

**Institute of Distance and Open Learning**  
**Revised Syllabus**  
**S. Y. B.Com.**  
**With Effect from the Academic Year 2019-20**  
**Elective Courses (EC)**  
**Discipline Specific Elective (DSE) Courses**  
**Financial Accounting and Auditing –**  
**(Introduction to Management Accounting**  
**and Auditing)**

**SECTION I**

**Modules at a Glance**

Sr. No.	Modules
1	Introduction to Management Accounting
2	Ratio Analysis and Interpretation
3	Working Capital Management
4	Capital Budgeting

Sr. No.	Modules
1	<p><b>Introduction to Management Accounting</b></p> <p><b>A. Introduction to Management Accounting</b> – Meaning, Nature, Scope, Functions, Decision Making Process, Financial Accounting V/s Management Accounting</p> <p><b>B. Analysis and Interpretation of Financial Statements</b></p> <p>i) Study of Balance sheet and Income statement / Revenue statements in vertical form suitable for analysis</p> <p>ii) Relationship between items in Balance Sheet and Revenue statement</p> <p>iii) Tools of analysis of Financial Statements</p> <p>(i) Trend analysis (ii) Comparative Statement (iii) Common Size Statement</p> <p><b>Note :</b> (i) Problems based on trend analysis (ii) Short Problems on Comparative and Common sized statements</p>
2	<p><b>Ratio Analysis and Interpretation</b></p> <p>(Based on Vertical Form of Financial statements) – Meaning, classification, Du Point Chart, advantages and Limitations)</p> <p><b>A. Balance Sheet Ratios :</b></p> <p>i) Current Ratio</p> <p>ii) Liquid Ratio</p> <p>iii) Stock Working Capital Ratio</p> <p>iv) Proprietary Ratio</p>

	<ul style="list-style-type: none"> <li>v) Debt Equity Ratio</li> <li>vi) Capital Gearing Ratio</li> </ul> <p><b>B. Revenue Statement Ratio:</b></p> <ul style="list-style-type: none"> <li>i) Gross Profit Ratio</li> <li>ii) Expenses Ratio</li> <li>iii) Operating Ratio</li> <li>iv) Net Profit Ratio</li> <li>v) Net Operating Profit Ratio</li> <li>vi) Stock Turnover Ratio</li> </ul> <p><b>C. Combined Ratio :</b></p> <ul style="list-style-type: none"> <li>i) Return on capital employed (Including Long Term Borrowings)</li> <li>ii) Return on proprietor's Fund (Shareholders Fund and Preference Capital)</li> <li>iii) Return on Equity Capital</li> <li>iv) Dividend Payout Ratio</li> <li>v) Debt Service Ratio</li> <li>vi) Debtors Turnover</li> <li>vii) Creditors Turnover</li> </ul> <p><b>(Practical Question on Ratio Analysis)</b></p>
3	<p><b>Working Capital Management (Practical Questions)</b></p> <ul style="list-style-type: none"> <li>A. Concept, Nature of Working Capital , Planning of Working Capital</li> <li>B. Estimation / Projection of Working Capital Requirement in case of Trading and Manufacturing Organization</li> <li>C. Operating Cycle</li> </ul>
4	<p><b>Capital Budgeting</b></p> <ul style="list-style-type: none"> <li>A. Introduction:</li> <li>B. The classification of capital budgeting projects</li> <li>C. Capital budgeting process</li> <li>D. Capital budgeting techniques - <b>Payback Period, Accounting Rate of Return, Net Present Value, The Profitability Index, Discounted Payback. (Excluding calculation of cash flow)</b></li> </ul>

## SECTION II

Sr. No.	Modules
5	Introduction to Auditing
6	Audit Planning, Procedures and Documentation
7	Auditing Techniques and Internal Audit Introduction
8	Auditing Techniques : Vouching & Verification

Sr. No.	Modules
5	<p><b>Introduction to Auditing</b></p> <ul style="list-style-type: none"> <li>A. <b>Basics</b> – Financial Statements, Users of Information, Definition of Auditing, Objectives of Auditing, Inherent limitations of Audit, Difference between Accounting and Auditing,</li> </ul>

