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Your Roll No.

M.Com./III Sem. (OC)

F

Paper No. 6302 : ACCOUNTING THEORY AND
PRACTICE

Time : 3 Hours

Maximum Marks : 100

*(Write your Roll No. on the top immediately
on receipt of this question paper.)*

Attempt All questions.

All questions carry equal marks.

1. (a) Discuss decision usefulness theory in the formulation of accounting theory. Explain the relevance or individual user behavior and aggregate market behavior in decision usefulness theory. (20)

OR

- (b) Explain environmental factors affecting accounting information system. (10)
- (c) Explain normative and positive approach to accounting theory (10)

P.T.O.

2. (a) Discuss the utility of segment reporting in company financial reporting. Explain fully the salient features of AS-17 segment reporting. (20)

OR

- (b) Explain the guidelines and disclosure requirements given in AS-9 Revenue Recognition. (10)
- (c) Explain the provisions of interim reporting as per As-25 (Interim reporting) (10)
3. (a) Discuss the basic objective of financial reporting and also explain the different methods of making disclosure in financial statements. (20)

OR

- (b) Define comprehensive income. Which income concept is better for decision making by users of financial statements? Give reasons. (20)
4. (a) What is the main objective of Current Cost Accounting Method (CCA)? Discuss briefly the various adjustments that are required in determining current cost profit for an accounting period. State whether CCA method has been used by some companies in India for financial reporting. (20)

OR

(b) Critically evaluate the allocation process and valuation process of computing depreciation process. Give suitable examples in support of your answer. (8)

(c) Explain Current Purchasing Power Accounting Method. (12)

5. Balance sheets of M/s Ram and Shyam as on January 1, 2006 and 31 December 2006 were as follows :

Liabilities	January 1, 2006 (Rs.)	December 31, 2006 (Rs.)	Assets	January 1, 2006 (Rs.)	December 31, 2006 (Rs.)
Creditors	40,000	44,000	Cash	10,000	7,000
Mrs. Ram's loan	25,000	—	Debtors	30,000	50,000
Loan from the bank	40,000	50,000	stock	35,000	25,000
Capital	1,25,000	1,53,000	Machinery	80,000	55,000
			Land	40,000	50,000
			Building	35,000	60,000
	2,30,000	2,47,000		2,30,000	2,47,000

Additional information:

During the year a machine costing Rs. 10,000 (accumulated depreciation Rs. 3000) was sold for Rs. 5000. The balance of provision for depreciation against machinery as on 1 January 2006 was Rs. 25000 and on 31 December 2006 Rs.40,000. Net Profit for the year amounted to Rs. 45,000.

Prepare the cash flow statement. (20)

OR

Singhania Private Limited had the following condensed trial balance at the end of 31st March 2013.

	(Rs.)		(Rs.)
Cash	7,500	Current liabilities	15,000
Account Receivables	30,000	Long term notes payable	25,500
Investment	20,000	Bonds payable	25,000
Plant assets	67,500	Capital stock	75,000
Land	40,000	Retained Earnings	24,500
	1,65,000		1,65,000

During 2013-14 the following occurred:

- (i) A land was purchased for Rs. 7,750 Cash.
- (ii) Bonds payable in the amount of Rs.6,000 were retired for cash at face and book value.
- (iii) An additional Rs. 20,000 equity Shares were issued at par for cash.
- (iv) Dividends totaling Rs. 9,375 were paid.
- (v) Net income for 2013-14 was Rs.28,450 after allowing for depreciation of Rs. 9,500

- (vi) Land Was purchased through the issuance of Rs. 22500 in bonds.
- (vii) Singhanian private limited sold part of its adjustments portfolio for Rs. 12875 cash. This transaction resulted in a gain of Rs. 1,375 for the firm.
- (viii) Current liabilities were increased to Rs. 18,000 at 31.03.2014.
- (ix) Accounts receivables at 31.03.2014 total Rs. 38,000.
- (x) The cash balance at 31.03.2014 is Rs. 48,825.

Prepare a Cash Flow Statement for the year 2013-2014.