOUNTING

(*i*) **Accounting is an Art:** Accounting is considered an art because it helps us figure out our financial goals by studying and understanding financial information. It requires special skills, knowledge, and judgment.

(*ii*) **It involves recording, classifying and summarizing:** Recording means writing down transactions as they happen. Classifying is grouping similar transactions together. Summarizing involves making reports and statements from the classified data, like profit and loss accounts and balance sheets.

(*iii*) **It records transactions in terms of money:** All transactions are written down using money as the common measure. This helps to understand the business's financial situation better.

(*iv*) **It records only those transactions and events which are of financial character:** If something doesn't involve money, it won't be recorded in accounting.

(*v*) **It is the art of interpreting the results of operations:** To figure out how well a business is doing financially, how much progress it's made, and how it's doing overall.

BOOK-KEEPING

Book-keeping involves:

- ❖ Collection of basic financial information
- ❖ Identification of events and transactions with financial character, i.e., economic transactions.

Difference between Book-Keeping and Accounting

Book-Keeping	Accounting
Output of book-keeping is an input for accounting.	The output of accounting helps take holders makes informed decisions.
The goal of bookkeeping is to keep a systematic record of financial transactions and events in the order they happen.	The purpose of accounting is to determine how a business is performing and to report its financial health.
Book-keeping is the foundation of accounting.	Accounting is considered as a language of business.
Book-keeping is carried out by the junior staff.	Skilled senior staff analyse and interpret accounting data.

SINGLE ENTRY SYSTEM

Single-entry book keeping uses one-sided entries for financial records, while double-entry book keeping records both aspects of every transaction.

DOUBLE ENTRY SYSTEM

Double-entry book keeping uses two-sided entries to record financial information. Each entry in an account has a corresponding entry in an other account. This system has two sides called debit and credit. It was Luca Pacioli, an Italian mathematician, who first published a comprehensive guide to the principles of the double-entry system in 1494.

Features of Double Entry System:

(*a*) **Every transaction involves two aspects:** one party giving a benefit and the other receiving it.

(*b*) **In every transaction, there are two parts:** debit and credit. One account gets debited, and the other gets credited.

Advantages of Double Entry System:

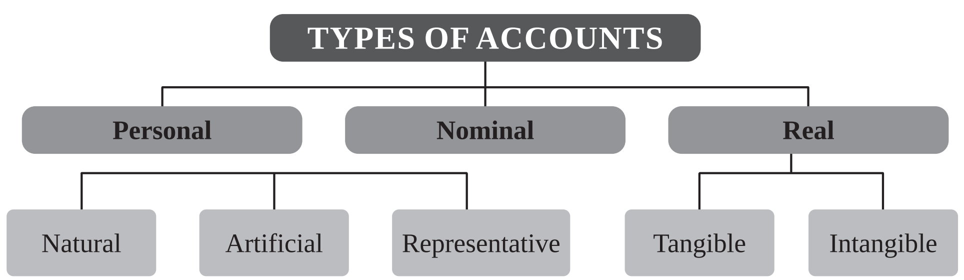
(*a*) It prevents and minimizes error. Moreover, frauds can be detected early.

(*b*) Errors can be checked and rectified easily.

Limitations of Double Entry System:

(*a*) The system does not disclose all the errors committed in the books of accounts.

(*b*) It is costly as it involves maintenance of numbers of books of accounts.



Golden rules of Accounting

Personal Account	Debit the receiver or who owes business Credit the giver or the business owner
Real Account	Debit what comes into business Credit what goes out of business
Nominal Account	Debit all expenses or losses Credit all income or gains

JOURNAL

A journal, also known as the Book of Prime Entry or Book of Original Entry, records transactions in the order they occur. The act of recording transactions in a journal is called "journalizing", and each entry in this book is called a "journal entry."

