

WEST BENGAL COUNCIL OF HIGHER SECONDARY EDUCATION

SYLLABUS FOR CLASSES XI AND XII

SUBJECT: COMMERCIAL LAW AND PRELIMINARIES OF AUDITING (CLPA)

Course Overview:

This course introduces the student to the legal framework of business, and endeavours to induce them to appreciate the relevance of business law to individuals and businesses and to understand the applications of these laws to practical commercial situations. It intends to assist the students to gain knowledge of the branches of law which relate to contracts, negotiable instruments, the law of sales; study legal matters pertaining to partnerships and companies; identify the fundamental legal principles behind insurance agreements and examine the scope, exchange and regulation of electronic communication.

This course also aims at introducing the students to the field of auditing, by providing them a basic understanding of fundamental auditing concepts, the general procedures required in conducting an audit and audit reporting. While the focus is mainly on the practical application of an external financial audit that is regulated under legal legislation, the course also explores the wider audit framework; including a critical appreciation of contemporary issues and developments in the field of auditing.

The course provides a foundation for students who intend pursuing a specialised pathway in the legal profession, as well as those who will pursue careers in accounting and auditing.

Course Objectives:

This course strives to –

- Inculcate a sense of justice and integrity as well as develop skills among students to pursue higher education, and thereafter, work independently or in employment
- Develop students with an understanding of the legal system prevalent in India
- Assist students to identify various sources of law and the requirements to hold various rights under the prevalent laws of land
- Acquaint students with the dynamic nature and inter-dependent aspects of business and the judiciary
- Aid students to develop an interest in the theory and practice of law and auditing
- Help students to understand contractual obligations and consequences thereto
- Familiarize students with legal requirements of the process of managing the operations of different forms of business and maintenance of their financial records
- Enable students to analyse the impact of the electronic era on information and ethical issues thereon
- Make students conversant with the use and regulation of negotiable instruments in business
- Enable students to develop an understanding of the management of business risks through insurance
- Enable students to evaluate audit compliant documents, and consequences of default, if any
- Help students to achieve an understanding of the conduct of audit procedures suiting various requirements of a business

- Assist students to appreciate the legal and economic significance of business activities and the ramifications of non-compliance
- Enable students to act more responsibly and judiciously in every sphere of the society

Learning Hours (Total – 200 per year per subject):

- **180** hours allocated over the syllabus, to be distributed over each sub-topic –
SEM I – 100 hours
SEM II – 80 hours
- **20** hours for home assignments/remedial and/or tutorial classes

CLASS - XI

SEMESTER – I

SUBJECT: COMMERCIAL LAW AND PRELIMINARIES OF AUDITING (CLPA)

Unit	Details	Marks
Unit 1	Introduction to Law	04
Unit 2	Law of Contract	16
Unit 3	Introduction to Auditing	10
Unit 4	Errors and Frauds	05
Unit 5	Different Types of Audits – I	05
	Total	40

Question Paper Typology

Sl. No.	Typology of Questions	Marks	%
1.	Remembering and Understanding (Simple)	12	30
2.	Applying (Average)	20	50
3.	Analysing, Evaluating and Critical thinking	08	20
	Total	40	100

Weightage to Questions

Unit	Details	Marks Allotted	Question Type	Marks per Question	No. of Questions	Total Marks
Unit 1	Introduction to Law	04	MCQ	1	4	04
Unit 2	Law of Contract	16	MCQ	1	16	16
Unit 3	Introduction to Auditing	10	MCQ	1	10	10
Unit 4	Errors and Frauds	05	MCQ	1	5	05
Unit 5	Different Types of Audits – I	05	MCQ	1	5	05
	Total	40				40

CLASS - XI

SEMESTER – I

SUBJECT: COMMERCIAL LAW AND PRELIMINARIES OF AUDITING (CLPA)

FULL MARKS: 40

CONTACT HOURS: 100 Hours

COURSE CODE: THEORY

PART – A (Commercial Law)

