



CA



FOUNDATION

ACCOUNTING

MODULE 1

CA Nitin Goel

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WEIGHTAGE IN PAST YEAR EXAMS (From May 2018 to Jan 2025)

	MAY 18	NOV 18	MAY 19	NOV 19	NOV 20	JAN 21	JULY 21	DEC 21	JUNE 22	DEC 22	JUNE 23	DEC 23	JUNE 24	SEP 24	JAN 25
Theoretical Framework	4	4	4	4	4	4	4	4	4	4	4	5	4	4	4
Accounting Process	4+10	10	4	5+10	4+5	10	5+5 +10	5+5 +5	4+5	5+10	4	5	4+12 +5	4	4+5
Bank Reconciliation Statement	10	10	10	10	10	4	5	10	5	10	5	8	5	10	10
Inventories	–	–	5	5	10	5	5	4	5	–	5	4	5	5+5	5
Depreciation	–	4	10	4	5	10	4	5	10	4+5	10	5	8	5	10
Bills of Exchange	–	–	5	–	10	–	–	10	–	15	5	10	–	10	5
Final Accounts of Sole Proprietors	20	5	10	10+5	10+5	5	10+5	15	20	10	–	15	5	10	15
Not for Profit Organisation	–	10	10	10	10	10+10	10	10	10	10	15	12	12	10	10
Accounts from Incomplete Records	–	15	12	10	10	10	10	5	12	10	10	–	8	5	5
Partnership	10	15	10+5	10+ 15+5	10	5+10	10+5	5+10 +5	5+10 +15	5+10	5+20 +5	5+10	8+12	10+10	5+15
Company Accounts	10+5 +10	10+5 +5	10+5 +10	15+ +5+5	10+ +5+12	15+5 +12	15+5 +10	15+5	15+5	15+5	15+5 +5	15	10+15	10+15	5+15
Accounting Terminology	–	–	–	–	–	4	–	4	–	–	4	4	–	–	–

THEORETICAL FRAMEWORK

"One second, One minute, One hour, One day, One week, One month, One year and you are one year older. Make full use of your time."