Advantages of Journal

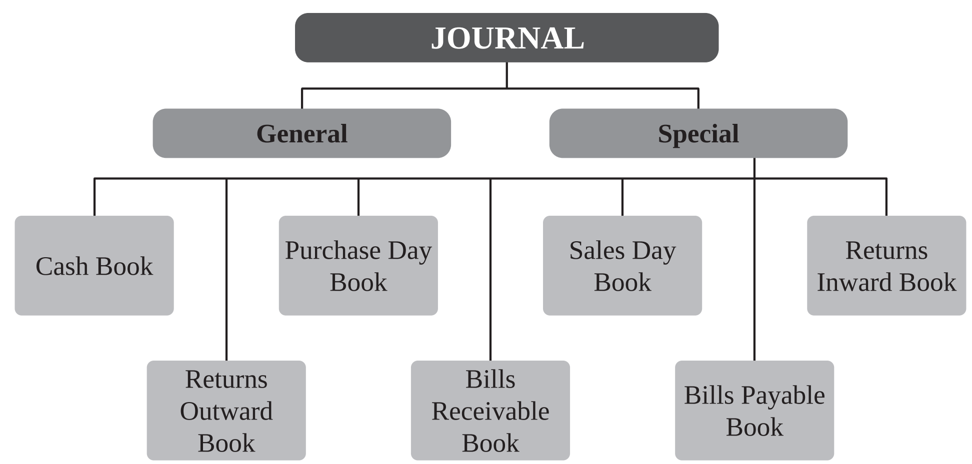
The following are the advantages of a journal:

(*i*) **Chronological Record:** Transactions are recorded as they occur, providing detailed day-to-day information.

(*ii*) **Minimizing the possibility of errors:** Recording and analysing transactions in both debit and credit aspects help determine their nature and impact on the business's financial position.

(*iii*) **Narration:** It means explanation of the recorded transactions.

(*iv*) **Helps to finalize the accounts:** The journal is used to post entries to the ledger and create the Trial Balance. The Trial Balance is essential for preparing the final accounts.



The sub-division of journal is done as follows:

Transaction	Subsidiary Book
All cash and bank transactions	Cash Book has columns for cash, bank and cash discount
All credit purchase of goods — only those goods that are purchased for resale are covered here	Purchase Day Book or Purchase Register
All credit sale of goods	Sales Day Book or Sales Register
All purchase returns — i.e., return of goods back to suppliers due to defects	Purchase Return Book or Return Outward Book
All sales returns — i.e., return of goods back from Customers	Sales Return Book or Return Inward Book
All bill receivables — these are bills accepted by Customers to be honoured at an agreed date	Bills Receivable Book
All bills payable - these are bills accepted by the business to be honoured by paying to suppliers at an agreed date	Bills Payable Book
For all other transactions not covered in any of the above categories — i.e., purchase or sale of assets, expense accruals, rectification entries, adjusting entries,opening entries and closing entries	Journal Proper

CASHBOOK

A Cash Book records all cash receipts and payments. It's a book of original entry because transactions are first recorded from source documents. The Cash Book resembles a Cash Account,showing receipts on the debit side and payments on the credit side. So, it serves as both a journal and a ledger.

Types of Cashbook:

Cash Book
- Single Column Cash Book
- Double Column Cash Book
- Triple Column Cash Book
- Multi Column Cash Book
- Petty Cash Book

1. **Single Column Cash Book**

Dr. **Specimen of Single Column Cash Book** **Cr.**

Receipts				Payments			
Date	Particulars	L.F.	Cash	Date	Particulars	L.F.	Cash

2. **Double Column Cash Book**

Dr. **Specimen of Double Column Cash Book** **Cr.**

Receipts					Payments				
Date	Particulars	L.F.	Cash	Disc. Allowed	Date	Particulars	L.F.	Cash	Disc. Received

3. **Triple Column Cash Book**

Dr. **Specimen of Triple Column Cash Book** **Cr.**

Receipts						Payments				
Date	Particulars	L.F.	cash	Bank	Discount Allowed	Date	Particulars	L.F.	Bank	Discount Received

4. The multi-column cashbook has multiple columns on both the sides of the cashbook.
5. The petty cashbook.

Purchase Day Book

In the Books of Purchase Day Book

Date	Name of the Suppliers and details of Goods purchased	Invoice reference	L.F.	Amount (Rs.)	Remarks

The format for Purchase Return Book is exactly the same; hence separate illustration is not given.

Sales Day Book

In the Books of Sales Day Book

Date	Name of the Suppliers and details of Goods purchased	Invoice reference	L.F.	Amount (Rs.)	Remarks

The format of sales return book is exactly the same; hence a separate illustration is not given.

