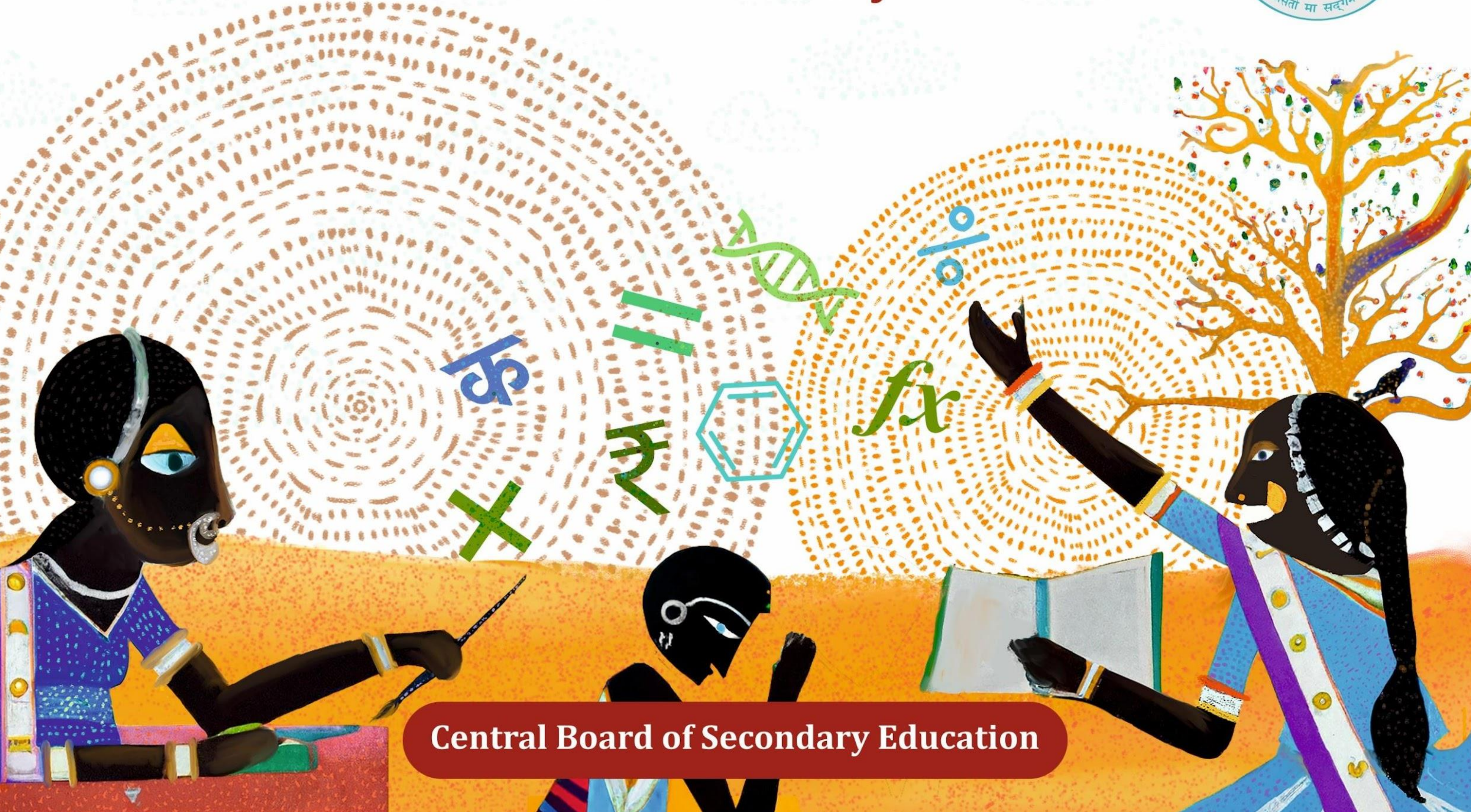
Learning Framework Classes 11-12
Accountancy



Central Board of Secondary Education

Ei

G20

Azadi Ka Amrit Mahotsav

केन्द्रीय माध्यमिक शिक्षा बोर्ड

भारत

असतो मा सद्गमय

Learning Framework Classes 11-12 Accountancy

First Edition: July 2023

Unpriced e-Publication, not for sale

Co-created by

CBSE Centre for Excellence in Assessment

and

Educational Initiatives

FOREWORD

The National Education Policy (NEP) 2020 recommends that children not only learn but more importantly learn how to learn. Education must move towards less content, and more towards learning about how to think critically and solve problems, how to be creative and multidisciplinary, and how to innovate, adapt, and absorb new material in novel and changing fields. Pedagogy must evolve to make education more experiential, holistic, integrated, inquiry-driven, discovery-oriented, learner-centred, discussion-based, flexible, and, of course, enjoyable. The policy has a clear mandate for competency-focused education to enhance the acquisition of critical 21st-century skills by the learners. The first determinant for implementing competency-focused education is a curriculum which is aligned with defined learning outcomes and that clearly states the indicators to be achieved.

The Central Board of Secondary Education (CBSE) has collaborated with Educational Initiatives (Ei), to develop the Learning Framework for twelve subjects of Classes 11 and 12, i.e. English, Hindi, Mathematics, Physics, Chemistry, Biology, History, Geography, Economics, Accountancy, Business Studies and Computer Science. The Learning Frameworks comprise explicitly stated knowledge, skills and dispositions that an education system should try to achieve. These frameworks would help develop a common shared understanding of all the above among teachers, students and other stakeholders and would serve as a common benchmark for teaching, learning and assessment across all CBSE schools.

These frameworks present indicators that are aligned with the CBSE curriculum and the NCERT learning outcomes. They further outline samples of pedagogical processes and assessment strategies to encourage curiosity, objectivity, and creativity with a view to nurturing scientific temper. This framework would be a key resource for teachers as they execute the curriculum. They have been developed to ensure that teachers align the learning to meet the set quality standards and also use it to track the learning levels of students. The effort has been to synchronize focus on quality education with uniformity in quality of standards across CBSE schools.

We hope these frameworks will not only become a reference point for competency-focused education across the country but also facilitate the planning and design of teaching-learning processes and assessment strategies by teachers and other stakeholders.

Please note that the learning frameworks have been drafted based on the 2022-23 curriculum. Certain chapters and topics that have been rationalized in the 2023-24 curriculum are retained in this document. The rationalized sections are referenced under Chapter#3 - Content Domains. Please note that the unit or content marked with * are partially rationalised whereas those with ** are the ones deleted in full.

Feedback regarding the framework is welcome. Any further feedback and suggestions will be incorporated in subsequent editions.

Team CBSE

PREFACE

The National Education Policy 2020 has outlined the importance of competency-based education in classrooms, leading to curricular and pedagogical reforms in the school systems. The policy emphasizes on the development of higher-order skills such as analysis, critical thinking and problem-solving through classroom instructions and aligned assessments. These skills are important indicators which will further the dissemination of pedagogy and learning outcomes across schools and boards.

In order to propagate indicator-based learning through 'Learning Frameworks', the Central Board of Secondary Education (CBSE) has collaborated with Educational Initiatives (Ei). Learning frameworks are a comprehensive package which provides learning outcomes, indicators, assessment frameworks, samples of pedagogical processes, tools and techniques for formative assessment, blueprints, assessment items and rubrics. 12 such frameworks have been developed for English, Hindi, Mathematics, Physics, Chemistry, Biology, History, Geography, Economics, Accountancy, Business Studies and Computer Science in Grade 11 and 12.

As per NCERT Learning Outcomes for Higher Secondary Stage, *"With the fast-changing economic scenario, the commerce education along with accountancy as the language of business and as a source of financial information has become essential at the Senior Secondary stage. The curricular expectations is that it familiarizes the students with accounting as an information system; develops the basic skills needed to apply accounting concepts and standards in different business situations, develops the skills needed to analyze and interpret financial statements of specialized business entities for informed decision making and economic reasoning, inculcate entrepreneurial skills for effective transition from school to the world of work including self-employment.* "This framework has adopted learning outcomes outlined in the NCERT which are mapped to key concepts of the content. These content domain-specific learning outcomes are broken down into indicators which define the specific skills a learner needs to attain. A clear understanding of these learning outcomes will be immensely helpful for teachers and students to learn better. This document will help teachers to focus on subject-specific skills in addition to concepts.

The National Council of Educational Research and Training (NCERT) textbook states *"We must recognise that, given space, time and freedom, children generate new knowledge by engaging with the information passed on to them by adults. Treating the prescribed textbook as the sole basis of examination is one of the key reasons why other resources and sites of learning are ignored. Inculcating creativity and initiative is possible if we perceive and treat children as participants in learning, not as receivers of a fixed body of knowledge."* This framework will help teachers to design learning which has outcomes and indicators that focus on the skills Accountancy aims to achieve through its syllabus. In addition to this, sample pedagogical processes, formative assessment strategies and summative assessment items are also provided to enable teachers to make the maximum use of this framework.

CONTENTS

1. NATURE OF THE SUBJECT 1
2. STAGE SPECIFIC CURRICULAR EXPECTATIONS 2
3. CONTENT DOMAINS 3
4. SUBJECT SPECIFIC COGNITIVE DOMAINS 5
    CATEGORIES OF COGNITIVE DOMAINS 5
    ASSESSMENT TASKS FOR DIFFERENT COGNITIVE DOMAINS 7
    SAMPLE TASKS FROM DIFFERENT COGNITIVE DOMAINS SPECIFIC TO A CONTENT UNIT 8
5. LEARNING OUTCOMES 10
    CLASS 11 LEARNING OUTCOMES FOR ACCOUNTANCY 10
    CLASS 12 LEARNING OUTCOMES FOR ACCOUNTANCY 11
6. CONTENT DOMAIN SPECIFIC LEARNING OUTCOMES AND COMPETENCIES 14
    CLASS 11 CONTENT DOMAIN SPECIFIC LEARNING OUTCOMES AND COMPETENCIES 15
    CLASS 12 CONTENT DOMAIN SPECIFIC LEARNING OUTCOMES AND COMPETENCIES 30
7. SAMPLE PEDAGOGICAL PROCESSES AND ASSESSMENT STRATEGIES 51
8. TEST PAPER DESIGN 55
9. ASSESSMENT OF PRACTICAL/PROJECT WORK 57
    DESIGN OF THE PROJECT/PRACTICAL BASED ACTIVITIES 57
10. SAMPLE ASSESSMENT ITEMS WITH MARKING SCHEMES 61
11. ESSENTIAL IDEAS AND ASSESSMENTS 71
    CLASS 11 – ASSESSMENTS BASED ON ESSENTIAL IDEAS 71
    CLASS 12 – ASSESSMENTS BASED ON ESSENTIAL IDEAS 89
12. REFERENCE DOCUMENTS 109

ACKNOWLEDGEMENT 110

1. NATURE OF THE SUBJECT

The course in accountancy is introduced at the senior secondary stage of school education, as part of the formal commerce education provided after ten years of schooling. With the fast-changing economic scenario, the commerce education along with accountancy as the language of business and as a source of financial information has carved out a place for itself in society, which makes it inevitable that such topics are introduced to students at the senior secondary stage. Due to the technological revolution new dimensions like computerized accounting systems, e-finance, accounting as an information system, forensic accounting, etc., have gained importance in recent times.

Its syllabus content provides students with a firm foundation in basic accounting concepts and specialized accounting procedures for trading and non-trading organizations, partnerships and corporate accounts. The syllabus also acquaints the students with the changes taking place in the preparation and presentation of financial statements in accordance with the applicable accounting standards and the Companies Act of 2013.

The course focuses on developing a basic understanding of the nature of accounting, developing logical reasoning, analytical skills and judgment. The emphasis in Class XI is placed on basic concepts and processes of accounting leading to the preparation of accounts for a sole proprietorship firm. The students are also familiarized with basic calculations of Goods and Services Tax (GST) in recording business transactions. The increased role of ICT in all walks of life cannot be overemphasized and is becoming an integral part of business operations. The learners of accounting are introduced to the Computerized Accounting System in classes XI and XII. Computerized Accounting System is a compulsory component which is to be studied by all students of commerce in class XI; whereas in class XII it is offered as an optional subject to Company Accounts and Analysis of Financial Statements.

This course is developed to impart skills for designing a need-based accounting database for maintaining the book of accounts.

The complete course of Accountancy at the senior secondary stage introduces the learners to the world of business and emphasizes on strengthening the fundamentals of the subject.

2. STAGE SPECIFIC CURRICULAR EXPECTATIONS

Learning Outcomes at the Higher Secondary stage developed by the National Council for Educational Research and Training (NCERT) mentions the following curricular expectations for Accountancy.

CE1. Familiarizes the students with accounting as an information system;

CE2. Develops basic skills of accounting to apply accounting concepts and accounting standards in different business situations.

CE3. Develops skills to analyze and interpret financial statements of specialized business entities for informed decision-making and economic reasoning.

CE4. Inculcate entrepreneurial skills for effective transition from school to the world of work including self-employment.

3. CONTENT DOMAINS

The content for Accountancy for grades 11-12 in the CBSE curriculum has been organized around content units.

Content units for the two grades, along with the chapters from the NCERT textbooks are mentioned in the tables below.

Please note that the unit or content marked with * are partially rationalised whereas those with ** are the ones deleted in full, as per the academic year 2023-24 syllabus.

Table I. Grade 11 Content units and textbook chapters

Content units	NCERT textbook chapters
Textbook – Financial Accounting-1	
I. Theoretical Framework	1. Introduction to Accounting
	2. Theory Base of Accounting*
II. Accounting Process	3. Recording of Transactions - I
	4. Recording of Transactions - II
	5. Bank Reconciliation Statement
	6. Trial Balance and Rectification of Errors
	7. Depreciation, Provisions and Reserves
Textbook – Financial Accounting-II	
III. Financial Statements of Sole Proprietorship from Complete and Incomplete Records	8. Financial Statements - I
	9. Financial Statements – II

Table II. Grade 12 Content units and textbook chapters

Content units	**NCERT textbook chapters**
Textbook – Accounting for Not-for-Profit Organizations, Partnership Firms and Companies	
II. Accounting for Partnership Firms	1. Accounting for Partnership: Basic Concepts
	2. Reconstitution of a Partnership Firm – Admission of a Partner
	3. Reconstitution of a Partnership Firm –

	Retirement/Death of a Partner
	4. Dissolution of Partnership Firm
Textbook – Financial Statement Analysis	
III. Accounting for Companies	1. Accounting for Share Capital
	2. Issue and Redemption of Debentures
IV. Analysis of Financial Statements	3. Financial Statements of a Company
	4. Analysis of Financial Statements
	5. Accounting Ratios
V. Cash Flow Statement	6. Cash Flow Statement

4. SUBJECT SPECIFIC COGNITIVE DOMAINS

"As the Board is progressively allowing more space to 'learning outcome based' assessment in place of textbook driven assessment, question papers of Board examinations will have more questions based on real-life situations requiring students to apply, analyse, evaluate and synthesize information as per the stipulated outcomes. The core-competencies to be assessed in all questions, however, will be from the prescribed syllabus and textbooks recommended therein. This will eliminate predictability and rote learning to a large extent."

[CBSE Curriculum for classes 11-12]

CATEGORIES OF COGNITIVE DOMAINS

Revised Bloom's taxonomy (Anderson and Krathwohl, 2001) of cognitive process dimension has six categories, each associated with a set of specific cognitive processes. CBSE curriculum intends to have a balance of these categories of intellectual tasks in the teaching-learning and assessment of learning of a subject. These six categories as described in the revised Bloom's taxonomy, with their specific cognitive processes, are mentioned below.

COGNITIVE DOMAIN – REMEMBER

'Remember' involves retrieving relevant knowledge from long-term memory. **Recognising** and **recalling** are the specific cognitive skills associated with this cognitive domain. Asking students to provide a definition of a concept, e.g., Name two methods of calculating depreciation.

COGNITIVE DOMAIN – UNDERSTAND

'Understand' involves 'constructing meaning from instructional messages, including oral, written and graphic communication'. **Interpreting**, **exemplifying**, **classifying**, **summarizing**, **inferring**, **comparing**, and **explaining** are the specific cognitive skills associated with this cognitive domain. Asking students to explain a phenomenon in terms of physical concepts/principles, e.g., Explain the purpose of trading and profit and loss account.

COGNITIVE DOMAIN – APPLY

'Apply' involves carrying out or using a procedure in a given situation. **Executing** and **implementing** are the specific cognitive skills associated with this cognitive domain. Assessment tasks wherein students have to use the knowledge and/or procedures to solve a problem or to arrive at a decision in a given real-life situation cover this cognitive domain, e.g., Analyse the financial statements of any company of your choice and name the accounting standards that are applicable to it. Provide evidence/reasons wherever necessary.

COGNITIVE DOMAIN – ANALYSE

'Analyse' involves breaking material into constituent parts and determining how parts relate to one another and to an overall structure and purpose. **Differentiating**, **organising** and **attributing** are the specific cognitive skills associated with this cognitive domain. Asking students to compare and explain the relationship between two physical quantities from the same content domain, e.g. XYZ Ltd installed a plant in their factory for the production of goods. Last year, the value of the plant was recorded in the balance sheet at ₹56,000. In the current year, the value of this plant in the financial statement is still ₹56,000. Which accounting standard is violated here? How does this disregard affect their financial statements?

COGNITIVE DOMAIN – EVALUATE

'Evaluate' involves making judgments based on criteria and standards. **Checking** and **critiquing** are the specific cognitive skills associated with this cognitive domain. Assessment tasks that require a deeper level of understanding wherein students are required to provide justification for their choice,

e.g. Assess the applicability of Accounting Standard 26 with respect to the treatment of goodwill.

COGNITIVE DOMAIN – CREATE

'Create' involves putting elements together to form a coherent or functional whole; or reorganising elements into a new pattern or structure. **Generating**, **planning** and **producing** are the specific cognitive skills associated with this cognitive domain. Tasks that require students to produce new artefacts based on what they have learnt, e.g. Common people find it difficult to read balance sheets. Create a format that takes into consideration all accounting concepts and policies but still ensures that common people can read financial statements easily.

ASSESSMENT TASKS FOR DIFFERENT COGNITIVE DOMAINS

Some more examples of kinds of assessment tasks that can be associated with the different cognitive domains are given below. The following list should be taken as an indicative not an exhaustive one.

Table III. Cognitive Domains and assessment tasks

Cognitive domain	Assessment tasks
Remember ● recognising ● recalling	● recognising debit/credit transactions ● recalling the methods of valuation of goodwill ● listing different sources of revenue for a business apart from sales revenue.
Understand ● interpreting ● exemplifying ● classifying ● summarizing ● inferring ● comparing ● explaining	● interpret why a company needs to issue debentures after issuing shares. ● providing examples of the errors of principle ● classifying assets into current and non-current assets on the basis of their nature ● summarizing the process of reconstitution of the firm in case of admission of a new partner ● inferring the roles of system analysts, programmers and operators ● comparing cash and cash equivalents ● explaining the features of a company
● **Apply** ● executing ● implementing	● applying their understanding of debit and credit in preparation of trading and profit and loss account ● applying their understanding of new profit-sharing ratio to determine the ratio in which the remaining partners will share ● future profits after the retirement of a partner
Analyse ● differentiating ● organising ● attributing	● analysing the characteristics of partnership firms in comparison with companies ● differentiating between reserves and provision ● organising the steps involved in journalising in a graphic organizer ● analysing balance sheets of a firm showing its financial position
Evaluate ● checking ● critiquing	● critiquing management information systems ● evaluating the process of creating and purpose of the asset disposal account

Create ● generating ● planning ● producing	● creating financial statements of a partnership firm ● planning cost saving strategies for a manufacturing company

SAMPLE TASKS FROM DIFFERENT COGNITIVE DOMAINS SPECIFIC TO A CONTENT UNIT

Some specific examples of tasks from different cognitive domains are described below for two content chapters from classes 11 and 12 NCERT Accountancy textbooks. A chapter may not always cover all six cognitive domains. The following list of tasks should be taken as an indicative list, not a comprehensive one.

CHAPTER 2 – CLASS 11

Table IV: Chapter 2. Theory Base of Accounting Class:11

Cognitive domain	Sample tasks
Remember	● What is the definition of the word 'principle' as given by AICPA? ● What are two broad approaches to accounting on the basis of the timing of recognition of revenue and costs?
Understand	● What are the advantages of accounting standards? ● What is the role of accountancy in bringing uniformity in different accounting policies?
Apply	● Spy Ltd purchased a plant worth ₹1,00,000. The estimated working life of this plant is 10 years. Calculate depreciation using a straight line and written down value method.
Analyse	● A client wants to know the record of the enterprise in terms of its financial position in the current year as compared to the previous year. However, the balance sheets of the current year and the previous year are not comparable as the company has adopted different methods for the valuation and recording of depreciation. ● In the above situation, explain which accounting standard is violated by the enterprise and why.

Evaluate	• Evaluate the role of the consistency concept in eliminating personal bias and achieving results that are comparable.
Create	• Create your own Accounting Standards that eliminate their limitations.