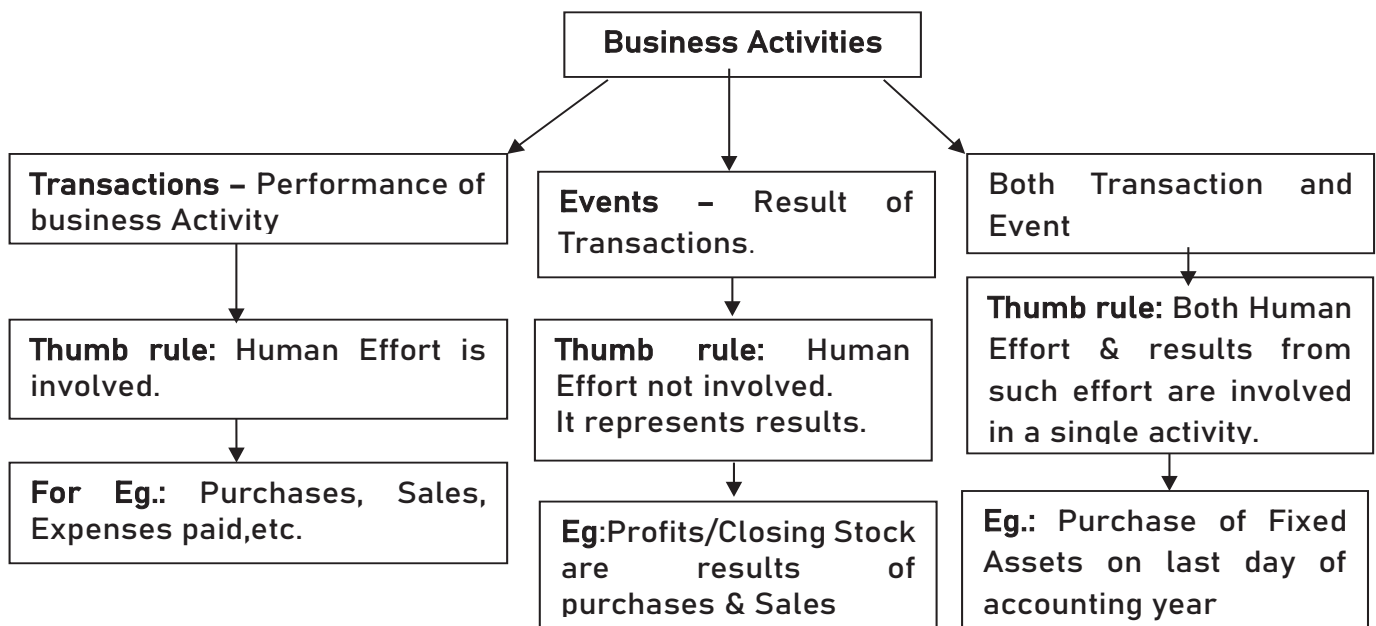
MEANING AND SCOPE OF ACCOUNTING

MEANING OF ACCOUNTING

- 1) As per the American Institute of Certified Public Accountants (AICPA) – Accounting is the art of **recording, classifying and summarizing** in a **significant manner** and in terms of **money, transactions and events** which are in part at least of **financial character**, and **interpreting** the results thereof.
- 2) Accounting also involves **analyzing** and interpreting financial **transactions** and **communicating** the results to the persons interested in such information.
- 3) As per American Accounting Association- Accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by the users of accounts.
- 4) Accounting is considered as an '**Information System**', as the function of Accounting is to provide **quantitative information**, primarily financial in nature about the business organization.

TRANSACTIONS VS EVENTS, FINANCIAL VS NON- FINANCIAL

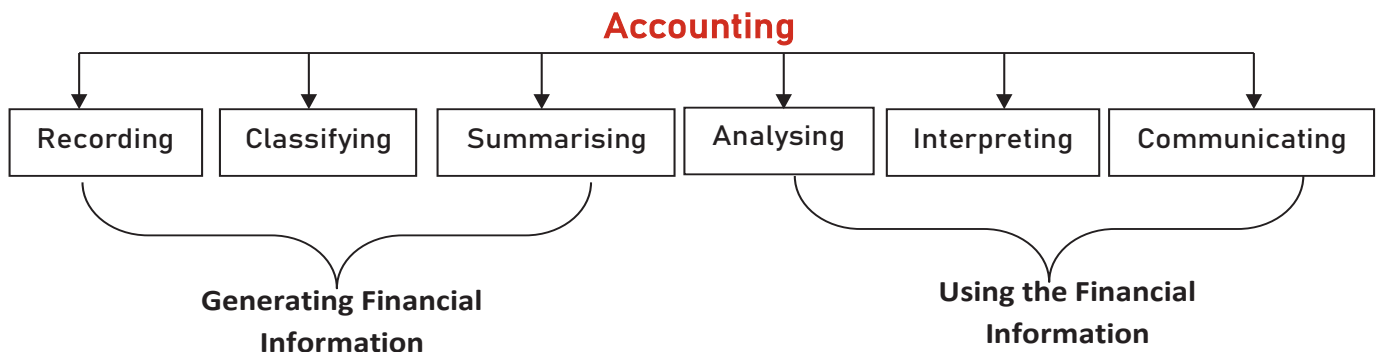
1. **Transactions and Events:** In a business or economic scenario.



2. Types of Transactions – 2 Types:

Types	Financial Transaction	Non – Financial Transaction
Meaning	When a business transaction involves a transfer of money or moneys' worth , then the transaction is called "Financial Transaction"	When a business transaction does not involve money or money's worth
Example	Purchase and Sale of goods, Payment of Expenses, Purchase of Assets, Goods lost by fire etc.	Quarrel between 2 Managers, Death of an employee etc.
Types	Cash and Credit Transaction	No such classification

