

**M.COM**  
**First Semester**  
**Financial Accounting and Reporting Practice**  
**(MCM - 03)**

**Duration: 3Hrs.**

**Full Marks: 70**

**Part-A (Objective) =20**

**Part-B (Descriptive)=50**

**(PART-B: Descriptive)**

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

**Marks: 50**

**1. Answer any five from the following:**

**2×5=10**

- (a) What is interim financial report?
- (b) Write the Meaning of Inventories as per AS-2.
- (c) How does AS-13 differentiate between current investments and long-term investments?
- (d) Discuss in brief about the CPP method of inflation accounting.
- (e) Explain the term "Deferred Tax Liability".
- (f) What do you mean by a 'diversified company'?
- (g) What do you mean by 'Cash and Cash Equivalent' as per AS-3.

**2. Answer any five from the following:**

**3×5=15**

- (a) Mention any three major objectives of financial reporting.
- (b) How is software acquired for internal use accounted for under AS-26?
- (c) Define related party transaction under AS-18.
- (d) TVSM Company has taken a Transit Insurance Policy. Suddenly in the year 2012-13 the percentage of accident has gone up to 7% and the company wants to recognize insurance claim as revenue in 2012-13 in accordance with relevant Accounting Standards. Do you agree?
- (e) Write a short note on 'Social Disclosure'.
- (f) Describe briefly accounting policies as given in AS-1.

(g) From the following calculate earnings per share for the year 2001 and adjusted earnings per share for the year 2000.

Net profit for the year 2000 Rs. 18, 00,000

Net profit for the year 2001 Rs. 60, 00,000

No of equity shares outstanding until 30<sup>th</sup> September 2001- 20, 00,000

Bonus issue 1<sup>st</sup> October 2001- 2 equity shares for each equity share outstanding at 30<sup>th</sup> September.

**3. Answer any five from the following:**

**5×5=25**

- (a) Write a note on theories of disclosure.
- (b) Critically discuss about the Indian financial reporting system.
- (c) Briefly enumerate the guidelines issued by Institute of Chartered Accountants of India on "Revenue Recognition".
- (d) Discuss briefly the components of cost of fixed assets as per AS-10.
- (e) Discuss the different base used for segmenting a diversified company.
- (f) The Hari Mall Corporation has prepared the following comparative position statements (unadjusted):

Particulars	January, 1 2004 (Rs.)	December, 31 2004 (Rs.)
Cash in hand	Nil	15,000
Inventory	10,000	8,000
Total	10,000	23,000
Accounts Payable	6,000	9,000
Stakeholders Equity:		
Paid-up Capital	6,000	9,000
Reserves	1,000	11,000
Total	10,000	23,000

Summary of the transactions for the year is as follows:

- (i) Merchandise purchased evenly throughout the year cost Rs.3000.
- (ii) Cash sales during the year were Rs.15, 000.
- (iii) Cost of merchandise sold on FIFO basis was Rs.5, 000.

The conventional income statement prepared for the year was as follows:

	Rs.
Sales	15,000



The following information is to be taken into consideration:

- i. Closing inventory Rs.86,000
- ii. Depreciate Machinery at 10% pa
- iii. Outstanding Salary Rs.4,000
- iv. Transfer Rs.5,000 to General Reserve

The authorised capital of the company is Rs.6, 00,000 divided into Equity Shares of Rs.10 each.

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*(The figures in the margin indicate full marks for the questions)*

**Duration: 20 minutes**

**Marks – 20**

**PART A- Objective Type**

**1. Choose the correct answer and place its code number in the brackets provided:**

**1×10=10**

- (a) Accounting concepts are based on  
i) certain assumptions  
ii) certain facts and figures  
iii) certain accounting records  
iv) all of these ( )
- (b) Accounting Standards Board was set up in India in the year  
i) 1973  
ii) 1972  
iii) 1981  
iv) 1977 ( )
- (c) Which of the following cost would not be included in inventory?  
i) Period cost  
ii) Prime cost  
iii) Conversion cost  
iv) Indirect labour cost ( )
- (d) As per the definition of inventories mean the asset which are:  
i) held for sale in the ordinary course of business  
ii) in the process of production for sale  
iii) held in the form of materials or supplies, to be consumed in the process of production or rendering services.  
iv) all of these. ( )
- (e) An interim financial report should include, at a minimum, the following components:  
i) condensed balance sheet  
ii) condensed statement of profit & loss  
iii) condensed cash flow statement and selected explanatory note  
iv) all of these ( )
- (f) AS-9 is not applicable to the following aspects of revenue recognition, to which special considerations are applicable in the other accounting standards.  
i) revenue from construction contracts  
ii) revenue from higher purchase, lease agreements  
iii) revenue from insurance companies  
iv) none of these. ( )

- (g) In financial reporting for segments of a business, an enterprise shall disclose all of the following except:
- Types of products and services from which each reportable segment derives its revenues
  - The title of the chief operating decision maker of each reportable segment.
  - Factors used to identify the enterprises reportable segments.
  - The basis of measurement of segment profit or loss and segment assets. ( )
- (h) 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 ( )
- (i) Cash flow statement should present or report cash flows during the period classified by
- operating activities, non-operating activities and financing activities
  - non-operating activities, investing activities and financing activities
  - operating, investing and financing activities
  - none of these. ( )
- (j) Which one of the following is not the authority that can set and issue Accounting Standards in India?
- The Council of the Institute of Chartered Accountants of India
  - The Central Government under the Income Tax Act, 1961
  - The Central Government under the Companies Act, 1956
  - State Government ( )

**2. State whether the following statements are True (T) or False (F) by a tick (✓) mark : 1×5=5**

- Revised Schedule VI does not contain the heading "Miscellaneous Expenditure" **True/False**
- The cost of inventories should comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. **True/False**
- Indian Accounting Standard – 26 relates to Intangible Assets. **True/False**
- As per AS-6, the depreciable amount of a depreciable asset should allocate on a systematic basis to each accounting period during the useful life of the asset. **True/False**
- An investor in a joint venture is a party to a joint venture and does not have control over that joint venture. **True/False**

**3. Fill in the blanks: 1×5=5**

- Discount on issue of shares is shown in the Balance Sheet under as a deduction from -----.
- Cash Flow Statement is based upon ----- basis of accounting.
- Preparation of Financial Statement of a company as per revised Schedule VI is mandatory from the financial year -----.
- Basic earnings per share should be calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of ----- outstanding during the period.
- Converted figure = Historical figure X ----- (under CPP Method).

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