CHAPTER 9 – CLASS 12

Table V: Chapter 9, Analysis of Financial Statements – Class:12

Cognitive domain	Sample tasks
Remember	• What is the definition of 'financial statement analysis'?
Understand	• Explain the tool of comparative statements that are useful for the purpose of analysis of financial statements.
Apply	• Cruise Ltd starts a business with ₹50,000. The company bought the plant and machinery worth ₹16,000 and paid • ₹2,500 for its installation in cash. It purchased goods from Alt Ltd on a credit basis and made sales of ₹27,000. • Pass journal entries in the books of Cruise Ltd.
Analyse	• Given the fact that financial statement analysis has some limitations, if you were the enterprise, what qualitative data would you give to your customers regarding your company in order to win their trust?
Evaluate	• Tee Ltd has many active stakeholders. Mr. Sharma is a client, Mrs., Shah is a regular customer, Mrs. Khan is an investor and Mr. Pandey is the labour union. Evaluate the use of financial statements for individual stakeholders.
Create	• Create a format for a document that gives an overview of the financial information and position of the company.

5. LEARNING OUTCOMES

"Competency based Learning focuses on the student's demonstration of desired learning outcomes as central to the learning process. Learning outcomes are statements of abilities that are expected students will gain as a result of learning the activity. Learning outcomes are, thus, statements of what a learner is expected to know, understand and/or be able to demonstrate after completion of a process of learning. Therefore, the focus is on measuring learning through attainment of prescribed learning outcomes, rather than on measuring time."

Following learning outcomes for the senior secondary stage developed by the National Council for Educational Research and Training (NCERT) state important knowledge, skills and dispositions students need to attain at the end of an academic year in classes 11 and 12 in the context of learning Accountancy.

CLASS 11 LEARNING OUTCOMES FOR ACCOUNTANCY

(1) Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting

(2) Describes relationship between accounting, accountancy and book keeping

(3) Discuss role of accounting as a language of business enterprise

(4) Defines various terms used in accounting

(5) Identifies monetary and non-monetary events for recording in book of accounts

(6) Differentiates between accounting data and accounting information

(7) Identifies users of accounting information for communication and dissemination

(8) Lists the qualitative characteristics of accounting information

(9) State the meaning and purpose of the basic accounting concepts

(10) Classifies and compares facts, data, and figures

(11) Lists the Indian accounting standards (Ind_AS) issued by the Institute of Chartered Accountants of India in bringing uniformity in business records for effective comparison between entities.

(12) Classifies accounting data into assets, liabilities, capital, revenue and expenses.

(13) Categorises types of source documents such as cash memo, debit note, credit note, invoices, cheques, promissory note, bill of exchange etc., for recording business transactions.

(14) Differentiates between source documents and support documents.

(15) Apply accounting equation to process business transactions for recording in book of accounts.

(16) Analyses and Evaluates accounting data

(17) Applies the rules of debit and credit in journalising and posting in ledger

(18) Draws trial balance for summarizing accounting data.

(19) Locates errors and rectifies them in case of disagreement of trial balance

(20) Presents accounting information for dissemination

(21) Categories items of revenue and capital

(22) Distinguishes between cash basis and accrual basis of accounting

(23) Calculates gross profit, operating profit and net profit of a business entity

(24) Makes adjustments for closing stock, prepaid expenses, outstanding expenses, accrued income, income received in advance, bad debts, depreciation etc.

(25) Prepares balance sheet of a business concern

(26) Distinguishes between double entry and single entry

(27) Enumerates causes and limitations of incomplete records

(28) Ascertains profit by converting s single entry transactions into double entry records

CLASS 12 LEARNING OUTCOMES FOR ACCOUNTANCY

(1) Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting

(2) Differentiates between financial statements of business and non-business entities

(3) Recalls the concepts of profit, surplus, loss and deficit in the context of financial statements of business and non-business entities

(4) Lists the features of receipt and payments account, income and expenditure account, profit and loss account and balance sheet

(5) Discuss the specific items of income and expenditure and how they are treated using accrual basis of accounting

(6) Describes forms of business organizations as sole proprietorship, partnership and company

(7) Discuss the advantages of partnership and company form of business over sole proprietorship form of business

(8) Define partnership as per Indian Partnership Act 1932 and company as per the Companies Act 2013

(9) Classifies and compares facts, computes data, and figures

(10) Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business

(11) Differentiates between reconstitution of partnership firm and dissolution of partnership firm

(12) Compares revaluation of assets and reassessment of liabilities and realization of assets and liabilities for partnership firm

(13) Classifies partner's capital into fixed and fluctuating capitals; method of valuation of goodwill; calculation of interest on capital and interest on drawings

(14) Collects information on various cases for dissolution of partnership firm

(15) Ascertain new profit-sharing ratio, sacrificing ratio, gaining ratio in the event of reconstitution of partnership firm

(16) Apply accounting treatment as per applicable accounting standard for valuation of goodwill in the event of reconstitution of partnership firm

(17) Lists the sources of finance and states the reasons for which source of finance is more economical in nature

(18) Differentiates between share capital and debt capital

(19) Explains why debentures debt capital of a company

(20) Discusses why company prefers both debt and share capital for raising funds

(21) Compares issue of share and debentures for cash and as collateral security

(22) Classify issue of shares and debentures at par, premium and discount

(23) Categories methods of redemption of debt capital after the expiry of specified time period

(24) Adopts changes in accounting procedures for maintaining books of accounts w.r.t., share capital and debentures

(25) Prepares financial statements and other relevant accounts of different forms of business organizations

(26) Analyses and Evaluates accounting data and presents accounting information for dissemination

(27) Prepares relevant accounts and balance sheet of the reconstituted firm.

(28) Discusses disclosure of items in company's balance sheet.

(29) Draws Company's balance sheet as per the schedule III of the Companies Act 2013.

(30) Undertakes comprehensive project work and related hands-on activities.

(31) Discusses why investors, lenders, and other stakeholders are interested in analysis of financial statements.

(32) Differentiates between horizontal and vertical analysis of financial statements

(33) Describes the significance of accounting ratios in financial statement analysis.

(34) Categorizes accounting ratios for assessing liquidity, profitability and solvency of a business enterprise.

(35) Explains adequacy of cash and cash equivalents in terms of its timing and certainty for a particular period and future commitments of an enterprise by classifying into operating, investing and financing activities.

6. CONTENT DOMAIN SPECIFIC LEARNING OUTCOMES AND COMPETENCIES

The learning outcomes defined by NCERT are generic and broadly defined for the content defined in the curriculum. They articulate the discipline-specific skills that students need to attain through learning different concepts in the syllabus. A clear understanding of the scope of these learning outcomes for each concept dealt in the NCERT textbook chapters will be very helpful for both teachers and students in planning teaching and learning better. The following process has been followed to list out the content domain-specific learning outcomes (CLOs) and competencies for all the content units and textbook chapters.

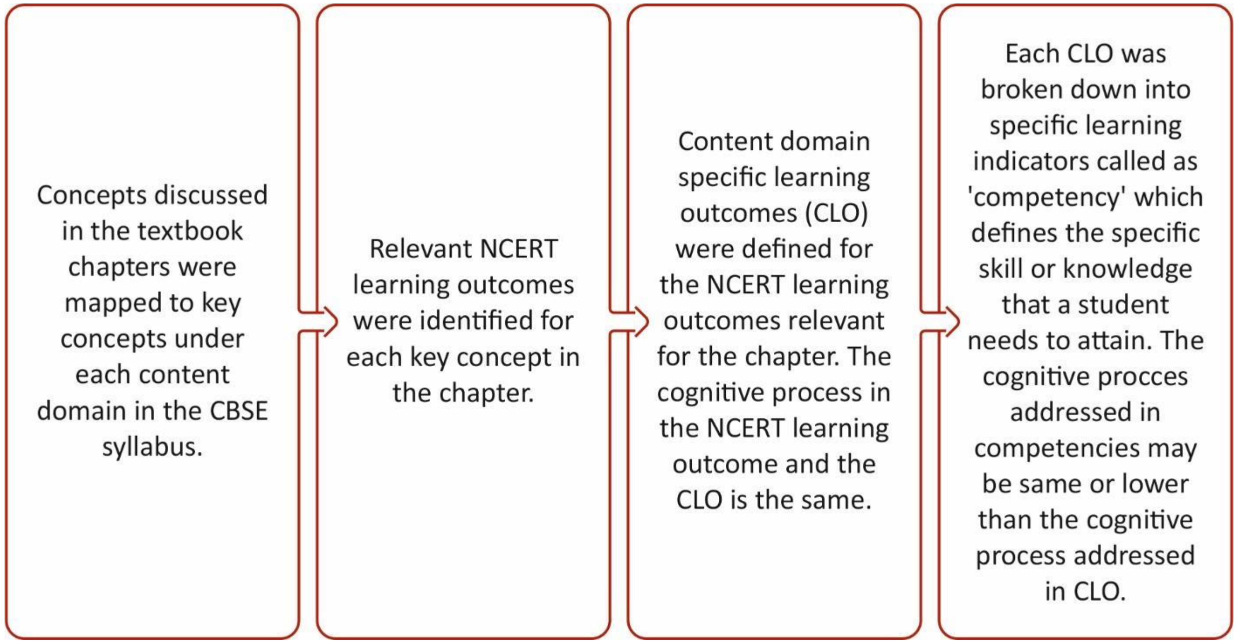


Table VI: Content domain-specific learning outcomes and competencies – Class:11

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 1 Introduction to Accounting	**Meaning and Development of Accounting**	LO9. State the meaning and purpose of the basic accounting concepts	CLO1. Describes the key aspects of accounting in the past and present.	C1. Explains the meaning, process and importance of accounting and its main concepts.
	Economic Events	LO5. Identifies monetary and non-monetary events for recording in the book of accounts	CLO2. Analyses the need for recording economic events.	C2. Describes external and internal economic events.
	Identification, Measurement, Recording, Communication and Organisation	LO4. Defines various terms used in accounting	CLO3. Explains the basic terms and processes used in accounting.	C3. Defines accounting terms including recorded events, measurement, quantifiable events, recording, communication and organisation, as well as their processes.
	Interested Users of Information	LO7. Identifies users of accounting information for communication and dissemination	CLO4. Analyses the role and importance of accounting information and its users.	C4. Explains how accounting information is disseminated and used by different users.
	Accounting as a Source of Information	LO7. Identifies users of accounting information for communication and dissemination	CLO5. Discusses accounting as a source of information.	C5. Describes the features of financial accounting, cost accounting, and management accounting.
Chapter 1 Introduction to Accounting	**Qualitative Characteristics of Accounting Information**	LO8. Lists the qualitative characteristics of accounting information	CLO6. Describes the role of qualitative characteristics of accounting.	C6. Explains the role of reliability, understandability and comparability as qualitative characteristics of accounting information.
	Objectives and Role of Accounting	LO1. Recognizes, draws relationships and narrate processes about facts,	CLO7. Explains the objectives of accounting.	C7. Analyses the importance of profit and loss.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
		concepts and terms used in accounting		
	Basic Terms in Accounting	LO4. Defines various terms used in accounting	CLO8. Explains the basic terms used in accounting.	C8. Describes the terms entity, transaction, capital, sales, revenue, expenses, expenditure, revenue expenditure, capital expenditure, profit, gain, discount, voucher, goods, drawings, purchases, stock, debtors, and creditors in the context of accounting.
	Assets and Liabilities	LO12. Classifies accounting data into assets, liabilities, capital, revenue and expenses.	CLO9. Analyses assets and liabilities.	C9. Describes the different types and importance of assets and liabilities.
Chapter 2 Theory Base of Accounting	**Theory Base of Accounting**	LO3. Discuss role of accounting as a language of business enterprise	CLO10. Analyses the need for the theory base of accounting.	C10. Describes the theory base of accounting and its importance.
	Generally Accepted Accounting Principles	LO4. Defines various terms used in accounting	CLO11. Explains the nature of Generally Accepted Accounting Principles.	C11. Explain the meaning of 'Generally Accepted Accounting Principles' by giving appropriate examples and justify why they are not static in nature.
	Basic Accounting Concepts	LO9. State the meaning and purpose of the basic accounting concepts	CLO12. Analyses and explains the need for the fundamental ideas and assumptions underlying the accounting profession.	C12. Explains the features, purpose and limitations of the basic accountancy concepts.
	Systems of Accounting	LO26. Distinguishes between double entry and	CLO13. Describes the systems of accounting	C13. Compares and contrasts the single and double entry system.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 2 Theory Base of Accounting		single entry		
	Basis of Accounting	LO22. Distinguishes between cash basis and accrual basis of accounting	CO14. Explains the two approaches to accounting.	C14. Names and differentiates between two broad approaches to accounting on the basis of the timing of recognition of revenue and costs.
	Accounting Standards	LO11. Lists the Indian accounting standards (Ind_AS) issued by the Institute of Chartered Accountants of India in bringing uniformity in business records for effective comparison between entities.	CLO15. Describes the features and purposes of accounting standards.	C15. Explains the objectives and role of accounting standards in bringing uniformity to different accounting policies.
	Applicability of Accounting Standards	LO11. Lists the Indian accounting standards (Ind_AS) issued by the Institute of Chartered Accountants of India in bringing uniformity in business records for effective comparison between entities.	CLO16. Explains the relevance of accounting standards globally.	C16. Justifies why a trend towards global convergence of accounting standards is seeking momentum for international financial reporting.
	Goods & Service Tax	LO9. State the meaning and purpose of the basic accounting concepts	CLO17. Analyses the nature of Goods & Service Tax.	C17. Describes various components and features of GST.
Chapter 3 Recording of Transactions-I	**Accounting and Business Transaction**	LO1. Recognizes, draws relationships and narrates processes about facts, concepts and terms used in accounting	CLO18. Describes the accounting process and features of business transactions.	C18. Defines the process of accounting and provides appropriate examples and specimens of source documents and vouchers.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 3 Recording of Transactions-I	**Preparation of Accounting Vouchers**	LO9. State the meaning and purpose of the basic accounting concepts	CLO19. Demonstrates the preparation of accounting vouchers.	C19. Illustrates compound and complex transactions through debit, credit and journal vouchers.
	Accounting Equation	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO20. Illustrates the concept of accounting equation to enable determination of assets and liabilities.	C20. Analyses the relationships among different elements of the balance sheet.
	Using Debit and Credit	LO12. Classifies accounting data into assets, liabilities, capital, revenue and expenses.	CLO21. Illustrates the give and take aspect of in double entry accounting.	C21. Describes the transactions to be recorded on the debit and credit side of the balance sheet.
	Rules of Debit and Credit	LO17. Applies the rules of debit and credit in journalising and posting in ledger	CLO22. Explains the rules of debit and credit while posting in journals and ledgers.	C22. Illustrates the rules of recording different assets and liabilities in the balance sheet.
	Books of Entry		CLO23. Explains the concepts of book of original entry and principal book of entry.	C23. Describes the rules and purpose of journals, ledgers and other books of accounts.
				C24. Analyses the nature of journals and ledgers.
				C25. Evaluates the similarities and differences between the journal and ledger on a different basis.
	Classification of Ledger Accounts	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO24. Analyses the need to classify ledger accounts.	C26. Examines various ledger accounts and the treatment of assets and liabilities in different ledger accounts.
	Posting from Journal	LO17. Applies the rules of debit and credit in journalising and posting in	CLO25. Applies the rules of journalising.	C27. Describes the process of posting transactions from journal to ledger.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
		ledger		
Chapter 4 Recording of Transactions-II	**Types of Books of Accounts**	LO17. Applies the rules of debit and credit in journalising and posting in ledger.	CLO26. Explains the need for special purpose books.	C28. Describes various special purpose books and their purpose.
	Cash Book	LO9. State the meaning and purpose of the basic accounting concepts	CLO27. Explains the use of cash books.	C29. Describes a cash book and compares it with journals and ledgers.
	Single Column Cash Book	LO17. Applies the rules of debit and credit in journalising and posting in ledger	CLO28. Analyses different types of column cash books.	C30. Illustrates posting entries in a single-column cash book.
	Double Column Cash Book			C31. Illustrates posting entries in double-column cash book.
	Petty Cash Book	LO9. State the meaning and purpose of the basic accounting concepts	CLO29. Describes the features of the petty cash book.	C32. Lists the expenses to be posted in a petty cash book.
	Posting from the Petty Cash Book	LO17. Applies the rules of debit and credit in journalising and posting in ledger	CLO30. Applies the rules of posting entries in books of accounts.	C33. Illustrates posting entries in the petty cash book and ledger account in it.
	Balancing of Cash Book			C34. Balances a petty cash book.
	Purchases (Journal) Book	LO17. Applies the rules of debit and credit in journalising and posting in ledger	CLO31. Analyses purchase (journal) book and transactions in it.	C35. Records entries in ledger accounts from the purchase book.
	Sales (Journal) Book		CLO32. Analyses sales (journal) book and transactions in it.	C36. Records entries in ledger accounts from sales (journal) books.
	Sales Return (Journal) Book		CLO33. Analyses sales return (journal) book and transactions in it.	C37. Records entries in ledger accounts from sales return (journal) book.
	Journal Proper		CLO34. Explains the need for a journal	C38. Describe the entries of a journal proper.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 4 Recording of Transactions-II			proper.	
	Balancing the Accounts		CLO35. Applies the rules of balancing ledgers.	C39. Explains and illustrates the process of balancing ledger accounts.
Chapter 5 Bank Reconciliation Statement	**Cash book & passbook balance**	LO9. State the meaning and purpose of the basic accounting concepts	CLO36. Evaluates cash book balance as against passbook balance.	C40. Analyses the events that cause discrepancies between the amount of balance shown in the passbook or the bank statement must tally and the cash book.
	Need for Reconciliation		CLO37. Describes 'bank reconciliation statement'.	C41. Analyses the need to reconcile (tally) bank statements and cash book balances.
	Timing Differences	LO16. Analyses and evaluates accounting data	CLO38. Evaluates the events influencing bank reconciliation statement.	C42. Explains the steps to prepare and create a proforma of bank reconciliation statement.
			CLO38. Evaluates the events influencing bank reconciliation statement.	C43. Analyses which events are to be subtracted from and added to the 'balance as per cash book in order to arrive at the balance as per the passbook.
	Differences Caused by Errors		CLO39. Rationalises how timing differences on recording of the transactions lead to difference between the balance shown by cash book and bank passbook.	C44. Analyses events that cause disparity between cash and passbook balance.
			CLO40. Describes the influence of errors made while recording	C45. Illustrates and analyses how errors committed in recording transactions by the firm and the

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 5 Bank Reconciliation Statement			the transactions on the bank reconciliation statement.	bank lead to difference between balance as per the cash book and the bank statement.
	Preparation of Bank Reconciliation Statement	LO16. Analyses and evaluates accounting data	CLO41. Explains the various methods of preparation of bank reconciliation statement.	C46. Describes and differentiates between the method of preparation of a bank reconciliation statement without and after adjusting cash book balance.
	Preparation of Bank Reconciliation Statement without adjusting Cash Book Balance	LO16. Analyses and evaluates accounting data	CLO42. Reconciles cash book and passbook balance by preparing bank reconciliation statement.	C47. Explains the preparation of a bank reconciliation statement without adjusting cash book balance.
			CLO43. Evaluates the features of bank overdraft.	C48. Analyses why overdraft is treated as a negative figure while preparing the bank reconciliation statement.
			CLO44. Reconciles cash book and passbook balance by preparing bank reconciliation statement in case of bank overdraft.	C49. Prepares bank reconciliation statement when unfavourable bank balance as per the cash book/overdraft exists.
Chapter 6 Trial Balance and Rectification of Errors	**Trial Balance**	LO18. Draws trial balance for summarizing accounting data.	CLO45. Describes trial balance and its importance.	C50. Analyses the purpose of creating a trial balance and prepares its format.
	Objectives of Preparing the Trial Balance		CLO46. Explains the role of trial balance.	C51. Analyses the role of trial balance in ascertaining the arithmetical accuracy of ledger accounts and locating errors in different books of accounts.
	Preparation of Trial		CLO47. Describes	C52. States three ways of preparing

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 6 Trial Balance and Rectification of Errors	**Balance**		methods of preparation of trial balance.	a trial balance.
	Methods of Preparing Trial Balance	LO18. Draws trial balance for summarizing accounting data.	CLO48. Illustrates the methods for the preparation of trial balance.	C53. Prepares trial balance using the totals method, balances method, and totals-cum-balances method.
	Significance of Agreement of Trial Balance	LO19. Locates errors and rectifies them in case of disagreement of trial balance	CLO49. Describes the errors made in the preparation of trial balance.	C54. Illustrates common errors made in preparing trial balance by giving examples.
	Classification of Errors		CLO50. Elaborates on different types of errors on the basis of their nature.	C55. Defines and illustrates errors of commission, omission, principle, and compensation.
	Searching of Errors		CLO51. Analyses the errors that affect and do not affect the trial balance.	C56. Explains the steps to detect and locate the two types of errors in the books of accounts.
	Rectification of Errors which Do Not Affect the Trial Balance	LO19. Locates errors and rectifies them in case of disagreement of trial balance	CLO52. Describes the errors which do not affect the trial balance.	C57. Illustrates two-sided errors by providing examples.
			CLO53. Articulates the process of rectifying errors in the trial balance by reversing the wrong entry.	C58. Rectifies errors in the trial balance by cancelling the effect of wrong debit or credit by reversing it.
	Rectification of Errors Affecting Trial Balance	LO19. Locates errors and rectifies them in case of disagreement of trial balance	CLO54. Describes the errors which affect the trial balance.	C59. Illustrates the errors which affect the trial balance by providing examples.
			CLO55. Analyses the process of rectifying errors in the trial	C60. Rectifies errors in the books of accounts by making an additional posting for the difference in amount