	<p>Investigation and Auditing.</p> <p>B. <b>Errors &amp; Frauds</b> – Definitions, Reasons and Circumstances, Types of Error, Types frauds, Risk of fraud and Error in Audit, Auditors Duties and Responsibilities in case of fraud.</p> <p>C. <b>Principles of Audit</b>, Materiality, True and Fair view</p> <p>D. <b>Types of Audit</b> – Meaning, Advantages, Disadvantages of Balance sheet Audit, Interim Audit, Continuous Audit, Concurrent Audit and Annual Audit, Statutory Audit</p>
6	<p><b>Audit Planning, Procedures and Documentation</b></p> <p>A. <b>Audit Planning</b> – Meaning, Objectives, Factors to be considered, Sources of obtaining information, Discussion with Client, Overall Audit Approach</p> <p>B. <b>Audit Program</b> – Meaning, Factors, Advantages and Disadvantages, Overcoming Disadvantages, Methods of Work, Instruction before commencing Work, Overall Audit Approach.</p> <p>C. <b>Audit Working Papers</b> – Meaning, importance, Factors determining Form and Contents, Main Functions / Importance, Features, Contents of Permanent Audit File, Temporary Audit File, Ownership, Custody, Access of Other Parties to Audit Working Papers, Auditors Lien on Working Papers, Auditors Lien on Client’s Books.</p>
7	<p><b>Auditing Techniques and Internal Audit Introduction</b></p> <p>A. <b>Test Check</b> – Test Checking Vs Routing Checking, test Check meaning, features, factors to be considered, when Test Checks can be used, advantages, disadvantages, precautions.</p> <p>B. <b>Audit Sampling</b> – Audit Sampling, meaning, purpose, factors in determining sample size – Sampling Risk, Tolerable Error and expected error, methods of selecting Sample Items Evaluation of Sample Results auditors Liability in conducting audit based on Sample</p> <p>C. <b>Internal Control</b> – Meaning and purpose, review of internal control, advantages, auditors duties, review of internal control, Inherent Limitations of Internal control, internal control samples for sales and debtors, purchases and creditors, wages and salaries. Internal Checks Vs Internal Control, Internal Checks Vs Test Checks.</p> <p>D. <b>Internal Audit</b> : Meaning, basic principles of establishing Internal audit, objectives, evaluation of internal Audit by statutory auditor, usefulness of Internal Audit, Internal Audit Vs External Audit, Internal Checks Vs Internal Audit</p>
8	<p><b>Auditing Techniques : Vouching &amp; Verification</b></p> <p>A. <b>Audit of Income</b> : Cash Sales, Sales on Approval, Consignment Sales, Sales Returns Recovery of Bad Debts written off, Rental Receipts, Interest and Dividends Received Royalties Received</p> <p>B. <b>Audit of Expenditure</b> : Purchases, Purchase Returns, Salaries and Wages, Rent, Insurance Premium, Telephone expense Postage and Courier, Petty Cash Expenses, Travelling Commission Advertisement, Interest Expense</p> <p>C. <b>Audit of Assets Book Debts / Debtors, Stocks</b> – Auditors General Duties; Patterns, Dies and Loose Tools, Spare Parts, Empties and Containers Quoted Investments and Unquoted Investment Trade Marks / Copyrights Patents Know-How Plant and Machinery Land and Buildings Furniture and Fixtures</p> <p>D. <b>Audit of Liabilities</b> : Outstanding Expenses, Bills Payable Secured loans Unsecured Loans, Contingent Liabilities</p>

**Reference Text:**

1. Cost and Management Accounting - Colinn Dury 7th Edition
2. Cost and Management Accounting- Dbarshi Bhattacharyya pearson Publications 2013 edition

3. Management Accounting - M.Y.Khan  
 4. Management Accounting - I.M.pandey

## Question Paper Pattern

Question No	Particular	Marks
Q-1	Objective Questions A) Sub Questions to be asked 12 and to be answered any 10 B) Sub Questions to be asked 12 and to be answered any 10 (*Multiple choice / True or False / Match the columns/Fill in the blanks)	20 Marks
Q-2	Full Length Question <b>OR</b>	15 Marks
Q-2	Full Length Question	15 Marks
Q-3	Full Length Question <b>OR</b>	15 Marks
Q-3	Full Length Question	15 Marks
Q-4	Full Length Question <b>OR</b>	15 Marks
Q-4	Full Length Question	15 Marks
Q-5	Full Length Question <b>OR</b>	15 Marks
Q-5	Full Length Question	15 Marks
Q-6	A) Theory questions B) Theory questions <b>OR</b>	10 Marks 10 Marks
Q-6	Explain the terms To be asked Twelve To be answered Ten	20 Marks