This Study Material has been prepared by the faculty of the Board of Studies. The objective of the study material is to provide teaching material to the students to enable them to obtain knowledge in the subject. In case students need any clarifications or have any suggestions to make for further improvement of the material contained herein, they may write to the Director of Studies.

All care has been taken to provide interpretations and discussions in a manner useful for the students. However, the study material has not been specifically discussed by the Council of the Institute or any of its Committees and the views expressed herein may not be taken to necessarily represent the views of the Council or any of its Committees.

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A WORD ABOUT STUDY MATERIAL

Accounting constitutes a very significant area of core competence for chartered accountants. The paper of ‘Advanced Accounting’ at Intermediate (IPC) level concentrates on conceptual understanding of the crucial aspects of accounting.

This paper will acquaint you with the basic concepts, theories and accounting techniques followed by few different entities and expects you to gain working knowledge of few more professional standards and application of accounting principles to different practical situations.

The study material deals with the conceptual theoretical framework in detail. This Study Material has been designed having regard to the needs of home study and distance learning students. The students are expected to cover the entire syllabus and also practice solving the questions given in the practice manual on their own.

The main features of the study material as under:

- The entire syllabus has been divided into Nine chapters.
- In each chapter, learning objectives have been stated. The learning objectives would enable you to understand the sequence of various aspects dealt within the chapter before going into the details so that you know the direction of your studies.
- In each chapter, the topic has been covered in a step by step approach. The text has been explained, where appropriate, through illustrations and practical problems. You should go through the chapter carefully ensuring that you understand the topic and can tackle the exercises.
- Many illustrations have been included in each chapter of the Study Material.
- In this revised study material, sincere efforts and care has been taken to incorporate the relevant amendments.

- The Study Material has been revised in line with the relevant sections of the Companies Act, 2013 which have come into force.
- Flow charts have been inserted in Chapters at appropriate places for quick reference of students.
- Please note that the major changes over the previous edition have been indicated in **bold and italics** in the chapters.
In this revised edition, efforts have been taken to standardize the format of the solutions to the practical problems as far as possible.

Feedback form is given in the study material wherein students are encouraged to give their feedback/suggestions.

These features would add value to the study material and aid the students in the learning process. In case you need any further clarification/guidance, you may send your queries at stripathy@icai.in; seema@icai.in; shilpa@icai.in; asha.verma@icai.in.
STUDY PLAN – KEY TO EFFECTIVE LEARNING

Understand the syllabus

To start your preparation for the subject, it is necessary to understand clearly what is to be studied, from where to be studied and then how to be studied. Let’s start with the first step in the process of your preparation. At the initial stage of preparation, one should study the syllabus carefully; also try to understand the relationships between various topics and the depth of the study required in different topics. The study material of Paper 5 ‘Advanced Accounting’ is divided into nine chapters/topics based on the syllabus. The topics covered under this paper can be comprehended in the following manner:

<table>
<thead>
<tr>
<th>Category</th>
<th>Name of the chapters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Topics on Accounting Standards</td>
<td>Chapter 1 Framework for Preparation and Presentation of Financial Statements</td>
</tr>
<tr>
<td></td>
<td>Chapter 2: Accounting Standards</td>
</tr>
<tr>
<td>Partnership form of business</td>
<td>Chapter 3: Advanced issues in Partnership Accounts including issues related with LLP</td>
</tr>
<tr>
<td>Company form of business</td>
<td>Chapter 4: Company Accounts</td>
</tr>
<tr>
<td>Industry specific Financial</td>
<td>Chapter 5: Financial Statements of Insurance Companies</td>
</tr>
<tr>
<td>statements</td>
<td>Chapter 6: Financial Statements of Banking Companies</td>
</tr>
<tr>
<td></td>
<td>Chapter 7: Financial Statements of Electricity Companies</td>
</tr>
<tr>
<td>Accounting for Special Transactions</td>
<td>Chapter 8: Departmental Accounts</td>
</tr>
<tr>
<td></td>
<td>Chapter 9: Accounting for Branches including Foreign Branches</td>
</tr>
</tbody>
</table>

Gather the course-ware to study

Once you acquaint yourself with the syllabus, the next step is to gather the knowledge inputs which have been provided by the Board of Studies, to study the paper.