Other Subsidiary Books — Returns Inward, Return Outward, Bills Receivable, Bills Payable.

(*i*) **Return Inward Book**

Returns Inward Day Book

Date	Particulars	Outward Invoice	L.F.	Details	Totals	Remarks

(*ii*) **Return Outward Book**

Return Outward Day Book

Date	Particulars	Debit Note	Date	Details	Totals	Remarks

(*iii*) **Bills Receivable Book**

Bills Receivable Day Book

No. of Bills	Date of Receipt of Bill	From whom	Name of the Receiver	Name of Drawer	Name of Acceptor	Date of Bill	Due Date	L.F.	Amount of Bill	How disposed off

(*iv*) **The Bills Payable Book**

Bills Payable Day Book

No. of Bills	Date of Acceptance	To whom given	Name of Drawer	Name of Payee	Name of Payable	Date of Bill	Term	Due Date	L.F.	Amount of Bill How disposed off

LEDGER ACCOUNTS

Ledger Posting

Transactions are first recorded in the journal as journal entries when they occur. Then, these entries are posted to the respective ledger accounts following the double-entry principle. This process is called ledger posting.

To summarize:

Dr.	Assets	Cr.	Dr.	Expenses or Losses	Cr.
Increase		Decrease	Increase		Decrease
Dr.	Liabilities & Capital	Cr.	Dr.	Income or Gains	Cr.
Decrease		Increase	Decrease		Increase

Trial balance

Trial Balance may be defined as a statement or a list of all ledger account balances taken from various ledger books on a particular date to check the arithmetical accuracy.

Features of a Trial balance

(*a*) It is a statement of debit and credit balances.

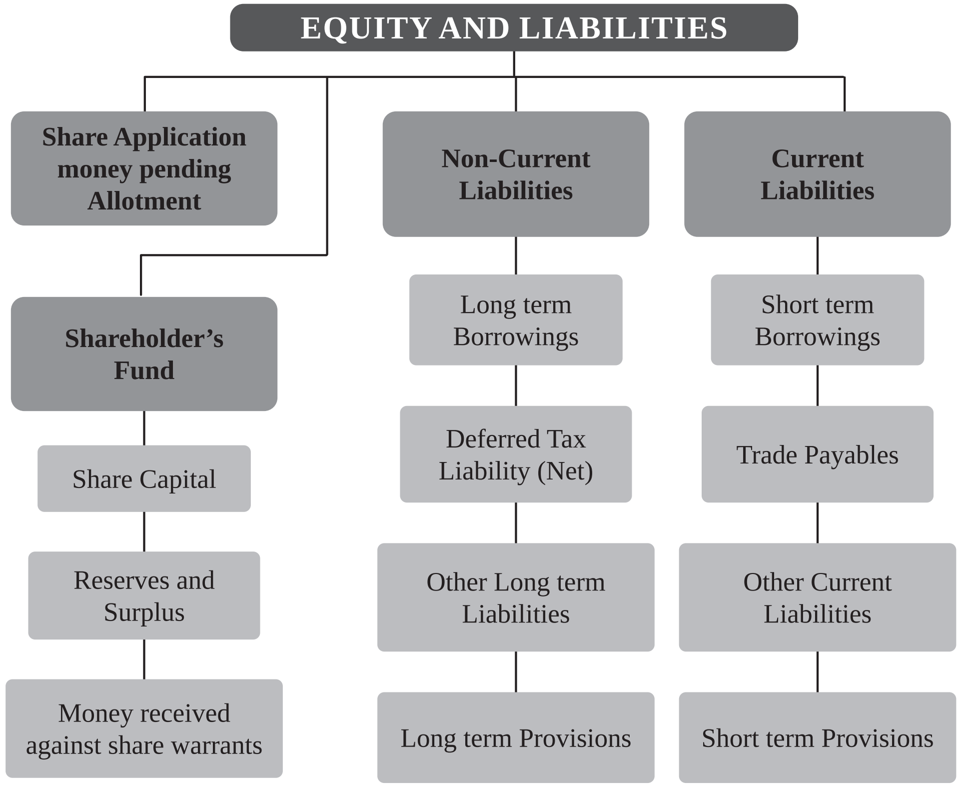
(*b*) It is not an account. It is only a statement of account.

