The Institute of Chartered Accountants of India

PAPERS & SYLLABUS FOR INTERMEDIATE EXAMINATION (NEW)

(As per paragraph 2A of Schedule B to the Chartered Accountants Regulations, 1988 Effective from November, 1994 Examination)

Students whose articles are registered on or after 2nd May, 1993 will be governed by this syllabus. Students registered prior to this date will also be governed by this syllabus with effect from November, 1994 examinations.

GROUP - I

Paper 1: Advanced Accounting

(One Paper – Three Hours – 100 Marks)

Level of Knowledge: Working Knowledge

Aim: To test ability of the students to prepare accounting records and final accounts in order to reflect the economic transactions and financial affairs of business and other organizations in accordance with current legal requirements and professional standards.

Detailed Contents:

1. Departmental Accounts and Branch Accounts (including Foreign Branches); Royalty, Hire Purchase and Instalment Sale Transactions; Investment Accounts; Package and Empties; Goods on Sale or Return; Voyage Accounts; Contract Accounts; Computation of Insurance Claims for Loss of Stock and Loss of Profit.
2. Accounts for Agricultural Farm.
3. Higher level problems on Partnership Accounts (including dissolution and conversion into company).
4. Company Accounts – Issue of shares and debentures and redemption of shares and debentures; Preparation of Final Accounts of Companies.
5. Preparation of Final Accounts of Banking, Insurance and Electricity Companies.
6. Simple problems of amalgamation, absorption and reconstruction.
7. Statement of Affairs (including deficiency/ surplus Accounts) and Liquidator's Statement of Account of the winding up.
8. Preparation of Accounts from incomplete records (single entry).
9. Simple ratio analysis.
10. Introduction to the system of government accounting.

Paper 2: Auditing

(One Paper – Three Hours – 100 Marks)

Level of Knowledge: Working Knowledge

Aim: To test the understanding of the students regarding the techniques and procedures of auditing as also their ability to apply the same to normal practical situations.

Detailed Contents:

1. Auditing – nature and scope, audit process, objectives of audit, basic principles governing an audit. Types of audits, Relationship of auditing with other subjects, Internal Audit and External Audit.
2. Conduct of Audit – audit programmes – working papers – audit note books – audit files – permanent audit files.
3. Audit evidence – physical verification, documentation, scanning, direct confirmation, recomputation, obtaining certificates.
4. Evaluation of Internal Control System – need and its impact on detailed checking.
5. Test checking – Techniques of test checks – elements of statistical sampling.
6. Audit of payments – general considerations – wages – capital expenditure – other payments and expenses, petty cash payments; Audit of payments into and out of the bank – reconciliation of the bank statements with the cash book.
7. Audit of receipts – general considerations – cash sales – receipts from debtors – other receipts.
8. Audit of purchases – vouching cash and credit purchases – forward purchases – purchases returns.
9. Audit of sales – cash and credit sales – goods on consignment – sale on approval basis – sale under hire-purchase agreement – returnable containers – various types of allowances given to customers – sales returns – sales ledger.
10. Audit of suppliers' ledger and the debtors' ledger – self-balancing and the sectional balancing system – total or control accounts – loose leaf and card ledgers – confirmatory statements from credit customers and suppliers – provision for bad and doubtful debts.
11. Audit of impersonal ledger – capital expenditure, deferred revenue expenditure and revenue expenditure – outstanding expenses and income – repairs and renewals – distinction between reserves and provisions – implications of change in the basis of accounting.
12. Valuation and verification of assets – general principles fixed assets, wasting assets, current assets including verification of cash-in-hand and at bank, investments, inventories, freehold and lease hold property, loans, bills receivable, sundry debtors, plant and machinery patents.
13. Verification of Liabilities.
14. Audit of Incomplete records.

15. Special points in audit of different types of undertakings i.e. Educational Institutions, Hotels, Clubs, Hospitals, Hire-purchase and leasing companies etc. (excluding banks, electricity companies, co-operative societies and insurance companies).
16. Audit of limited companies – appointment of auditors, removal of auditors, the powers and duties of auditors, the auditor's report, audit of share capital, transfer of shares.
17. Features of Government Audit – Comptroller and Auditor General and his constitutional role – Basic principles of Government auditing.
18. Auditing in EDP Environment – basic consideration.

