

# **Foundation Course**

# **Study Material**

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## **Paper 1**

# **Accounting**

**(Relevant for May, 2026 Examination)**

## **Module – 1**



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

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# BEFORE WE BEGIN

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## SKILL REQUIREMENTS AT FOUNDATION LEVEL

The Board of Studies, ICAI has revised and updated the study material for Foundation (Entry Level Exam to the Chartered Accountancy Course). The contents have been designed and developed with an objective to synchronize the syllabus with the guidelines prescribed by IESB (International Education Standards Board) of IFAC (International Federation of Accountants), to instill and enhance the necessary pre-requisites for becoming a well-rounded, competent and globally competitive Accounting Professional.

The requirements of "IES 1 Entry Level Requirements" have been kept in mind while developing the different chapters of study material.

This study material also lays emphasis on National Education Policy 2020 (NEP 2020) initiatives like conceptual clarity rather than rote learning and new pedagogical and curriculum restructuring based on the use of technology while teaching.

The nomenclature of Paper -1 at Foundation level is 'Accounting' which concentrates on conceptual understanding of fundamentals of accounting. This is a subjective paper and the basic objective is to develop an understanding of the basic concepts and principles of Accounting and apply the same in preparing financial statements of non-corporate entities and simple problem solving.

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.

## KNOW YOUR SYLLABUS AND STUDY MATERIAL

The Study Material of Accounting has been designed to overcome the needs of home study and distance learning students. The Study Material has been divided into eleven chapters, each addressing to a special aspect of accounting.

Chapters 1 to 5 lay emphasis on bookkeeping aspect of accounting which forms the basis for preparing financial statement. Chapter 7- Preparation of Financial statements of Sole proprietors and Chapter 8- Financial statements of Not-for-Profit Organizations explains how accounting is done in different entities. Chapter 6 covers Bills of exchange and Promissory notes which explains the accounting treatment of various bills, whereas Chapter 10 discusses accounting of Partnership firms and LLP's. Chapter 11 discusses concepts of Company

Accounts covering instances for issue of shares and debentures and redemption thereof. The topic Accounts from Incomplete Records, Intangibles and its Amortisation, Accounting of GST and Accounting for LLP's have been introduced in New Scheme considering their importance in current business environment.

The study material has been bifurcated into two modules (Module I : Chapters 1 to 7 and Module II: Chapters 8 to 11) for easy handling and convenience of students. It is important to read the Study Material thoroughly and practice the questions for understanding the coverage of syllabus.

### **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 undertaken to review and update the study material so that it reflects the current position.

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 topic is 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 topic in a better manner.

4	<b>Illustrations Involving Conceptual Understanding</b>	Illustrations would help the students to understand the application of concepts. In effect, it would test understanding of concepts as well as ability to apply the concepts 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, questions based on True and False statements, 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 where they have gone wrong.

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!**

# SYLLABUS

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## PAPER – 1: ACCOUNTING

**(One Paper – Three Hours – 100 Marks)**

### **Objective:**

**To develop an understanding of the basic concepts and principles of accounting and apply the same in preparing financial statements and simple problem solving.**

### **Contents:**

#### **1. Theoretical framework**

- (i) Meaning and Scope of accounting
- (ii) Accounting Concepts, Principles and Conventions
- (iii) Capital and revenue expenditure, Capital and revenue receipts, Contingent assets and contingent liabilities
- (iv) Accounting Policies
- (v) Accounting as a Measurement Discipline – Valuation Principles, Accounting Estimates.
- (vi) Accounting Standards – Concepts and Objectives.

#### **2. Accounting Process**

- (i) Recording accounting transactions: principles of double entry book- keeping, books of original entry - journal, subsidiary books, cash book, ledger-format, posting from journal and subsidiary books, balancing of accounts
- (ii) Preparation of Trial Balance
- (iii) Rectification of Errors.

#### **3. Bank Reconciliation Statement**

Introduction, reasons, preparation of Bank Reconciliation Statement.

#### **4. Inventories**

Meaning, Basis and technique of inventory valuation, Cost of Inventory, Net Realizable value and Record System.

**5. Depreciation and Amortisation**

Tangible and Intangible Assets - Meaning and difference, concepts, methods of computation and accounting treatment of depreciation/ amortisation, change in depreciation method.

**6. Bills of Exchange and Promissory Notes**

Meaning of Bills of Exchange and Promissory Notes and their accounting treatment; Accommodation Bills.

**7. Final accounts of Sole Proprietors**

Elements of financial statements, Closing Adjustment Entries, Trading Account, Profit and Loss Account and Balance Sheet of Manufacturing and Non-manufacturing entities.

**8. Financial Statements of Not-for-Profit Organizations**

Significance and preparation of Receipt and Payment Account, Income and Expenditure Account and Balance Sheet, difference between Profit and Loss Account and Income and Expenditure Account.

**9. Accounts from Incomplete Records (excluding preparation of accounts based on ratios)****10 Partnership and LLP Accounts**

- (i) Final Accounts of Partnership Firms and LLPs
- (ii) Admission, Retirement and Death of a Partner including Treatment of Goodwill
- (iii) Dissolution of partnership firms and LLPs including piecemeal distribution of assets.

**11. Company Accounts**

- (i) Definition of shares and debentures
- (ii) Issue of shares and debentures, forfeiture of shares, re-issue of forfeited shares
- (iii) Redemption of preference shares and debentures (excluding purchase and redemption of own debentures and sinking fund method)
- (iv) Accounting for Bonus Issue and Right Issue

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- CHAPTER 2 : Accounting Process
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- CHAPTER 5 : Depreciation and Amortisation
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