UNIT No.	TOPICS	CONTACT HOURS	MARKS
Unit – 1 INTRODUCTION TO LAW	Definition of Law – Features of Law – Rule of Law – Meaning of Commercial Law – Sources of Indian Commercial Law	04 Hours	4 Marks
Unit – 2 LAW OF CONTRACT	<p>a) Meaning and Definition of Agreement and Contract – Essential elements of a contract</p> <p>b) Offer and Acceptance: Meaning and definition of offer, offerer, offeree, promise, promisor, promise; Rules regarding offer – Meaning and definition of acceptance; Rules regarding acceptance – Methods of communication of offer and acceptance – Revocation of offer and acceptance</p> <p>c) Consideration: Meaning and definition of consideration – Types of consideration – Rules regarding consideration – “No consideration, no contract”, Exceptions to the rule – Rights and liabilities of a stranger to a contract</p> <p>d) Void and Voidable Agreements: Void agreement – Voidable agreement – Unenforceable agreement – Illegal agreement – Distinction between Void agreement and Illegal agreement – Valid contract</p> <p>e) Capacity of Parties: Definition of ‘capacity’ – Minority and law regarding Minor’s Agreement – Persons of unsound mind; Effects of agreement made by persons of unsound mind – Disqualified persons</p> <p>f) Free Consent: Definition of free consent – Coercion – Undue influence – Misrepresentation – Fraud – Distinction between Fraud and Misrepresentation – Contracts of <i>Uberrimae fidei</i> – Mistake – Unilateral mistake – Distinction between Mistake and Misrepresentation – Mistake and Consent</p> <p>g) Legality of Object and Consideration: Unlawful object and consideration – Agreements against public policy – Void agreements – Objects or Consideration unlawful in part</p>	46 Hours	16 Marks

	TOTAL (A)	50 Hours	20
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PART – B (Preliminaries of Auditing)

TOPIC	SUB TOPIC	CONTACT HOURS	MARKS
Unit – 3 INTRODUCTION TO AUDITING	Definition of Auditing – Evolution of Auditing – Nature of Auditing – Objectives of Auditing: Primary and Secondary – Importance of Auditing – Advantages and Limitations of Auditing – Relation and Distinction between Accounting and Auditing – An Auditor is not an Accountant – Qualifications of Auditor: Professional and General – Disqualifications.	34 Hours	10 Marks
Unit – 4 ERRORS AND FRAUDS	Errors in Accounting: Types of errors; Detection of errors by Auditor – Fraud: Misappropriation and Manipulation; Detection of frauds by Auditor – Duties of Auditor in relation of errors and frauds.	08 Hours	5 Marks
Unit – 5 DIFFERENT TYPES OF AUDITS – I	On the Basis of Time: Continuous Audit; Periodical Audit; Interim Audit – Advantages and limitations of each type – Distinction between Continuous Audit and Periodical Audit.	08 Hours	5 Marks
	TOTAL (B)	50 Hours	20
	GRAND TOTAL (A+B)	100	40

CLASS - XI

SEMESTER – II

SUBJECT: COMMERCIAL LAW AND PRELIMINARIES OF AUDITING (CLPA)

Unit	Details	Marks
Unit 1	Sale of Goods Act	15
Unit 2	Cyber Law	05
Unit 3	Different Types of Audits – II	10
Unit 4	Internal Control System	10
	Total	40

Question Paper Typology

Sl. No.	Typology of Questions	Marks	%
1.	Remembering and Understanding (Simple)	12	30
2.	Applying (Average)	20	50
3.	Analysing, Evaluating and Critical thinking	08	20
	Total	40	100

Weightage to Questions

Unit	Details	Marks Allotted	Question Type	Marks per Question	No. of Questions	Total Marks
Unit 1	Sale of Goods Act	15	SAQ	2	1	15
			SAQ	3	1	
			Descriptive	5	2	
Unit 2	Cyber Law	05	SAQ	2	1	05
			SAQ	3	1	
Unit 3	Different Types of Audits – II	10	SAQ	2	1	10
			SAQ	3	1	
			Descriptive	5	1	
Unit 4	Internal Control System	10	SAQ	2	1	10
			SAQ	3	1	
			Descriptive	5	1	
	Total	40				40