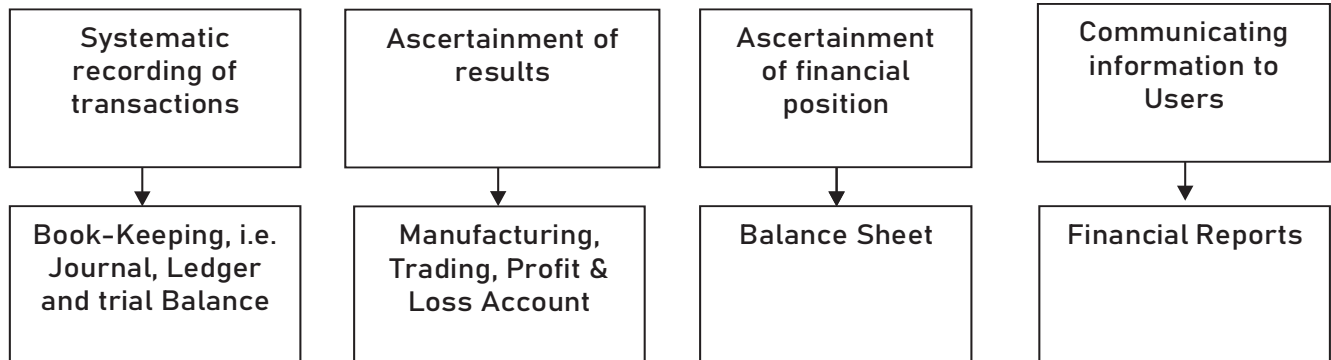
ACCOUNTING PROCESS

**Processes of Generating Financial Information (3 processes)****1. Recording:**

Meaning	All business transactions which are of financial nature (i.e. expressed in terms of money) are recorded in the books of accounts.
Purpose	A businessman cannot keep in his memory all the business activities carried out by 'him. Hence, there is a need for keeping track of such activities in a separate record.
Basis of Recording	All transactions must be evidenced by supporting documents like Sales Invoice, Purchase Bill, Receipts, Pay Slip, etc. (These are called Vouchers)
Relevant A/cs Book	The Books in which primary entry is made is called "Journal", which is further sub—divided into several Subsidiary Books for Sales, Purchases, Cash & Bank, etc. according to the nature and size of the business.
Checkpoint	It is to be noted that Accounts is concerned with only FINANCIAL Transactions. Accounting will not record non—financial transactions in its books.
Example	<ul style="list-style-type: none"> • Salary paid to Manager will be recorded in the books of accounts. • But, good health of the Manager, even if it is of great use to the business, has no financial character and no economic value, and therefore, will not be considered in Accounting.

5. To know the **solvency position**: Balance sheet also helps to know whether the business is solvent, i.e. ability to meet its liabilities in short run & in long run as and when they fall due.

Objectives of Accounting



FUNCTIONS OF ACCOUNTING

(CA Foundation Jan 2025) (4 Marks)

Measurement	Accounting measures the performance of the business entity and depicts its current financial position.
Forecasting	Accounting helps in forecasting future performance and financial position of enterprise using past data.
Decision-making	Accounting provides relevant information to the Users of accounts to aid rational decision-making.
Comparison & Evaluation	Accounting assesses performance achieved in relation to targets and discloses information which plays important role in comparing & evaluating financial results.
Control	Accounting identifies weaknesses in the operational system and provides feedback regarding effectiveness of measures to rectify such weaknesses.
Government Regulation & Taxation	Accounting provides necessary information to the Government, to exercise control on the entity as well as in collection of tax revenues.

BOOK-KEEPING – MEANING AND FEATURES

Meaning	It is an activity of recording and classifying the financial data relating to business operations in a significant and orderly manner.
Objective	<ul style="list-style-type: none"> • Complete recording of transactions. • Ascertainment of financial effect on the business.
Features	<ul style="list-style-type: none"> • It is art of scientifically recording the transactions. • Recording of transactions is restricted only to that of particular enterprise • The recordings are made in a given set of books.
Advantages	<ul style="list-style-type: none"> • From Financial Statements, financial information is readily available to Users • Qualitative financial decisions can be taken, since information is reliable • Valuable conclusions can be drawn on comparing books of different years of the same enterprise or comparing books of same period for different enterprises. • Financial accounts of an enterprise are treated as evidence in a Court of Law.

BOOK-KEEPING V/S ACCOUNTING

(CA Foundation Sep 2024) (4 Marks)

Basis	Book-Keeping	Accounting
Scope	It is a process concerned with recording of transactions	It is a process concerned with summarising of the recorded transactions.
Stage	Book-Keeping is the primary stage. It constitutes as the base for accounting.	Accounting is the secondary stage. It constitutes as a language of the business.
Basic Objectives	To maintain systematic records of financial transactions	To ascertain net results of operations and financial position and to communicate information to the interested parties.
Financial position	Financial position of the business cannot be ascertained through book-keeping	Financial position of the business is ascertained based on the accounting reports
Financial Statements	Financial Statements do not form part of this process.	Financial statements are prepared on the basis of book-keeping records.
Managerial decision	Managerial decision cannot be taken with the help of these records.	Management can take decision on the basis of these records.
Sub-fields	There are no-sub fields for Book-Keeping	It has several sub-fields such as Financial Accounting, Management ,etc.

