

**Intermediate Course**  
**Study Material**  
**(Modules 1 to 3)**

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**PAPER: 5**

**ADVANCED ACCOUNTING**

**MODULE – 1**



**BOARD OF STUDIES**  
**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

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## BEFORE WE BEGIN ...

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### **Evolving role of a CA - Shift towards strategic decision making**

The traditional role of a chartered accountant restricted to accounting and auditing, has now changed substantially and there has been a marked shift towards strategic decision making and entrepreneurial roles that add value beyond traditional financial reporting. The primary factors responsible for the change are the increasing business complexities on account of plethora of laws, borderless economies consequent to giant leap in e-commerce, emergence of new financial instruments, emphasis on corporate social responsibility, significant developments in information technology, to name a few. These factors necessitate an increase in the competence level of chartered accountants to take up the role of not merely an accountant or auditor, but a global solution provider. Towards this end, the scheme of education and training is being continuously reviewed so that it is in sync with the requisites of the dynamic global business environment; the competence requirements are being continuously reviewed to enable aspiring chartered accountants to acquire the requisite professional competence to take on new roles.

### **Skill requirements at Intermediate Level**

Under the Revised Scheme of Education and Training, at the Intermediate Level, you are expected to not only acquire professional knowledge but also the ability to apply such knowledge in problem solving. The process of learning should also help you inculcate the requisite professional skills, i.e., the intellectual skills and communication skills, necessary for achieving the desired level of professional competence.

Accounting is one of the core competence areas of chartered accountants. The paper of '**Advanced Accounting**' at **Intermediate level** concentrates on financial reporting and regulatory requirements of corporate entities, banking and financial services. The objectives of the paper are (i) to acquire the ability to apply specific Accounting Standards and legislations to different transactions and events and in preparation and presentation of financial statements of business entities and (ii) to understand and apply financial reporting and regulatory requirements of Banking and Financial services. The students are expected to gain the ability to apply specified Accounting Standards to different transactions and events and

understand their disclosures requirements and familiarize with special aspects of company accounts and accounting for reorganization of corporate entities.

### **Know your syllabus and Study Material**

The Study Material of Advanced Accounting has been designed having regard to the needs of home study and distance learning students. The Study Material has been divided into ten chapters in line with the syllabus. It is important to read the Study Material thoroughly for understanding the coverage of syllabus in the paper of Advanced Accounting.

The study material has been bifurcated into three modules for the easy handling and convenience of students. For bare text of Accounting Standards, the students are advised to refer the "*Accounting Pronouncements*" which has been separately published by the Board of Studies.

### **Framework of Chapters – Uniform Structure comprising of specific components**

Efforts have been made to present each topic of the syllabus in a lucid manner. Care has been taken to present the chapters in a logical sequence to facilitate easy understanding by the students. Sincere efforts have been taken to incorporate the relevant amendments in the Accounting Standards, Companies Act, 2013, SEBI regulations and RBI notifications in this study material.

The content for each chapter/unit of the study Material has been structured in the following manner –

	<b>Components of each Chapter</b>	<b>About the component</b>
1.	<b>Learning Outcomes</b>	Learning outcomes which you need to demonstrate after learning each topic have been detailed in the first page of each chapter/unit. Demonstration of these learning outcomes would help you to achieve the desired level of technical competence
2.	<b>Chapter/Unit Overview</b>	As the name suggests, the flow chart/table/diagram given at the beginning of each chapter would give a broad outline of the contents covered in the chapter
3.	<b>Content of each unit/ chapter</b>	The concepts and provisions of each accounting standard/topic are explained in student-friendly manner with the aid of Examples/ illustrations/