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 6 Trial Balance and Rectification of Errors			balance by making an additional posting.	and giving an explanatory note in the particulars column.
	Suspense Account		CLO56. Articulates the process of rectification through the suspense account.	C61. Explain the process of opening a suspense account and rectify errors in the books of accounts using suspense account.
Chapter 7 Depreciation, Provisions and Reserves	**Depreciation and Depreciation Assets**	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO57. Elaborates on the role of depreciation in accounting and the treatment of depreciation.	C62. Analyses the need for taking depreciation into consideration with respect to the principles of accounting.
	Depreciation and Depreciation Assets			C63. Explains the treatment of depreciation in the books of accounts and justifies why fixed assets are known as depreciable assets.
	Meaning of Depreciation	LO9. State the meaning and purpose of the basic accounting concepts	CLO58. Articulates the role of depreciation in the preparation of financial statements and describes the factors influencing depreciable assets.	C64. Analyses the features of depreciable assets and the factors that determine the expected useful life of an asset.
	Features of Depreciation and Related Terms		CLO59. Describes depreciation and related terms.	C65. Explains the features of depreciation, depletion and amortisation, and illustrates how they are calculated.
	Causes of and Need for Depreciation	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO60. Analyses the causes that lead to the depreciation of assets.	C66. Explains the role of expiration of legal rights, obsolescence and abnormal factors in depreciation of assets.
		LO9. State the meaning and	CLO61. Evaluates the	C67. Determines the role of

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 7 Depreciation, Provisions and Reserves		purpose of the basic accounting concepts	role and purpose of depreciation in accounting.	depreciation in ascertaining the true and fair financial position of the enterprise.
	Factors Affecting the Amount of Depreciation	LO4. Defines various terms used in accounting	CLO62. Determines the factors considered in calculating the cost of assets.	C68. Applies the various factors affecting the amount of depreciation.
	Methods of Calculating Depreciation	LO9. State the meaning and purpose of the basic accounting concepts	CLO63. Explains how depreciation is calculated.	C69. Describes the straight line and written down methods to calculate depreciation.
	Methods of Recording Depreciation	LO9. State the meaning and purpose of the basic accounting concepts	CLO64. Articulates various methods of recording depreciation.	C70. Explains 'charging depreciation to asset account', 'creating provision for depreciation account/accumulated depreciation account', disposal of asset account' and the accounting treatment of addition or extension to the existing assets.
	Provisions and their Accounting Treatment		CLO65. Describes 'provisions' and their accounting treatment.	C71. Explains the process of creating provisions and the treatment of provision for doubtful debts in the balance sheet and journal.
	Reserves and their Types		CLO66. Describes various types of reserves and their accounting treatment.	C72. Illustrates reserves by giving appropriate examples and analyses their impact on profits.
				C73. Differentiates between provision and reserve on the basis of purpose, presentation, effect on taxable profit, element of compulsion, and payment of dividend.
	Revenue and	LO9. State the meaning and	CLO67. Describes	C74. Differentiates between revenue

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 7 Depreciation, Provisions and Reserves	**Capital Reserve**	purpose of the basic accounting concepts	revenue and capital reserve.	reserve and capital reserve on the basis of source of creation, purpose and usage.
	Importance of Reserves		CLO68. Analyses the purpose of reserves.	C75. Explains the importance of reserves and ways in which they can be utilised.
	Secret Reserve		CLO69. Describes 'secret reserves'.	C76. Explains why the secret reserve is not reflected in the balance sheet and ways of creation.
Chapter 9 Financial Statements-I	**Financial Statements**	LO20. Presents accounting information for dissemination	CLO70. Describes the various users of accounting information.	C77. Classifies stakeholders as internal or external depending upon whether they are inside the business or outside the business.
	Stakeholders and their Information Requirements		CLO71. Evaluates the objectives of various stakeholders in participating in business.	C78. Analyses objectives of current owners, managers, government, prospective owners and banks for participating in business and accounting information requirements.
	Expenditure and Receipts	LO21. Categories items of revenue and capital	CLO72. Analyses various types of expenditures and receipts and their treatment in the books of accounts.	C79. Defines expenditure and receipts.
		LO21. Categories items of revenue and capital	CLO72. Analyses various types of expenditures and receipts and their treatment in the books of accounts.	C80. Illustrates revenue expenditure, capital expenditure, revenue receipts and capital receipts by giving examples.
	Distinction between		CLO73. Evaluates the	C81. Analyses implications of the

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 9 Financial Statements-I	**Capital and Revenue**		effects of capital and revenue items on the financial statements.	distinction between capital and revenue items on the preparation of trading and profit and loss account and the balance sheet.
	Financial Statements	LO16. Analyses and evaluates accounting data	CLO74. Analyses the accounting information disclosed by different books of accounts.	C82. Analyses the kind of accounting information that a trading account and a balance sheet disclose.
	Trading and Profit and Loss Account		CLO75. Evaluates the role and purpose of trading and profit and loss account.	C83. Analyses the accounting treatment of revenue and expenses in the trading and profit and loss account.
	Closing Entries		CLO76. Illustrates the process of closing different accounts.	C84. Records closing entries for opening stock account, purchases account, wages account, carriage inwards account, direct expenses account, purchases returns, sales, sales returns, and expenses and revenues.
	Concept of Gross Profit and Net Profit	LO9. State the meaning and purpose of the basic accounting concepts	CLO77. Describes various types of expenses.	C85. Illustrates direct and indirect expenses by giving examples.
		LO23. Calculates gross profit, operating profit and net profit of a business entity	CLO78. Ascertains gross/net profit/loss of the firm and records it in the respective books of accounts.	C86. Records net profit/net loss in the balance sheet by transferring it to the capital account and calculates gross profit/loss and net profit/loss by preparing trading and profit and loss accounts.
	Cost of Goods Sold and Closing Stock–Trading Account Revisited	LO15. Apply accounting equation to process business transactions for recording in book of	CLO79. Analyses the relationship between various components of a trading account.	C87. Analyses the equation: Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock, and calculates the cost

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 9 Financial Statements-I		accounts.		of goods sold.
	Operating Profit (EBIT)	LO23. Calculates gross profit, operating profit and net profit of a business entity	CLO80. Describes the term 'operating profit'.	C88. Defines 'operating profit' and analyses the given equation: Operating profit = Net Profit+ Non-Operating Expenses – Non-Operating Incomes.
	Balance Sheet, Preparation and Relevant Items	LO25. Prepares balance sheet of a business concern	CLO81. Examines the accounting treatment of different items of the balance sheet and creates a balance sheet of a business concern.	C89. Analyses the accounting treatment of assets, liabilities and capital in the balance sheet.
		LO25. Prepares balance sheet of a business concern	CLO81. Examines the accounting treatment of different items of the balance sheet and creates a balance sheet of a business concern.	C90. Prepares a balance sheet using information given in the trial balance.
	Marshalling and Grouping of Assets and Liabilities	LO12. Classifies accounting data into assets, liabilities, capital, revenue and expenses.	CLO82. Groups assets and liabilities under logical heads in the balance sheet.	C91. Analyses how assets and liabilities are arranged in the balance sheet in case f permanence and liquidity, and illustrates their grouping.
Chapter 10 Financial Statements-II	**Need for Adjustments in Financial Statements**	LO24. Makes adjustments for closing stock, prepaid expenses, outstanding expenses, accrued income, income received in advance, bad debts, depreciation etc.	CLO83. Examines the need for adjustments in the preparation of financial statements.	C92. Rationalises why some items need some adjustment while preparing financial statements and illustrate the accounting items that usually need adjustment.
	Closing Stock		CLO84. Illustrates the process of adjusting closing stock for the preparation of financial	C93. Explains two ways to record adjustment entry for closing stock and records it.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 10 Financial Statements-II			statements.	
	Outstanding Expenses		CLO85. Analyses the process of adjusting outstanding expenses for the preparation of financial statements.	C94. Analyses the treatment of outstanding expenses in the balance sheet and records them in the profit and loss account and balance sheet.
	Prepaid Expenses	LO24. Makes adjustments for closing stock, prepaid expenses, outstanding expenses, accrued income, income received in advance, bad debts, depreciation etc.	CLO86. Elaborates on the process of adjusting prepaid expenses for the preparation of financial statements.	C95. Analyses the treatment of prepaid expenses in the balance sheet and records them in the profit and loss account and balance sheet.
	Accrued Income		CLO87. Examines the process of adjusting accrued income for the preparation of financial statements.	C96. Analyses the treatment of accrued income in the balance sheet and records them in the profit and loss account and balance sheet.
	Income Received in Advance		CLO88. Analyses the process of adjusting the income received in advance for the preparation of financial statements.	C97. Analyses the treatment of income received in advance in the balance sheet and records it in the profit and loss account and balance sheet.
	Depreciation		CLO89. Examines the process of adjusting depreciation for the preparation of financial statements.	C98. Analyses the treatment of depreciation in the balance sheet and records it in the profit and loss account and balance sheet.
	Bad Debts		CLO90. Illustrates the process of adjusting bad debts for the preparation of financial statements.	C99. Records the entry for bad debts and its adjustment in the journal, profit and loss account and balance sheet.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 10 Financial Statements-II	**Provision for Bad and Doubtful Debts**	LO24. Makes adjustments for closing stock, prepaid expenses, outstanding expenses, accrued income, income received in advance, bad debts, depreciation etc.	CLO91. Demonstrates the process of adjusting provision for bad and doubtful debts for the preparation of financial statements.	C100. Records the entry for provision for doubtful debts its adjustment in the journal, profit and loss account and balance sheet.
	Provision for Discount on Debtors		CLO92. Analyses the process of adjusting provision for discount on debtors for the preparation of financial statements.	C101. Records the entry to create the provision for discount on debtors in the journal, profit and loss account and balance sheet.
	Manager's Commission		CLO93. Describes the treatment of manager's commission for the preparation of financial statements.	C102. Records the entry for the manager's commission in the journal, profit and loss account and balance sheet.
	Interest on Capital		CLO94. Analyses the treatment of interest on capital for the preparation of financial statements.	C103. Records the entry for interest on capital in the books of account, profit and loss account and balance sheet.

Table VII: Content domain specific learning outcomes and competencies – Class:12

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 2 Accounting for Partnership: Basic Concepts	**Partnership as a Form of Organisation**	LO6. Describes forms of business organizations as sole proprietorship, partnership and company	CLO1. Describes the features and nature of partnership form of organisation.	C1. Defines partnership and related terms as per section 4 of the Indian Partnership Act, 1932.
		LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO2. Discusses the rationale for sharing of profit/loss, assets and liabilities in the partnership firm.	C2. Justifies why a partnership is known as a mutual agency.
	Partnership Deed		CLO3. Explains the concept of 'partnership deed'.	C3. Analyses how partnership comes into existence and describes the situations under which the clauses of partnership deed can be altered.
	Provisions of Partnership Act Relevant for Accounting		CLO4. Explains the accounting treatment for partnerships as per the law.	C4. Explains the accounting treatment for provisions related to profit, interest and remuneration under the Indian Partnership Act, 1932.
Chapter 2 Accounting for Partnership: Basic Concepts	**Special Aspects of Partnership Accounts**	LO7. Discuss the advantages of partnership and company form of business over sole proprietorship form of business.	CLO5. Distinguishes between accounting treatment for partnership firms and sole proprietorship on a different basis.	C5. Compares and contrasts accounting treatment for partnership firm and sole proprietorship on the basis of maintenance of partners' capital accounts, distribution of profit and loss among the partners, adjustments for wrong appropriation of profits in the past, reconstitution

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 2 Accounting for Partnership: Basic Concepts				of the partnership firm and dissolution of partnership firm.
	Maintenance of Capital Accounts of Partners	LO13. Classifies partner's capital into fixed and fluctuating capitals; method of valuation of goodwill; calculation of interest on capital and interest on drawings	CLO6. Explains different methods of maintaining capital accounts of partners.	C6. Describes two methods of maintaining the capital account of partners and illustrates the different accounts under fixed and fluctuating capital methods
	Distinction between Fixed and Fluctuating Capital Accounts		CLO7. Compares fixed and fluctuating capital accounts on various bases.	C7. Distinguishes between fixed and fluctuating capital accounts on the basis of the number of accounts, items related to deed, fixed balance and credit balance.
	Distribution of Profit among Partners	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO8. Describes the steps to calculate partners' individual share of profit.	C8. Explains how profits are distributed among partners in general and if the partnership deed is silent.
	Profit and Loss Appropriation Account		CLO9. Explains features of profit and loss appropriation account.	C9. Describes profit and loss appropriation account and lists the steps to be followed for preparing profit and loss appropriation account.
	Accounting Treatment	LO13. Classifies partner's capital into fixed and fluctuating capitals; method of valuation of goodwill; calculation of interest on capital and interest on drawings	CLO10. Explains the accounting treatment in different situations.	C10.Explains the accounting treatment of interest on capital, of interest on drawings, of partner's salary, of partner's commission, and for sharing of profit and loss after appropriations.
	Interest		CLO11. Calculates interest under different circumstances.	C11. Calculates interest on capital, on drawings when the fixed amount was withdrawn every month, on drawings when fixed amounts was withdrawn quarterly, on drawings

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 2 Accounting for Partnership: Basic Concepts				when varying amounts are withdrawn at different intervals, and on drawings when withdrawal dates are unspecified.
	Guarantee of Profit to a Partner	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO12. Describes the concept of 'guarantee profit to a partner'.	C12. Explains the treatment of guarantee of minimum profit to a partner and calculates profit distribution when a partner is admitted with a guarantee of a certain minimum account.
	Past Adjustments		CLO13. Evaluates the ways of altering old accounts in case of past adjustments.	C13. Records rectification entry through profit and loss adjustment account or through partners' capital account when the amounts of interest on capital have not been credited to their capital accounts.
Chapter 3 Reconstitution of a Partnership Firm – Admission of a Partner	**Reconstitution of Partnership**	LO8. Define partnership as per Indian Partnership Act 1932 and company as per the Companies Act 2013	CLO14. Analyses the situations that lead to reconstitution of partnership.	C14. Describes certain situations that lead to a change in the existing partnership agreement.
	Modes of Reconstitution of a Partnership Firm	LO11. Differentiates between reconstitution of partnership firm and dissolution of partnership firm	CLO15. Articulates the process of reconstitution of a partnership firm.	C15. Explains the process of reconstitution for admission of a new partner, in case of change in the profit-sharing ratio among the existing partners, for the retirement of an existing partner, and in case of death of a partner.
	Admission of a New Partner	LO8. Define partnership as per Indian Partnership Act	CLO16. Elaborates on the provisions around admittance of a new	C16. Summarises the process of admitting new partners in the firm and explains two main rights

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 3 Reconstitution of a Partnership Firm – Admission of a Partner		1932 and company as per the Companies Act 2013	partner into a partnership firm.	acquired by new partners in the firm.
	New Profit- Sharing Ratio and Sacrificing Ratio	LO15. Ascertain new profit- sharing ratio, sacrificing ratio, gaining ratio in the event of reconstitution of partnership firm	CLO17. Describes the steps for calculating for ratios.	C17. Calculates new profit-sharing ratio and sacrificing ratio.
	Goodwill	LO16. Apply accounting treatment as per applicable accounting standard for valuation of goodwill in the event of reconstitution of partnership firm	CLO18. Explains the significance of goodwill in case of reconstitution of a partnership firm.	C18. Describes goodwill as an intangible asset and analyses why goodwill requires reconstitution upon admission of a new partner.
	Factors Affecting the Value of Goodwill		CLO19. Elaborates on factors affecting the value of goodwill.	C19. Rationalises how the nature and location of the business affect goodwill.
	Need for Valuation of Goodwill		CLO20. Articulates the need for valuation of goodwill.	C20. Analyses the situations under which the need for valuation of goodwill arises.
	Methods of Valuation of Goodwill	LO13. Classifies partner’s capital into fixed and fluctuating capitals; method of valuation of goodwill; calculation of interest on capital and interest on drawings	CLO21. Describes the methods of valuation of goodwill.	C21. Explains how the method for calculating goodwill is decided among partners.
				C22. Explains the average profits method, super profits method, and capitalisation method for the valuation of goodwill.
	Treatment of Goodwill	LO16. Apply accounting treatment as per applicable accounting standard	CLO22. Describes the accounting treatment of goodwill in the books of partnership	C23. Records journal entries when the new partner brings in goodwill in different forms.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
		for valuation of goodwill in the event of reconstitution of partnership firm	firm.	
	Applicability of Accounting Standard 26: Intangible Assets		CLO23. Evaluate the applicability of Accounting Standard 26 for the treatment of goodwill.	C24. Explains significant requirements of AS 26 with respect to intangible assets.
	Hidden Goodwill		CLO24. Describes the accounting treatment for hidden goodwill.	C25. Analyses how the value of goodwill is inferred in case of hidden goodwill and calculates it.
Chapter 3 Reconstitution of a Partnership Firm – Admission of a Partner	**Adjustment for Accumulated Profits and Losses**	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO25. Describes the steps for adjusting accumulated profits and losses.	C26. Records journal entries for accumulated profits and losses by transferring to the old partners' capital account.
	Revaluation of Assets and Reassessment of Liabilities	LO27. Prepares relevant accounts and balance sheet of the reconstituted firm.	CLO26. Describes the process of revaluation of assets and reassessment of liabilities and its accounting treatment.	C27. Records journal entries for increase/reduction in the value of an asset, appreciation/reduction in the amount of liability, unrecorded asset and liability, and transfer of gain/loss on revaluation of credit balance.
	Adjustment of Capitals	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO27. Describes the accounting treatment for adjusting partners' capital accounts.	C28. Calculates the new capital of the old partners on the basis of the new partner's capital.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 4 Reconstitution of a Partnership Firm – Retirement/Death of a Partner	**Change in Profit Sharing Ratio among the Existing Partners**	LO15. Ascertain new profit- sharing ratio, sacrificing ratio, gaining ratio in the event of reconstitution of partnership firm	CLO28. Describes the steps to calculate new profit-sharing ratio among existing partners.	C29. Explains the process of changing the profit-sharing ratio when the partners of a firm decide to change it without any admission or retirement of a partner, and calculates it.
	Reconstitution of a Partnership Firm in case of Retirement/Death	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO29. Analyses the purpose of changing existing profit-sharing ratio in case of retirement/death of a partner.	C30. Justifies why the partners of a firm decide to change their existing profit-sharing ratio without any admission or retirement of a partner.
	Ascertaining the Amount Due to Retiring/Deceased Partner	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO30. Articulates the process of calculating the amount due to retiring/deceased partner.	C31. Calculates the amount due to the retiring partner (in case of retirement) and to the legal representatives/executors (in case of death).
	New Profit- Sharing Ratio	LO15. Ascertain new profit- sharing ratio, sacrificing ratio, gaining ratio in the event of reconstitution of partnership firm	CLO31. Describes the steps for calculating new profit-sharing ratio in case of death/retirement of a partner.	C32. Explains the process of calculating a new profit-sharing ratio after the retirement or death of any partner, and calculates it.
	Gaining Ratio		CLO32. Describes the steps for calculating gaining ratio in case of death/retirement of a partner.	C33. Defines gaining ratio and calculates gaining ratio of the continuing partners.
	Treatment of Goodwill	LO16. Apply accounting treatment as per applicable	CLO33. Illustrates the accounting treatment for recording goodwill	C34. Records journal entries for goodwill when goodwill does not appear in the books and for adjusting