Note: In terms of scope, Book-Keeping < Accounting

SUB FIELDS OF ACCOUNTING

(CA Foundation Dec 2023) (5 Marks)

Financial Accounting	It covers the preparation and interpretation of financial statement (i.e. P&L Account and Balance Sheet) and communication thereof, to the user of accounts. It is historical in nature as it records transactions which has already occurred. It primarily helps in determination of the net result for an accounting period and the financial position as on a given date.
Management Accounting	It is used for internal reporting to the Management of a business unit. The different ways of grouping information and preparing reports as desired by the Managers for discharging their functions and referred to as Management Accounting.
Cost Accounting	It is the process of accounting for cost and determination of overall cost of the product or service. The study of the behavioural pattern of cost will enable to control cost.
Social Responsibility Accounting	It is concerned with accounting for social costs incurred by the enterprise and social benefits created.
Human Resource Accounting	It seeks to identify, qualify and report investments made in human resources of an organization that are not presently accounted under any conventional accounting practice.

USERS OF FINANCIAL INFORMATION

Users	Purpose
Management	For day-to-day decision-making and performance evaluation.
Investors	To analyze performance, profitability and financial position. Note: Prospective investors are interested in the track record of the company
Lenders	They are interested to know whether their loan-principal and interest will be paid back when due
Suppliers	To determine the credit worthiness of the Company.
Customers	To know general business viability before entering into long-term contracts and arrangements
Employees	To know stability, continuity & growth of the enterprises, and its ability to pay remuneration, retirement & Other benefits & to enhance career opportunities.
Government	To ensure prompt collection of Direct and Indirect Tax revenues & to evaluate performance and contribution to social objectives
Public at Large	To see whether the enterprise is making a reasonable/ substantial contribution to local economy, e.g. employment opportunities, patronage of local suppliers

RELATIONSHIP OF ACCOUNTING WITH OTHER DISCIPLINE

Auditing	Auditing process review the Financial Statements, which are the outcome of the accounting process. Thus, Auditor should have a thorough & sound knowledge of accounting Standards & GAAP of reviewing the Financial statement.
Economics	<ul style="list-style-type: none"> Economics uses the database provided by Accounting System, for developing decision-models and for rational decision-making on the use of scarce resources. Economic Theories have influenced the development of decision-making tools used in accounting. However, there are differences between the Economists' and Accountants concepts of Income, Capital and Valuation of assets
Law	<ul style="list-style-type: none"> Transactions and events are governed by the laws of the land like The Contract Act, Sale of Goods Act, Negotiable Instruments Act and Taxation Laws. The entity itself is governed by specific status like Partnership Act, Companies Act, Co-operative Societies Act, which have a bearing on maintenance of account books
Mathematics	<ul style="list-style-type: none"> Knowledge of arithmetic and algebra is a pre-requisite for accounting computation and measurement, e.g. Depreciation, Use of Interest and annuity tables, lease Rentals, Hire Purchase Installments etc. Ratios, Graphs & Operation Research Models have been widely used in accounting
Management	Management relies on accounting and other data for effective decision-making. Since an accountant plays an active role in management, he understands the data requirements, so the accounting System can be designed to serve management purpose.

MULTIPLE CHOICE QUESTIONS

- 1) Which of the following is not a subfield of accounting?
 - (a) Management accounting.
 - (b) Cost accounting.
 - (c) Book-keeping
- 2) Purposes of an accounting system include all the following except
 - (a) Interpret and record the effects of business transaction.
 - (b) Classify the effects of transactions to facilitate the preparation of reports.
 - (c) Dictate the specific types of business enterprise transactions that the enterprises may engage in.
- 3) Book-keeping is mainly concerned with
 - (a) Recording of financial data.
 - (b) Designing the systems in recording, classifying & summarizing the recorded data.
 - (c) Interpreting the data for internal and external users.
- 4) All of the following are functions of Accounting except
 - (a) Decision making.
 - (b) Ledger posting.
 - (c) Forecasting.
- 5) Financial statements are part of
 - (a) Accounting.
 - (b) Book-keeping.
 - (c) Management Accounting.
- 6) Financial position of the business is ascertained on the basis of
 - (a) Records prepared under book-keeping process.
 - (b) Trial balance.
 - (c) Balance Sheet
- 7) Users of accounting information include
 - (a) Creditors/Suppliers
 - (b) Lenders/ Customers
 - (c) Both (a) and (b)
- 8) Financial statements do not consider
 - (a) Assets expressed in monetary terms.
 - (b) Liabilities expressed in monetary terms.
 - (c) Assets and liabilities expressed in non-monetary terms
- 9) On January 1, Sohan paid rent of ₹ 5,000. This can be classified as
 - (a) An event.
 - (b) A transaction.
 - (c) A transaction as well as an event.
- 10) On March 31, 2023 after sale of goods worth ₹ 2,000, he is left with the closing inventory of ₹ 10,000. This is
 - (a) An event.
 - (b) A transaction.
 - (c) A transaction as well as an event.
- 11) Which of the following is not a business transaction?
 - (a) Bought a machine of ₹10,000 for business
 - (b) Paid towards salaries of employees ₹ 5,000
 - (c) Paid son's fees from her personal bank account ₹ 8,000



