

The Institute of Chartered Accountants of Nepal (ICAN)
(CAP 1 Course)
Paper 1: Fundamentals of Accounting
(Three Hours-100 Marks)

Course Objectives:

- i. To enable the candidates to understand the fundamentals of financial accounting system and apply theory to basic financial accounting issues and process financial transactions.
- ii. To enable the candidates to prepare accounting statements of small business enterprises and not-for-profit entities.

Course Contents

1. Introduction

- a. Business and its common types – organized/incorporated bodies, partnerships, sole proprietorship, company, cooperatives, Trusts, Clubs, Not-for-profit organizations; Forms of their capital and capital structure. Types of Accounting – Financial Accounting, Cost Accounting and Management Accounting.
- b. Accounting as a profession – Meaning of accounting as a language of business and measurement discipline, interrelationship between accounting and other professions – economics and statistics. Role of accounting profession in business and society.
- c. Basic accounting concepts related to revenue, expenses, assets and liabilities recognition and generally accepted accounting practices; Framework of Nepal Accounting Standard.
- d. Financial Statements – Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity and Accounting Policies and Explanatory Notes to Accounts. Users of financial statements and significance of accounting.

2. Accounting Systems and Processes

- a. Introduction to double entry book keeping systems, rules of debit and credit, meaning of assets, liabilities, income, expenses, equity, capital and revenue expenditure, analytical perspective of accounting equation. Basis of accounting – Cash, Accrual (mercantile) and hybrid.
- b. Form and content of accounting records – manual and computerized
- c. Books of original entry and ledgers, journal, sales and purchase ledgers, cash and bank book, subsidiary ledger, main/general ledger, extracting of trial balance, and consumable and non-consumable inventory including fixed assets ledgers. Bank reconciliation statements. Use of control and subsidiary accounts.
- d. Adjustment before preparation of final financial statements – accrual and prepayments adjustment, depreciation, provisions for uncollectible receivables and advances, locating errors in trial balance and preparation of adjusted trial balance.

3. Accounting treatment of fixed assets and depreciation

Reasons and methods of depreciation calculation (straight line, written down value, double declining, machine hour, sum of the year's digits). Physical verification of fixed assets and record updating.

4. Accounting treatment of inventory

Definition and types of inventory, determination of cost of inventory, methods of inventory costing (FIFO, LIFO and average methods), inventory recording systems (periodic and perpetual).

5. Accounting for Special Transactions (simple problems for each of them)

Consignments, joint ventures, bills of exchange and royalty.

6. Financial statements preparation

Income Statement and Balance Sheet of small business enterprises (sole proprietorship, partnership and private company). Receipts and payments statement, income and expenditure statement and balance sheet of not-forprofit organizations.

7. Partnership Accounts

Concept and treatment of goodwill and profit sharing, admission, retirement and death of partner.

Text Book:

1. Fundamental of Accounting-Study Material, ICAN

Reference Books:

1. Advanced Accounts, M.C. Shukla, T.S. Grewal & S.C. Gupta, S. Chand & Co. Ltd., New Delhi
2. Advanced Accountancy, S.P. Jain & K.L. Narang, Kalyani Publishers
3. Nepal Accounting Standards (NAS)

Paper 2: Mercantile Laws and Fundamentals of Economics
(Two Papers-Three Hours-100 Marks)

Part A- Mercantile Laws

50 Marks

Level of Knowledge: General

Course Objectives

The syllabus is designed with an objective to impart fundamental knowledge and understanding of the elements of Mercantile Laws.