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 4 Reconstitution of a Partnership Firm – Retirement/Death of a Partner		accounting standard for valuation of goodwill in the event of reconstitution of partnership firm	in the books of accounts.	goodwill to remaining partners' capital accounts.
	Hidden Goodwill		CLO34. Articulates the accounting treatment for recording hidden goodwill.	C35. Explains the treatment of goodwill in remaining partners' accounts and records journal entry.
	Adjustment for Revaluation of Assets and Liabilities	LO12. Compares revaluation of assets and reassessment of liabilities and realization of assets and liabilities for partnership firm	CLO35. Illustrates the process of adjustment for revaluation of assets and liabilities.	C36. Records journal entry for increase/decrease in the value of assets, increase/decrease in the amount of liabilities, unrecorded asset or liability, and distribution of profit or loss on revaluation
	Adjustment of Accumulated Profits and Losses	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO36. Explains the process of adjusting accumulated profits and losses.	C37. Records journal entries for transferring accumulated profits and losses.
	When Partner Retires in the Middle of the Year		CLO37. Describes the steps for calculating profit when partner retires in the middle of the year.	C38. Calculates profit when a partner retires in the middle of the year and records journal entries for profit through profit and loss suspense account.
	Disposal of Amount Due to Retiring Partner		CLO38. Illustrates the process of disposal of amount due to retiring partner.	C39. Records journal entry when a retiring partner is paid cash in full when retiring partners' whole amount is treated as a loan, entry when a retiring partner is partly paid in cash and the remaining amount is treated as a loan, and when the loan account is settled by paying in instalments includes principal and interest.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 4 Reconstitution of a Partnership Firm – Retirement/Death of a Partner	**Adjustment of Partners' Capitals**	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO39. Describes the steps for adjusting partners' capital accounts.	C40. Records journal entry for excess capital withdrawn by the partner and for the amount of capital to be brought in by the partner.
	Death of a Partner		CLO40. Elaborates on the accounting treatment of different books of accounts in case of death of a partner.	C41. Records journal entry for the deceased partner's share of profits for the intervening period to books of account and for closing profit and loss suspense account.
Chapter 5 Dissolution of Partnership Firm	**Dissolution of Partnership Firm**	LO11. Differentiates between reconstitution of partnership firm and dissolution of partnership firm	CLO41. States the nature of dissolution of partnership firm.	C42. Defines 'dissolution of partnership firm', according to Section 39 of the Indian Partnership Act, 1932.
	Dissolution of Partnership	LO14. Collects information on various cases for dissolution of partnership firm	CLO42. Describes the process of dissolution of partnership firm.	C43. Explains the ways in which dissolution of partnership may take place.
	Dissolution of a Firm	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO43. Describes the events and contingencies that lead to dissolution of the firm.	C44. Analyses the events that lead to the compulsory dissolution of the firm, certain contingencies that lead to the dissolution of the firm, and situations in which the court orders to dissolve the firm.
	Dissolution of a Firm	LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	CLO44. Compares dissolution of partnership and dissolution of firm.	C45. Distinguishes between dissolution of partnership and dissolution of firm on the basis of termination of business, settlement of assets and liabilities, court's intervention, economic relationship,

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 5 Dissolution of Partnership Firm				and closure of books.
	Settlements of Accounts		CLO45. Describes the rules for settlements of accounts in case of dissolution of a firm.	C46. Explains the rule mentioned in Section 48 of the Indian Partnership Act, 1932 for the treatment of losses, for the application of assets, and where both the debts of the firm and private debts of a partner co-exist.
	Accounting Treatment		CLO46. Describes the process for preparing the realisation account.	C47. Analyses the purpose of preparing a realisation account and prepares its format.
			CLO47. Explains the accounting treatment in case of dissolution of a firm.	C48. Explains the accounting treatment for transfer and/or sale of assets/liabilities, for settlement of liabilities under different circumstances, and for settlement/closing of different books of accounts.
Chapter 6 Accounting for Share Capital	**Company and Share Capital**	LO17. Lists the sources of finance and states the reasons for which source of finance is more economical in nature	CLO48. Describes the process in which a company raises its capital.	C49. Defines ‘company’ and ‘shareholders’, and analyses the ways through which a company raises its capital.
	Features of a Company	LO6. Describes forms of business organizations as sole proprietorship, partnership and company	CLO49. Articulates the features of a company.	C50. Describes a company as a separate legal entity and analyses the concept of limited liability of the members of the company.
	Kind of Companies		CLO50. Describes different types of companies.	C51. Categorises companies into three types on the basis of liability of its members and three types on the basis of the number of members.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 6 Accounting for Share Capital	**Share Capital of a Company and its Categories**	LO18. Differentiates between share capital and debt capital	CLO51. Describes share capital of a company.	C52. Defines 'share capital' and 'share capital account', and describes various categories of share capital.
	Nature and Classes of Shares	LO17. Lists the sources of finance and states the reasons for which source of finance is more economical in nature	CLO52. Explains two types of shares.	C53. CLO90. Elaborates on the concept of 'preference shares' and 'equity shares' as sources of finance.
	Issue of Shares	LO22. Classify issue of shares and debentures at par, premium and discount	CLO53. Describes the process of issue of shares.	C54. Defines application money,allotment money and premium, and analyses the important steps in the procedure of share issue.
	Accounting Treatment	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO54. Illustrates accounting treatment for application and allotment of shares.	C55. Records journal entry on the application of shares, for transfer of application money, for money refunded on rejected application, for the amount due on the allotment, for adjustment of excess application money, for receipt of allotment money and when a call is made and the amount of the same is received.
	Calls in Arrears and Calls in Advance		CLO55. Describes the accounting treatment for calls in arrears and calls in advance.	C56. Defines 'calls in arrears' and 'calls in advance' and records journal entry for each.
	Over Subscription and Under Subscription	LO21. Compares issue of share and debentures for cash and as collateral security	CLO56. Describes the accounting treatment when shares are over-subscribed and under-subscribed.	C57. Defines 'oversubscription of shares' and 'undersubscription of shares', and records journal entry for different alternatives available to the directors.
	Issue of Shares at a	LO22. Classify issue of	CLO57. Elaborates on	C58. Analyses the purposes for

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 6 Accounting for Share Capital	**Premium and at a Discount**	shares and debentures at par, premium and discount	the process of accounting treatment for issue of shares at a premium and issue of shares at a discount.	which the money received by the issue of shares at a premium can be utilised and records journal entry for issues at a premium and at a discount.
	Issue of Shares for Consideration other than Cash	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO58. Explains the concept of issuing shares for consideration other than cash.	C59. Calculates the number of shares to be issued to the vendor.
	Forfeiture of Shares	LO24. Adopts changes in accounting procedures for maintaining books of accounts w.r.t., share capital and debentures	CLO59. Articulates the process and accounting treatment for forfeiture of shares.	C60. Defines 'forfeiture of shares' and records journal entry for the forfeiture of shares issued at par and at a premium.
	Reissue of Forfeited Shares		CLO60. Explains the process for reissue of forfeited shares.	C61. Records journal entry for reissue of forfeited shares and for transferring share forfeiture amount to capital reserve account.
Chapter 7 Issue and Redemption of Debentures	**Issue and Redemption of Debentures**	LO20. Discusses why company prefers both debt and share capital for raising funds	CLO61. Describes the need to issue debentures.	C62. Rationalises why a company needs to issue debentures even after the issue of shares.
	Meaning of Debentures	LO19. Explains why debentures are debt capital of a company	CLO62. Explains the meaning and nature of debentures and bond.	C63. Defines debenture and bond.
	Distinction between Shares and Debentures	LO18. Differentiates between share capital and debt capital	CLO63. Analyses similarities and differences between share capital and debt capital.	C64. Distinguishes between shares and debentures on the basis of ownership, return, repayment, voting rights, security, and convertibility.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 7 Issue and Redemption of Debentures	**Types of Debentures**	LO17. Lists the sources of finance and states the reasons for which source of finance is more economical in nature	CLO64. Evaluates debentures from different points of view. the point of view of.	C65. Evaluates debentures from the point of view of security, tenure, convertibility, coupon rate, and registration.
	Issue of Debentures	LO21. Compares issue of share and debentures for cash and as collateral security	CLO65. Describes the steps to issue debentures.	C66. Explains the process of issue of debentures for cash and its accounting treatment.
				C67. Articulates the process of issue of debentures at a discount and at a premium.
				C68. Describes the accounting treatment for issue of debentures for consideration other than cash.
				C69. Evaluates the concept of issue of debentures as a collateral security.
	First Method and Second Method	LO21. Compares issue of share and debentures for cash and as collateral security	CLO66. Describes the accounting treatment when debentures are issued as collateral security. in the balance sheet (as per first method).	C70. Explains the accounting treatment when debentures are issued as collateral security in the balance sheet as per the first method and second method.
	Terms of Issue of Debentures	LO22. Classify issue of shares and debentures at par, premium and discount	CLO67. Describes various terms of conditions for issue of debentures and their accounting treatment.	C71. Records journal entry for debentures issued at par and redeemable at par, issued at a discount and redeemable at par, issued at premium and redemption at par, and issued at discount and redemption at a premium.
	Interest on	LO1. Recognizes,	CLO68. Describes the	C72. Records journal entry when

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 7 Issue and Redemption of Debentures	**Debentures**	draws relationships and narrate processes about facts, concepts and terms used in accounting	steps for calculating interest on debentures.	interest is due, for payment of interest to debenture holders, on transfer debenture interest account to a statement of profit and loss, and on payment of tax deducted at source to the government.
	Writing off Discount/Loss on Issue of Debentures		CLO69. Explains the process of writing off discount/loss on issue of debentures.	C73. Records journal entry for writing off against revenue profits of the year.
	Redemption of Debentures	LO23. Categories methods of redemption of debt capital after the expiry of specified time period	CLO70. Explains the process of redemption of debentures.	C74. Describes accounting treatment when payment is made in a lumpsum, when payment is made in instalments, and in case of purchase in open market.
	Redemption by Conversion		CLO71. Describes the process to redeem shares by conversion.	C75. Explains the process to redeem debentures by converting them into shares or new debentures and records journal entry.
Chapter 8 Financial Statements of a Company	**Need and Meaning of Financial Statements**	LO26. Analyses and evaluates accounting data and presents accounting information for dissemination	CLO72. Evaluates the significance of financial statements.	C76. Justifies that financial statements help in drawing conclusions about the profitability and the financial position of a company.
	Nature of Financial Statements	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO73. Elaborates on the nature of financial statements.	C77. Explains the nature of financial statements on the basis of recorded facts, accounting conventions, postulates, and personal judgements.
	Objectives of	LO31. Discusses why	CLO74. Analyses the	C78. Rationalises how financial

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 8 Financial Statements of a Company	**Financial Statements**	investors, lenders, and other stakeholders are interested in analysis of financial statements.	objectives of financial statements.	statements help to judge effectiveness of management.
	Types of Financial Statements	LO32. Differentiates between horizontal and vertical analysis of financial statements	CLO75. Describes the types of financial statements and their features.	C79. Prepares the format of a balance sheet and describes the important features of the presentation.
	Shareholders Fund	LO17. Lists the sources of finance and states the reasons for which source of finance is more economical in nature	CLO76. Analyses the shareholders' fund.	C80. Explains the sub-classification of shareholders' funds in the balance sheet.
	Share Capital	LO24. Adopts changes in accounting procedures for maintaining books of accounts w.r.t., share capital and debentures	CLO78. Elaborates the disclosures relating to share capital.	C81. Describes the disclosures relating to share capital that are to be given in notes to accounts.
	Reserves and Surplus	LO3. Recalls the concepts of profit, surplus, loss and deficit in the context of financial statements of business and non-business entities	CLO79. Analyses different types of reserves and surplus.	C82. Describes the classifications of reserves and surplus and analyses significant additions/modifications regarding disclosure of reserve and surplus.
	Money Received Against Share Warrants	LO28. Discusses disclosure of items in company's balance sheet.	CLO80. Describes the disclosure of 'money received against share warrants' in the books of accounts.	C83. Explains the disclosure of money received against share warrants in the balance sheet.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 8 Financial Statements of a Company	**Current/Non-Current Distinction**	LO25. Prepares financial statements and other relevant accounts of different forms of business organizations	CLO81. Explains current and non-current assets.	C84. Describes the basis of classification for current and noncurrent assets.
	Accounting Treatment in Financial Statements	LO25. Prepares financial statements and other relevant accounts of different forms of business organizations	CLO82. Describes the accounting treatment in financial statements of a company in different situations.	C85. Describes the accounting treatment for 'share application money pending allotment', borrowings in the financial statements, deferred tax and liabilities, trade payables, proposed dividend, provisions, fixed assets, investments, inventories, trade receivables, and cash and cash equivalent.
	Form and Content of Statement of Profit and Loss	LO29. Draws Company's balance sheet as per the schedule III of the Companies Act 2013.	CLO83. Analyses the accounting treatment for different items in the statement of profit and loss.	C86. Prepares the proforma of the statement of profit and loss and explains what the given cost and given income includes.
	Uses and Importance of Financial Statements	LO31. Discusses why investors, lenders, and other stakeholders are interested in analysis of financial statements.	CLO84. Analyses the significance of financial statements.	C87. Describes financial statements as the basis for prospective investors and as the guide to the value of the investment already made.
	Limitations of Financial Statements	LO26. Analyses and evaluates accounting data and presents accounting information for dissemination	CLO85. Evaluates the limitations of the financial statements.	C88. Justifies that financial statements do not reflect the current situation and show aggregate information but not detailed information.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 9 Analysis of Financial Statements	**Need for Analysis of Financial Statements**	LO31. Discusses why investors, lenders, and other stakeholders are interested in analysis of financial statements.	CLO86. Evaluates the need for analysis and interpretation of financial statements.	C89. Rationalises why financial statements require analysis and interpretation.
	Meaning of Analysis of Financial Statements	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO87. Describes the meaning and nature of financial statements.	C90. Justifies that the term 'financial analysis' includes both 'analysis and interpretation'.
	Significance of Analysis of Financial Statements	LO31. Discusses why investors, lenders, and other stakeholders are interested in analysis of financial statements.	CLO88. Articulates the significance of financial statements for different users.	C91. Analyses the significance of analysis of financial statements to finance managers, top management, trade payables, lenders, investors, and labour unions.
	Objectives of Analysis of Financial Statements	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO89. Describes the importance and purpose of financial statements.	C92. Explains the purpose of financial statements.
	Tools of Analysis of Financial Statements	LO9. Classifies and compares facts, computes data, and figures	CLO90. Evaluates different tools for the analysis of financial statements.	C93. Describes the tools of comparative statements, common size statements, trend analysis, ratio analysis, and cash and cash flow analysis for the analysis of financial statements.
	Comparative Statements	LO25. Prepares financial statements and other relevant accounts of different	CLO91. Illustrates the steps for preparing comparative statements.	C94. Prepares the comparative statement of profit and loss and of the balance sheet on the basis of available information.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 9 Analysis of Financial Statements	**Common Size Statement**	forms of business organizations	CLO92. Analyses the steps for preparing common size statement.	C95. Prepares the common size statement of profit and loss and of the balance sheet on the basis of available information.
	Limitations of Financial Analysis	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO93. Analyses the limitations of financial analysis.	C96. Describes the limitations of financial analysis.
Chapter 10 Accounting Ratios	**Role of Financial Statements**	LO33. Describes the significance of accounting ratios in financial statement analysis	CLO94. Explains the purpose of accounting ratios.	C97. Analyses the role of accounting ratios in the analysis of financial statements.
	Meaning of Accounting Ratios	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO95. Describes the meaning of accounting ratios.	C98. Defines ‘accounting ratio’.
	Objectives of Ratio Analysis	LO33. Describes the significance of accounting ratios in financial statement analysis	CLO96. Examines the purpose of ratio analysis.	C99. Analyses the objectives of ratio analysis.
	Advantages of Ratio Analysis	LO33. Describes the significance of accounting ratios in financial statement analysis	CLO97. Articulates the benefit and role of ratio analysis.	C100. Describes the role of ratio analysis in SWOT analysis.
	Limitations of Ratio	LO1. Recognizes,	CLO98. Explains the	C101. Rationalises that the ratio

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 10 Accounting Ratios	**Analysis**	draws relationships and narrate processes about facts, concepts and terms used in accounting	limitations of ratio analysis.	analysis ignores qualitative or non-monetary aspects.
	Types of Ratios	LO34. Categorizes accounting ratios for assessing liquidity, profitability and solvency of a business enterprise.	CLO99. Evaluates traditional and functional types of ratios.	C102. Explains and compares two ways of classification of ratios: traditional and functional.
			CLO100. Calculates various ratios to assess solvency, liquidity, efficiency and profitability of the firm.	C103. Describes the process of calculating traditional and functional ratios.
				C104. Describes the steps for calculating liquidity ratios, solvency ratios, proprietary ratios, total assets to debt ratio, and interest coverage ratio.
	Types of Ratios	LO34. Categorizes accounting ratios for assessing liquidity, profitability and solvency of a business enterprise.	CLO100. Calculates various ratios to assess solvency, liquidity, efficiency and profitability of the firm.	C105. Describes the steps for calculating inventory turnover, trade receivable turnover, payable turnover, investment turnover, fixed assets turnover, and working capital turnover.
				C106. Describes the steps for calculating profitability ratios, gross profit ratio, operating ratio, operating profit ratio, and net profit ratio.
				C107. Describes the steps for calculating return on investment or return on capital employed and return on net worth.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 10 Accounting Ratios				C108. Describes the steps for calculating earnings per share and book value per share.
				C109. Describes the steps for calculating dividend payout ratio and price earning ratio.
Chapter 11 Cash Flow Statement	**Objectives of Cash Flow Statement**	LO1. Recognizes, draws relationships and narrate processes about facts, concepts and terms used in accounting	CLO101. Describes the features of cash flow statement.	C110. Describes cash flow statement and analyses its objectives.
	Benefits of Cash Flow Statement		CLO102. Explains the advantages of cash flow statement.	C111. Justifies that the cash flow statement enhances the comparability of the reporting of operating performance.
	Cash and Cash Equivalents		CLO103. Describes cash and cash equivalents.	C112. Defines cash and cash equivalents as per AS-3.
	Cash Flows	LO9. Classifies and compares facts, computes data, and figures	CLO104. Analyses cash inflows and cash outflows.	C113. Illustrates cash flows by providing an example and distinguishes between cash inflows and cash outflows.
	Classification of Activities for the Preparation of Cash Flow Statement	LO35. Explains adequacy of cash and cash equivalents in terms of its timing and certainty for a particular period and future commitments of an enterprise by classifying into operating, investing and financing activities.	CLO105. Evaluates the categories of cash activities.	C114. Describes classification of activities into three categories as per AS-3.

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 11 Cash Flow Statement	**Cash from Operating Activities**	LO9. Classifies and compares facts, computes data, and figures	CLO106. Explains cash activities from operating activities.	C115. Describes cash inflows and outflows from operating activities.
	Cash from Investing Activities	LO9. Classifies and compares facts, computes data, and figures	CLO107. Explains cash activities from investing activities.	C116. Describes cash inflows and outflows from investing activities.
	Cash from Financing Activities	LO9. Classifies and compares facts, computes data, and figures	CLO108. Explains cash activities from financing activities.	C117. Describes cash inflows and outflows from financing activities.
		LO9. Classifies and compares facts, computes data, and figures	CLO109. Describes the classification of cash activities.	C118. Creates a chart to show the classification of cash inflows and cash outflows activities.
	Treatment of Some Peculiar Items	LO9. Classifies and compares facts, computes data, and figures	CLO110. Analyses the accounting treatment of different items in the cash flow statement.	C119. Describes the accounting treatment of extraordinary items, interest and dividend, and taxes on income and gains.
	Cash Flow Statement	LO25. Prepares financial statements and other relevant accounts of different forms of business organizations	CLO111. Analyses the steps for preparing cash flow statement.	C120. Prepares the specimen of the cash flow statement.
	Ascertaining Cash Flow from Operating Activities		CLO112. Evaluates different methods of preparing cash flow statement.	C121. Describes two methods of reporting cash flows from operating activities.
	Indirect Method		CLO113. Creates cash flow statement by indirect method.	C122. Explains the steps of the indirect method of preparing cash flow statements from operating activities and prepares cash flow

Unit and chapter	Key concept	NCERT Learning Outcomes (LOs)	Content domain specific Learning Outcomes (CLOs)	Competencies
Chapter 11 Cash Flow Statement				statement from operating activities.
	Ascertainment of Cash Flow from Investing and Financing Activities	LO25. Prepares financial statements and other relevant accounts of different forms of business organizations	CLO114. Illustrates cash flow statement from investing and financing activities.	C123. Prepares a cash flow statement from investing activities and financing activities.
	Preparation of Cash Flow Statement		CLO115. Creates cash flow statement by direct method.	C124. Explains the steps involved in the preparation of a cash flow statement by direct method and prepare the cash flow statement by direct method.

7. SAMPLE PEDAGOGICAL PROCESSES AND ASSESSMENT STRATEGIES

"The pedagogical practices should be learner centric. It is expected of a teacher to ensure an atmosphere for students to feel free to ask questions. They would promote active learning among students with a focus on reflections, connecting with the world around them, creating and constructing knowledge. The role of a teacher should be that of a facilitator who would encourage collaborative learning and development of multiple skills through the generous use of resources via diverse approaches for transacting the curriculum."

[CBSE Curriculum for classes 11-12]

NCERT higher secondary stage learning outcomes document provides a common set of pedagogical processes for each subject. Keeping these as guidelines, specific pedagogical processes and assessment strategies for a topic from one chapter each from class and have been developed as suggestions and are shared in this section. These instances of pedagogical processes and assessment strategies should enable teachers to derive principles for making the alignment between learning outcomes, pedagogical practices and assessment in their classrooms and to use these for creating their lesson plans. The key principles considered while designing the pedagogical processes and assessment strategies are the following:

1. Keeping learner at the centre

- Since new knowledge is built over existing knowledge, both pedagogy and assessment should focus on students' pre-requisite knowledge, skills, attitudes, and beliefs that they bring in classroom setting.
- Constructivist approaches to learning with the student being at the centre of the learning process as an active constructor of knowledge must be emphasized.
- Since students effectively learn by doing, classroom processes should involve activities, analysis and discussions. Systematic experimentation as a tool to discover/verify theoretical principles must be included.