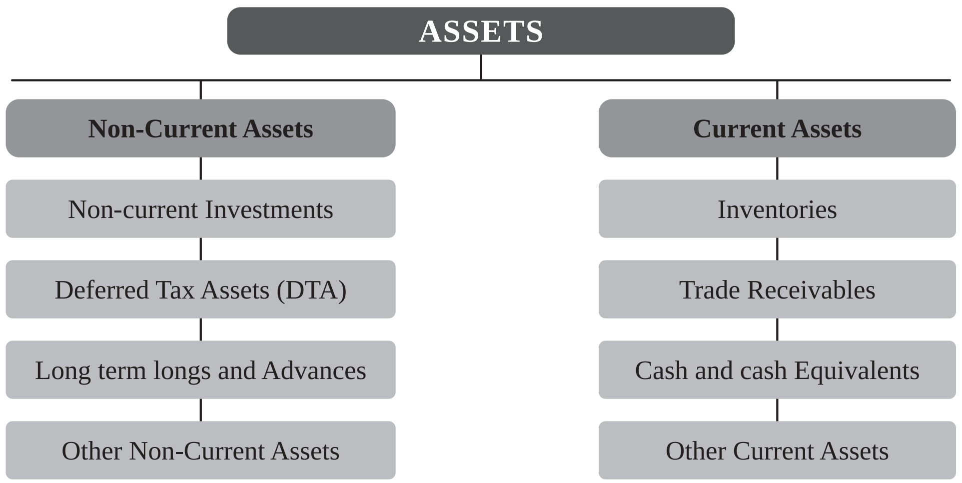
Specimen of Trial balance as on …………

Sl No.	Name of the Account	L.F.	Debit Balance(Rs.)	Credit Balance

Basic Accounting Terms:

Transaction	**Example:** Rohan went to a book store and bought a book for ₹10. He paid for it using his debit card. This is a transaction because it involves the exchange of money
Event	**Example:** The company received a shipment of inventory worth ₹5,000. This event involves an increase in the company's assets (inventory) and can affect its financial position.
Goods/Services	**Example:** A bakery sells tangible goods like bread and cakes to customers. In contrast, a consulting firm provides intangible services, offering advice and guidance to clients.
Capital Expenditure	**Example:** A company buys a ₹30,000 delivery truck to expand its services. This is a capital expenditure since the truck, as a fixed asset, is meant for long-term use to boost business profits.
Revenue Expenditure	**Example:** A company spends ₹2,000 on machinery repairs for operational efficiency. This is a revenue expenditure as it's for maintaining machinery's current performance and benefits are expected within the same accounting period.
Profit and Loss Account or Income Statement	**Example:** At year-end, a company summarizes its revenue, expenses, and calculates net profit or loss. For instance, it might report a ₹50,000 net profit after deducting all expenses from revenue.
Profit	**Example:** A lemonade stand earns ₹100 from selling lemonade during the summer. After subtracting expenses such as the cost of lemons, sugar, and cups, totalling ₹40, the lemonade stand has a profit of ₹60 (₹100 - ₹40).





PART I – FORM OF BALANCE SHEET

Name of the Company:..

Balance Sheet as at ....

	Particulars	Note No.	Figure as at the end of Current Reporting Period (Rs.)	Figures as at the end of the Previous Reporting Period (Rs.)
I.	**EQUITY AND LIABILITIES**			
(1)	Shareholders' Funds			
	(*a*) Share Capital			
	(*b*) Reserves & 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 Liabilit1ies			
	(a) Short-Term Borrowings			
	(b) Trade Payables (A) Total outstanding dues of micro enterprises and small enterprises and (B) Total outstanding dues of creditor other than micro enterprises and small enterprises.			
	(c) Other Current Liabilities			
	(d) Short-Term Provisions			
	TOTAL			
II.	**ASSETS**			
(1)	Non-Current Assets			
	(a) Property, plant and equipment and Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible Assets			
	(iii) Capital work-in-progress			
	(iv) Intangible assets under Development			
	(b) Non-current Investments			
	(c) Deferred Tax Assets (DTA) (Net)			
	(d) Long-term Loans & Advances			
	(e) Other Non-Current Assets			
(2)	Current Assets			
	(a) Current Investments			
	(b) Inventories			
	(c) Trade Receivables			
	(d) Cash & Cash Equipments			
	(e) Short-Term Loans & Advances			
	(f) Other Current Assets			
	Total			