CLASS - XI

SEMESTER – II

SUBJECT: COMMERCIAL LAW AND PRELIMINARIES OF AUDITING (CLPA)

FULL MARKS: 40

CONTACT HOURS: 80 Hours

COURSE CODE: THEORY

PART – A (Commercial Law)

UNIT No.	TOPICS	CONTACT HOURS	MARKS
Unit – 1 SALE OF GOODS ACT	<p>a) Definitions: Buyer, Seller and Goods – Classification of Goods (existing, future, contingent, ascertained, unascertained) – Sale and Agreement to Sell – Difference between Sale and Agreement to Sell – Essential elements of a contract of sale – Destruction of goods – Hire-purchase agreements – Sale and other contracts</p> <p>b) Conditions and Warranties: Definitions – Implied Conditions – Doctrine of Caveat Emptor – Implied Warranties – Circumstances where condition to be treated as warranty – Liabilities of the seller apart from the contract of sale</p> <p>c) Transfer of Ownership: When does property pass from the seller to the buyer? – Reservation of the right of Disposal – Transfer of ownership – Transfer of title by non-owner</p>	30 Hours	15 Marks
Unit – 2 CYBER LAW	<p>a) Introduction: What is Cyber Law? – Need for Cyber Law – History of Cyber Law in India</p> <p>b) Meaning and Definitions: Electronic transactions, E-commerce, E-banking, Electronic Signature, Hacking, Phishing, Malware, Cookies, Spam and Firewall.</p> <p>c) Scope of Cyber Law – Online contracts, E-commerce regulation, Consumer rights – Identity/data/funds theft, Fraud, Forgery, Hacking</p> <p>d) Cyber safety and security – Meaning and steps</p> <p>e) Information Technology Act 2000 – an overview, with emphasis to Section 66A</p>	10 Hours	5 Marks

PART – B (Preliminaries of Auditing)

UNIT No.	TOPICS	CONTACT HOURS	MARKS
Unit – 3 DIFFERENT TYPES OF AUDITS – II	a) On the Basis of Law: Statutory Audit; Non-statutory Audit; Government Audit – Advantages and limitations of each type – Distinction between Statutory Audit and Non-statutory Audit b) On the Basis of Scope of Work: Complete Audit, Partial Audit; Internal Audit – Advantages and limitations of each type – Distinction between Internal Audit and Interim Audit – Difference between Statutory Audit and Internal Audit	20 Hours	10 Marks
Unit – 4 INTERNAL CONTROL SYSTEM	Internal Control System: Definition, Features, Advantages and Limitations – Internal Checking System: Definition, Objectives, Advantages and Limitations – Duties of an Auditor in respect of Internal Check – Distinction between Internal Control System and Internal Check System – Relevance of Internal Control System in Auditing – Difference between Internal Check and Internal Audit – Internal Check regarding certain transactions: Cash Receipts; Cash Payments	20 Hours	10 Marks
	TOTAL (B)	40 Hours	20
	GRAND TOTAL (A+B)	80	40

CLASS - XI

PROJECT WORK

FULL MARKS – 20

Sub Topic:

1	Imagine yourself a buyer. Write a report of the steps you should follow in case of breach of conditions in a contract of sale of goods.
2	Visit a bank and draft a report on the measures to protect against online banking fraud
3	A firm has reported misappropriation of goods by employees. Prepare a report on your duties as an auditor regarding such misappropriation.
4	Visit big shopping mall and prepare a report on its internal control/ internal checking system.
5	Visit an audit firm and write a report on the benefits of and the limitations faced by an auditor in conducting a Statutory Audit.

