

POST-GRADUATE COURSE**Term End Examination :****December, 2014 / June, 2015****COMMERCE****Paper-VI : Accounting Theory****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.

MODULE – I

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

1. a) "Accounting is a body of knowledge that explains and justifies the accounting function."— Explain the above statement.
- b) Elucidate different approaches to the formulation of the accounting theory.
- c) "The purpose of accounting is to provide information to different segments of society." Justify the above statement in light of how the accounting serves information needs of various stakeholders.

$$3 + 4 + 5\frac{1}{2}$$

2. a) Compare and contrast between economic and accounting concept of Income.
- b) State various approaches for maintenance of capital.
- c) Compute deprival value of 3 Plant and Machineries of XYZ Ltd. with proper justification.

Particulars	Machine I	Machine II	Machine III
Historical cost	10,100	12,500	17,900
Net Realisable value	18,000	9,000	24,000
Replacement cost	15,000	12,000	27,000
Net Present value	21,000	6,000	36,000

$$3 + 4 + 5\frac{1}{2}$$

3. a) Why Cash Flow statement is prepared ?
- b) Compare and contrast between historical cost accounting and cash flow accounting.
- c) State the nature of treatment of following items in the books of Alpha Bank and Beta

Furniture Trading Ltd. as per Indian Accounting Standard [AS -3].

- (i) Interest received on loan and advance Rs. 25,000.
- (ii) Interest paid to Debenture holders Rs. 10,000.
- (iii) Underwriting Commission paid by Beta Trading Ltd to Alpha Bank for issue of new share Rs. 20,000.
- (iv) Office furniture of Rs. 70,000 purchased by Alpha Bank from Beta Furniture Trading Ltd. $3 + 3 + 6\frac{1}{2}$

4. a) What is meant by Conceptual Framework of Accounting ?
- b) Elucidate the purpose of formulation of conceptual framework of accounting.
- c) Discuss the objectives of financial reporting as laid down by the statements of Financial Accounting Concepts (SFAC) No. 1 of Financial Accounting Standard Board (FASB). $2 + 6\frac{1}{2} + 4$

MODULE-II

Answer any *two* questions. $12\frac{1}{2} \times 2 = 25$

5. a) What is meant by the term 'disclosure' in accounting ? State its significant features.
- b) What are the mandatory and voluntary items of disclosure for listed companies in India ?
- c) ABC Ltd. with an opening capital employed of Rs. 20,00,000 and debt-equity ratio of 3 : 2 had faced two alternative investment proposals A & B. Proposal A can give a sales of Rs. 30,00,000 with cost of goods sold Rs. 15,00,000 and operating expenses Rs. 1,70,000. On the other hand, Proposal B can give a sales of Rs. 40,00,000 with cost of goods sold Rs. 18,00,000 and operating expenses Rs. 2,30,000. The cost

of debt is 12% (after tax), Government security return 10%, market return 15%, Beta of security 1.3 and application tax rate 30%. Selection of which investment proposal will be appropriate for the firm considering shareholders wealth maximization in mind ? $(2 + 2) + 3 + 5 \frac{1}{2}$

6. a) State the nature of accounting system used in Government Accounting process.
- b) Compare and contrast between Commercial Accounting System and Government Accounting System.
- c) Discuss the significance of maintaining contingency fund in Government Accounting.
- d) What is 'Vote on Account' ? $3 + 3 + 2 + 4 \frac{1}{2}$

7. a) What is meant by Social Accounting ? Why is it prepared ?
- b) Compare and contrast between Social Accounting and Enterprise Accounting.
- c) How to compute Gross National Product under income and expenditure method ?

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

8. a) Explain the methods used for computing value added.
- b) What is the significance of preparation of value added statement ?
- c) With the help of following information, prepare value added statement of ABC Ltd. for the year ended 31.03.2015.

	Rs.
Sales	32,00,000
Wages	9,00,000
Materials, Stores & Stationery	6,00,000
Depreciation of Machinery	80,000
Electricity charges in Factory	50,000

(continued....

	Rs.
Transportation costs	20,000
Salaries	5,00,000
Postage, Printing & Stationery	90,000
Electricity charges in office	40,000
Rent of office premises	70,000
Insurance charges	35,000
Depreciation of office equipment	20,000
Interest charges	80,000
Tax Payment	1,70,000
Proposed dividend on equity shares	70,000
Retained Profit	4,75,000
	$3 + 3 + 6\frac{1}{2}$
