

QP Code: 22/PT/9/VI (Old)

**POST-GRADUATE COURSE**

**Term End Examination — June, 2022/December, 2022**

**COMMERCE ( Old Syllabus )**

**Paper-VI : ACCOUNTING THEORY**

**( Up to January 2021 Enrolment Session )**

Time : 2 hours ]

[ Full Marks : 50

Weightage of Marks : 80%

**Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.**

**Use of scientific calculator is strictly prohibited.**

**Module - I**

Answer any *two* of the following questions :  $12\frac{1}{2} \times 2 = 25$

1. (a) "Accounting was just an art and artist was at liberty to do whatever he liked". – In light of the above statement discuss the issues of Creative Accounting practices with relevant cases and how the need for Standardised Accounting practices been realized in this context.
- (b) Discuss the significance of social and legal environmental forces in developing the accounting theoretical framework.  $6\frac{1}{2} + 6$
2. (a) Distinguish between balance sheet approach and matching approach to income measurement.
- (b) Mr. X, a trader commenced businesses on 01/01/2021 with Rs. 12,000 represented by 6,000 units of X at Rs. 2 p.u. During the year 2021, he sold these units at Rs. 3 p.u. and had withdrawn Rs. 6,000. It is also given that the average price indices at the beginning and at the end of the year are 100 and 120 respectively. Moreover, it is also mentioned that the price of the same product at the end of the period is Rs. 2.50 p.u. In other words, the specific price index applicable to the product is 125. With the help of above example calculate whether Mr. X is able to maintain capital under –
  - i) Financial Capital Maintenance Concept
  - ii) Real Capital Maintenance at current purchasing power concept
  - iii) Physical Capital Maintenance Concept.

- (c) On 1st January 2020, XYZ Ltd. acquired an asset at a cost of Rs. 40,000. By 31st December 2020 the replacement cost of the same asset had risen to Rs. 60,000. It was sold on 31st December, 2021 for Rs. 1,00,000 and at the time of sale, the replacement cost was Rs. 65,000. Compute historical cost Profit/Loss, Holding gain/loss on 2020 and 2021 as well as current operating gain/loss. 2½ + 6 + 4
3. (a) Compare and contrast between Historical Cost Accounting and Cash Flow Accounting.
- (b) What are the advantages of Cash Flow Accounting over Accrual basis of accounting ?
- (c) Mention under which cash flows activities heads the following transactions will be placed as per the relevant accounting standards ABC Trading Company & XYZ Bank respectively.
- i) Furniture worth Rs. 5,00,000 were purchased by XYZ Bank from ABC Trading Ltd.
- ii) XYZ Bank had charged a commission of Rs. 5,000 for auctioning of Rs. 2,00,000 computers of ABC Trading Ltd.
- iii) ABC Trading had issued an IPO of Rs. 5,00,000 for which XYZ Bank had been appointed as an underwriter @ 2½% commission. At the end shares worth Rs. 10,000 remaining unsubscribed which had to be taken by the underwriter. 3 + 3 + 6½
4. (a) Discuss how conceptual framework provide safeguard to the accounting standard setters against politicization.
- (b) Elucidate qualitative characteristics of accounting information and what are the impediments on presenting qualitative information of accounting. 4 + (4 + 4½)

## Module - II

Answer any *two* of the following questions :  $12\frac{1}{2} \times 2 = 25$

5. (a) "Disclosure is the movement of information from the private domain into the public domain" – based on the above statement discuss the basic characteristics of accounting disclosure.
- (b) Draw the proforma of Balance Sheet as per the relevant corporate regulations applicable in India.
- (c) With the help of the following information compute EVA<sup>®</sup> of ABC Ltd and XYZ Ltd and compare from the perspectives of shareholders wealth creation.

Particulars	ABC Ltd	XYZ Ltd.
a) Equity Share Capital	Rs. 10,00,000	Rs. 8,00,000
b) 10% Debentures	Rs. 2,00,000	Rs. 4,00,000
c) Operating Profit	Rs. 20,00,000	Rs. 20,00,000
d) Cost of debt. (before tax)	10%	10%
e) Reserve & Surplus	Rs. 5,00,000	Rs. 4,00,000
f) 10% Bank Loan	–	Rs. 1,00,000
g) Beta of the security	1.2	1.7

Risk free Govt. security rate is 10% and market return is 20%.  
Applicable income tax rate is 30%.

$3 + 3\frac{1}{2} + 6$

6. (a) As per the Government Accounting Rules, 1990 state the nature of the accounting methods kept for Government Accounting.
- (b) If the cost of stores not paid for in the same month in which they are received then where they should be recorded ? Show the journal entries from Government Accounting perspective.
- (c) What is meant by *Encumbrance* in Government Accounting ? Why is it maintained ?
- (d) What do you mean by *Vote on Account* and *Vote of Credit* in Government Accounting ?
7. (a) Define Social Accounting. How is it different from Enterprise Accounting ?
- (b) What are the methods used for national income measurement ?
- (c) What is the difference between GNI and NNI ? Why does income equal output under national accounting method ?

$2 + 2 + 4 + 2 + 2\frac{1}{2}$

8. (a) What is meant by value added income ? What are the methods used for computation of value added income ?
- (b) State the difference between GVA and NVA. What are the alternative treatments available for the following items in measuring value added income ?
- i) Depreciation
  - ii) Unsold inventories
  - iii) Wages
  - iv) Excise Duty.
- (c) From the following information prepare
- i) Conventional income statement, and
  - ii) Value added income statement.

<b>Particulars</b>	<b>Amount</b>
Sales	3,50,000
Printing & Stationery	5,000
Interest on Loan	25,000
Travelling Expenses	15,000
Employees' Welfare Expenses	10,000
Salaries & Wages	50,000
Depreciation on Assets	40,000
Power and Fuel	15,000
Packing materials	10,000
Raw materials	1,20,000
Tax @ 30%	—
Dividends on Shares	10,000
Transfer to Reserves	20,000

2 + 2 + 2 + 2 + 4½