Overview:

The course in Commercial Law and Preliminaries of Auditing has been introduced at the Senior Secondary level of schools, to provide students with a sound understanding of the legal framework prevalent in the commercial world, as well as the intricacies of guidelines that govern them. Commercial operations are acts carried out by a business and are governed by a set of principles and regulations. Such principles and regulations cover a business's actual existence and structure as well as its operations and interactions. With a view to help the students to have a better understanding of the activities of business and what governs them, financially, legally and socially, Project Work has been introduced in the curriculum. The projects have been designed to allow students to appreciate that business is an integral component of society and help them develop an understanding of the economic, legal and ethical issues concerning them.

Objectives:

After doing the Project Work, the students will be able to do the following:

1. develop a practical approach by using modern technologies in the business world;
2. collection, processing, analysing and synthesizing of relevant information as well as inculcating important skills of problem solving, time management, to derive meaningful conclusions
3. get involved in the process of research work; demonstrate their capabilities while working independently and
4. make project work an enriching learning experience.

General Guidelines:

Students are supposed to select any one of the topics given and are required to make only ONE project from the selected topic (carrying 20 marks).

The following steps might be followed:

1. Students must take any ONE topic during the academic session of Class XI, from the topics given.
2. The topic should be assigned after discussion with the students in the class and should then be discussed at every stage of submission of the draft/final project work.
3. Students should be facilitated in terms of being provided with relevant materials or suggesting websites, or obtaining required permissions from business houses, etc. for the purpose of their project.
4. The teacher should play the role of a facilitator and should closely supervise the process of project completion, and MUST ensure that the students actually go through the rigors and enjoy the process of doing the project rather than depending on any readymade material available commercially.
5. At the end of the stipulated term, each student will prepare and submit their project report in the prescribed format, to be evaluated, signed and preserved by the teacher.

CLASS - XII

SEMESTER – III

SUBJECT: COMMERCIAL LAW AND PRELIMINARIES OF AUDITING (CLPA)

Unit	Details	Marks
Unit 1	Law of Partnership	10
Unit 2	Company Law	10
Unit 3	Audit Procedure	14
Unit 4	Routine Checking and Test Checking	06
	Total	40

Question Paper Typology

Sl. No.	Typology of Questions	Marks	%
1.	Remembering and Understanding (Simple)	12	30
2.	Applying (Average)	20	50
3.	Analysing, Evaluating and Critical thinking	08	20
	Total	40	100

Weightage to Questions

Unit	Details	Marks Allotted	Question Type	Marks per Question	No. of Questions	Total Marks
Unit 1	Law of Partnership	10	MCQ	1	10	10
Unit 2	Company Law	10	MCQ	1	10	10
Unit 3	Audit Procedure	14	MCQ	1	14	14
Unit 4	Routine Checking and Test Checking	06	MCQ	1	6	06
	Total	40				40

CLASS - XII

SEMESTER – III

SUBJECT: COMMERCIAL LAW AND PRELIMINARIES OF AUDITING (CLPA)

FULL MARKS: 40

CONTACT HOURS: 100 Hours

COURSE CODE: THEORY

PART – A (Commercial Law)