CA



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MODULE 2

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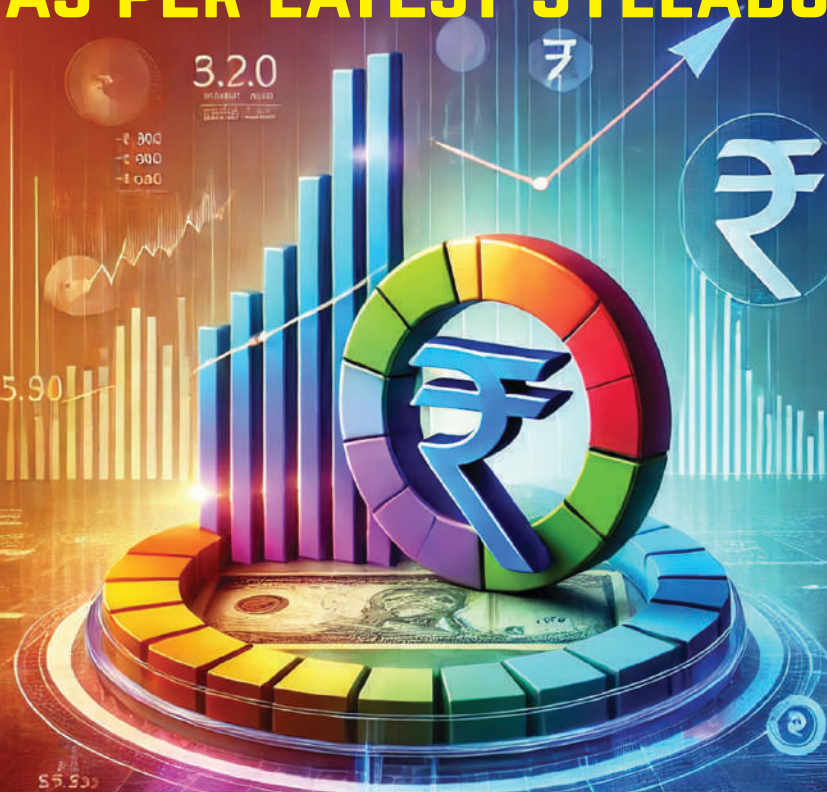
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CA FOUNDATION BUSINESS LAWS

Covers ICAI Module, PYQs, MTP, RTP
& other Important Questions

AS PER LATEST SYLLABUS



CA Chaitanya Jain

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CA FOUNDATION BUSINESS ECONOMICS

Covers ICAI Module, PYQs, MTP
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AS PER LATEST SYLLABUS



CA Jasmeet Singh and Love Kaushik

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PAPER-3



CA FOUNDATION QUANTITATIVE APTITUDE

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Anurag Chauhan

The background of the lower half of the cover features a complex, futuristic illustration. It includes a 3D pie chart with multiple colored segments (red, orange, yellow, green, blue, purple) in the foreground. Behind it is a bar graph with several vertical bars of varying heights, colored in a gradient from green to blue. A white line graph with two upward-pointing arrows is overlaid on the bar graph. The entire scene is set against a dark blue background with glowing vertical lines and a grid pattern, giving it a high-tech, digital feel.

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BUSINESS ECONOMICS

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1 Unit

INTRODUCTION

1. Introduction

1.1 Origin of Economics

- ❖ **Economics** comes from the Greek term for ‘household’.
- ❖ Before the 19th century, it was called ‘**Political Economy**’.
- ❖ **Adam Smith’s** book. *The Wealth of Nations* (1776), is regarded as the first modern economics work.
- ❖ Full name of The book is ‘**An Inquiry into the Nature and Causes of the Wealth of Nations**’

1.2 Fundamental Facts

- ❖ ‘Human beings have unlimited wants’; and
- ❖ The means to satisfy these unlimited wants are relatively scarce’ form the subject matter of Economics