DISCLOSURE REQUIREMENT: SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

(A) for "equity and liabilities" items

(1) Shareholders' funds

(*a*) Share Capital

Schedule III Disclosure Requirement	Points to be considered
General	Schedule III deals only with presentation and disclosure requirements. Accounting classification into Debt and Equity components is governed by the applicable Accounting Standard.
For each Class of Share Capital (different classes of Preference Shares to be treated separately):	
(*a*) Authorized Capital	It is the maximum number and face/par value, of each class of shares that a corporate entity may issue in accordance with its instrument of incorporation.
(*b*) Number of Shares Issued, Subscribed and Fully Paid, and Subscribed but not Fully Paid	"Subscribed Share Capital" is the part of issued shares that investors buy and receive from the company, including bonus shares. "Paid-up Share Capital" is the amount of subscribed shares for which payment, in cash or other forms, has been received. This includes bonus shares and shares issued for non-cash consideration by the company.
(*c*) Face/Par Value per Share	Face Value/Par Value as per Capital Clause in Memorandum of Association should be disclosed.
(*d*) Reconciliation of No. of Shares	For the Amount of Share Capital; For comparative previous period; Create distinct statements for Equity and Preference Shares, broken down and displayed for each share class.
(*e*) Rights, Preferences and Restrictions attaching to shares including restrictions on the distribution of Dividends and the Repayment of Capital	For Equity Share Capital, such rights / preferences / restrictions may be with voting rights, or with differential voting rights as to dividend, voting or otherwise as per Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001. For Preference Shares, the rights include dividend and/ or capital related rights. Further, Preference Shares can be cumulative, non-cumulative, redeemable, convertible, non- convertible, etc.

(*f*)	Shares held in the Company held by its Holding Company or its ultimate Holding Company including Shares held by Subsidiaries or Associates of the Holding Company or the ultimate Holding Company in aggregate	Disclose number of Shares held by the entire chain of Subsidiaries and Associates starting from the Holding Company and ending right up to the Ultimate Holding Company. All such disclosures should be made separately representing for each class of Shares, (for both Equity and Preference Shares).
(*g*)	List of Shareholders holding more than 5% shares as on the Balance Sheet Date	Date for computing the 5% limit should be taken as the Balance Sheet date. So, if during the year, any Shareholder held more than 5% Equity Shares but does not hold as much at the Balance Sheet date, disclosure is not required. Companies should disclose the Shareholding for each class of Shares, both within Equity and Preference Shares. So, such% should be computed separately for each class of Shares.
(*h*)	Shares Reserved for issue under Options and Contracts/ commitments for the sale of Shares/ Disinvestment, including the Terms and Amounts	❖ Shares under Options generally arise under Promoters or Collaboration Agreements, Loan Agreements or Debenture Deeds (including Convertible Debentures), agreement to convert Preference Shares into Equity Shares, ESOPs or Contracts for supply of Capital Goods, etc. ❖ Disclosure is required for the Number of Shares, Amounts and Other Terms for Shares so reserved. Such options are in respect of Unissued Portion of Share Capital.
(*i*)	For the period of 5 years immediately preceding the date as at which the Balance Sheet is prepared Aggregate Number & Class of Shares allotted as Fully Paid up Pursuant to Contract(s) without payment being received in Cash Aggregate No. and Class of Shares allotted as fully Paid up by way of Bonus Shares Aggregate Number & Class of Shares bought back	Disclose only if such event has occurred during a period of 5 years immediately preceding the Current Year Balance Sheet date. The aggregate number of shares allotted or bought back If the company is in operation for a period of less than 5 years, then disclosure should cover all such earlier financial years.
(*j*)	Terms of any Securities Convertible into Equity / Preference Shares issued along with the earliest date of conversion in descending order starting from the farthest such date	In case of Compulsorily Convertible Securities, where conversion is done in fixed tranches, all the dates of conversion have to be considered.
(*k*)	Calls Unpaid (showing aggregate value of Calls Unpaid by Directors and Officers)	Unpaid Amount towards Shares subscribed by the Subscribers of Memorandum of Association should be considered as 'Subscribed and paid-Up Capital' in the Balance Sheet and the Debts due from the Subscribers should be appropriately disclosed as an Asset in the Balance Sheet
(*l*)	Forfeited Shares (amount originally paid up)	
(*m*)	Shareholding of Promoter	(see table below)