2. Focusing on learning outcomes

- Learning outcomes indicate what a student will be able to do at the end of an instruction unit by precisely breaking down broad goals of Accountancy education (apply reasoning to develop conceptual understanding, develop process skills and experimental, observational, manipulative, decision-making and investigatory skills, etc.) to more measurable and observable behaviour for each class.
- Students learn better when the method of teaching, learning activities and assessment strategies are all aligned well to the learning outcomes. Pedagogical processes and assessment strategies should be aligned to both content domains and cognitive skills as mentioned in this document earlier.

3. Making effective use of assessments

- Assessment should be viewed as an integral part of pedagogy and it should focus on giving timely individualized feedback to students. Quality formative assessment should be designed as it helps to modulate students' understanding of their own learning and helps teachers adapt their pedagogy based on students' actual learning.
- Multiple modes of assessment including portfolios, project work, presentations, written and oral assignments should be used to reflect the individual capacities of a student.

4. Creating a social and inclusive learning environment

- Cooperative and peer-supported teaching-learning activities should be used to empower students to take charge of their own learning.
- Peer assessment involving students assessing the work of their peers against set assessment criteria should be used.

Specific pedagogical processes should be used in the classroom that would help those students who may face learning difficulties including language, visual-spatial, or mixed processing problems.

Content Domain: Expenditure

Chapter 3: Financial Statements-I

Table VIII: Suggested Pedagogical Processes and Assessment Strategies – Class: 11

Learning outcomes	Competencies	Pedagogical Processes	Assessment Strategies
LO21. Categories items of revenue and capital	C96. Illustrates revenue expenditure, capital expenditure, revenue receipts and capital receipts by giving examples.	• Observe accounting as a process of identification, recording, classification, summarization of accounting data, and communication thereof for financial decision-making. • Apply the generally accepted accounting principles, accounting concepts, standards and procedures in maintaining accounting records of a business entity.	• Assess students' knowledge of revenue and expenditure by having them make a list of household income and expenses. • Have students classify household expenses into revenue and capital. • Ask them to read the examples of deferred revenue expenditure and create examples of their own. • Encourage students to provide examples of deferred revenue expenditure. Provide accounting information of a company to students and ask them to categorise expenditure into revenue, capital and deferred. • Conduct a role play where each student has to start some business. Ask them to put down the list of revenue, capital and deferred revenue expenditure that they would need to incur for initiating the business.

Content Domain: Partnership Firms

Chapter 2: Accounting for Partnership: Basic Concepts

Table IX: Suggested Pedagogical Processes and Assessment Strategies – Class: 12

Learning outcomes	Competencies	Pedagogical Processes	Assessment Strategies
LO6. Describes forms of business organizations as sole proprietorship, partnership and company	C15. Defines partnership and related terms as per section 4 of the Indian Partnership Act, 1932.	• Recognize forms of business organizations • Apply accounting concepts, accounting standards and accounting procedures in maintaining business records of Partnership form of business.	• Assess students' understanding of the term partnership by asking them to read some significant clauses of the Partnership Act and compare it with a sole proprietorship. • Have students derive their own definition and nature of partnership.
LO10. Discuss the provisions of Indian Partnership Act 1932 and Partnership Deed in Partnership form of business	C16. Justifies why a partnership is known as mutual agency.	• Recognize forms of business organizations • Apply accounting concepts, accounting standards and accounting procedures in maintaining business records of Partnership form of business. • Recognize forms of business organizations • Apply accounting concepts, accounting standards and accounting procedures in maintaining business records of Partnership form of business.	• Ask students to initiate their own partnership firm in a role play. Make them choose their partners, firm name and the purpose of the partnership. • Conduct a discussion on why partnership is known as mutual agency. • Make students create provisions for their own partnership firm regarding different aspects like profit-sharing, liability sharing, etc.

8. TEST PAPER DESIGN

CLASS 12

Table X: Test Paper Design and chapter-wise mark distribution – Class:12

Content domain	Marks distribution
Unit 1. Accounting for Partnership Firms	35-37
Unit 2. Accounting for Companies	23-25
Unit 3. Analysis of Financial Statements	11-13
Unit 4. Cash Flow Statement	7-9
Total	**80**

Table XI: Test Paper Design and question-type mark distribution – Class:12

Question type	Number of questions	Marks distribution
Very short answer type questions	19-21	19-21
Short answer type–I questions	1-3	3-9
Short answer type–II questions	4-6	16-24
Long answer type–I questions	2-4	12-24
Long answer type–II questions	1-3	8-24

Table XII: Test Paper Design and cognitive domain-wise mark distribution – Class:12

Cognitive domain	Marks distribution
Remember and understand	42-46
Apply	17-21
Analyse, Evaluate and Create	15-19
Total	**80**

Other details of the test paper:

- Maximum marks: 80
- Duration of the test: 3 Hours
- Time for reading question paper: 15 minutes

9. ASSESSMENT OF PRACTICAL/PROJECT WORK

A key component of the Accountancy curriculum for classes 11-12 is practical work related to the concepts and principles covered in the content domains. Along with discovering or verifying results covered in the curriculum, students are also expected to acquire and practise process skills related to Accountancy. The learning outcomes for the curriculum include the following 2 learning outcomes which are especially relevant for project work in Accountancy.

- To enable a student to complete the accounting process in real life business situations and apply the tools of analysis as per the syllabus for a comprehensive project.
- To develop the competence of reading accounting data from quarterly or half yearly or annual reports of business firms and interpreting the information based on given guidelines to present the desirable information in required format in the Project File for Specific Projects.

DESIGN OF THE PROJECT/PRACTICAL BASED ACTIVITIES

Students are expected to conduct experiments, do project-based activities, etc throughout the course of 2 years.

Table XIII. Distribution of marks for the projects/ppt/practical

Part C Practical Work 20 20 Practical work will include: Practical File 4 Marks Practical Examination 12 Marks (One Hour) Viva Voce 4 Marks

Activity	Distribution of marks
Practical File	4
Practical Examination	12
Viva Voca	4
Total	**20**

Project Work (Any One)

1. Collection of source documents, preparation of vouchers, recording of transactions with the help of vouchers.
2. Comprehensive project of any sole proprietorship business. This may state with journal entries and their ledgering, preparation of Trial balance. Trading and Profit and Loss Account and Balance Sheet. Expenses, incomes and profit (loss), assets and liabilities are to be depicted using pie chart / bar diagram.

PROJECT WORK

It is suggested to undertake this project after completing the unit on preparation of financial statements. The student(s) will be allowed to select any business of their choice or develop the transaction of imaginary business. The project is to run through the chapters and make the project an interesting process. The amounts should emerge as more realistic and closer to reality.

Specific Guidelines for Teachers

Give a list of options to the students to select a business form. You can add to the given list:

1. A beauty parlour	6. A confectionery shop	11. Ladies wear	16. A sweet shop	21. A juice shop
2. Men's saloon	7. A chocolate shop	12. Kiddies wear	17. A grocery shop	22. A school canteen
3. A tailoring shop	8. A dry cleaner	13. A Saree shop	18. A shoe shop	23. An ice cream parlour
4. A canteen	9. A stationery shop	14. Artificial jewellery shop	19. A coffee shop	24. A sandwich shop
5. A cake shop	10. Men's wear	15. A small restaurant	20. A music shop	25. A flower shop

After selection, advise the student(s) to visit a shop in the locality (this will help them to settle on a realistic amount for different items. The student(s) would be able to see the things as they need to invest in furniture, decor, lights, machines, computers etc.

A suggested list of different items is given below.

1. Rent	8. Water fittings	15. Stationery	22. Tea expenses	29. Repairs & Maintenance
2. Advance rent [approximately three months]	9. Telephone bill	16. Advertisements	23. Packaging expenses	30. Depreciations
3. Electricity deposit	10. Telephone security deposit	17. Glow sign	24. Transport	31. Air conditioners
4. Electricity bill	11. Telephone instrument	18. Rates and Taxes	25. Delivery cycle or a vehicle purchased	32. Fans and lights
5. Electricity fitting	12. Furniture	19. Wages and Salary	26. Registration	33. Interior decorations
6. Water bill	13. Computers	20. Newspaper and magazines	27. Insurance	34. Refrigerators
7. Water connection security deposit	14. Internet connection	21. Petty expenses	28. Auditors fee	35. Purchase and sales

At this stage, performas of bulk of originality and ledger may be provided to the students and they may be asked to complete the same. In the next step, the students are expected to prepare the trial balance and the financial statements.

SUGGESTED PROJECTS/ACTIVITIES/PRACTICAL – CLASS 12

Students need to create one specific project only in which they would be required to cover the company profile, assessment of financial statements, and specific report analysis.

For the scope of Project Work, the following ratios will be included:

- Liquidity Ratios: Current Ratio, Liquidity Ratio.
- Solvency Ratios: Debt to Equity; Total Assets to Debt, Proprietary Ratio.
- Activity Ratios: Inventory Turnover, Debtors Turnover, Payables Turnover, Working Capital Turnover, Fixed Assets Turnover, Current Assets Turnover.
- Profitability Ratio: Gross Profit Ratio, Operating Ratio, Net Profit Ratio, Return on Investment, Earning Per Share – Price Earnings Ratio.

Students are also expected to collect the quarterly or half yearly or annual Segment reports and Revenue and Net Profit reports of companies from newspapers or from the websites of the companies and formulate their own problems for Project Work.

10. SAMPLE ASSESSMENT ITEMS WITH MARKING SCHEMES

1. Multiple Choice Question (MCQ)

Content Domain (Chapter name)	Introduction to Accounting	
Content Domain Learning outcome	CLO2. Analyses the need for recording economic events.	
Competency	C2. Describes external and internal economic events.	
Cognitive level	Understand	
Thinking Process	Distinguish	
Difficulty level	Medium	
Marks	1 mark	
Time	2 minutes	
Item Stem	*Miss Khanna manages a factory that manufactures and supplies motor parts to various automobile manufacturers. On 24th October 2021, she received a supply of aluminium and magnesium from the factory warehouse, purchased kitchen supplies for the factory floor from a nearby local market, signed off on the purchase of rubber parts from a well-known manufacturer, and made a monthly payment to the cleaning service providers who managed the factory cleaners.* Identify the 'internal economic event' of the organisation.	
Correct answer	Receiving a supply of metals from the factory warehouse	Student understands that receiving material from a factory warehouse is an internal event as the warehouse is part of the organisation.
Distractor 1	Purchasing kitchen supplies from a local market	Student does not understand that the purchase of supplies from the market is an external event as market vendors are not part of the organisation.
Distractor 2	Signing off on the purchase of parts from a manufacturer	Student does not understand that the purchase of parts from a manufacturer is an external event as manufacturers are not part of the organisation.
Distractor 3	Making a monthly payment to service providers	Student does not understand that making payments to service providers is an external event as service providers are not employees.

2. Multiple Choice Question (MCQ)

Content Domain (Chapter name)	Theory Base of Accounting	
Content Domain Learning outcome	CLO12. Analyses and explains the need for the fundamental ideas and assumptions underlying the accounting profession.	
Competency	C12. Explains the features, purpose and limitations of the basic accountancy concepts.	
Cognitive level	Analyse	
Thinking Process	Reason	
Difficulty level	Medium	
Marks	1 mark	
Time	2 minutes	
Item Stem	*AA&B Ltd sold furniture to CNS Ltd on a credit basis worth ₹65,000 in the month of May. It wasn't recorded in the books of accounts of AA&B Ltd, as cash was not received. The entire amount was recorded in August when payment was made by CNS Ltd.* Which accounting concept does this action disregard?	
Correct answer	Matching concept	Student understands that the matching concept refers to expenses incurred in an accounting period that should be matched with revenues during that period.
Distractor 1	Cost concept	Student does not understand that the cost concept requires that all assets are recorded in the book of accounts at their purchase price but does not take into consideration the date of the transaction.
Distractor 2	Objectivity concept	Student misunderstands that although the objectivity concept requires that accounting transactions should be recorded in an objective manner, recording of an incorrect date is not a matter of bias.
Distractor 3	Materiality concept	Student focuses on material facts as per the materiality concept but disregards the date of recording as an error.

3. Multiple Choice Question (MCQ)

Content Domain (Chapter name)	Depreciation, Provisions and Reserves	
Content Domain Learning outcome	CLO59. Describes depreciation and related terms.	
Competency	C65. Explains the features of depreciation, depletion and amortisation, and illustrates how they are calculated.	
Cognitive level	Analyse	
Thinking Process	Explain	
Difficulty level	Medium	
Marks	1 mark	
Time	1 minute	
Item Stem	*Depreciation may be described as a permanent, continuing and gradual shrinkage in the book value of fixed assets.* Which situation should be recorded in the books of accounts as depreciation?	
Correct answer	A 3D printing machine was purchased in the year 2014 for Rs. 2,00,000/- with an expected usage of 5 years	Student understands that a machine is a depreciable asset with a limited useful life, expected to be used for over one accounting period.
Distractor 1	An oil well is purchased for Rs. 50,00,000/-, with 10,000 barrels of oil extracted from it per year	Student does not understand that a decline in value due to extraction of natural resources is depletion and not depreciation.
Distractor 2	A broadcast license is purchased for Rs. 12,00,000/- for a period of 6 years	Student does not understand that a broadcast license is an intangible asset with fixed-period utility and is written off as amortisation.
Distractor 3	A set of office stationery is purchased for Rs. 1,00,000/- for regular use in the office	Student does not understand that office supplies are not fixed assets and therefore cannot be treated as depreciable assets.

4. Free Response Question / Subjective Question

Content domain (Chapter name)	Recording of Transactions - I	
Content Domain Learning outcome	CLO23. Explains the concepts of the book of original entry and principal book of entry. CLO25. Applies the rules of journalising.	
Competency	C23. Describes the rules and purpose of journals, ledgers and other books of accounts. C27. Describes the process of posting transactions from journal to ledger.	
Cognitive level	Apply	
Thinking Process	Record	
Difficulty level	Medium	
Marks	8 marks	
Time	12 minutes	
Item stem	Rakhi started her business. The following transactions took place in the first month of her business. ● Started business with cash worth ₹80,000 ● Purchased furniture for ₹12,000 ● Purchased goods of ₹18,000 from Roy on credit ● Sold some goods for cash – the cost was ₹28,000 ● Sold goods to Neel worth ₹7,000 on credit ● Pays GST ₹5,800. Record these transactions in the books of Rakhi and post them in the appropriate ledger accounts.	
Marking Scheme		
Mark	**Answer**	**Further Information**
1	Records entry for bringing cash into the business	(Cash-Dr; Capital-Cr = 80,000)
1	Records entry for the purchase of furniture	(Furniture-Dr; Cash-Cr = 12,000)
1	Records entry for purchasing goods on credit	(Goods/Purchases-Dr; Roy-Credit= 18,000)
1	Records entry for cash sales	(Cash-Dr; Sales-Cr = 28,000)
1	Records credit sales to Neel	(Neel-Dr; Sales-Cr = 7,000)
1	Records payment of GST	(GST-Dr; Cash/Bank- Cr.= 9,200)
2	Makes appropriate ledger accounts (8 accounts)	Cash account, capital account, furniture account, purchases account, debtors account, sales account, creditors account, GST account

5. Free Response Question / Subjective Question

Content domain (Chapter name)	Financial Statements-I
Content Domain Learning outcome	CLO81. Examines the accounting treatment of different items of the balance sheet and creates a balance sheet of a business concern.
Competency	C89. Analyses the accounting treatment of assets, liabilities and capital in the balance sheet.
Cognitive level	Apply
Thinking Process	Analyse, Record
Difficulty level	Medium
Marks	5 marks
Time	6 minutes
Item stem	Study the following trial balance carefully.

Account Title	Amount (₹)	Account Title	Amount (₹)
Opening stock	15,310	Capital	2,50,000
Purchases	82,400	Drawings	48,000
Sales	256,000	Sundry debtors	57,000
Returns (Dr.)	4,000	Sundry creditors	12,000
Returns (Cr.)	2,400	Depreciation	4,200
Factory rent	18,000	Charity	500
Custom duty	11,500	Cash balance	4,460
Coal, gas & power	6,000	Bank balance	4,000
Wages and salary	36,600	Bank charges	180
Discount (Dr.)	7,500	Establishment expenses	3,600
Commission (Cr.)	1,200	Plant	42,000
Bad debts	5,850	Leasehold building	1,50,000
Bad debts recovered	2,000	Sales tax collected	2,000
Apprenticeship premium	4,800	Goodwill	20,000

	Production expenses	2,600	Patents	10,000
	Adminstrative expenses	5,000	Trademark	5,000
	Carriage	8,700	Loan (Cr.)	25,000
			Interest on loan	3,000
	The value of closing stock on March 31, 2017, was ₹ 25,400			
	Explain the treatment of the following in the financial statements of the business, with reasons: a) Capital b) Factory Rent c) Loan d) Apprenticeship premium			

Marking Scheme	
Mark	**Answer**
1	States correctly which column of which financial statement each item should be recorded in
4	Explains a clear reason for the treatment of each item

6. Multiple Choice Question (MCQ)

Content Domain (Chapter name)	Dissolution of Partnership Firm	
Content Domain Learning outcome	CLO43. Describes the events and contingencies that lead to the dissolution of the firm.	
Competency	C44. Analyses the events that lead to the compulsory dissolution of the firm, certain contingencies that lead to the dissolution of the firm, and situations in which the court orders to dissolve the firm.	
Cognitive level	Remember	
Thinking Process	Recall	
Difficulty level	Easy	
Marks	1 mark	
Time	1 minute	
Item Stem	In which of the following situations will a partnership firm be compulsorily dissolved?	
Correct answer	A war is declared between India and the Country A, to which one of the partners	Student understands that a declared war renders the partner who belongs to the other country an alien enemy, making it unlawful for

	belongs.	the partners to carry on business in partnership.
Distractor 1	The project for which the partnership was constituted is successfully completed.	Student does not understand that this does not lead to compulsory dissolution and is dependent on the contract between the partners.
Distractor 2	One of the partners gives a notice in writing to the other partners, seeking dissolution.	Student does not understand that this does not lead to compulsory dissolution and is possible only in case of a partnership at will.
Distractor 3	After a rigorous examination, one of the partners is declared to be of unsound mind by a medical practitioner.	Student does not understand that this does not lead to compulsory dissolution and one of the partners will have to file a suit for dissolution.

7. Multiple Choice Question (MCQ)

Content Domain (Chapter name)	Accounting for Share Capital	
Content Domain Learning outcome	CLO55. Describes the accounting treatment for calls in arrears and calls in advance.	
Competency	C56. Defines 'calls in arrears' and 'calls in advance' and records journal entry for each.	
Cognitive level	Understand	
Thinking Process	Reason	
Difficulty level	Medium	
Marks	1 mark	
Time	2 minutes	
Item Stem	*The balance in 'Calls in Advance' account is shown as a separate item under the title 'Equity and Liabilities' in the company's balance sheet under the head 'current liabilities'.* Why is this so?	
Correct answer	This is because it reflects the amount paid by shareholders on calls not yet made.	Student understands the concept of calls in advance correctly.
Distractor 1	This is because it reflects the amount that shareholders do not pay on the due date.	Student confuses calls in advance with calls in arrears.
Distractor 2	This is because it reflects the amount that some shareholders fail to pay.	Student confuses calls in advance with forfeiture.
Distractor 3	This is because it reflects the amount received from applicants on their offer.	Student confuses calls in advance with allotment.

