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ADVANCED ACCOUNTANCY (Vol. I)

With the ever increasing accounting scandals which arise because of revelation of misdeeds, involving multifarious means for misusing or misdirecting funds, overstating revenues, playing down expenses, exaggerating the value of corporate assets or underreporting the existence of liabilities, by trusted executives of large public corporations, the need for accounting and accounting standards cannot be over-emphasized. These scandals normally take place perhaps with the cooperation of the auditors or officials working in different capacities in other corporations or affiliates, thus reflecting the escalating call for an in-depth understanding of the accounting process and interpretation of the financial statements by every one including the people working in organizations at various levels, investors and the other stakeholders.

The importance of accounting, the language of business, is accentuated as it communicates the results of business operations in the form of financial statements, to the stakeholders including both the internal and external parties, viz. proprietors, managers, creditors, prospective investors, government, employees and ordinary citizens, having interest in the business whether direct or indirect. The knowledge of the accounting process used for the preparation of these statements entails the understanding of the recording, classification, summarization, analysis, interpretation and communication of the results of business operations with the objective of providing quantitative information of financial nature relating to such economic entities to facilitate informed judgments and decisions.

Since different organizations may well use diverse policies and principles while preparing their financial statements, it might as well become difficult for the stakeholders to understand them in the same light. To overcome this dilemma, certain uniform scientifically laid down standards, termed as accounting principles have been developed for the financial statements to be commonly understood by all. At the international level, International Accounting Standards (IASs) and International Financial Reporting Standards (IFRS) have been issued by International Accounting Standard Board (IASB) to help bring uniformity in terminology, approach and presentation of results.

Accounting Standards Board (ASB) established by Institute of Chartered Accountants of India (ICAI) has issued various Accounting Standards (AS) intended to present useful information on financial position, financial performance and

financial flexibility of an entity for the users to make more relevant decisions consequently providing a fair view by the financial statements. The accounting requirements are constantly monitored by the regulators and standard setters to provide more transparency in recording and reporting. Thus, Accounting Standards, which are constantly reviewed and revised, are formulated after considering the applicable laws, customs, usages and the business environment prevailing in India. Also, ICAI's decision to converge AS with IFRS from 2011 will enhance the uniformity on a global level.

Keeping this "need of the hour" in mind, the 10th edition of the book titled "Advanced Accountancy" has been brought out by the authors to help the readers gain knowledge of accounting, accounting process, financial statements, various special types of accounting like consignment and joint ventures and finally partnership accounts. Also, all the latest updates and related laws and regulations relevant to the topics covered are synchronized and orderly incorporated by the author.

The book is divided into two volumes. Volume I, being reviewed here is systematically categorised into three sections viz. "Accounting Principles and Processes", "Special Business Accounting" and "Partnership Accounts".

The First Section covers the "Accounting Principles and Processes" in seventeen chapters. These chapters cover in detail the basic aspects of financial accounting like the accounting principles and standards, process of accounting, accounting concept of income and its computation as per the various Accounting Standards, wherever applicable. The authors have also very comprehensively discussed the sectional and self-balancing systems, the single entry system and preparation of accounts for non-profit making organizations also in the same unit.

The chapters 'Journalising Transactions', 'Ledger Posting and Trial Balance' acquaint the readers with the method of recording the accounting entries and their consequent effects on the ledger and the preparation of Trial Balance.

The accounting entries relating to Negotiable Instruments such as bills of exchange, promissory notes and cheques both in the books of the drawer and the drawee are discussed in detail in a separate chapter along with the bills receivable and bills payable books.

A separate chapter has been dedicated to 'Bank Reconciliation Statement', which exhaustively covers the various possible adjustments, thus helping the readers to understand the method

the need of reconciling their pass book and cash book
nces.

concept of capital and revenue has been explained very
ly in chapter nine. The implications of AS-26 for Intangible
as well as the concept of deferred revenue expenditure
also been discussed therein.

chapter titled 'Final Accounts' gives an exhaustive
ment of the method and technique adopted for preparing
e financial statements including the adjustment entries
ing to closing stock, bad debt, depreciation, advance
ment of insurance premium, consignment, joint venture
hire purchase transactions.

concept and the various methods of charging depreciation
e been well explained with numerical problems followed by
discussion of Accounting Standard - 6 (Revised):
preciation Accounting.

the growing era of globalization, the understanding of
ignment accounts, hire purchase systems, branch
unts and joint venture accounts proves to be of great
ortance for the students and professionals. The second
tion deals with the aforesaid under the head "Special
iness Accounting". The usage of numerical illustrations by
authors helps to explain the concept of departmental
unts, royalty accounts and computation of insurance
ms in a lucid manner.