1. Study Material
2. Practice Manual

Board of studies at the time of registration provides you the above two books.

3. Suggested Answers

After announcement of results, the suggested answers of the questions asked in that particular attempt are issued by the Board of studies.

4. Revision Test Papers
For every examination, Board of studies comes out with Revision Test Papers (RTP) meant for that particular attempt. However, in Accounts, you may refer RTPs of past few attempts.

5. **Mock Test Papers**

Mock Test Papers are also issued by the Board of Studies time to time. These mock test papers are based on the pattern of the question paper of the past examination.

Now, after knowing the various knowledge inputs provided by the Board of Studies, you should plan your studies accordingly. As stated earlier that all the course-ware mentioned above is not provided to you at the same time, hence one can comprehend that the objective of each knowledge input provided is different and requires your practice of the same, at different stage of your study.

**How to study?**

There is a very popular saying that if you fail to plan then you plans to fail. Planning is one of the essential elements for studying a subject of professional course. By planning, here we mean time management for subject as a whole and individually as well for each and every chapter. We would like to state that for the paper of accounting, one needs at least three rounds of study.

Advanced Accounting examination paper is purely practical based. Therefore, one has to do written practice of good number of questions on each topic. So, at the time of planning the study for accounting you should keep into mind the written practice of practical questions also. Considering the practical nature of the paper, start your studies from the day you receive the course material.

Keeping in mind the quantum of the syllabus, it is suggested that you should study one to two hours a day. By doing so, you will be able to manage first round of complete study and two rounds of revision well before time. Your first round of study should be completed well in advance that is at least three months before your exam. However, your planning should be based on the availability of time and the contents of the subject.

Your second round of study i.e. your first revision should be over before one month of your exam. Your second revision should be in the last month before exam so that you will be in the position to remember all the concepts. These three rounds of study will help in boosting the confidence level for the subject and will make you mentally prepared to appear in the examination.

**Schedule**

**First round of study**

Similar to the paper of Accounting, the syllabus of ‘Advanced Accounting’ also covers Accounting Standards as well as other topics, so here also, your planning should be divided in two parts namely-

1. Accounting Standards
2. Other chapters of the course curriculum.
Every day when you start your study first go through the concepts which you have read last day then start learning new concepts. Remember, out of sight, out of mind. Ideally your first study should be within 24 hours of initial reading, the second within 1 week of reading.

In Paper 1 ‘Accounting’ at Intermediate (IPC) Course Group I level, we already had chapters on Partnership firm and Company accounts which dealt with some of the aspects of such form of businesses. Like in partnership, aspects of admission, retirement or death of a partner have been dealt with and the topics of company’s accounts dealt with the issue of bonus shares, amalgamation, internal reconstruction etc.

The paper of ‘Advanced Accounting’ covers some more aspects of partnership firm and company accounts. Therefore, we in this paper recommend you to take these topics first as you are familiar with the accounting treatment followed in such types of businesses and will be in a position to grasp quickly the accounting treatment to be done for other aspects covered in this paper. However, considering the importance of these topics, unit on amalgamation and internal reconstruction has been included in this paper also.

For other topics, you may decide, at your convenience as to which topic should be taken up next and in what sequence. However, for this paper, we suggest you to study accounting standards at the end as we do not have any chapter which is specifically based on the provisions of accounting standards though accounting standards may apply in some situations like for valuation of investments of banks you may have to apply the provisions of AS 13 if nothing is specified in the Banking Regulations or the RBI Act in this regard.