8. **Free Response Question / Subjective Question**

Content name) domain (Chapter	Accounting Ratios
Content outcome Domain Learning	CLO100. Calculates various ratios to assess solvency, liquidity, efficiency and profitability of the firm.
Competency	C108. Describes the steps for calculating earnings per share and book value per share. C109. Describes the steps for calculating the dividend payout ratio and price earning ratio.
Cognitive level	Apply
Thinking Process	Calculate
Difficulty level	Difficult
Marks	4 marks
Time	5 minutes
Item stem	Calculate the following ratios using the given information: 1. Earnings per share ratio 2. Book value per share ratio 3. Dividend payout ratio 4. Price earning ratio

Particulars	**Rupees (₹)**
56,000 equity shares of ₹10 each Net profit after tax but before dividend Market price of a share Dividend declared @12%	5,60,000 76,000 11

Marking Scheme

Mark	**Answer**	**Further Information**

1	Calculates earnings per share accurately	1.30
1	Calculates book value per share accurately	11.35
1	Calculates dividend pay-out ratio accurately	0.92
1	Calculates price earning ratio accurately	8.46

9. Free Response Question / Subjective Question

Content domain (Chapter name)	Cash Flow Statement	
Content Domain Learning outcome	CLO106. Explains cash activities from operating activities. CLO107. Explains cash activities from investing activities. CLO108. Explains cash activities from financing activities.	
Competency	C115. Describes cash inflows and outflows from operating activities. C116. Describes cash inflows and outflows from investing activities. C117. Describes cash inflows and outflows from financing activities.	
Cognitive level	Analyse	
Thinking Process	Classify	
Difficulty level	Medium	
Marks	3 marks	
Time	5 minutes	
Item stem	*A company that runs a garment business purchased 8 industrial sewing machines for its factory in Ahmedabad and sold monogramming machines that are no longer needed. It also purchased bales of raw cotton from suppliers on a credit basis and sold cotton cloth to customers on cash. The company paid interest and dividends to its investors and shareholders.* Classify the cash activities of the company into operating, investing or financing activities on the basis of their nature	
Marking Scheme		
Mark	**Answer**	**Further Information**
0.5 x 2 = 1	Correctly classifies 2 operating activities.	Purchase of raw cotton, sale of cotton cloth
0.5 x 2 = 1	Correctly classifies 2 investing activities.	Purchase of industrial sewing machines, sale of obsolete monogramming machines
0.5 x 2 = 1	Correctly classifies 2 financing activities.	Payment of interest, payment of dividend

10. Free Response Question / Subjective Question

Content domain (Chapter name)	Accounting for Share Capital	
Content outcome Domain Learning	CLO54. Illustrates accounting treatment for application and allotment of shares.	
Competency	C55. Records journal entry on the application of shares, for transfer of application money, for money refunded on rejected application, for the amount due on the allotment, for adjustment of excess application money, for receipt of allotment money and when a call is made and the amount of the same is received.	
Cognitive level	Apply	
Thinking Process	Record	
Difficulty level	Medium	
Marks	6 marks	
Time	10 minutes	
Item stem	Alpha Ltd issues 15000 shares of ₹10 each. Out of ₹10, ₹3 is to be payable on the application, ₹4 on the allotment and balance on the first call. All shares were fully subscribed, and the money was duly received. Pass the above journal entries in the books of Alpha Ltd.	
Marking Scheme		
Mark	**Answer**	Further **Information**
1	Records journal entry on the application of shares	(Bank-Dr; Share Application-Cr = 45,000)
1	Records journal entry for transfer of application money	(Share Application-Dr; Share Capital-Cr = 45,000)
1	Records journal entry for amount due on allotment of shares	(Share Allotment-Dr; Share Capital-Cr = 60,000)
1	Records journal entry for allotment money received	(Bank-Dr; Share Allotment-Cr = 60,000)
1	Records journal entry for the amount due on first call	(First Call-Dr; Share Capital-Cr = 45,000)
1	Records journal entry for the amount received on first and final call	(Bank-Dr; First Call-Cr = 45,000)

11. ESSENTIAL IDEAS AND ASSESSMENTS

CLASS 11 – ASSESSMENTS BASED ON ESSENTIAL IDEAS

Multiple-Choice Question

Chapter	Introduction to Accounting	
Essential Idea	Accounting information must be reliable, relevant, understandable and comparable.	
Item stem + question	A company experienced losses in the second quarter of the year due to employee attrition. During the presentation of statements to creditors, strong projections for the next two quarters were shown and emphasised on, without reference to the issue of attrition. Company creditors agreed to expand credit to the company based on these projections. Which qualitative characteristic does this accounting information lack?	
Correct answer	Reliability	Student understands that the accounting information was not presented faithfully to the creditors, as a material fact that would affect their decision was left out, making it unreliable.
Distractor 1	Relevance	Student does not understand that the accounting information presented to the creditors was not irrelevant, as strong projections help creditors decide the course of action.
Distractor 2	Comparability	Student does not understand that the situation given does not refer to financial statements of different time periods, so we cannot say if the information was comparable or not.
Distractor 3	Understandability	Student does not understand that the situation does not state that the financial statements were full of jargon or were communicated ineffectively, so we cannot say that the information was not understandable.

Free Response Question / Subjective Question

Chapter	Introduction to Accounting
Essential Idea	Accounting is a means by which necessary financial information about a business enterprise is communicated, needed in order to make important decisions.
Item stem + question	Mr Mistri owns a trucking business, Mistri Transport Ltd., to transport goods across the country. Ms. Menon's business, Food Grains Ltd., requires the transportation of grains to four states, for which Mr Mistri provides trucks and transportation services.

	Mr Mistri is interested in studying the financial statements of Food Grains Ltd. What are the main aspects of the financial statements that Mr Mistri would need to study? How will this be useful to him?

Marking Rubric	
Description	**Marks**
Sample answer Mr Mistri should study the revenues and profits section of the financial statement in order to ascertain if Food Grains Ltd. will be able to pay past dues owed to him for trucks and transportation services provided. Mr. Mistri should also study the stock of goods, in this case grains, available with the business, as well as assets of the business, in order to ascertain the continued existence of the business.	-
● Revenues/Profits to ascertain ability to settle past dues	1
● Assets/Stocks to ascertain continuity of business	1

Multiple-Choice Question

Chapter	Theory Base of Accounting	
Essential Idea	The accounting theory brings uniformity and consistency to the process of accounting and enhances its utility to different users of accounting information.	
Item stem + question	Dreamcatchers Ltd. Employs several sales representatives for its business. Sales worth of Rs. 3.3 crores are made by sales representatives from January to March 2020, for which they are to be paid 10% of the amount. The payments are to be made in the following months, and the accounting statement for the financial year 2019-20 does not reflect these payments. How can this affect the decisions taken by the management of the company at the beginning of the new financial year?	
Correct answer	The management might take decisions to make investments based on revenue or profits that have not been earned.	Student understands that the matching concept requires that all costs incurred, whether paid during the year or not, should be taken into account while ascertaining profit or loss for that year. Considering this to be true, the management will assume higher profits than actually earned.
Distractor 1	The management might take decisions to curb expenses based on inflated losses being reflected in the statements.	Student does not understand that the statements will not reflect inflated losses based on the given situation but inflated profits.
Distractor 2	The management might take decisions to sell assets in order to pay dues to the sales representatives.	Student does not understand that the company has the money to pay sales representatives, based on the sales made. Therefore, the sale of assets is not needed.
Distractor 3	The management might take decisions to lay off underperforming employees to ensure higher profits in that year.	Student does not understand that the decision to lay off underperforming employees are not connected to the given situation.

Free Response Question / Subjective Question

Chapter	Theory Base of Accounting	
Essential Idea	The accounting theory brings uniformity and consistency to the process of accounting and enhances its utility to different users of accounting information.	
Item stem + question	A partnership firm has employed a new accountant close to the end of the financial year 2019-20. The accountant's first task is to finalise the firm's financial statements. In determining the cost of fixed assets, the accountant refers to the financial statements for 2018-19. He finds that the cost of the office building owned by the firm is Rs. 55,00,000/-, which he notes in the current year's statement as well. However, on going further, the accountant finds that the cost of the building reflected in the financial statements of 2017- 18 was Rs. 51,50,000/-. A further examination shows that the cost of the building has changed in several years' financial statements.	
	(1) Which basic accounting concept was disregarded by the previous accountant of the firm? (2) In what way will this affect the current accountant's work? Why?	
Marking Rubric		
Part	**Description**	**Marks**
	Sample answer The previous accountant disregarded the cost concept, which requires that all assets are recorded in the book of accounts at their purchase price, which includes the cost of acquisition, transportation, installation and making the asset ready to use. This will make it difficult for the current accountant to finalise the financial statements for the year, as he will have to spend a lot of time and effort in determining the original purchase date and price of the office building.	-
(1)	Identifies the basic accounting concept disregarded correctly as the cost concept	1
(2)	Explains how and why this disregard will affect the accountant's work (Increase the time needed to finalise the financial statements)	2

Multiple-Choice Question

Chapter	Recording of Transactions-I
Essential Idea	As per the accounting equation, the assets of a business are always equal to the total of its liabilities and capital.
Item stem + question	On 5 May 2015, Sanjay started a business with a capital of Rs. 8,00,000/-. On 16 May 2015, he opened a bank account with Rs. 5,50,000/-. On 17 May 2015, he purchased machinery for Rs. 1,80,000/- and issued a cheque on the same day. Based on these transactions, what should the balance sheet show?

Correct answer	[Liabilities] Capital = Rs. 8,00,000/- [Assets] Cash = Rs. 2,50,000/-, Bank = Rs. 3,70,000/-, Machinery = Rs. 1,80,000/-	Student understands that all transactions have been recorded accurately, with the assets equal to the total of liabilities and capital.
Distractor 1	[Liabilities] Capital = Rs. 2,50,000/- [Assets] Bank = Rs. 3,70,000/-, Machinery = Rs. 1,80,000/-	Student does not understand that the capital amount does not change, whether the amount is in the form of cash or a bank deposit. Cash must be shown as an asset.
Distractor 2	[Liabilities] Capital = Rs. 8,00,000/- [Assets] Cash = Rs. 2,50,000/-, Bank = Rs. 5,50,000/-, Machinery = Rs. 1,80,000/-	Student does not understand that once a cheque is issued, the amount in the bank is credited.
Distractor 3	[Liabilities] Capital = Rs. 8,00,000/- [Assets] Cash = Rs. 8,00,000/-, Machinery = Rs. 1,80,000/-	Student does not understand that cash amount and bank amount must be shown separately as assets.

Free Response Question / Subjective Question

Chapter	Recording of Transactions-I
Essential Idea	Transactions are first recorded in the basic book of original entry (journal) and are then posted to individual accounts in the principal book (ledger).
Item stem + question	Sumeet claims that the following ledger entry is incorrect, as the debit amount should be equal to the credit amount as per the accounting equation.

Cash Account

Dr.							**Cr.**
Date	**Particulars**	**J.F.**	**Amount**	**Date**	**Particulars**	**J.F**	**Amount**
	Capital		5,00,000		Bank		4,80,000
					Plant and Machinery		10,000

Why is Sumeet's claim incorrect? Help Sumeet clarify his understanding by explaining how the given ledger account was created and what its purpose it.

Marking Rubric

Description	Marks
Sample answer ● Sumeet's claim is incorrect, as a ledger account is not the same as a balance sheet, and the accounting equation does not apply to it. ● All transactions of a business are first recorded in a journal, a book or an original entry, in chronological order. These transactions are then posted to ledger accounts under separate accounts, such as cash accounts, capital accounts, bank accounts, and so on. In the given ledger account, which is a cash account, we can see that the business owner brought in a capital amount of Rs. 5,00,000/- in cash, and so the cash account is debited with that amount. He/She deposited Rs. 4,80,000/- of the cash into the bank, and so the cash account is credited with that amount. He/She also paid for the purchase of plant and machinery in cash in the amount of Rs. 10,000/-, and so the cash account is credited with that amount. ● The purpose of a ledger is to have all transactions for a particular account in one place so that they can be easily analysed.	-
● Explains why Sumeet's claim is incorrect (The accounting equation does not apply to ledger accounts)	1
● Explains how the given ledger account was created (Creation of an account, posting from journal, recording as debit or credit)	3
● Explains the purpose of a ledger (Analysis of transactions of a particular account)	1

Multiple-Choice Question

Chapter	Recording of Transactions-II	
Essential Idea	Expanding and large businesses record repetitive business transactions in special journals for reasons of economy and efficiency of work.	
Item stem + question	Mr Sumukh, one of the cashiers of M/s Aahana Traders, is given an imprest amount of Rs. 10,000/- for the month of December 2020. Mr Sumukh uses this amount to pay Rs. 6,000/- as an annual instalment of insurance for a company vehicle. He also uses Rs. 1,200/- for office refreshments, Rs. 800/- for speed post charges, and Rs. 560/- for printing charges. He records all these transactions in the single-column cash book. What issues might M/s Aahana Traders face as a result of this?	
Correct answer	They will face issues in balancing their petty cash book.	Student understands that the imprest amount is meant for petty expenses and should be recorded in the petty cash book.
Distractor 1	They will face issues in balancing their double-column cash book.	Student does not understand that if a business uses a single-column cash book, a double-column cash book will not be used simultaneously.
Distractor 2	They will face issues in balancing their purchases (journal) book.	Student does not understand that the purchases (journal) book is used for credit purchases and does not record transactions using the imprest amount.

Distractor 3	They will face issues in balancing their purchases return (journal) book.	Student does not understand that the purchases return (journal) book is used for purchase returns and does not involve the use of the imprest amount.

Free Response Question / Subjective Question

Chapter	Recording of Transactions-II	
Essential Idea	Expanding and large businesses record repetitive business transactions in special journals for reasons of economy and efficiency of work.	
Item stem + question	For large businesses with repetitive transactions, special journals are maintained for reasons of economy and efficiency of work. Study the following transactions of Roohi Traders. State the special journal in which each transaction should be recorded, along with a brief explanation. (1) Cash payment for courier services (2) 10 laptops purchased on credit for office use (3) Rent for office premises paid by cheque (4) Sale of goods (containers) for cash	
Marking Rubric		
Part	**Description**	**Marks**
(1)	In the petty cash book, as such amounts are immaterial and are treated as petty expenses.	1
(2)	In the journal proper, as laptops for office use form part of office equipment, which cannot be recorded in the purchase (journal) book.	1
(3)	In the bank column of the double-column cash book, bank transactions must be recorded in this book and cannot be recorded in the single-column cash book which is meant only for cash transactions.	1
(4)	In the single-column cash book OR the cash column of the double-column cash book, all cash transactions are to be recorded in these books.	1

Multiple-Choice Question

Chapter	Bank Reconciliation Statement	
Essential Idea	The bank reconciliation statement helps reconcile the balance reflected in the cash book and bank book of a business.	
Item stem + question	Once the cash book of a business is balanced, it is checked against the bank statement for differences. Sometimes, errors caused by the bank lead to such differences between the two books. Which of these is an error caused by the bank?	
Correct answer	An interest amount of Rs. 1,100/- credited by the bank to the firm's account was recorded twice in the bank statement.	Student understands that this is an error committed by the bank, which will not match the records of the business.

Distractor 1	A cash discount of Rs. 202/- was recorded as Rs. 282/- in the bank column of the cash book.	Student does not understand that the cash book is maintained by the business internally and not by the bank.
Distractor 2	A cheque collection charge of Rs. 33/- was debited from the firm's account without the firm's knowledge.	Student does not understand that this is not an error committed by the bank but is standard procedure.
Distractor 3	A cheque of Rs. 48,000/- was deposited into the bank but was not immediately cleared by the bank.	Student does not understand that this is not an error committed by the bank but a timing difference.

Free Response Question / Subjective Question

Chapter	Bank Reconciliation Statement
Essential Idea	The bank reconciliation statement helps reconcile the balance reflected in the cash book and bank book of a business.
Item stem + question	Atul runs a small business, delivering home-cooked meals to people in his town. He maintains his cash book by recording transactions on a daily basis himself. All payments are made and received via a mobile app, and petty cash expenses are small. Let's look at some example transactions on a typical morning at Atul's business: 1. Atul paid delivery executive Rs. 150/- for medical fees because of a minor accident. 2. Atul paid courier charges of Rs. 320/-. 3. Atul received payments of Rs. 300/-, Rs. 160/-, Rs. 440/- and Rs. 890/- for breakfast orders delivered. 4. Atul made a cash deposit of Rs. 4000/- in his bank, which was received as advance payment for a large food order. Since it is a small business, Atul does not think it is necessary to prepare a bank reconciliation statement, as he believes that chances of errors are nil. Do you agree with Atul? Use the example transactions provided to create 3 points of argument in your answer.

Marking Rubric	
Description	**Marks**
Sample answer	-
I do not agree with Atul, and I think that a bank reconciliation statement is necessary regardless of the size of the business. (1) In spite of being a small business, chances of errors and mismatches between the cash book and bank statement are high, due to the large number of transactions everyday. Some transactions may be missed out. (2) As seen in the examples, Atul has petty cash expenses, online payments received, and cash deposits in the bank. He has to make sure to record each in the correct column and with the correct amounts. (3) The bank may also make errors and will pay him interest or charge him fees, which he will not be aware of without a bank reconciliation statement.	
● States that a bank reconciliation statement is important	1
● Provides 3 points of argument based on the examples given (A large number of transactions, errors in the recording by Atul and by the bank, unrecorded debits and credits) *Accept any other valid points supported by evidence.*	3

Multiple-Choice Question

Chapter	Trial Balance and Rectification of Errors	
Essential Idea	The trial balance is an arithmetical tool for verifying the accuracy of and rectifying errors in recording the debit and credit aspects of every transaction and preparing financial statements.	
Item stem + question	The trial balance is called an arithmetical tool as it shows if the posting to the ledger is *arithmetically* correct but does not guarantee the correctness of the entry itself. Which example supports this statement?	
Correct answer	Expense of Rs. 3,00,000/- for repairs to the factory building was debited to the maintenance and repairs account.	Student understands that being a capital expense, it should have been debited to the asset account, but the trial balance will still reflect the correct balance.
Distractor 1	Credit purchase of machinery worth Rs. 91,448/- was rounded off to Rs. 90,000/- when recorded in the ledger.	Student does not understand that rounding off of amounts leads to an arithmetical imbalance, which will be caught at the trial balance stage.
Distractor 2	Sale to M/s Chanana worth Rs. 60,000/- was credited to the sales account as well as to M/s Chanana's account.	Student does not understand that the sale should have been debited to M/s Chanana's account, and this will lead to an arithmetic imbalance.
Distractor 3	Credit sale of merchandise worth Rs. 1,00,000/- was recorded in the purchases journal book as Rs. 1,00,000/-.	Student does not understand that credit sales being recorded as credit purchases will affect the arithmetical accuracy of balances.

Free Response Question / Subjective Question

Chapter	Trial Balance and Rectification of Errors
Essential Idea	The trial balance is an arithmetical tool for verifying the accuracy of and rectifying errors in recording the debit and credit aspects of every transaction and preparing financial statements.
Item stem + question	The trial balance verifies the accuracy of and rectifies errors in recording the debit and credit aspects of every transaction. Crucially, it helps prepare financial statements, which are necessary for every business to understand its financial position. With computerised accounting software now available, do you think this tool is still indispensable for the preparation of financial statements? Explain your opinion and support it with a clear example.

Marking Rubric	
Description	**Marks**
Sample answer No, I do not think that the trial balance tool is indispensable for the preparation of financial statements in today's age of technology and sophisticated accounting software. The trial balance as a tool serves the purpose of ensuring that the posting to the ledger in terms of debit and credit amounts is accurate. Therefore, it only checks the mathematical accuracy, which can be done with ease and 100% accuracy by a computer. If a computer can check the accuracy at the stage of posting to the ledger itself, it is immediately rectified, and the trial balance serves no purpose at the end of the accounting period. Financial statements can be prepared directly, based on the ledger accounts.	-
For example, in case of a transaction in which furniture is purchased for Rs. 16,000/- but is posted to the purchase account as Rs. 1,600/-, the software will immediately detect this mismatch, as debit and credit must match. Therefore, in such a case, the trial balance step can be skipped entirely, and accurate financial statements can be generated immediately and for any time period.	
● States a clear opinion (Yes, it is indispensable / No, it is not indispensable)	1
● Explains opinion with a clear reason (It only checks for mathematical accuracy / It may still miss errors when debit and credit side balance) *Accept any other valid points.*	2
● Provides a clear example to support stated opinion	2

Multiple-Choice Question

Chapter	Depreciation, Provisions and Reserves
Essential Idea	Depreciation is that part of the cost of a fixed asset which has expired on account of its usage and/or lapse of time and is charged against profit.

Item stem + question

Study the Machine Account of M/s Sayed and Sons for three years, considering the books of accounts close on March 31 every year.

Dr. **Cr.**

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2016				2017			
Oct. 01	Bank		180000	Mar. 31	Depreciation (for 6 months)		10,000
Oct. 01	Bank (Installation expenses)		20000	Mar. 31	Balance c/d		190000
			200000				200000
2017				2018			
Apr. 01	Balance b/d		190000	Mar. 31	Depreciation		20000
			190000		Balance c/d		170000
2018							190000
Apr.01	Balance b/d		170000	2019			
			170000	Mar. 31	Depreciation		20000
					Balance c/d		170000
							190000

Why is this method of calculating depreciation not suitable for the fixed asset in question?

Correct answer	The fixed instalment method is not suitable as the amount of depreciation will not be uniform throughout the life of the machine.	Student identifies the method used correctly and understands that the work efficiency of machines decreases and repair and maintenance costs increase with time.
Distractor 1	The straight-line method is not suitable as the value of the machine can be depreciated up to zero.	Student identifies the method used correctly but does not understand that calculating depreciation up to zero is an

		advantage of the method.
Distractor 2	The written-down value method is not suitable because the benefits of assets go on diminishing with the passage of time.	Student does not identify the method used correctly but understands that the work efficiency of machines decreases and repair and maintenance costs increase with time.
Distractor 3	The reducing balance method is not suitable as the useful life of a machine can be estimated accurately.	Student does not identify the method used correctly and does not understand that the use of machines is not the same year after year.

Free Response Question / Subjective Question

Chapter	Depreciation, Provisions and Reserves
Essential Idea	Provisions help account for losses of which the amount is not known, while reserves are the appropriations of profit to strengthen the financial position of the business.
Item stem + question	Kaira insists that her firm must create provision for doubtful debts and provision for depreciation, as provisions provide for future needs of the business, such as growth and expansion. Do you agree, disagree or partially agree with Kaira? Support your answer with 2 clear reasons.