Share held by promoter at the end of year			% change during the years
Sr. No.	**Promoters Name**	**No. of Shares**	**% of Total Shares**
Total			

(*b*) Reserves & Surplus

Schedule III Disclosure Requirement	Points
Reserves and Surplus shall be classified as- (*a*) Capital Reserves	❖ Capital Reserve is a reserve of a Corporate Enterprise which is not available for distribution as Dividend. ❖ Profit on Re-issue of Forfeited shares is basically profit of a Capital Nature and, hence, it should be credited to Capital Reserve.
(*b*) Capital Redemption Reserve	Capital Redemption Reserve (CRR) is required to be created u/s 55 and 68 (for redemption of Preference Share Capital and buyback of Equity Share Capital), subject to conditions specified in the respective Sections.
(*c*) Securities Premium	
(*d*) Debenture Redemption Reserve	Debenture Redemption Reserve (DRR) is required to be created u/s 71 and maintained until such Debentures are redeemed. On redemption of the Debentures, the amounts no longer necessary to be retained in this Account should be transferred to the General Reserve
(*e*) Revaluation Reserve	Revaluation Reserve is a Reserve created on the revaluation of Assets or Net Assets of an Enterprise represented by the surplus of the estimated Replacement Cost or estimated market values over the Book Values thereof
(*f*) Share Options Outstanding Account	As per ICAI Guidance Note on ESOP, Share Options Outstanding should be shown as separate line item. Under Schedule III, this line item should be shown separately under Reserves & Surplus.
(*g*) Other Reserves (specify the nature & purpose of each Reserve and the amount in respect thereof)	This includes any other Statutory Reserves, e.g. Tonnage Tax reserve to be created under the Income Tax Act, 1961.
(*h*) Surplus, i.e., balance in Statement of P&L disclosing allocations & appropriations, such as, Dividend, Bonus Shares and Transfer to/ from Reserves, etc.	
(Additions & Deductions since last Balance Sheet to be shown under each of specified heads	Appropriations to the Profit for the year (including carried forward balance) is to be presented under the main head 'Reserves and Surplus'. Under Schedule III, the Statement of P&L will no longer reflect any appropriations, like Dividends transferred to Reserves, Bonus Shares, etc.

(*c*) Money received against share warrants

Schedule III Disclosure Requirement	Points
To be shown as a separate line item on the face of Balance Sheet	In case of Listed Companies, Share warrants are issued to Promoters & others in terms of the Guidelines for Preferential Issues, viz. SEBI (Issue of Capital and Disclosure Requirements), Guidelines, 2009. Effectively, Share Warrants are amounts which would ultimately form a part of the Shareholder's Funds. Since Shares are yet to be allotted against the same, these are not reflected as a part of Share Capital, but as a separate line- item