UNIT No	TOPICS	CONTACT HOURS	MARKS
Unit – 1 LAW OF PARTNERSHIP	<p>a) Definitions: Partnership, Partner, Firm – Essential elements of a Partnership – Mutual Agency – Who can be a partner? – Legal status of partnership firms – Classification of Partnership and Partners – Partnership Deed</p> <p>b) Registration of Partnership Firms: The formalities of Registration – Consequences of non-registration</p> <p>c) Rights and Liabilities of Partners: Mutual rights and duties u/s 12, 13 – Authority of a partner; Expressed and Implied Authority; Limitations of Implied Authority, Alteration of Authority; Authority in an emergency – Liability of Partners to outsiders – Rights and Duties of Partners – Position of a Minor in a partnership firm</p>	24 Hours	10 Marks
Unit – 2 COMPANY LAW	<p>a) Introduction: Definition of Company – Body Corporate – Essential Features of Company – Types of Companies: Chartered Company; Statutory Company; Registered Company; Private Company; Public Company; Government Company; Holding Company; Subsidiary Company; Foreign Company – Difference between Private Company and Public Company – Conversion of Private Company into Public Company and vice versa</p> <p>b) Incorporation of a Company: Formation – Memorandum and Articles of Association – Distinction between Memorandum and Articles – Incorporation of Company – Effect of Registration – Commencement of Business – Alteration of Memorandum and Articles</p> <p>c) Prospectus: Public offer and Private placement – Definition of Prospectus – Matters to be stated in Prospectus – Shelf Prospectus – Red-herring Prospectus – Mis-statements in Prospectus</p> <p>d) Accounts of Companies: Books of Accounts – Financial Statements – Periodical Financial Statements – Internal Audit – Auditor: Appointment – Eligibility – Auditor's Report</p>	26 Hours	10 Marks
	TOTAL (A)	50 Hours	20

PART – B (Preliminaries of Auditing)

UNIT No	TOPICS	CONTACT HOURS	MARKS
Unit – 3 AUDIT PROCEDURE	a) Preparatory steps before commencement of a new Audit b) Preparation by the Auditor: Audit Planning – Audit Programme: Definition; Objectives; Features; Advantages and Limitations – Audit Notebook: Definition; Contents and Advantages – Audit Working Papers: Definition; Contents; Ownership; Protection and Preservation – Audit File: Definition; Types and their Contents – Audit Memorandum: Definition; General Contents	40 Hours	14
Unit – 4 ROUTINE CHECKING AND TEST CHECKING	a) Routine Checking: Definition – Scope – Objectives – Advantages – Limitations b) Test Checking: Definition – Factors to be considered before Test Checking – Advantages – Limitations – Difference between Routine Checking and Test Checking – Transactions not suitable for Test Checking	10 Hours	6
	TOTAL (B)	50 Hours	20
	GRAND TOTAL (A+B)	100	40

CLASS - XII

SEMESTER – IV

SUBJECT: COMMERCIAL LAW AND PRELIMINARIES OF AUDITING (CLPA)

Unit	Details	Marks
Unit 1	Negotiable Instruments	14
Unit 2	Law of Insurance	06
Unit 3	Vouching	10
Unit 4	New Branches of Auditing	10
	Total	40

Question Paper Typology

Sl. No.	Typology of Questions	Marks	%
1.	Remembering and Understanding (Simple)	12	30
2.	Applying (Average)	20	50
3.	Analysing, Evaluating and Critical thinking	08	20
	Total	40	100

Weightage to Questions

Unit	Details	Marks Allotted	Question Type	Marks per Question	No. of Questions	Total Marks
Unit 1	Negotiable Instruments	14	SAQ	2	2	14
			Descriptive	5	2	
Unit 2	Law of Insurance	06	SAQ	3	2	06
Unit 3	Vouching	10	SAQ	2	1	10
			SAQ	3	1	
			Descriptive	5	1	
Unit 4	New Branches of Auditing	10	SAQ	2	1	10
			SAQ	3	1	
			Descriptive	5	1	
	Total	40				40

CLASS - XII

SEMESTER – IV

SUBJECT: COMMERCIAL LAW AND PRELIMINARIES OF AUDITING (CLPA)

FULL MARKS: 40

CONTACT HOURS: 80 Hours

COURSE CODE: THEORY

PART – A (Commercial Law)

