

COURSE TITLE : FINANCIAL REPORTING

STATEMENTS AND ANALYSIS

SEM 1 ACADEMIC YEAR 2020

CALCUTTA BUSINESS SCHOOL

COURSE TITLE -- FINANCIAL REPORTING STATEMENTS & ANALYSIS

FOR FIRST YEAR STUDENTS.

ACADEMIC BATCH 2020 --- 22

TERM I

COURSE OVERVIEW

It is of utmost importance for any corporate executive, whether from finance background or not, to have a basic concept of finance and accounting, the profit earned or loss suffered by the organization during the accounting period, and of its financial position as on the last day of the accounting period.

Accounting of any entity follows the law under which it has been formed, and the regulations by which it is governed. For example, accounts of a limited company follows the guidelines of the Companies Act, that of a bank, of the Banking Regulations Act, of an Insurance Company of the IRDA, and so on.

However it must be understood, that in preparation of accounts of any form of organization

i ) The fundamental accounting principals, practices and concepts must be followed

ii ) Apart from disclosing the working results and financial position of the organization, the accounts must also help to establish the Internal Financial Control in each of its cost centres and working areas.

For the present, we shall concentrate on the financial aspects of a limited company formed under the Companies Act. Such financial statements are prepared in a specific format, as laid down in Schedule III of the Act.

The course shall give an exposure to the students, specially from non finance background into the insight of such statements and their preparation.

Since the inception of the Companies Act, 2013, there have been numerous amendments to the Act and Rules till date. The basic purpose of such amendments is to plug the loopholes in the accounting

system, and to give greater importance to the control aspects in every area of the organization, so that chances of frauds, errors and misfeasance are minimized.

It has also been laid down in the Companies Act, that the financial statements and accounting records of a company shall have to be prepared following the accounting standards and INDAS. Moreover as the accounting system of almost all the companies are now in the digital form, utmost care must be taken by the management in choosing the accounting package so as to ensure its efficacy and effectiveness.

Apart from the normal amendments being made from time to time to the Companies Act, and Rules, Income Tax Act, Banking Regulation Act and other important acts, a large number of further amendments have been specifically made to the above laws due to the COVID situation. Some of such amendments are purely temporary in nature mostly for the purpose of providing relief. However as regards the other amendments, only time will say whether these are temporary or permanent in nature depending on the post COVID situation.

More and more stress is being given in maintaining transparency in preparation of accounts. In order to ensure this, it has been provided in the Companies Act

for the directors of the company to individually sign a "Directors' Responsibility Statement". Among other provisions, two important provisions of the statement are

- i ) That the directors must lay down the Internal Financial Control system in the company and to ensure its operating effectiveness
- ii ) That the directors had taken proper and sufficient care for maintenance of adequate accounting records as per the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

Every company, be it commercial or non profit making must have adequate liquid funds in hand in the form of working capital for the day to day operations of the organization. Many companies become sick owing to improper management of working capital. The Companies Act has recognized this, and has specified that the "Cash Flow Statement" is an integral part of the Financial Statements and is to be prepared along with the Profit & Loss A/C & Balance Sheet.

The course will give a basic idea to the students about disclosure requirements of the various sources of inflow of cash and of the various heads of outflow of cash in respect of a company during the accounting period in the format provided in Accounting Standard 3.

For the top management, it is very important to understand the interpretation of accounts. This is possible only through an in-depth study of the various accounting ratios. By studying the accounting ratios, the students will have

- i ) A concept of the relationship between the various accounting figures, which are mutually interdependent, and which influence each other in a significant manner.

ii ) An idea as to how the accounting ratios act as a tool in the hands of the top management for effective control of every area of the organization.

By having a basic concept of Cost & Management accounting, and Budgetary Control, the students will form an idea of

i ) How costing of each product is done, specially in the case of a multiproduct company, having various packs and sizes of each product.

ii ) How product wise pricing decision is taken

iii ) How budgetary control system helps the company to achieve its target production and t.

iv ) Importance of Cost Control in an organization specially when the product faces competition in the market

v) How management decision is taken

a ) of the product mix,

b) whether to discontinue a product,

c ) whether to make or buy,

d ) whether a product is to be exported or sold in the home market.

By studying the Accounting Standards and INDAS, the students will have a basic idea of the importance of preparation of accounts in accordance with the generally accepted accounting principles and practices, keeping in mind the concept of transparency and disclosure.