(2) Share application money pending allotment

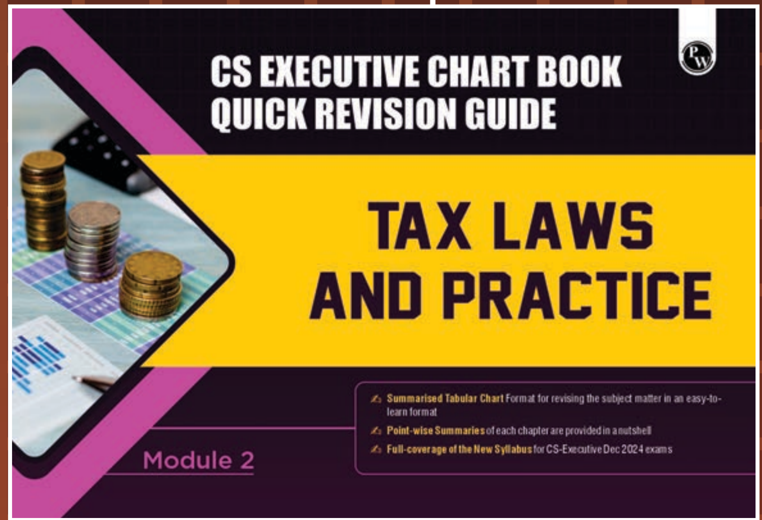
Schedule III Disclosure Requirement	Points
To be shown as a separate line item on the face of Balance Sheet	Excess application money over authorized capital goes under "Other Current Liabilities." "Share Application Money Pending Allotment" excludes refundable or non-compliant amounts, listed separately under "Other Current Liabilities." Prepaid calls also fall under "Other Current Liabilities,"along with accruing interest.

