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The paper on Fundamentals of Accounting at CPT Level develops conceptual understanding of fundamentals of accounting. This Study Material endeavouring towards accounting education, is committed to provide a framework for understanding accounting discipline and describing the fundamental accounting concepts and conventions of the basic accounting system. An attempt has been made to provide a solid foundation on which students can successfully build and enhance their studies.

The book is divided into nine chapters, each addressing to a special aspect of accounting. Chapters 1 to 5 lay emphasis on bookkeeping aspect of accounting whereas chapter 6 deals with preparation of financial statements of sole proprietors. Chapter 7 covers accounting for special transactions like consignment, joint ventures, bills of exchange and sale of goods on approval basis which can be entered into by different forms of business entities viz., sole proprietary concerns, partnership firms or companies. Chapter 8 discusses accounting of partnership firms and chapter 9 explains basic concepts of company accounts. Learning objectives have been incorporated at the beginning of each chapter/unit to guide students as to the knowledge they should acquire after studying the chapters. Small illustrations have been incorporated in each chapter/unit to explain the concepts/principles dealt with in the chapter/unit. Lot of multiple choice questions have been provided at the end of each chapter/unit which will help students in appearing Common Proficiency Test Examination. These features would add value to the Study Material and aid the students in the learning process.

In this revised study material, sincere efforts and care has been taken to incorporate the relevant Section of the Companies Act 2013, to the extent relevant for the students at CPT level. Care has also been taken in revising and improving the other chapters. Certain explanations have been added wherever felt required. In case you need any further clarification/guidance, please send your queries at seema@icai.in, shilpa@icai.in or asha.verma@icai.in.
Fundamentals of Accounting (60 Marks)

Objective:
To develop conceptual understanding of the fundamentals of financial accounting system.

Contents
1. Theoretical Framework
   (i) Meaning and Scope of Accounting
   (ii) Accounting Concepts, Principles and Conventions
   (iii) Accounting Standards – concepts, objectives, benefits
   (iv) Accounting Policies
   (v) Accounting as a measurement discipline – valuation principles, accounting estimates

2. Accounting Process
   Books of Accounts leading to the preparation of Trial Balance, Capital and revenue expenditures, Capital and revenue receipts, Contingent assets and contingent liabilities, Fundamental errors including rectifications thereof.

3. Bank Reconciliation Statement

4. Inventories
   Basis of inventory valuation and record keeping.

5. Depreciation accounting
   Methods, computation and accounting treatment of depreciation, Change in depreciation methods.

6. Preparation of Final Accounts for Sole Proprietors

7. Accounting for Special Transactions
   (a) Consignments
   (b) Joint Ventures
   (c) Bills of exchange and promissory notes
   (d) Sale of goods on approval or return basis.

8. Partnership Accounts
   Final accounts of partnership firms – Basic concepts of admission, retirement and death of a partner including treatment of goodwill.

9. Introduction to Company Accounts
   Issue of shares and debentures, forfeiture of shares, re-issue of forfeited shares, redemption of preference shares.

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