#### COURSE OBJECTIVES

On completion of the course, the students shall have

i ) A basic idea of the fundamental accounting assumptions, practices and principles, and the important accounting records to be maintained right from the initial stage till the final stage.

ii ) An exposure to the Financial Statements of a Company as per Schedule III to the Companies Act, 2013

iii ) Basic concept of the various components, sources and applications of Cash & Cash equivalents as per AS 3.

iv ) A clear understanding of the "matching concept", while studying the various accounting ratios, interrelationship of the various accounting figures in the financial statements, and how to read and interpret them.

- v ) A basic concept of the components of working capital of a company, and its importance.
- vi ) An exposure to the various Accounting Standards, and their convergence to INDAS.
- vii ) An understanding of the difference between cost and financial accounts, a basic concept of marginal costing, and the importance of budgetary control in the organization.

## PEDAGOGUE

Considering the fact, that students are from various educational backgrounds, and have different qualifications, some of them not being from commerce or accounting background, the course academics shall comprise of the following

- a) Lessons taught and problems solved in class
- b ) Quizzes in class
- c ) Home assignments
- d ) Study of accounts of some renowned companies.

The students must be aware that the accounting world is changing at a very fast pace, primarily due to frequent amendments of the various corporate, commercial and taxation laws both direct and indirect. More and more stress is being given on transparency in the accounting system and on internal financial control. Technology plays a crucial role in the accounting system. It is a must for the accountants to constantly update themselves in the application of technology.

The classes have to be interactive between the students and the teacher, so that the students can come out with their difficulties.

It is expected that the students should complete their home assignments before coming to the next class.

## EVALUATION SCHEME.

COMPONENT.	WEIGHTAGE
Class Participation.	10%
Quizzes in Class.	20%
Home Assignments.	20%
Mid Term Exam.	20%
End Term Exam.	30%

## DETAILED SESSIONS PLAN.

### DETAILED PLAN.

### CONTACT HOURS

#### SESSIONS 1& 2 -- BASIC CONCEPTS OF ACCOUNTS &

#### BOOKS OF ACCOUNTS TO BE MAINTAINED BY A COMPANY

TOPICS --- Fundamental Accounting Assumptions, Accounting

Principles, Concepts & Conventions, Books of Accounts under the

Companies Act and Financial Statements, Concept of Internal

Financial Control, impact of Taxation in accounts, both direct

& indirect

3 ( three ).

#### SESSIONS 3 TO 7 FINANCIAL STATEMENTS OF A COMPANY

TOPICS --- Study of Schedule III to the Companies Act, solving.

7.5 ( seven & a half )

problems on preparation of Financial Statements.

#### SESSIONS 8 TO 11 -- CASH FLOW STATEMENTS AS PER

#### ACCOUNTING STANDARD III AND CONCEPT OF WORKING CAPITAL

TOPICS -- Understanding the meaning of Cash & Cash Equivalents, 6 ( six )

reconciliation of their opening and closing balances, explanation

of the various heads under which the inflow/outflow of Cash is to

be disclosed, solving problems on Cash Flow Statements

#### SESSIONS 12, 13 -- CONCEPT OF ACCOUNTING RATIOS

TOPICS -- Study of the various Accounting Ratios, and understanding. 3 ( three )

the relationship among the various accounting figures

#### SESSIONS 14 TO 16 -- PROBLEMS ON ACCOUNTING RATIOS.

4.5 ( four & a half ).

TOPICS --- Solving problems on Accounting Ratios with special

emphasis on their interpretation.

SESSIONS 17 & 18 COST & MANAGEMENT ACCOUNTING,

BUDGETORY CONTROL

TOPICS -- Diffence between Cost and Financial accounts, 3 ( three ).

importance of budgetory control in an organization, problems

on Marginal Costing

SESSIONS 19 & 20 INTRODUCTION TO ACCOUNTING STANDARDS

& INDAS

TOPICS -- Brief dicussions on the various Accounting Standards

and INDAS. 3 ( three ).

TOTAL CONTACT HOURS. 30 ( thirty )

REFERENCE BOOKS

Hanif & Mukherjee Accountancy Volumes 1 & 2

Shukla, Grewal & Gupta -- Advanced Accountancy Volume 2

ICAI Publication on Accounting Standards & INDAS

Shukla, Grewal & Gupta. Cost Accounting.