Marking Rubric	
Description	**Marks**
Sample answer I partially agree with Kaira. I agree that every business must create provisions for doubtful debts and depreciation. Such losses will occur in every business, and making provisions for them will help the business ascertain true net profit. Furthermore, the creation of provisions is necessary if the business is to comply with the principles of prudence and conservatism. However, I disagree that provisions provide for the future needs of the business. Provisions help ascertain true net profit by taking	-

into consideration expected expenses and losses. Creation of reserves, on the other hand, strengthens the financial position of the business	
• States partial agreement with the statement	1
• States agreement with the need to create provisions • Provides a clear reason (Necessary to ascertain true net profit)	1.5
• States disagreement with the use of provisions • Provides a clear reason (Provisions take into consideration losses; reserves provide for future needs)	1.5

Multiple-Choice Question

Chapter	Financial Statements-I	
Essential Idea	Revenue items form part of the trading and profit and loss account, while the capital items help in the preparation of a balance sheet, as this helps correct ascertainment of profit or loss.	
Item stem + question	An education company, Bees Ed Ltd., create and prints textbooks for various schools. The company has employed 54 writers, artists and editors who create these textbooks and get them ready for printing. The owner of the company insists that the salary paid to these employees is a capital expenditure and not a revenue expenditure, and so should reflect in the balance sheet directly. What is the correct argument in response to this?	
Correct answer	No, it is a revenue expenditure, as salaries are to be paid to employees every month regardless of the nature of product.	Student understands that some of the main features of revenue expenditure are its recurring nature and its ability to maintain earning capacity.
Distractor 1	Yes, it is a capital expenditure, as the textbook that a writer is writing today can bring in revenue for a few years.	Student does not understand that capital expenditures represent significant investments of capital that a company makes to maintain or expand its business.
Distractor 2	Yes, it is a revenue expenditure as an employee is a fixed asset crucial to the operation of the business.	Student does not understand that human resources are not considered fixed assets in a business.
Distractor 3	No, it is a deferred revenue expenditure, as the textbooks created are likely to be sold to many schools for many years.	Student does not understand that deferred revenue expenditure signifies a one-time heavy expenditure to generate large revenue over more than an accounting period, whereas salaries are recurring expenditures.

Free Response Question / Subjective Question

Chapter	Financial Statements-I
Essential Idea	Financial statements, including the trading and profit and loss account as well as the balance sheet, present a true and fair view of the financial performance and position of the business.
Item stem + question	"The trial balance is the main document needed for the preparation of financial statements of a business." Explain the key terms used in this statement, along with the validity of the statement in detail, based on the given trial balance.

Account Title	**Amount (₹)**	**Account Title**	**Amount (₹)**
Opening stock	15,310	Capital	2,50,000
Purchases	82,400	Drawings	48,000
Sales	256,000	Sundry debtors	57,000
Returns (Dr.)	4,000	Sundry creditors	12,000
Returns (Cr.)	2,400	Depreciation	4,200
Factory rent	18,000	Charity	500
Custom duty	11,500	Cash balance	4,460
Coal, gas & power	6,000	Bank balance	4,000
Wages and salary	36,600	Bank charges	180
Discount (Dr.)	7,500	Establishment expenses	3,600
Commission (Cr.)	1,200	Plant	42,000
Bad debts	5,850	Leasehold building	1,50,000
Bad debts recovered	2,000	Sales tax collected	2,000
Apprenticeship premium	4,800	Goodwill	20,000
Production expenses	2,600	Patents	10,000
Adminstrative expenses	5,000	Trademark	5,000
Carriage	8,700	Loan (Cr.)	25,000
		Interest on loan	3,000
The value of closing stock on March 31, 2017 was ₹ 25,400			

Marking Rubric

Description	Marks
Sample answer Every business prepares a set of financial statements, which satisfies the informational needs of the users. The financial statements include the trading and profit and loss account, which shows the financial performance in the form of profit earned or loss sustained by the business; as well as the balance sheet, which shows the financial position in the form of assets, liabilities and capital. These are prepared on the basis of the trial balance. A trial balance is a statement showing the balances, or total of debits and credits, of all the accounts in the ledger with a view to verifying the arithmetical accuracy of posting into the ledger accounts. This means that the trial balance takes into account information from all journals, which are posted into the ledger, which are then verified while creating the trial balance. Once created, the entries in the trial balance are posted into the trading and profit and loss account or the balance sheet, depending on their nature. The trading and profit and loss account is a summary of revenues and expenses of the business and calculates the net figure termed as profit or loss. In the example given, items such as the opening stock, factory rent, custom duty, and wages and salary will be posted from the trial balance to the trading and profit and loss account, which will help in calculating net profit or loss.	-
The balance sheet is prepared after the trading and profit and loss account, to show the financial position of the business summarising its assets and liabilities at a given date. It is a statement of balances of ledger accounts that have not been transferred to the trading and profit and loss account and are to be carried forward to the next year. In the example given, items such as sundry creditors, sundry debtors, patents and goodwill will be posted from the trial balance to the balance sheet to be carried forward to the next year to summarise its assets and liabilities.	
● Explains the key terms (Trial balance, financial statements, trading and profit and loss account, balance sheet)	2
● Explains the importance of the trial balance in preparation of the financial statements (Trial balance is a verified account of all transactions and forms the bases for the financial statements)	2
● Provides correct examples from the trial balance given	1

Multiple-Choice Question

Chapter	Financial Statements-II
Essential Idea	The accrual concept of accounting emphasises that while ascertaining the profitability, the revenues be considered on earned basis and not on receipt basis, and the expenses be considered on incurred basis and not on paid basis, for a true and fair view of the business.
Item stem + question	At the end of the accounting year, it is found that the benefits of some expenses have not been fully received; a portion of the total benefits would be received in the next accounting year. That portion of the expense, the benefit of which will be received during the next accounting period, is known as 'prepaid expenses.' Which of the following is an example of a prepaid expense?

Correct answer	Manisha paid Rs. 16,000/- as rent for office space at the beginning of March 2018. Monthly rent is Rs. 14,000/-.	Student understands that the benefit of the extra rent paid will be received in April 2018, which is the next accounting period.
Distractor 1	Manisha is to receive Rs. 3,200/- as quarterly interest on loan, but receives Rs. 2,300/- in January 2018 for that quarter.	Student does not understand that this is not a prepaid expense but an accrued income. The amount is still owed.
Distractor 2	Ankesh owes Manisha Rs. 6,200/- for goods purchased. Ankesh was declared as insolvent in February 2018.	Student does not understand that this is not a prepaid expense but a bad debt. A debt is not an expense on which benefit will be received.
Distractor 3	Manisha pays Shruti Rs. 7,500/- as monthly salary. In December 2017, Shruti received Rs. 7,000/- as salary.	Student does not understand that this is an outstanding expense and not a prepaid expense.

Free Response Question / Subjective Question

Chapter	Financial Statements-II
Essential Idea	The accrual concept of accounting emphasises that while ascertaining the profitability, the revenues be considered on an earned basis and not on a receipt basis, and the expenses be considered on an incurred basis and not on a paid basis, for a true and fair view of the business.
Item stem + question	The following is the trial balance of Arya as on 31 March 2017. Based on this, create: ● 1 example of revenue received but not earned; and ● 1 example of expense incurred but not paid. Using this, explain how these will lead to a view of the business that is <u>not</u> true and fair.

Account Title	Elements	L.F.	Debit Amount (₹)	Credit Amount (₹)
Cash	Assets		1,000	
Bank	Assets		5,000	
Wages	Expense		8,000	
Salaries	Expense		25,000	
Furniture	Assets		15,000	
Rent of building	Expense		13,000	
Debtors	Assets		15,500	
Bad debts	Expense		4,500	
Purchases	Expense		75,000	
Capital				12,000
Equity				
Sales	Revenue			1,25,000
Creditors	Liabilities			15,000
Long-term loan (raised on 1.4.2013)	Liabilities			5,000
Commission received	Revenue			5,000
Total			1,62,000	1,62,000

Additional Information: The stock on March 31, 2017 was ₹15,000.

Marking Rubric

Description	**Marks**
Sample answer The accrual concept of accounting ensures a true and fair view of the business and its financial position at the end of the year. Based on the trial balance of Arya as on 31 March 2017, here are two examples:	-
● A firm pays Arya Rs. 5,000/- as commission in advance of work done. This is revenue that has not been earned. If the business	

enters unearned revenue as an asset instead of a liability, its total profit would be overstated in this accounting period. ● Arya has paid Rs. 8,000/- in wages. However, Rs. 2,000/- is yet to be paid as wages for that year. This is an expense incurred but not paid. If this is not entered correctly in the books of the business, its total profit would once again be overstated in this accounting period. Taking both examples together, the business would show an excess of Rs. 7,000/- in profits, which is not a true and fair view of the business.	
● Provides a correct example of revenue received but not earned	1
● Provides a correct example of expense incurred but not paid	1
● Explains how these lead to a view of the business that is not true and fair (Understated or overstated profit or loss)	2

Multiple-Choice Question

Chapter	Accounting for Partnership: Basic Concepts	
Essential Idea	All transactions relating to partners of the firm are recorded in the books of the firm through their capital accounts by the fixed capital method and fluctuating capital method.	
Item stem + question	Samira and Aashna are partners in business. They have not issued any specific instructions as to the maintenance of their capital accounts. Where should interest on drawings appear in the books of accounts?	
Correct answer	On the debit side of the capital account	Student understands that the fluctuating capital method must be used in case of absent instructions, and interest on drawings are debited to the capital account.
Distractor 1	On the debit side of the current account	Student does not understand that the fluctuating capital method must be used in case of absent instructions, and so the capital account is debited.
Distractor 2	On the credit side of the capital account	Student does not understand that interest on drawings must be debited to the capital account and not credited.
Distractor 3	On the credit side of the current account	Student does not understand that the fluctuating capital method must be used in case of absent instructions, and so the capital account reflects the item.

Free Response Question / Subjective Question

Chapter	Accounting for Partnership: Basic Concepts
Essential Idea	The Profit and Loss Appropriation Account of the firm helps ascertain the final figure of profit and loss to be distributed among the partners, in their profit-sharing ratio.
Item stem + question	Neha and Harsh are partners in business. On 31 March 2019, their profit and loss account showed a debit balance. As their accountant, which of the following entries will you make? Which will you not make? Why? Profit and Loss Appropriation A/c Dr. To Interest on Capital A/c Profit and Loss Appropriation A/c Dr. To Salary to Partner's A/c

	Partner's Capital/Current A/c (individually) Dr. To Profit and Loss Appropriation A/c

Marking Rubric	
Description	**Marks**
Sample answer As Neha and Harsh's accountant, I will make the following entry: Partner's Capital/Current A/c (individually) Dr. To Profit and Loss Appropriation A/c This is because a debit balance in the profit and loss account indicates loss, and so the loss has to be distributed between the two partners. I will not make the following entries: Profit and Loss Appropriation A/c Dr. To Interest on Capital A/c Profit and Loss Appropriation A/c Dr. To Salary to Partner's A/c This is because when a partnership firm suffers a loss, no interest on capital or salary is to be allowed to partners, and so no entries are needed.	-
● Identifies the correct entry to be made and gives an accurate reason. (Loss to be distributed between the two partners.)	1.5
● Identifies the correct entries not to be made and gives an accurate reason. (No interest or salary due to loss.)	1.5

Multiple-Choice Question

Chapter	Reconstitution of a Partnership Firm – Admission of a Partner	
Essential Idea	With the admission of a new partner, the partnership firm is reconstituted, and matters such as profit-sharing ratio, goodwill and others need adjustments in the books of the firm.	
Item stem + question	Shreya and Seemant are equal partners in a business that supplies handmade toys to children's stores. The capital of their firm is Rs. 1,00,000/-. In the past two years, they have earned a profit of Rs. 45,000/- and Rs. 50,000/- respectively. Their friends Arsh and Sejal are equal partners in a similar business that supplies handmade toys to children's stores. The capital of their firm is Rs. 1,20,000/-, with a profit at the normal rate of return at Rs. 12,000/- and Rs. 11,900/- in the past two years. Trishant decides to join Shreya and Seemant's firm as a new partner. As goodwill calculations are going on, Trishant changes his mind and decides to join Arsh and Sejal's firm instead, for 1/5th share in the future profits which he will get equally from Arsh and Sejal. In order to reconstitute the firm, what elements must they now take into consideration?	
Correct answer	Only the new profit-sharing ratio	Student understands that the share in future profits will determine the new profit-sharing ratio, and there is no goodwill needed to be calculated in the absence of super profits.
Distractor 1	Share of goodwill and new profit-sharing ratio	Student does not understand that while the new profit-sharing ratio needs to be calculated, since the firm was not earning super profits, the new partner does not need to bring in a share of goodwill.
Distractor 2	Only the share of goodwill	Student does not understand that since the firm was not earning super profits, the new partner does not need to bring in a share of goodwill.
Distractor 3	Share of goodwill, new profit-sharing ratio and sacrificing ratio	Student does not understand that the new profit ratio can be calculated directly by adding the old ratio and gaining ratio, without calculating the sacrificing ratio.

Free Response Question / Subjective Question

Chapter	Reconstitution of a Partnership Firm – Admission of a Partner
Essential Idea	With the admission of a new partner, the partnership firm is reconstituted, and matters such as profit-sharing ratio, goodwill and others need adjustments in the books of the firm.
Item stem + question	Suman and Ahmad are partners in business. They lack marketing expertise, and so they decide to hire Alisha, an experienced marketing professional, into their company. However, Alisha wants to join their firm as a partner instead of

	working as a salaried employee. How will the accounting requirements be different for the firm if they admit Alisha as a partner instead of hiring her? Explain in detail.

Marking Rubric	
Description	**Marks**
Sample answer If Suman and Ahmad hire Alisha, they will only have to add her salary to the list of expenses of their firm. In their journals, the salary will be debited, while cash/bank will be credited. It will then be shown on the debit side of the profit and loss account. However, accounting requirements will be very different if they admit Alisha as a partner. To begin with, as a new partner, Alisha will bring in additional capital to the business, which will be noted in the books of account.	-
Cash/Bank A/c… Dr To Partner's Capital (individual) A/c In case the business is earning a higher profit than the normal rate of return, Alisha will also need to contribute her share of goodwill. If this amount is paid to the old partners directly (privately) by the new partner, no entry is passed in the books of the firm. But, when the amount is paid through the firm, which is generally the case, journal entries are passed as follows: Bank A/c Dr. To Premium for Goodwill A/c (Amount brought by new partner as premium) Goodwill A/c Dr. To Sacrificing Partners Capital A/c (individually) (Goodwill distributed among the existing partners' in their sacrificing ratio). Alternatively, it is credited to the new partner's capital account and then adjusted in favour of the existing partners in their sacrificing ratio. In that case, the journal entries will be as follows: Bank A/c Dr. To New Partner's Capital A/c (Amount brought by new partner for his share of Goodwill) New Partner's Capital A/c Dr. To Sacrificing Partners Capital A/c's (individually) (Goodwill brought by new partners distributed among the existing partners in their sacrificing ratio).	
If the partners decide that the amount of premium for goodwill credited to their capital accounts should be retained in business, an	

additional entry is not passed. If, however, they decide to withdraw their amounts, (in full or in part) the following additional entry will be passed: Existing Partner's Capital A/c (individually) Dr. To Bank A/c (The amount of goodwill withdrawn by the existing partners) However, if Alisha does not bring in goodwill in cash, partly or fully, it will be debited to the current account of new partner while sacrificing partners' capital accounts will be credited for their respective shares. Finally, a revaluation account will need to be prepared. The gain or loss on revaluation of each asset and liability is transferred to this account and finally, its balance is transferred to the capital accounts of the old partners in their old profit-sharing ratio. If partners agree that their capitals should be proportionate to their profit-sharing ratio, and partners may have to contribute additional capital or withdraw excess capital accordingly.	
• Explains the accounting treatment in case of hiring. (Treatment of salary)	1
• Explains the various accounting treatments in case of admission of a new partner. (Treatment of new capital, goodwill, revaluation, ratios)	4

Multiple-Choice Question

Chapter	Reconstitution of a Partnership Firm – Retirement/Death of a Partner	
Essential Idea	On the retirement or death of a partner, the partnership firm is reconstituted, and matters such as profit-sharing ratio, goodwill and others need adjustments in the books of the firm.	
Item stem + question	Neha, Sameena and Harjeet are partners in business. Their profit-sharing ratio is 3:2:1. Neha decides to retire. Her share is taken up by Sameena and Harjeet in the ratio of 3:2. What is the new profit-sharing ratio?	
Correct answer	19:11	Student understands that in order to calculate the new profit-sharing ratio, we must calculate the gaining ratio, calculate the share acquired by the remaining partners, add the acquired share to the old share, and then find the new ratio.
Distractor 1	3:2	Student does not understand that this is the proportion in which they acquire the share of the retiring partner.
Distractor 2	9:6	Student does not understand that the ratio of share acquired by the remaining partners is not the same as the new profit-sharing ratio.
Distractor 3	1:2	Student does not understand that the old ratio of the retiring partner is not the same as the new profit-sharing ratio.

Free Response Question / Subjective Question

<table>
<tr><td>Chapter</td><td>Reconstitution of a Partnership Firm – Retirement/Death of a Partner</td></tr>
<tr><td>Essential Idea</td><td>On the retirement or death of a partner, the partnership firm is reconstituted, and matters such as profit-sharing ratio, goodwill and others need adjustments in the books of the firm.</td></tr>
<tr><td>Item stem + question</td><td>Mohit, Neeraj and Sohan are partners in a firm, sharing profits according to their capitals. The following is the balance sheet as on 31 March 2020:</td></tr>
</table>

Liabilities	**Amount (₹)**	**Assets**		**Amount (₹)**
Creditors	21,000	Buildings		1,00,000
Mohit's Capital	80,000	Machinery		50,000
Neeraj's Capital	40,000	Stock		18,000
Sohan's Capital	40,000	Debtors	20,000	
General Reserve	20,000	*Less:* Provision for Bad Debt	1,000	19,000
		Cash at bank		14,000
	2,01,000			2,01,000

Neeraj decides to retire, and the revaluation account is created as under:

Revaluation Account

Dr. **Cr.**

Particulars		**Amount (₹)**	**Assets**	**Amount (₹)**
Provision for Doubtful Debt		2,000	Buildings	20,000
Machinery		10,000		
Capital (Profit on Revaluation)				
Mohit	4,000			
Neeraj	2,000			
Sohan	2,000	8,000		
		20,000		20,000

(1) Analyse this information and explain how each item was treated to create this revaluation account.

(2) Explain the need for creating a revaluation account when a partner retires.

Marking Rubric		
Part	**Description**	**Marks**
	Sample answer (1) Based on the analysis of the information, we can say that: ● The building was appreciated by 20%. ● Provision for bad debts was increased to 15% on debtors. ● Machinery was depreciated by 20%. ● The profit on revaluation was credited to each partner's capital account.	-
	(2) A revaluation account is prepared in order to ascertain net gain/loss on the revaluation of assets and/or liabilities and bringing unrecorded items into firm's books. The same is transferred to the capital account of all partners, including retiring partners in their old profit-sharing ratio.	
(1)	Explains the treatment of each item correctly.	2
(2)	Explains the need for a revaluation account clearly. (To ascertain net gain/loss)	1

Multiple-Choice Question

Chapter	Dissolution of Partnership Firm	
Essential Idea	When a partnership firm is dissolved, a realization account must be prepared to ascertain the net effect (profit or loss) of realisation of assets and payment of liabilities which is transferred to the partners' capital accounts in their profit-sharing ratio.	
Item stem + question	Partners A, B and C are partners in business. Partners A and C have become insolvent. What should happen next?	
Correct answer	The assets are sold and liabilities are paid off, and the books of accounts are closed.	Student understands that insolvency of all but one partners leads to the dissolution of the firm, which leads to winding up of the firm's affairs by selling its assets, paying its liabilities and discharging the claims of the partners.
Distractor 1	The assets and liabilities of the firm are revalued, and the books of accounts are closed.	Student does not understand that insolvency of all but one partners leads to the dissolution of the firm and not just of the partnership, and so assets and liabilities are not just revalued but sold/paid off.
Distractor 2	The economic relationship between the partners continues, though in a changed form.	Student does not understand that insolvency of all but one partners leads to the dissolution of the firm and not just of the partnership, and so the economic relationship between the partners cannot continue.
Distractor 3	The economic relationship between the partners comes to an end, but the business continues.	Student does not understand that insolvency of all but one partners leads to the dissolution of the firm, and so the business must be terminated.

Free Response Question / Subjective Question

Chapter	Dissolution of Partnership Firm
Essential Idea	When a partnership firm is dissolved, a realization account must be prepared to ascertain the net effect (profit or loss) of realisation of assets and payment of liabilities which is transferred to the partners' capital accounts in their profit-sharing ratio.
Item stem + question	Sumukh and Taufeeq are partners in business. On 29 January 2019, they agreed to dissolve the firm. On 30 January 2019, they withdrew the amount from the firm's bank account and took half the amount each. They now declare their business as dissolved. What are some important steps that the partners have missed? Why are these steps important to take?