Course Contents

1. Nepalese Partnership Act- 2020
 - 1.1 Introduction, Meaning & Definition of Partnership, Characteristics of Partnership
 - 1.2 Family Business vs. Partnership
 - 1.3 Procedures of Registration, Formation of Partnership
 - 1.4 Kinds of Partners, Relationship of Partners
 - 1.5 Assets held in Partnership, Capital Contribution, Nomination of Proxy, Participation in Business
 - 1.6 Inspection of Records, Remuneration & Interest, Accounting & Interest, Accounting of Profit made by partner , Sharing of Profit and Loss , Relationship between Firm and Third Person
 - 1.7 Dissolution of Partnership Forms, Modes of Dissolution, Automatic Dissolution
 - 1.8 Liabilities to third parties, Continuation after dissolution, Duties of Partners on Dissolution, Appointment of Liquidator
 - 1.9 Appeal, Penalties
2. Law of Contract
 - 2.1 Meaning, Essentials of Valid Contract , Types of Contract
 - 2.2 Persons Qualified to enter into Contract , Offer and Acceptance
 - 2.3 Consideration, Free Consent
 - 2.4 Legality of Object and Consideration, Void Agreement and other Contracts
 - 2.5 Performance of Contract,
 - 2.6 Termination of Contract,
 - 2.7 Breach of Contract and its Remedies
 - 2.8 Special Contracts
 - 2.8.1 Bailment , Pledge, Contract of Guarantee , Contract of Indemnity
 - 2.8.2 Contract of Subrogation, Contract of Agency, Sales of Goods
 - 2.8.3 Transportation of Goods
 - 2.8.4 Relevant provisions of Contract Act, 2056

Text Book

1. Mercantile Law - Study Material, ICAN

Level of Knowledge: General

Course Objectives

The syllabus is designed with an objective to impart fundamental knowledge and understanding the elements of micro economics, macroeconomics and Nepalese economy.

Course Contents

1. Introduction to Microeconomics

- Meaning of economics;
- Basic issues in economics: scarcity, efficiency and alternatives;
- Introduction to microeconomics;
- Scope and use of microeconomics in business decision making; and
- Microeconomics and macroeconomics - basic differences.

2. Demand and Supply Analysis

- Concept of demand: factors affecting demand, demand schedule, individual and market demand, law of demand;
- Concept of supply: factors affecting supply, supply schedule, individual firms and market supply, law of supply;
- Elasticity of demand: concepts and measurement of price, income and cross elasticity of demand;
- Concept of utility: cardinal and ordinal; and
- Basic concepts of total, average and marginal utility and understanding of the law of diminishing marginal utility.

3. Theory of Production

- Concept of production, factors of production and production functions;
- Production with one variable input: concepts of total, average and marginal; production;
- Law of variable proportions; and
- Concept of returns to scale.

4. Costs and Revenues

- Concept of costs: economic costs, accounting costs, sunk costs;
- Short-run and long-run costs: total, average and marginal costs; and
- Concept of revenues: total, average and marginal revenues under conditions of perfect and imperfect competition.

5. Market Forms

- Perfect competition: features, pricing and production decisions in the short-run and long-run;
- Monopoly: features, pricing and production decisions in the short-run and longrun time periods;
- Monopolistic competition: features, pricing and production decisions in the short-run and long-run time periods; and
- Oligopolistic competition: features and basic distinction with monopolistic competition.

6. International Trade

- Meaning and advantages of international trade;
- Concept of balance of trade and balance of payments; and
- Problems of international trade.

7. Nepalese Economy

- Characteristics of the Nepalese economy;
- Economic sectors : agriculture, industry and services; and
- Industry: Investment, production and employment.

Text Book:

1. Fundamentals of Economics- Study Material, ICAN

Reference Books:

1. Samuelson, Paul A. and Nordhaus, William D., Economics, Tata McGraw-Hill, India;
2. Lipsey, Richard G. and K. Alec Chrystal, an Introduction to Positive Economics, Oxford University Press, Great Britain;

Paper 3 : Fundamentals of Management and Commercial Mathematics and Statistics
(Two Papers-Three Hours-100 Marks)

Part A- Fundamentals of Management

50 Marks

The syllabus is designed with an objective to impart knowledge and understanding of fundamental principles and functions of management.

Course Contents:

1. Concept of organization and management:

- Organization: meaning, nature and types;
- Organizational goals: types, formation, succession, displacement;
- Management: meaning, nature, functions, principles; and
- Managerial skills and roles.

2. Evolution of management thought:

- Classical Theories: scientific management, administrative management, bureaucracy;
- Human relations and behavioral theories;
- Management science theory;
- Systems theory; and
- Contingency theory.

3. Environmental context of management:

- Concept of business environment;
- Internal environment forces;
- External environment forces; and

- Social responsibility: concept, approaches and area

4. Planning and decision making:

4.1 Planning: definition, types, importance and methods

- Steps in planning process;
- Decision making: meaning, types, styles;

- Decision making environment; and
- Decision making process.

5. Organizing:

- Organizing : concept, approaches and principles;
- Forms of organizational structures;
- Delegation and decentralization of authority: concept and importance; and
- Coordination.