Paper 3: Corporate and Other Laws

(One Paper – Three Hours – 100 Marks)

Level of Knowledge: Working Knowledge

Aim: To test the general comprehension of the provisions of certain corporate and other laws and their applications to practical situations.

Detailed Contents:

1. The Companies Act, 1956; Section 1 to 145.
2. The Negotiable Instruments Act, 1881.
3. The Payment of Bonus Act, 1965.

Basic awareness of the following Acts.

4. The payment of Gratuity Act, 1972.
5. The Employees' Provident Funds and miscellaneous Provisions Act, 1952.
6. The Societies Registration Act, 1860.
7. The Co-operative Societies Act, 1912.

GROUP - II

Paper 4: Cost Accounting

(One Paper – Three Hours – 100 Marks)

Level of Knowledge: Working Knowledge

Aim: To assess the understanding of costing concepts and the application of the methods and techniques of cost accounting.

Detailed Contents:

1. Objectives, importance and advantages of Cost Accounting, cost concepts, Types of costing, Installation of a costing system, Essentials of a good cost accounting system, Difference between cost accounting and financial accounting, elements of cost, cost unit and cost centre.

2. Materials:

   (a) Materials purchase procedure, receiving and inspection.

   (b) Materials control, objectives of materials control, classification and codification of materials, Inventory control methods – fixation of stock levels, maximum level, minimum level, re-order quantity, re-order level, ABC analysis, two bin system, perpetual inventory system, physical verification of inventory.

   (c) Material issue procedure, bill of material, return of material, transfer of material.

   (d) Stores records – bin cards, stores ledger, pricing of material issues including materials returned to vendors and stores.

   (e) Accounting for wastage, scrap, spoilages, defective and obsolete materials.

   (f) Accounting for control over tools, patterns, designs, blue prints, dies and other similar assets of short-terms value.

3. Labour:

   (a) Labour cost control, its importance, time-keeping, time booking and their objectives, methods of time keeping and time booking, Time and motion study.

   Control of idle time, over-time and their treatment in cost accounting, Labour turnover, its causes, methods of measuring, effects of labour turnover, how to minimize labour turnover, cost of labour turnover, treatment of the cost of labour turnover.

   (b) Systems of wage payment including bonus and incentive schemes, job evaluation, merit rating, methods of job evaluation.

4. Overheads:

   (a) Accounting and control of manufacturing over-head, classification of overhead, grouping and codification, collection and departmentalization of manufacturing overhead, re-apportionment, overhead absorption methods, treatment of under or over absorption of overhead.

   (b) Accounting and control of administrative, selling and distribution overheads.

   (c) Treatment of certain items in costing e.g., depreciation, interest on capital, research and development expenses, packing expenses, fringe benefits, etc.

5. Methods of Costing. Viz.,

   (i) Job Costing

   (ii) Contract Costing

   (iii) Batch Costing

   (iv) Process Costing – Joint products and by products

   (v) Unit Costing

   (vi) Operation Costing and Operating Costing.

6. (a) Preparation and presentation of cost data and information particularly tabulation of cost data, preparation of cost sheets and cost statements. General introduction to Cost Accounting Records and Rules (industry-wise details are not expected).

(b) Cost control accounts, Non-integrated accounts. Reconciliation of cost and financial accounts, Integrated system of cost and financial accounts.

7. Marginal costing, methods of segregating semi-variable costs into fixed and variable components, Concepts of Break-Even analysis; Standard Costing and Variance Analysis (elementary problems), Budgetary control (elementary problems).

8. Uniform costing and inter-firm comparison.

Paper 5: Income Tax and Central Sales Tax

(One Paper – Three Hours – 100 Marks)

Level of Knowledge: Working Knowledge

Aim: (a) To test the understanding of the students regarding the basic principles underlying the substantive provisions of Income-tax Law and their application in solving simple problems on computation of income of an individual under various heads of income.