Marking Rubric	
Description	**Marks**
Sample answer The most important step that the partners did not take was setting of accounts. For this purpose, the firm must dispose off all its assets for satisfying all the claims against it. This means that the assets of the firm, including any sum contributed by the partners to make up deficiencies of capital, must be applied first to pay off the outside liabilities of the firm such as creditors, loans, bank overdraft, bill payables, etc; the balance must be applied to repay loans made by the partners to the firm. A realisation account must then be prepared to ascertain the net effect (profit or loss) of the realisation of assets and payment of liabilities which may be transferred to the partner's capital accounts in their profit-sharing ratio.	-
These steps are important to take so that assets belonging to the firm are disposed of and liabilities are settled. Only then can the partners know if there is any profit to be shared, and how much. In case of loss, partners will have to settle liabilities individually in their profit-sharing ratio. Then, the books of accounts can be closed.	
• Explains the steps to be taken on dissolution of a firm. (Dispose off all assets, pay off liabilities in a certain order, prepare a realisation account, transfer	3

profit or loss to partner's capital account)	
• Explains the importance of the steps. (Partners must pay off liabilities and close books of accounts)	2

Multiple-Choice Question

Chapter	Accounting for Share Capital	
Essential Idea	A joint stock company must make journal entries on allotment of shares, on calls, on over- and under-subscription, on the issue of shares, and on forfeiture of shares.	
Item stem + question	Vyvak Limited issued 10,000 equity shares of Rs. 500/- each payable as follows: Rs. 50/- on application, Rs. 100/- on allotment, Rs. 200/- on first call and Rs. 150/- on second and final call. 10,000 shares were applied for and allotted. All money due was received with the exception of both calls on 300 shares held by Priyank. Next, the company takes an important step with respect to Priyank's shares. Accordingly, what is the correct journal entry for this next step?	
Correct answer	Share Capital A/c Dr To Equity Share First Call A/c To Equity Share Second and Final Call A/c To Share Forfeiture A/c	Student understands that Priyank's shares will be forfeited and a journal entry for this forfeiture will be passed in the books of accounts.
Distractor 1	Bank A/c Dr To Equity Share Second and Final Call A/c	Student does not understand that the next important step with respect to Priyank's shares is forfeiture, instead focusing on the second and final call money received.
Distractor 2	Bank A/c Dr To Equity Share First Call A/c	Student does not understand that the next important step with respect to Priyank's shares is forfeiture, instead focusing on the first call money received.
Distractor 3	Share Capital Reserve A/c Dr Securities Premium A/c Dr To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c	Student understands that Priyank's shares will be forfeited but does not understand that it will be done only after the second and final call.

Free Response Question / Subjective Question

<table>
<tr><td>Chapter</td><td colspan="2">Accounting for Share Capital</td></tr>
<tr><td>Essential Idea</td><td colspan="2">A joint stock company must make journal entries on allotment of shares, on calls, on over- and under-subscription, on issue of shares, and on forfeiture of shares.</td></tr>
<tr><td>Item stem + question</td><td colspan="2">The following journal entries are made in the books of Aashi and Company.
<table><tr><td>Bank A/c</td><td>Dr.</td><td></td><td>59,800</td><td></td></tr><tr><td>Call in Arrears A/c</td><td>Dr.</td><td></td><td>800</td><td></td></tr><tr><td>To Share First Call A/c</td><td></td><td></td><td></td><td>60,000</td></tr><tr><td>To Calls in Advance A/c</td><td></td><td></td><td></td><td>600</td></tr></table>In the context of this example, explain in detail how a joint stock company raises capital and what these entries mean.</td></tr>
<tr><th colspan="3">Marking Rubric</th></tr>
<tr><td colspan="2">Description</td><td>Marks</td></tr>
<tr><td colspan="2">Sample answer
A company's capital is collected from several persons, known as shareholders, and the amount contributed by them is called share capital. Shares refer to the units into which the total share capital of a company is divided.</td><td>-</td></tr>
<tr><td colspan="2">The amount on a company's shares can be gradually collected in easy instalments spread over a period of time depending upon its growing financial requirement. The first instalment is collected along with the application and is known as application money, the second on allotment, termed as allotment money, and the remaining instalments are termed as first call, second call and so on, ending with the final call.
In the example given, the company must have issued a certain number of shares at a fixed price. For example, each share could have been of Rs. 10/- each, payable as Rs. 3/- on application, Rs. 3/- on allotment, Rs. 2/- on first call, and Rs. 2/- on final call. Money due on allotment may have been received, but when the first call was made, a shareholder having 400 shares did not pay the first call, and a shareholder of 300 shares paid the money for the second and final call of Rs. 2/- which had not been made as yet.</td><td></td></tr>
<tr><td colspan="2">● Explains how a joint stock company raises capital (Shares are issued, and shareholders contribute capital)</td><td>1</td></tr>
<tr><td colspan="2">● Explains the issue of shares.
(Application, allotment, first call, second call, final call)</td><td>2</td></tr>
<tr><td colspan="2">● Explain the entries in the example.
(Allotment money received, all money on first call not received, some money on second call received)</td><td>2</td></tr>
</table>

Multiple-Choice Question

Chapter	Issue and Redemption of Debentures	
Essential Idea	A joint stock company must make journal entries on the issue of debentures, redemption of debentures and payment of interest.	
Item stem + question	XYZ Ltd., issued 10,000, 12% debentures of Rs. 100 each, payable as follows: on application Rs. 40/- and on allotment Rs. 50/-. Which entry is correct in such a situation?	
Correct answer	Securities Premium Reserve/Statement of Profit and Loss A/c Dr To Discount on Issue of Debentures A/c	Student understands that the debentures are issued at a discount and therefore the discount can be written off by debiting it to or out of the Securities Premium Reserve.
Distractor 1	10% Debenture Allotment A/c Dr To 10% Debentures A/c To Securities Premium Reserve A/c	Student does not understand that the debentures have been issued at 10% discount and not a premium.
Distractor 2	Debentureholders A/c Dr To Bank A/c	Student does not understand that the situation talks about the issue of debentures and not the redemption of debentures.
Distractor 3	Debenture Interest A/c Dr To Debentureholders A/c To Income Tax Payble A/c	Student does not understand that the situation talks about the issue of debentures and not interest paid on debentures.

Free Response Question / Subjective Question

Chapter	Issue and Redemption of Debentures
Essential Idea	A joint stock company must make journal entries on the issue of debentures, redemption of debentures and payment of interest.
Item stem + question	Study the following journal of ABC Ltd.

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.		1,42,500	
	To Debenture Application and Allotment A/c				
	Debenture application money received)				1,42,500
	Debenture Application and Allotment A/c	Dr.		1,42,500	
	Loss on Issue of Debentures A/c	Dr.		22,500	
	To 8% Debentures A/c				1,50,000
	To Premium on Redemption of Debenture A/c				15,000
	(Debentures application money transferred to Debentures A/c)				
	Security Premium Reserve A/c	Dr.		20,000	
	Statement of Profit and Loss			2,500	
	To Loss on Issue of debentures A/c				22,500
	(Loss on issue of debentures written-off)				

Explain why the given entries have been made.

Marking Rubric

Description	**Marks**
Sample answer From the given journal entries, we can see that debentures are issued at a discount and are repayable at a premium. Premium on redemption is a liability of a company payable in the future. When debentures are redeemable at a premium, the premium payable on redemption is debited to 'Loss on Issue of Debentures A/c'. Furthermore, when debentures are issued at a discount and are redeemable at a premium, the amount of discount on issue is also debited to 'Loss on Issue of Debentures A/c'.	-
• Explains what the journal entries show. (Debentures issued at discount, repayable at premium)	1

● Explains the treatment of each transaction in the journal (Redeemable at a premium – debited to loss on issue of debentures account Issued at a discount and redeemable at a premium – debited to loss on issue of debentures account)	2

Multiple-Choice Question

Chapter	Financial Statements of a Company	
Essential Idea	The financial statements of a company are sources of information about the profitability and financial position of the company, and include the balance sheet and the statement of profit and loss.	
Item stem + question	Financial statements provide the necessary information about the performance of the management to the parties interested in the organisation and help in taking appropriate economic decisions. Which option tells us that financial statements form the basis for prospective investors?	
Correct answer	Financial statements help assess long-term and short-term solvency as well as the profitability of the concern.	Student understands that prospective investors are primarily concerned with security and liquidity of their investment with reasonable profitability
Distractor 1	Financial statements report the gaps between the management performance and ownership expectations.	Student does not understand that this is more useful for current shareholders than prospective investors.
Distractor 2	Financial statements provide basic input for industrial, taxation and other economic policies of the government.	Student does not understand that this information is more useful for the government in deciding taxation policies and not for prospective investors.
Distractor 3	Financial statements enable the financial position of different concerns to be judged in order to quote prices.	Student does not understand that this information is useful for the stock exchange but not for prospective investors.

Free Response Question / Subjective Question

Chapter	Financial Statements of a Company
Essential Idea	The financial statements of a company are sources of information about the profitability and financial position of the company, and include the balance sheet and the statement of profit and loss.
Item stem + question	It is well known that financial statements have their limitations, such as the creeping in of bias due to personal judgements made by accountants in different situations. In spite of such limitations, why are financial statements considered dependable documents in the annual reports of organisations? Support your answer with two reasons, referring to the *nature* of financial statements.

Marking Rubric

Description	**Marks**
Sample answer The chronologically recorded facts about events expressed in monetary terms for a defined period of time are the basis for the preparation of periodical financial statements which reveal the financial position as on a date and the financial results obtained during a period. The nature of financial statements is such that they are prepared as per recorded facts and accounting conventions – and this is what makes them dependable documents, in spite of the creeping in of personal judgement and bias. ● Recorded Facts: Financial statements are prepared on the basis of facts in the form of cost data recorded in accounting books. The original cost or historical cost is the basis of recording transactions. The figures of various accounts such as cash in hand, cash at the bank, trade receivables, fixed assets, etc., are taken as per the figures recorded in the accounting books.	-
● Accounting Conventions: Certain accounting conventions are followed while preparing financial statements. For example, the convention of materiality is followed in dealing with small items like pencils, pens, postage stamps, etc. The use of accounting conventions makes financial statements comparable, simple and realistic.	
● Explains the role of financial statements. (Reveal the financial position of an organisation)	1
● Explains two facets of the nature of financial statements in their favour. (Recorded facts, accounting conventions, postulates)	2

Multiple-Choice Question

Chapter	Analysis of Financial Statements	
Essential Idea	A company's financial statements can be properly analysed and interpreted using techniques of comparative statements, common size statements, and trend analysis.	
Item stem + question	Analysis of financial statements helps the analyst gain insight into the profitability and operational efficiency of the organisation. Saha wants to know the absolute increase or decrease in the share capital of PQR Ltd. Which tool of analysis will help her in identifying this?	
Correct answer	Comparative statement	Student understands that a comparative statement can be used for identifying the direction of changes of performance of an organisation.
Distractor 1	Common size statement	Student does not understand that the common size statement will show the share capital as a percentage of the total assets but will not show increase or decrease.
Distractor 2	Trend analysis	Student does not understand that a trend analysis will show a long-run view of the percentage changes over time in share capital.
Distractor 3	Balance sheet	Student does not understand that the balance sheet is a financial statement and not a tool of financial statement analysis.

Free Response Question / Subjective Question

Chapter	Analysis of Financial Statements
Essential Idea	A company's financial statements can be properly analysed and interpreted using techniques of comparative statements, common size statements, and trend analysis.
Item stem + question	On analysing the financial statements of Bees Education Ltd., Ms Subramaniam finds that the current assets of the company have decreased by Rs. 45,600/- in the year 2014 over 2013. On the other hand, the current liabilities have decreased by Rs. 26,000/- only. She is relieved to find that this does not have a negative impact on the liquidity of the company because current assets have declined by 34.8% whereas current liabilities have reduced by 52.6%. Has Ms Subramaniam applied horizontal analysis or vertical analysis? Support your answer with a clear reason.

Marking Rubric	
Description	**Marks**
Sample answer Ms Subramaniam has applied horizontal analysis on the financial statement to reach these conclusions. This tool of financial statement analysis is also known as comparative statement, and it not only gives a picture of the assets and liabilities in different accounting periods, but also reveals the extent to which the assets and liabilities have changed during such	-

periods. In such an analysis, the absolute figures of assets and liabilities relating to the accounting periods considered for analysis are first	
specified. Then, the absolute change in the items mentioned in the balance sheet are determined. Finally, the percentage change in the assets and liabilities of the current year relative to the previous year is calculated. The data from two or more periods are analysed side by side, which is why it is a horizontal analysis. A vertical analysis or common size statement, on the other hand, indicates the relationship of different items of a financial statement with a common item by expressing each item as a percentage of that common item. This is not what Ms. Subramaniam did, and so we can say that she did not apply vertical analysis.	
● Identifies the tool as horizontal analysis.	1
● Explains the process and aim of horizontal analysis. (Calculating the change in assets and liabilities over periods)	3
● States how vertical analysis is different. (Indicates relationship with a common item)	1

Multiple-Choice Question

Chapter	Accounting Ratios	
Essential Idea	Accounting ratios using functional classification are an important tool for analysing financial statements of companies.	
Item stem + question	A company's earnings during a given quarter are Rs. 6,25,000/- and it has debts upon which it is liable for payments of Rs. 30,000/- every month. The monthly interest payments are converted into quarterly payments by multiplying them by three. Using a simple formula, lenders calculate a ratio of 6.94, which tells them that the company has no current problems with liquidity. What is this ratio called?	
Correct answer	Interest coverage ratio	Student understands that the relationship between profits available for payment of interest and the amount of interest payable is the interest coverage ratio.
Distractor 1	Total assets to debt ratio	Student does not understand that the total assets to debt ratio measures the extent of the coverage of long-term debts by assets and is calculated by dividing total assets by long-term debts.
Distractor 2	Debt-equity ratio	Student does not understand that the debt-equity ratio measures the relationship between long-term debt and equity and is calculated by dividing long-term debts by shareholders' funds.
Distractor 3	Current ratio	Student does not understand that the current ratio is the proportion of current assets to current liabilities and is calculated by dividing current assets by current liabilities.

Free Response Question / Subjective Question

Chapter	Accounting Ratios
Essential Idea	Accounting ratios using functional classification are an important tool for analysing financial statements of companies.
Item stem + question	Ratio analysis is an indispensable part of the interpretation of results revealed by financial statements. However, accounting ratios are the means to an end and not the end in themselves. Justify each statement using clear examples.

Marking Rubric

Description	**Marks**
Sample answer Ratio analysis improves our understanding of the efficiency with which the business is being conducted, throwing light on the many latent aspects of the business and helping us identify various problem areas as well as the bright spots of the business. It helps us understand whether the business has taken the right kinds of operating, investing and financing decisions, simplifying complex accounting figures and bringing out their relationships. For example, the interest coverage ratio helps lenders and creditors understand the liquidity of the business and its ability to pay outstanding debts, thus enabling them to make decisions regarding lending additional money. Calculating ratios is not the end of the road. Once users calculate the ratio, they must make key decisions based on the information. For example, the management of a company might calculate the	-
current ratio, which is a liquidity ratio, by dividing current assets by current liabilities. But simply knowing this is not enough – the excess of current assets over current liabilities provides a measure of the safety margin available against uncertainty in the realisation of current assets and flow of funds. A very high current ratio implies heavy investment in current assets, which is not a good sign as it reflects underutilisation or improper utilisation of resources, and management must take steps to rectify this. A low ratio endangers the business and puts it at risk of facing a situation where it will not be able to pay its short-term debt on time, which is an important problem to be fixed. So we see that ratios do not solve problems but simply highlight problems, and so they are not the end in themselves.	
• Explains why ratio analysis is indispensable. (Helps in understanding the efficiency of the business, in identifying problem areas) • Supports this with a clear example.	2
• Explains why ratio analysis is a means to an end. (Helps in identifying problems and not solving them) • Supports this with a clear example.	2

Multiple-Choice Question

Chapter	Cash Flow Statement	
Essential Idea	A cash flow statement enables users to evaluate changes in the net assets of an enterprise based on operating, investing, and financing cash flow activities.	
Item stem + question	A cash flow statement shows the inflow and outflow of cash and cash equivalents from various activities of a company during a specific period. Which of these is <u>not</u> a feature of a cash equivalent?	
Correct answer	It should be difficult to sell in the market to buyers.	Student understands that high liquidity is a key feature of cash equivalents.
Distractor 1	It should be a short-term investment of less than three months.	Student does not understand that investments of short maturity can qualify as cash equivalents.
Distractor 2	It should carry very little risk of change in value.	Student does not understand that since cash does not drastically change in value over short periods of time, nor should cash equivalents.
Distractor 3	It should be convertible to known amounts of cash.	Student does not understand that convertibility to cash is the fundamental feature of a cash equivalent.

Free Response Question / Subjective Question

Chapter	Cash Flow Statement
Essential Idea	A cash flow statement enables users to evaluate changes in the net assets of an enterprise based on operating, investing, and financing cash flow activities.
Item stem + question	Under the indirect method of ascertaining cash flow from operating activities, why is it important to begin with ascertaining the net profit or loss? Explain your answer in context of the given Statement of Profit and Loss Account.

Statement of Profit and Loss Account
for the year ended March 31, 2017

Particulars	Note	Figures in (₹)
I) Revenue from Operations		1,00,000
II) Other Income	1	2,000
III) Total Revenues (i+ii)		1,02,000
IV) Expenses		30,000
Cost of Materials Consumed		10,000
Purchases of stock-in-trade		10,000
Employees Benefits Expenses		5,000
Finance Costs		5,000
Depreciation		12,000
Other Expenses		72,000
V) Profit before Tax (iii-iv)		30,000

Note: Other income includes profit on sale of land.

Marking Rubric

Description	**Marks**
Sample answer Under the indirect method of ascertaining cash flow, it is important to begin with ascertaining the net profit or loss. Statement of Profit and Loss is prepared on accrual basis and not on cash basis. Moreover, it also includes certain non-operating items such as interest paid, profit/loss on sale of fixed assets, etc. and non-cash items such as depreciation, goodwill written-off, etc. Therefore, it becomes necessary to adjust the amount of net profit/loss as shown by Statement of Profit and Loss for arriving at cash flows from operating activities.	-

In the given example, depreciation is a non-cash item and so must be added back to the net profit. Finance costs are a cash outflow and so must also be added back to net profit. Other income is a cash inflow from an investing activity and so must be deducted from the net profit.	
• Explains the key features of Statement of Profit and Loss Account in this context. (It is prepared on accrual basis. It includes non-operating and non-cash items.)	2
• Explains the calculation of net profit/loss in context of the example.	1

12. REFERENCE DOCUMENTS

1. Position paper: National focus group on teaching Social Studies, NCERT 2006
2. CBSE Draft Learning Objectives.
3. National Curriculum Framework, NCERT 2005
4. Accountancy Curriculum Document, 2021-22, NCERT
5. NCERT Class 11 Textbook – Financial Accounting -I
6. NCERT Class 11 Textbook – Accountancy -II
7. NCERT Class 12 Textbook – Accountancy -I
8. NCERT Class 12 Textbook – Accountancy -II
9. Accounting and Practical work in Computerized Accounting, CBSE, 2015 edition

ACKNOWLEDGEMENT

ADVISORY

- Smt. Nidhi Chhibber, IAS, Chairperson, CBSE

GUIDANCE AND SUPPORT

- Dr. Joseph Emmanuel, Director (Academics), CBSE
- Dr. Praggya M. Singh, Director, (Academics-Assessment), CBSE
- Dr. Sweta Singh, Joint Secretary (Academics), CBSE
- Mr. Manish Kumar Tyagi, Under Secretary (Academics), CBSE
- Mr. Sridhar Rajagopalan, Chief Learning Officer, Ei
- Mr. Nishchal Shukla, Vice President, Content Development & Pedagogical Research, Ei

PLANNING AND EXECUTION

- Mr. Ritesh Agarwal, Associate Vice President, Ei
- Mr. Varun Kappal, Program Director, Ei
- Ms. Manisha Upreti, Manager, Ei
- Mr. H.M Shahnawaz Khan, Associate Manager, Ei
- Mr. Muzaffar Ahmad, Education Specialist, Ei

CONTENT DEVELOPMENT TEAM

- Ms. Rashim Vaid, Ex-employee, Ei
- Mr. Avikant Bhardwaj, Ex-employee, Ei
- Ms. Smita Prakash, Consultant-Ei

REVIEWERS

- Dr. CB Mishra, Principal, Presidium School, New Delhi
- Mr. Ashish Sawhney, Principal, Bal Bharati Public School, New Delhi
- Mr. Gaurav Palia, PGT, DAV School, Paschim Vihar, New Delhi

Central Board of Secondary Education
Shiksha Sadan, 17, Rouse Avenue,
New Delhi -110002