6. Managing human resources:

- Human resource management: concept and importance; and
- Components of human resource management.

7. Leadership:

- Leadership: concept, functions and styles; and
- Leadership and management

8. Motivation:

- Motivation: concept and importance;
- Theories of motivation: hierarchy of needs, motivation hygiene, theory X and theory Y; and
- Techniques of improving motivation.

9. Communication:

- Communication: concept, importance and process;
- Types of communication;
- Communication channels;
- Barriers to effective communication; and
- Techniques of improving communication.

10. Controlling:

- Control: meaning and process;
- Types of control systems: pre, concurrent and post control;
- Requirements for effective control system

Text book:

1. Fundamentals of Management - Study Material, ICAN.

Reference books:

1. Stephen P. Robbins and Mary Coulter. Management – Prentice Hall
2. Ricky W. Griffin. Management – AITBS Publishers
3. Govind Ram Agrawal. Principles of Management in Nepal- M.K. Publishers & Distributors

Part B- Commercial Mathematics and Statistics

50 Marks

The syllabus is designed with an objective to acquaint students with the knowledge of quantitative techniques applicable in the business environment. It is expected that the students from the study of the subject develop an ability to interpret the business related information and use them for an effective decision making.

Course contents:

1. Basic Arithmetic and Algebra

1.1 Ratio and Proportions, Equations (Simple Equations, Simultaneous Equations), Percentage and Their Applications in Business

2. Mathematics of Finance

2.1 Simple Interest, Compound Interest, Nominal Interest Rate, Effective Interest Rate
2.2 Depreciation (Straight Line and Reducing Balance Methods)
2.3 Annuity: Present Value, Future Value, Sinking Fund, Amortization

3. Permutations and combinations

3.1 Basic Principles of Counting
3.2 Permutations, Permutations with Restrictions, Circular Permutations,
3.3 Combinations

4. Progressions

4.1 Arithmetic Progression & Geometric Progression

5. Sources of data, presentation and use

5.1 Concept, role of statistics in business analysis and decision-making.
5.2 Sources, nature, appreciation and precautions in use.
5.3 Collection of data, types of data
5.4 Presentation of data: use of bar charts, histograms, pie charts, graphs, tables, frequency distributions, cumulative distributions, Ogive and their use and interpretation.

6. Measures of central tendency

6.1 Concept, Types of Averages: Arithmetic Mean and Geometric Mean, Median and Mode
6.2 Positional Values: Quartiles, Deciles and Percentiles

7. Measures of dispersion

7.1 Concept, importance of measure of central tendency
7.2 Measures of dispersion: range, mean deviation, standard deviation and coefficient of variation
7.3 Measures of skewness and kurtosis

8. Correlation and regression Analysis

8.1 Concept, simple linear regression, scatter-graphs, least squares method.
8.2 Co-efficient of determination, correlation co-efficient, rank correlation.
8.3 Use of linear regression equation in forecasting.

9. Time series analysis

9.1 Concept, factors influencing time series – trend, seasonal, cyclical, irregular variations.
9.2 Smoothing time series by means of moving averages.
9.3 Use of time series in forecasting.

10. Index number

10.1 Concept, uses of index number
10.2 Types of index number: Laspeyer's, Paasches's and Fisher's index number, ideal index number
10.3 Construction of index number: methods and problems
10.4 Cost of living index: construction and uses

11. Sampling

11.1 Concept, Objectives of sampling
11.2 Sampling techniques: probability sampling, non-probability sampling
11.3 Errors in statistics

12. Probability

12.1 Concept, experiments and events
12.2 Addition theorem and multiplication theorem of probability
12.3 Conditional probability (excluding Bay's theorem)

Text Book

1. Commercial Mathematics and Statistics- Study Material, ICAN

Reference Book

1. Business Mathematics: Hari Adhikari, Bhupal Baral, Asmita Books Publishers & Distributors;
2. Budnick, Frank S.: Applied Mathematics for Business, Economics and the Social Sciences, Fourth Edition, McGraw-Hill, Inc.; and
3. Calculus with Finite Mathematics, Geoffrey C. Berresford, Andrew M. Rockett Houghton Mifflin Company, Boston New York.
4. Levin & Rubin, Statistics for Management, Eighth Edition, Pearson Prentice Hall