UNIT No.	TOPICS	CONTACT HOURS	MARKS
Unit – 1 NEGOTIABLE INSTRUMENTS	<p>a) Introduction: Concept of Negotiable Instruments – Essential features of Negotiable Instruments – Types of Negotiable Instruments – Promissory Note: Definition and Essential elements – Bill of Exchange: Definition; Essential elements and Types – Cheque: Definition; Features and Types – Difference between Promissory Note and Bill of Exchange – Difference between Bill of Exchange and Cheque – Meaning of Holder and Holder in Due Course – Rights of a Holder in Due Course</p> <p>b) Acceptance, Negotiation, Endorsement: Meaning of Acceptance; Types; When acceptance is not necessary; Time and Place of presentment for Acceptance – Meaning of Negotiation; Negotiation by Delivery; Negotiation by Endorsement; Who can negotiate – Meaning and Definition of Endorsement; Effects; Types; Rules regarding Endorsement</p>	28 Hours	14
Unit – 2 LAW OF INSURANCE	<p>a) Introduction: Advantages and the Object of Insurance – Contract of Insurance: Essential Elements – Types of Insurance – Meaning of the terms: Insurer; Insured; Insurance Policy; Risk; Premium; Cover Note – Duties and Rights of Policy Holders – Double Insurance and Reinsurance – Distinction between Double Insurance and Reinsurance</p> <p>b) Life Insurance: Definition; Features; Types – Meaning of Surrender Value; Nomination – Difference between Life Insurance and General Insurance – Effect of Suicide</p> <p>c) General Insurance: Marine Insurance – Definition; Features; Types – Fire Insurance – Definition; Features; Types</p>	12 Hours	6
	TOTAL (A)	40 Hours	20

PART – B (Preliminaries of Auditing)

UNIT No.	TOPICS	CONTACT HOURS	MARKS
Unit – 3 VOUCHING	Vouching: Definition; Features; Objectives; Importance; Factors to be considered in Vouching – Voucher: Definition; Classification; Features – Comparison between Routine Checking and Vouching – Vouching of Specific Transactions: Cash Purchases; Cash Sales; Cash Payments; Cash Collections; Loans taken from outsiders	20 Hours	10
Unit – 4 NEW BRANCHES OF AUDITING	a) Cost Audit: Definition – Objectives – Advantages – Limitations b) Management Audit: Definition – Objectives – Advantages – Limitations c) Performance Audit: Definition – Objectives – Advantages – Limitations d) Social Audit: Definition – Objectives – Advantages – Limitations e) Tax Audit: Definition – Objectives – Who are mandatorily subject to Tax Audit? (Section 44AB of IT Act, in accordance with the latest govt. regulations)	20 Hours	10
	TOTAL (B)	40 Hours	20
	GRAND TOTAL (A+B)	80	40

CLASS - XII

PROJECT WORK FULL MARKS – 20

Sub Topic:

1	Imagine you and two friends are forming a partnership firm. Draw up a Partnership Deed clearly specifying the relevant matters to be included therein.
2	Visit the registered office of a company, and inspect the Articles of Association of the company. Prepare a report on the provisions regarding Accounts of the company as mentioned in the Articles.
3	With the help of your teacher, draw up a bill of exchange/ promissory note, and write up a report on the salient features of the same, and its significance in business.
4	Imagine you have asked to audit a small company. Prepare a report on the steps you would follow before you conduct the audit procedure.
5	Visit a trader and examine the process of vouching of cash sales, and prepare a report on the same.

General Guidelines:

Students are supposed to select any one of the topics given, and are required to make only ONE project from the selected topic (carrying 20 marks).

The following steps might be followed:

1. Students must take any ONE topic during the academic session of Class XII, from the topics given.
2. The topic should be assigned after discussion with the students in the class and should then be discussed at every stage of the project work.
3. The teacher should play the role of a facilitator and should closely supervise the process of project completion. The teachers must ensure that the project work assigned to the students whether individually or in group are discussed at different stages right from assignment to drafts review and finalization.
Students should be facilitated in terms of providing relevant materials or suggesting websites, or obtaining required permissions from business houses, malls etc. for their project.
4. The periods assigned to the Project Work should be suitably spaced throughout the academic session. The teachers MUST ensure that the student actually, goes through the rigors and enjoys the process of doing the project rather than depending on any readymade material available outside.
5. At the end of the stipulated term, each student will prepare and submit their project report in the prescribed format, to be evaluated, signed and preserved by the teacher, for final submission to the WBCHSE.