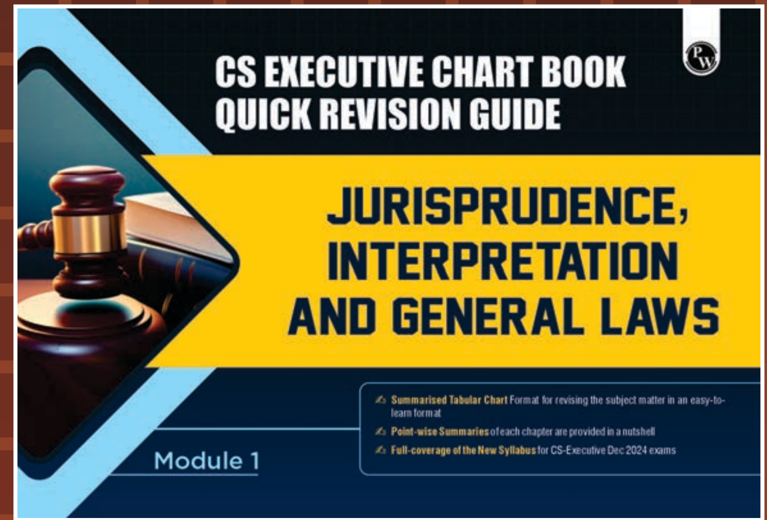
(3) Non-Current Liabilities

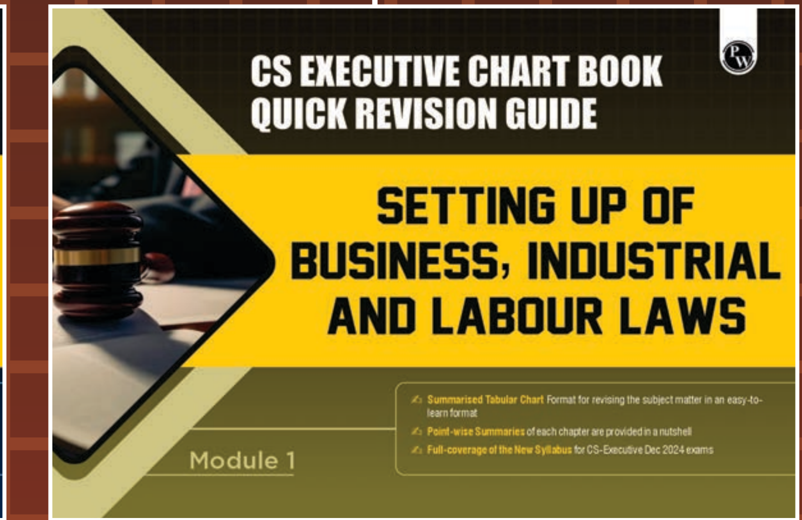
(A) long-term borrowings

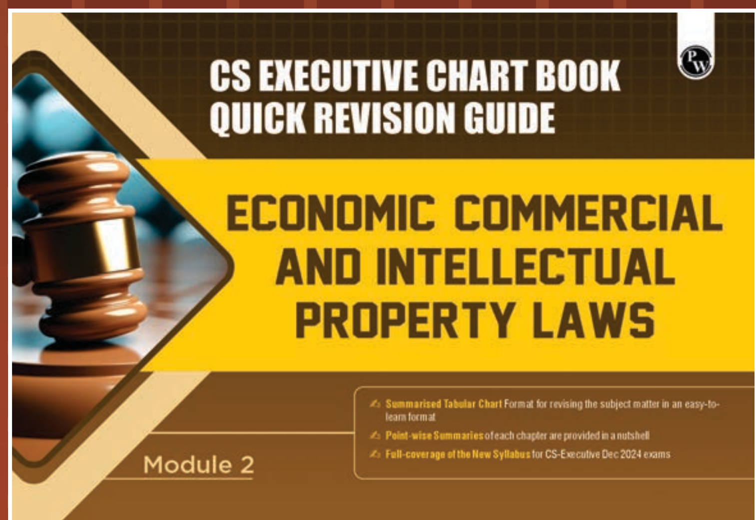
Schedule III Disclosure Requirement	Points
Long-Term Borrowings shall be classified as (*a*) Bonds/Debentures	……………
(*b*) Terms Loans (i) from Banks, and	Loans with repayment period beyond 36 months are usually known as "Term Loans". So,Cash Credit, Overdraft and Call Money
(ii) from Other Parties,	Accounts/Deposits are not covered by the expression "Term Loans".
(*c*) Deferred Payment Liabilities,	Deferred Payment Liabilities would include any Liability for which payment is to be made on deferred credit terms, e.g., Deferred Sales Tax Liability, Deferred Payment for Acquisition of fixed Assets,etc.

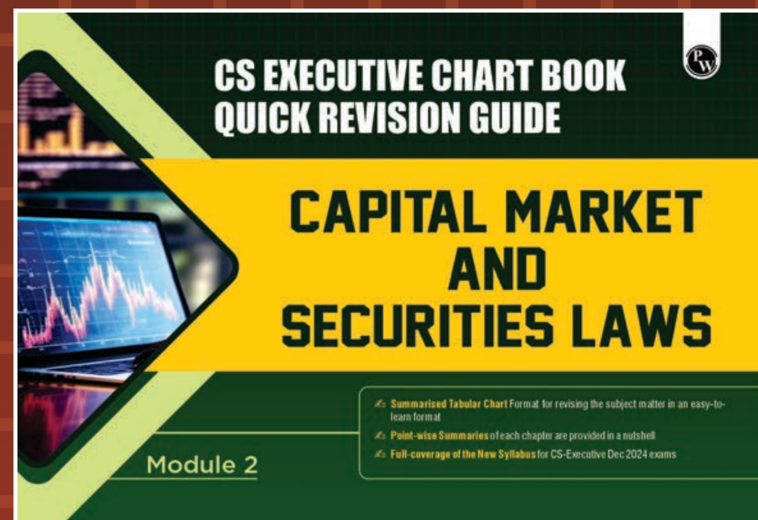
COMPLETE YOUR PREPARATION

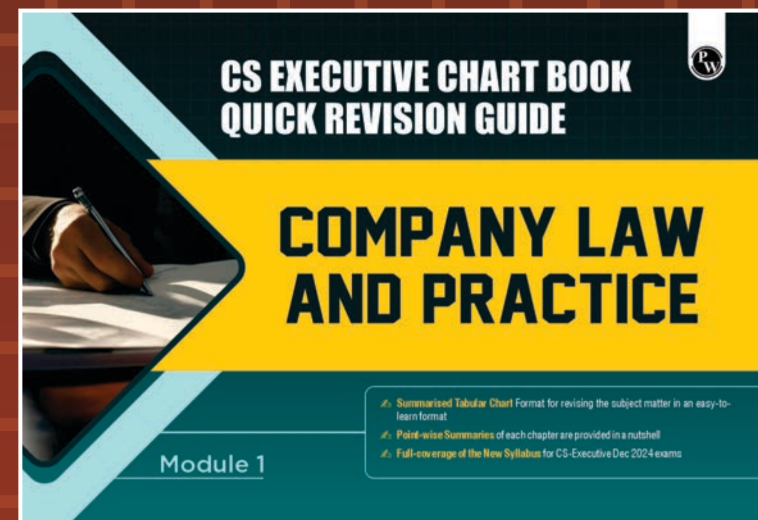












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