



**M. COM**  
**First Semester**  
**FINANCIAL ACCOUNTING & REPORTING PRACTICES**  
**(MCM - 103)**

**Duration: 3Hrs.**

**Full Marks: 70**

Part-A (Objective) =20  
Part-B (Descriptive) =50

**(PART-B: Descriptive)**

**Duration: 2 hrs. 40 mins.**

**Marks: 50**

**Answer any four from Question no. 2 to 8**  
**Question no. 1 is compulsory.**

1. Answer the following: (*any four*) (2.5×4=10)
  - a. Write a note on Normative Theory of Accounting.
  - b. Write a note on ground for convergence of Indian Accounting Standards and IFRS.
  - c. Meaning and types of Investments as per AS 13.
  - d. Define related party transaction under AS-18.
  - e. Machinery purchased on 1<sup>st</sup> April, 2011 Rs.1,00,000  
Estimated residual value at the end of the 10<sup>th</sup> year Rs.10,000  
Method of providing depreciation in use- Straight line method.  
From the 5<sup>th</sup> year, company decided to change the method of depreciation from straight line method to Written down value method @20%.  
Calculate Deficiency/Surplus of depreciation.
2. What is Accounting Theory? Discuss how Accounting theory can be constructed under deductive and inductive methods. (2+4+4=10)
3. Discuss briefly accounting policies and fundamental accounting assumptions as given in AS 1. (5+5=10)

4. a. When can revenue be recognised in case of a transaction of sale of goods and rendering of services as per AS 9? (3+3=6)
- b. Y Ltd. used certain resources of X Ltd. In return X Ltd. received Rs.10 lakhs and Rs.15 lakhs as interest and royalties respectively from Y Ltd. during the year 2012-13.
- You are required to state whether and on what basis these revenues can be recognised by X Ltd. (4)
5. a. State the contents of Annual Report of a company. (3)
- b. From the following balances as per the Trial Balance of Fahim Industries Ltd prepare a Balance Sheet – Assets Side only as on 31<sup>st</sup> March, 2016: (7)

Dr		Trial Balance as on 31 <sup>st</sup> March, 2016		Cr	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
Land & Building	2,70,000	Share Capital (50,000 Eq. Shares)	5,00,000		
Copy rights	65,000	10% Debentures	1,00,000		
Goodwill	20,000	Loan from Bank	72,100		
Non-current Investments	1,00,000	Sundry Creditors	74,200		
Capital work in progress	1,00,000	Outstanding:			
Loose Tools	200	Wages	500		
Fixed Deposit in SBI for 1 year	75,000	Salaries	2,500		
Sundry Debtors	50,000	Statement of Profit & Loss (1.4.2015)	15,000		
Cash at Bank	10,000	General Reserve	10,000		
Cash in hand	82,000				
Interest on Debenture	8,000				
Advance to staff	2,100				

Additional Information:

- (i) Profit before Tax of the current year is Rs.50,000
- (ii) Closing inventory Rs.49,000
- (iii) Goods lost by fire Rs.4,000. Insurance claim admitted by insurance company Rs.3,000
- (iv) Machinery worth Rs.10,000 purchased but not recorded.
- (v) Board of directors of the company has declared a Dividend of Rs.10,000.

6. a. Net Profit for the year 2010- Rs.18,00,000

Net Profit for the year 2011:- Rs.60,00,000

No of Equity Shares outstanding until 30<sup>th</sup> September, 2011:- 20,00,000

Bonus Share issued on 1<sup>st</sup> October, 2011:- 2 Equity Shares for each equity share outstanding at 30<sup>th</sup> September, 2011.

Calculate Earnings per Share for the year 2011 and Adjusted Earnings per Share for 2010. (2.5+2.5=5)

b. From the following information, calculate Cash Flow from Investing Activities:

(5)

Particulars	2014 Rs.	2015 Rs.
Machinery (At cost)	4,00,000	4,20,000
Accumulated Depreciation	1,00,000	1,10,000
Patents	2,80,000	1,60,000
Furniture	1,00,000	1,50,000

Additional Information:

i) During the year, a machine costing Rs.40,000 with its accumulated depreciation of Rs.24,000 was sold for Rs.20,000.

ii) Patents were written off to the extent of Rs.40,000 and some patents were sold at a profit of Rs.20,000.

iii) During the year the company purchased furniture of Rs.50,000 by issuing Equity Shares to the vendor.