h the ever increasing size of the market, it is becoming
ial for the companies to capture the maximum market
e for their organizational goals to be fulfilled. The firms can
up their branches at different locations, enter into joint
ure with other companies or choose consignment
eements for selling their products. Businesses decide
ngst the various alternatives on the basis of diverse reasons
e product life cycle, availability of funds, willingness to invest
t the like.

he manufacturer or trader wants to test the marketplace for a
w product and does not want to invest initial capital in
chasing a store, he can opt for consignment agreement.
rein, the merchandise is sold by the consignee on behalf of
e consignor for an agreed amount of commission without
urning the liability or ownership of the goods. Also, the
ment to the consignor is required to be made only after the
ds are sold. Thus, both the parties stand to benefit. This
cept, along with the accounting treatment in the books of
h the consignor and the consignee, has been discussed in
book in a very logical and systematic manner.

nake use of complementary capabilities and resources and
the execution of a specific transaction, two or more firms
enter into strategic alliance in the form of joint venture
eing to share capital, technology, risk, reward and human
ource under shared control. The accounting effects of
sactions relating to various situations like separate books
g maintained for the joint venture, accounts being kept by
venturer only and other cases are discussed in a tabular
ner to make it easy for the readers to understand and
prehend the situations.

inclusion of AS - 2 (Revised): 'Valuation of Inventories' has
i done in chapter 4. Both the perpetual and periodic
ntory systems have been elucidated by means of practical
trations along with the methods commonly used by

organizations for the purpose of inventory valuation. The
concepts of historical cost and net realizable value have been
explained in accordance with the International Accounting
Standard-2 which states that the inventory should be valued at
the lower of the two i.e. historical cost and net realizable value.

Over the past few years, leasing and hire purchase contracts
have grown in importance such that they are now a major
source of finance for industry making it all the more essential to
have functional knowledge of the same. These contracts are a
means by which firms attain the right to use or acquire assets.
The authors have made a remarkable attempt at explaining the
accounting aspect of the above-said concepts with discussion
on the method of recording the hire purchase transactions both
in the books of the hire purchaser and the hire vendor. Also,
Accounting Standard 19: Leases has been explained in detail.

The preparation of 'Contract Accounts' has been further
elucidated by highlighting the revised AS-7: Construction
Contracts. The coverage of topics like Package Accounts,
Voyage Accounts, Investment Accounts, Underwriting
Accounts and Farm Accounts greatly augment the utility of the
book for different sections of the business community.

The Third and last section of the book Partnership Accounts
covers the different concepts and events concerning
partnership business in a very simple and lucid way. The
methods of valuation of goodwill and accounting treatment of
joint life policy have been elucidated. Reconstitution of
partnership firms including admission, retirement, death and
amalgamation has been discussed in detail explaining the
accounting entries and their effect on capital accounts of the
partners and the Balance Sheet of the firm. An entire chapter
details the dissolution of partnership firms including the
Garner v Murray Rule and the methods of distribution of the
realized proceeds amongst the creditors and the partners. The
unit takes into consideration the latest provisions and changes,
using latest questions and problems from examinations
conducted by different universities and professional bodies.

The book provides a one - point source information for those
seeking to learn the basic and advanced aspects of accounting.
The language of the book has been kept simple so as to cater to
the needs of an expert as well as a novice. For a beginner, the
books explains the fundamentals while for an advanced user,
the book provides an in-depth knowledge of the topics covered.
The precision in the explanation of the terms and concepts
cannot be doubted. Throughout the book, the approach has
been to use illustrations and their detailed workings to enhance
the understanding and provide practical knowledge of the
subject. For all the computed numbers, the detailed
calculations of the same are presented in the working notes to
provide further clarity. Moreover, the learning objectives at the
beginning of each chapter help the readers to have a glance at
the subject matter covered under the respective topics.

Overall, this book is intended for all those involved directly or
indirectly in diverse capacities and roles in the accounting
departments of their respective organizations. The book
should prove to be useful for academicians and the students
taking and learning the subject of Advanced Accounting
preparing for B.Com, M.Com, MCA, MBA and other
professional examinations conducted by different institutions.
The book will also be an excellent reference guide for business
professionals.

An advance is readily sent against consignment by the consignee to the consignor when the consignment goods have become popular in the consignee's place. Pro-forma Invoice: When goods are consigned to an agent they are generally accompanied by a consignment account. The method of accounting depends on whether the advance is interpreted as a method of financing the business generally or whether it is regarded as a transaction particularly related to the consignment activity.