Again in this paper also, we would like to re-iterate that for accounting standards, study the explanation given in chapter 2 first and then study the bare text of the accounting standard given as an appendix at the end, after chapter 9 of the study material. Following this procedure will help you in-depth understanding of the underlying concepts of accounting standards specified in the syllabus and the manner in which it is interpreted and should be interpreted.

**Use of BoS Knowledge inputs in a systematic pattern**

**Step 1 Study material**

To lay a strong foundation of the understanding of any particular topic, study material explains the concepts of each and every topic in detail with adequate illustrations. Study the underlying concepts and accounting treatment specified therein analytically before proceeding towards illustrations. Keep questioning yourself until you are absolutely clear on the topic. Solve the illustrations after understanding the topic.

**Step 2 Practice Manual**

After solving the illustrations given in the study material, solve the questions given in the practice manual. Practice Manual is highly useful for the students appearing in the examination as it includes questions from past examinations which would facilitate in thorough understanding of the chapters explained in the study material. In Advanced Accounting paper, it is very necessary that one should practice a good number of questions dealing with different adjustments. Practice Manual will help serve this purpose. Your first round of study should cover both Study Material and Practice Manual.
Second round of study

Step 3  Suggested answers

Your second round of study i.e. your first revision should cover practice of suggested answers of recent two to three examinations. Suggested answers of past few examinations give you an idea of what type of questions are asked in the examination and how to solve and present the solution for such questions in the examination. Solving the question paper in the examination situation will help you, not only in time management but will also give you the confidence to attempt different types of questions in the examination.

Step 4  Revision Test Papers (RTP)

After you complete revision of whole syllabus at least once, you should solve the questions given in the RTP. For every examination, Board of Studies comes out with a Revision Test Paper. Revision Test Paper is issued for every attempt containing a fresh set of questions which will help you to evaluate your preparation level. RTP of Advanced Accounting is divided into two parts namely Part I: Recent amendments, Notifications and Announcements which are relevant for that particular examination and are not given in the study material or were not applicable in the immediate past examination. You will be able to know all such relevant information applicable for the exam at one place. Part II carries questions and answers for your practice. In Advanced Accounting, questions on each topic are given with full solution to enable you to get an insight on how to present the solutions in an orderly manner. In Advanced Accounting paper, RTP of past few attempts can also be referred subject to amendments for which you have to refer the latest Study Material and RTP.

Third round of study

Step 5  Mock Test Papers

After second revision of the complete syllabus, you may assess your preparation by taking mock tests conducted by various branches at their end. Also Mock test papers are hosted on the institute’s website www.icai.org which you may download and solve within a time period of three hours.

Important points to be kept in mind

1. Preparation of notes

Prepare concise notes in the first round of study itself. Your notes should be prepared in a manner, which supplements your understanding of the concept and the illustrations you have solved. You may either make a separate copy where you write down the important concepts of the chapter or can underline the important concepts in the book itself and read those underlined portion at the time of revision. You should also shortlist the illustrations to be revised again in your second and third round of study. Short listing of illustrations should be based on the difficulty you faced while solving the question. Besides preparation of important points of the topic (which will help you to recapitulate the whole concepts), a summary of tricky points and adjustments gathered from the practice of various good illustrations may also be prepared which will help in grasping the intricate practical aspects. Such tricky points or adjustments should be cross linked with the concerned illustration number so that at the time of revision you not only study the accounting treatment but also refer the whole solution again. These notes may also be accompanied by the
proforma of relevant accounts and diagrams so that at the later stages of preparation, the conceptual knowledge underlying different topics may be gained within minimum time and efforts without going through a number of books again.

2. **Use of proper and prescribed format for presentation of accounts**

   There are some chapters which require the solution or financial statements to be presented in particular format. You should make it a practice to adopt the prescribed formats while presenting the accounts of particular entities. For example: Financial Statements of companies should be in the format prescribed in the Schedule VI to the Companies Act, 1956.