		diagrams/flow charts. These value additions would help you develop conceptual clarity and get a good grasp of the topic. Diagrams and Flow charts would help you understand the concept/application of accounting standard/topic in a better manner.
4.	<b>Illustrations involving conceptual understanding</b>	Illustrations would help the students to understand the application of concepts/provisions of accounting standards. In effect, it would test understanding of concepts/ provisions as well as ability to apply the concepts/provisions learnt in solving problems and addressing issues.
5.	<b>Summary</b>	A summary of the chapter is given at the end to help you revise what you have learnt. It would especially facilitate quick revision of the chapter the day before the examination.
6.	<b>Test Your Knowledge</b>	This section comprises of number of multiple choice questions, theoretical questions and practical questions which would help students to evaluate what they have understood after studying the chapter. The questions given in this section have also been supplemented with the answers to help the students in evaluating their solutions so that they can know about their grey areas.

We hope that these student-friendly features in the Study Material makes your learning process more enjoyable, enriches your knowledge and sharpens your application skills.

***Happy Reading and Best Wishes!***

## SIGNIFICANT CHANGES IN 2019 EDITION OVER 2017 EDITION

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Chapter	Sections/Sub Sections wherein major Additions/ Deletions have been done due to change in syllabus
Chapter 1 Application Accounting Standards	Para 2.1 on AS 4: Contingencies and Events occurring after the Balance Sheet Date added.
	Para 2.2 on AS 5: Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies added.
	Para 2.6 on AS 17: Segment Reporting added.
	Para 2.10 on AS 22: Accounting for Taxes on Income added.
	Chapter on Guidance Notes deleted. (Chapter 2 in 2017 Edition)
Chapter 2	Unit 1: Dissolution of partnership firms added. Unit 2: Amalgamation, Conversion and Sale of partnership firms to a company added.

# SYLLABUS

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## PAPER 5: ADVANCED ACCOUNTING

*(One paper – Three hours – 100 Marks)*

### Objectives:

1. To acquire the ability to apply specific Accounting Standards and legislations to different transactions and events and in preparation and presentation of financial statements of business entities;
2. To understand and apply financial reporting and regulatory requirements of Banking Companies and NBFCs.

### Contents:

#### 1. Application of Accounting Standards:

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	7 :	Construction Contracts
AS	9 :	Revenue Recognition
AS	14 :	Accounting for Amalgamations
AS	17 :	Segment Reporting
AS	18 :	Related Party Disclosures
AS	19 :	Leases
AS	20 :	Earnings Per Share
AS	22:	Accounting for Taxes on Income
AS	24 :	Discontinuing Operations
AS	26 :	Intangible Assets
AS	29 :	Provisions, Contingent Liabilities and Contingent Assets.

## 2. Special Aspects of Company Accounts

- (i) Accounting for employee stock option plan;
- (ii) Buy back of securities;
- (iii) Equity shares with differential rights.

## 3. Reorganization and liquidation of Companies

- (i) Accounting for amalgamation (excluding inter-company holding) and reconstruction;
- (ii) Accounting involved in liquidation of companies.

## 4. Banking Companies and Non-Banking Financial Companies and regulatory requirements thereof.

## 5. Consolidated Financial Statements

Concept of consolidation and simple problems on Consolidated Financial Statements with single subsidiary (excluding problems involving acquisition of Interest in Subsidiary at Different Dates; Different Reporting Dates of Holding and Subsidiary; Disposal of a Subsidiary and Foreign Subsidiaries).

## 6. Dissolution of partnership firms including piecemeal distribution of assets; Amalgamation of partnership firms; Conversion of partnership firm into a company and Sale to a company; Issues related to accounting in Limited Liability Partnership.

### Notes :

1. If either new Accounting Standards (ASs), Announcements and Limited Revisions to ASs are issued or the earlier ones are withdrawn or new ASs, Announcements and Limited Revisions to AS are issued in place of existing ASs, Announcements and Limited Revisions to AS, the syllabus will accordingly include / exclude such new developments in the place of the existing ones with effect from the date to be notified.
2. The specific exclusions, in any topic covered in the syllabus, will be effected, if any, by way of Study Guidelines.



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