7. What is Environmental Accounting? What is the significance of Environmental Accounting? Describe the reporting requirements as to Environmental Statement in the Directors' Report of Companies. (2+3+5=10)

8. a. What is Price Level Accounting? What are the different methods of Price Level Accounting?

b. From the following Conventional Income Statement for the year ended 31<sup>st</sup> March, 2015 ascertain profit or loss on account of price changes. (2+2+6=10)

Particulars		Conventional Values (Rs.)
Sales		90,000
Less: Cost of goods sold:		
Opening Inventory	8,000	
Add: Purchases	60,000	
	68,000	
Less: Closing Inventory	6,000	
	62,000	
Add: Expenses:	6,000	
Wages & Salaries	4,500	
Other Expenses	700	
Depreciation on building	300	
Interest		
		73,500
Net Income		16,500
Less: Dividends		4,000
Retained Earnings		12,500

Note: Index was 100 in the beginning and 200 at end of the year; average index 150 and when building was constructed index was 50.

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**Duration: 20 minutes**

**Marks – 20**

**(PART A - Objective Type)**

**1×20=20**

**I. Choose the correct answer:**

1. Accounting principles should be based on.....
  - a) Real assumption
  - b) real practice
  - c) Corporate objectives
  - d) accountant's understanding
2. Which one of the following is not true relating to Normative Theory of Accounting?
  - a) Deals with future events rather than past data.
  - b) Rely heavily on the process of deductive reasoning
  - c) Based on observation.
  - d) Income based on value.
3. Which one of the following indicates Cost of Inventories?
  - a) Cost of Purchase.
  - b) Cost of Conversion.
  - c) Other Costs (incurred in bringing the inventories to their present location and condition).
  - d) All of the above.
4. AS-6 is applicable to all:
  - a) Depreciable assets
  - b) Forests, Plantation
  - c) Wasting Assets, Minerals
  - d) Expenditure on R & D
5. Which one of the following is not recognised as revenue as per AS-9?
  - a) Revenue arises from hire-purchase and lease.
  - b) Revenue arises from the sale of goods.
  - c) Revenue arises from the rendering of services.
  - d) Revenue arises from the use by others of enterprise resources yielding interest, royalties and dividends.
6. Depreciation is a process of .....
  - a) valuation
  - b) allocation
  - c) reduction
  - d) appreciation
7. Which of the following not correct with reference to 'Relationships Covered' under AS-18?
  - a) Control of another enterprise (parent).
  - b) Control by another enterprise (subsidiary).
  - c) A single customer, supplier, franchiser, distributor or general agent.
  - d) Associates/ joint ventures/ co-venturer.

8. An interim financial report under AS-25 does not include:
- Condensed balance sheet
  - Condensed statement of profit and loss
  - Condensed cash flow statement
  - Condensed receipts and payments account
9. Segment information helps users of financial statements:
- Better understand the performance of the enterprise.
  - Better access the risks and returns of the enterprise.
  - Make more informed judgments about the enterprise as a whole.
  - All of these.
10. Earnings per share is a financial ratio that gives the information regarding earning available to each .....
- Equity and Participative Preference shareholder.
  - Equity shareholder.
  - Equity and Cumulative Preference shareholder.
  - Security shareholder.
11. As per CCA method, assets are shown at the .....
- actual cost
  - current cost
  - historical cost
  - replacement cost
12. IAS has replaced by .....
- IFRS
  - AS
  - IndAS
  - None of these
13. "Anticipated expenses and losses should be accounted while anticipated income and profit should be ignored" is the principle of .....
- conservatism
  - materiality
  - matching principle
  - none of these
14. Which one is the example of cash flows from financing activities?
- Issue of equity shares consideration other than cash.
  - Issue of 10% debenture.
  - Sale of furniture.
  - Dividend received.
15. Accounting Standards Board was set up in India in the year.....
- 1973
  - 1972
  - 1981
  - 1977
16. Financial information should be "neutral and bias free" is the dictation of which one of the following?
- Completeness concept
  - Faithful representation Concept
  - Objectivity Concept
  - Duality Concept

17. "The central purpose of accounting is to make possible the periodic matching of cost (effort) and revenue (accomplishments). This concept is the nucleus of accounting theory and a benchmark that affords a fixed point of reference for accounting discussion". Who said this statement?
- a) Littleton
  - b) Watts and Zimmerman
  - c) Hoskin
  - d) None of these
18. The useful life of a asset should be estimated after considering:
- a) Expected physical wear and tear only.
  - b) Obsolescence only.
  - c) Legal or other limits on the asset only.
  - d) All of these.
19. Dividend is paid on:
- a) Authorized Capital
  - b) Issued Capital
  - c) Called-up Capital
  - d) Subscribed Capital that is Paid-up
20. Which of the following statement is true relating to inflation accounting?
- a) Monetary gain arises on account of holding of monetary assets.
  - b) Gearing adjustment is a financial adjustment.
  - c) The financial statements are usually prepared on current values
  - d)  $\text{Converted figure} = \text{Historical figure} \times \text{Index No.}$

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