3. **Recapitulation of previously read topics**

   The chapter of Partnership accounts was also there in the paper of ‘Fundamentals of Accounting’ at CPT level. Therefore, here at Intermediate (IPC) Course level, you are required to whet your skills on this topic. Also the concepts and provisions read at CPT level lays down the foundation for studying and understanding the topics specified at the Intermediate (IPC) Course level. For example, concept of revenue and capital receipt and expenditure is applied in every topic while preparing the financial statements of an entity. Similarly, valuation of inventory, accounting for depreciation etc. are some of the topics the concepts of which are applied in general to all entities.

4. **Keep yourself continuously updated**

   We at Board of studies endeavor to update you with the latest amendments or notifications as and when they are issued. One of the sections in the Students’ Journal is on ‘Academic Update’ which contains recent amendments in accounting also. You should be in a habit to read this continuously as it will help you in avoiding last moment pressure to acquaint yourself with all the relevant amendments. Also list of publications comprising of all relevant accounting standards and guidance notes are published well in time in the Students’ Journal and the institute’s website to apprise you with the applicability part of the same in the particular examination.

5. **Keep in mind the Inter-linking of various topics**

   The provisions of accounting standards have to be kept in mind and applied while studying the related chapter based on the particular accounting standard. If your concepts are clear relating to a particular standard, you should not face any problem in applying the same to solve problems in an inter-connected chapter. Sometimes even though the chapter may not directly relate to an accounting standard, it may contain adjustments involving application of one or more standards.

**Tips for examination**

Following are accounting related examination tips which you should keep in mind at the time of appearing for the examination:

ix
1. **Use of proper formats**

Certain statutes prescribe specific formats for presentation of the accounts. You should take care of the same at the time of solving the questions in the exam. Accounts presented in the prescribed manner will help you in scoring due marks.

2. **Adequate Working Notes**

In accounts, your solution is generally divided in two parts viz- main solution and working notes. Working notes form part of your solution and carries marks. Therefore, it is advised that calculations made on your calculator should also be written in your answer sheet as working note, wherever required, neatly and precisely. Also your working note should be cross referenced with the figure used in the main solution so that examiner can easily understand that how you have arrived at the particular figure.

3. **Answer the questions with due emphasis on the provisions of Accounting Standards**

Support your answers/conclusions with proper reasoning. Answers for questions based on accounting standards should be supported with provisions of that accounting standard rather than a mere common sense or guess work. It is not required to quote paragraph number of Accounting standard but you are expected to quote accounting standard number along with the name of the standard. However, if you state, paragraph number of accounting standard, then it will add value to the solution and will also help create a good impression in the mind of the examiner. You should quote number of accounting standard or name only when you are sure. It is better not to quote than to misquote the accounting standard number.

4. **State the assumption clearly**

In case a question leaves room for making an assumption and there is a possibility of more than one assumption, it is important to clearly state the assumption you have taken and solve the question accordingly.

*Happy Reading and Best Wishes!*
SYLLABUS

GROUP II
PAPER 5: ADVANCED ACCOUNTING
(One paper – Three hours – 100 Marks)

Level of Knowledge: Working Knowledge

Objectives:
(a) To have an understanding of the conceptual framework for the preparation and presentation of financial statements,
(b) To gain working knowledge of the professional standards and application of accounting principles to different practical situations, and
(c) To gain the ability to solve advanced problems in the case of different entities.

Contents :
1. Framework for Preparation and Presentation of Financial Statements
2. Accounting Standards
   Working knowledge of:
   AS 4 : Contingencies and Events occurring after the Balance Sheet Date
   AS 5 : Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
   AS 11 : The Effects of Changes in Foreign Exchange Rates (Revised 2003)
   AS 12 : Accounting for Government Grants
   AS 16 : Borrowing Costs
   AS 19 : Leases
   AS 20 : Earnings Per Share
   AS 26 : Intangible Assets
3. Advanced Issues in Partnership Accounts and Issues related to accounting in Limited Liability Partnerships

Dissolution of partnership firms including piecemeal distribution of assets; Amalgamation of partnership firms; Conversion into a company and Sale to a company.