1.3 Business Economics (Managerial Economics)

- ❖ Introduced by **Joel Dean (1951)**
- ❖ Application of **economic analysis** in business decision-making
- ❖ Helps in **optimal use of scarce resources**
- ❖ Used by **businesses, NGOs & non-profits**

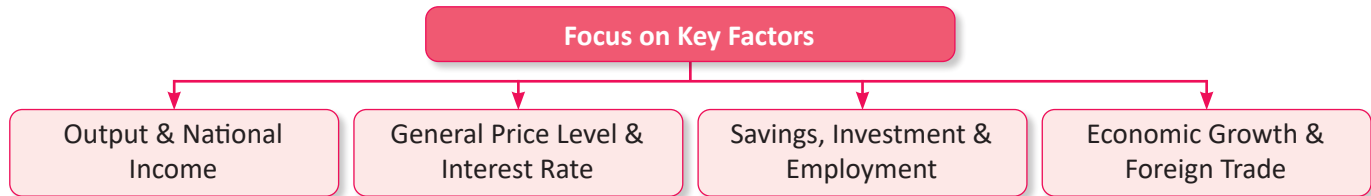
1.4 Key Features of Business Economics

Decision-Making	Business Economics uses economic analysis to make decisions on the best use of an organization's scarce resources.
Also Known As	Managerial Economics.
Integration	Combines economic theory with business practice.
Tools	Economic theory provides tools like demand, supply, cost, production, price, marketing, and competition; Business Economics applies these tools for decision-making.
Bridging the Gap	Fills the gap between economic theory and business practice.
Applicability	Also useful for NGOs and non-profit organizations.

2. Micro vs. Macro Economics

2.1 Macro Economics (General Equilibrium Analysis, Theory of Income and Employment)

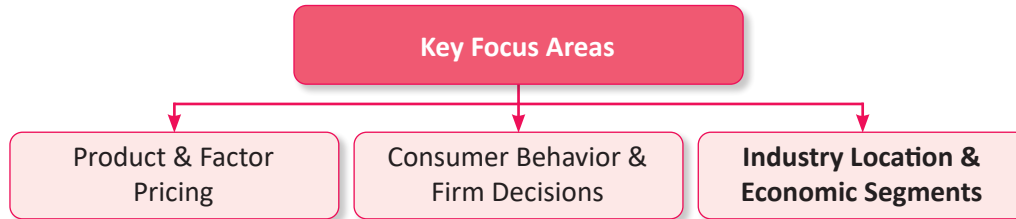
❖ **Studies economy as a whole** (aggregate level)



2.2 Micro Economics (Price Theory/Slicing Theory)

❖ **Studies individual units** (firms, consumers)

❖ **Core of Business Economics**



❖ **In short:** Macro = Big Picture | Micro = Detailed View

3. Nature of Business Economics

Note: {(SPAM-MINT)- Love sir's way of learning}

❖ Business Economics is a Science

❖ Pragmatic in Approach

❖ Business Economics is an art

❖ Based on Micro Economics

❖ Incorporates elements of Macro Analysis

❖ Interdisciplinary in nature

❖ Use of Theory of Markets and Private Enterprises
❖ Normative in nature

3.1 Business Economics as a Science & Art

Science	Systematic knowledge with cause-effect relationships
Art	Practical application of rules & principles

3.2 Core Characteristics

❖ Based on Microeconomics , but integrates Macro tools
❖ Uses Market & Private Enterprise Theories
❖ Pragmatic & Normative (Solves real-world business problems)

3.3 Positive vs. Normative Economics

Positive Economics	Normative Economics
❖ Studies What is	❖ Studies What should be
❖ Can be empirically verified	❖ May or may not be verified
❖ Based on facts & logic	❖ Based on ethics & values
❖ Objective & descriptive	❖ Subjective & prescriptive
❖ Example: Demand falls when price rises	❖ Example: Rich should pay more taxes

❖ (Positive = Facts | Normative = Opinions)



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- **Comprehensive Charts for Quick Revision**
- **Covering All Important Laws at a Glance**

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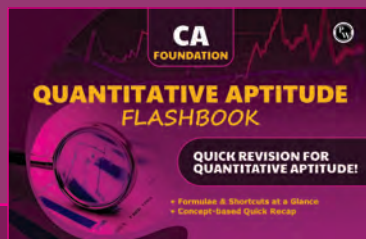
**Quick Revision for
Accounts!**

- **Concept-wise Summarized Notes**
- **Important points for last minute revision**

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