(b) To test whether the students have acquired a working knowledge of the basic principles of Central Sales Tax Act.

SECTION 'A' – Income-Tax

(75 Marks)

Detailed Contents:

Certain important definitions in the Income-tax Act, 1961, such as Agricultural Income, Assessee, Assessment year, Capital Assets, Company, Indian Company in which public are substantially interested, Charitable Purpose, Dividend, Income, Person, Short-term Capital Asset, Transfer.

- Concept of previous year.
- Basis of charge, Residential status and scope of total income.
- Incomes deemed to be received/ deemed to accrue or arise in India.
- Incomes which do not form part of total income.
- Heads of income and the provisions governing computation of income under different heads.
- Income of other persons included in assessee's total income.
- Aggregation of income and set-off or carry forward of losses.
- Deductions from gross total income.
- Income-tax Authorities, Appointment, Control, Jurisdiction, Powers.

- Procedure for assessment, appeals and revisions.

Students will be expected to tackle simple problems concerning assessees with status of individual covering the above areas.

SECTION 'B' – Central Sales Tax

(25 Marks)

The Central Sales Tax Act, 1956.

Paper 6: Organisation & Management and Fundamentals of Electronic Data Processing

(One Paper – Three Hours – 100 Marks)

SECTION 'A' – Organisation & Management

(50 Marks)

Level of Knowledge: Working Knowledge

Aim: To ensure that the students have grasped various concepts and functions of organization and management relevant to a professional accountant.

Detailed Contents:

1. Introduction:

Basic concepts of Organisation and Management – Nature and types of Organisations – Basic elements of Organisations and their role in economy and society.

Management – Historical development – Theoretical perspectives of management, Elements, procedure and functions of management – Environmental influences on Organisation and Management – Organisational Objectives – Social responsibilities of Management.

2. Planning and Decision making:

Basic concepts and principles of planning and decision making – their relationship to other managerial functions. Elements, techniques and processes – Types of plans and decisions – implementation of plans and decisions.

3. Organisation and Staffing:

Basic concepts of organizing and staffing – Structural design of organization and its importance, Departmentalisation, span of control, delegation, centralization, line-staff, etc. – Traditional and modern organizational structures – Principles of organizing and staffing – Application to accounting and finance functions.

4. Directing and Leading:

Basic concept and techniques. Communication, motivation and leadership – Processes and approaches – The concept, principles and applications of organizational behavior.

5. Control and Co-ordination:

Basic concepts, elements, processes and techniques of control and co-ordination.

SECTION 'B' – Fundamentals of Electronic Data Processing

(50 Marks)

Level of Knowledge: Basic Knowledge

Aim: To ensure understanding and appreciation of broad nature and fundamentals of Electronic Data Processing.

Detailed Contents:

1. Elements of Data Processing – data, information, input, processing and output, Data concepts – fields, records, files, file structure.

2. Computers and their characteristics, brief history of computers, computer hardware, basic operations of a computer, categories of commercial computers – main frames, mini-computers, micro computers.

3. Input devices – magnetic tape, magnetic disk, floppy disk, MICR, OCR, VDU, etc.

   Output devices – printers, VDU, computer out-put microfilming, Terminals and data communications, Networks, Distributed Systems. Software – Systems software, application software, specification software.

   Electronic spread sheet, Word-processing, Data base management systems.

   Data representation – Binary, BCD, Octal, Hexadecimal, EBCDIC and ASCII.

   Types of computer memory – core, semi-conductor, RAM, ROM, Bubble. Concepts relating to memory addressing.

4. Computer processing techniques – batch processing, on-line processing, off-line processing, multi-programming, time sharing, real time processing. Data base Features of distributed versus centralized data base. Recent advances in computer technology relating to commercial computers.

5. Introduction to flow charts: systems flow charts, run flow charts, program flow charts – illustration, benefits and limitations. Decision tables – types, illustrations, benefits and limitations.

6. Introduction to computer programming; hierarchy of computer languages, simple program writing using COBOL and BASIC languages.