4. Company Accounts

(a) Accounting for employee stock option plan, Buy back of securities, Equity shares with differential rights, Underwriting of shares and debentures, Redemption of debentures

(b) Advanced problems for business acquisition, Amalgamation and reconstruction (excluding problems of amalgamation of inter-company holding)

(c) Accounting involved in liquidation of companies, Statement of Affairs (including deficiency/surplus accounts) and liquidator’s statement of account of the winding up.

(d) Financial Reporting of Insurance, Banking and Electricity Companies and legal and regulatory requirements thereof

5. Accounting for Special Transactions

Departmental and branch accounts including foreign branches

Note – If either old Accounting Standards (ASs), Announcements and Limited Revisions to ASs are withdrawn or new ASs, Announcements and Limited Revisions to ASs are issued by the Institute of Chartered Accountants of India in place of existing ASs, Announcements and Limited Revisions to ASs, the syllabus will accordingly include/exclude such new developments in place of the existing ones with effect from the date to be notified by the Institute.
# CONTENTS

## MODULE – 1
- Chapter 1: Framework for Preparation and Presentation of Financial Statements
- Chapter 2: Accounting Standards
- Appendix-I: Framework for the Preparation and Presentation of Financial Statements
- Appendix-II: Applicability of Accounting Standards to Various Entities
- Appendix-III: Text of Accounting Standards

## MODULE – 2
- Chapter 3: Advanced issues in Partnership Accounts
- Chapter 4: Company Accounts
- Appendix: Schedule III to the Companies Act, 2013

## MODULE – 3
- Chapter 5: Financial Statements of Insurance Companies
- Chapter 6: Financial Statements of Banking Companies

## MODULE – 4
- Chapter 7: Financial Statements of Electricity Companies
- Chapter 8: Departmental Accounts
- Chapter 9: Accounting for Branches Including Foreign Branches

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CHAPTER 1: FRAMEWORK FOR PREPARATION AND PRESENTATION
OF FINANCIAL STATEMENTS .................................................... 1.1 – 1.23
1. Introduction ................................................................................................... 1.1
2. Purpose of the Framework ............................................................................. 1.2
3. Status and Scope of the Framework ............................................................... 1.2
4. Components of Financial Statements .............................................................. 1.2
5. Objectives and Users of Financial Statements .............................................. 1.3
6. Fundamental Accounting Assumptions ............................................................ 1.4
7. Qualitative Characteristics ............................................................................. 1.7
8. Elements of Financial Statements .................................................................. 1.9
9. Measurement of Elements of Financial Statements ....................................... 1.15
10. Capital Maintenance .................................................................................... 1.18

CHAPTER 2: ACCOUNTING STANDARDS ...................................................... 2.1 – 2.88
1. Introduction ................................................................................................... 2.1
2. Overview ....................................................................................................... 2.1
2.1 AS 4: Contingencies and Events Occurring after the Balance Sheet Date .... 2.1
2.2 AS 5: Net Profit or Loss for the Period, Prior Period Items and
Changes in Accounting Policies ............................................................ 2.7
2.3 AS 11: The Effects of changes in Foreign Exchange Rates .................... 2.13
2.4 AS 12: Accounting for Government Grants ........................................... 2.25
2.5 AS 16: Borrowing Costs ........................................................................... 2.32
2.6 AS 19: Leases ................................................................................... 2.38
2.7 AS 20: Earnings per Share ....................................................................... 2.57
2.8 AS 26: Intangible Assets ....................................................................... 2.66
2.9 AS 29: Provisions, Contingent Liabilities and Contingent Assets .... 2.77