



PG – 587

I Semester M.Com. (F&A)/MFA Examination, January 2017  
(CBCS)  
Paper 1.1 : ACCOUNTING CONVENTIONS AND STANDARDS

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any seven** sub-questions out of **ten**. Each question carries **two** marks. (7×2=14)
- What are the objectives of ASB ?
  - What is Net Realisable Value as per AS-2 ?
  - What is meant by convention of 'Conservatism' ?
  - How are events occurring after the Balance Sheet date treated as per AS-4 ?
  - How depreciation is charged on additions which are integral part of the main asset as per AS-6 ?
  - Name the three categories of transactions in order as per AS-3.
  - How are deferred tax assets and liabilities treated as per AS-22 ?
  - State any two advantages of IFRS.
  - What accounting policies are prescribed for lessors in AS-19 ?
  - Mention the two categories of Amalgamations as per AS-14.

SECTION – B

- Answer **any four** questions out of **six**. Each question carries **five** marks. (4×5=20)
- Classify the adjusting and non-adjusting entries as per AS-4 with suitable examples.
  - Explain the valuation of raw material as per AS-2.
  - Briefly state the objectives of converging from Indian GAAP to Ind-AS.

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5. Briefly explain the standards in respect of fixed assets as per AS-10.
6. What are the disclosures in financial statements recommended by AS-12 regarding Government Grants ?
7. Explain the difference between direct and indirect methods of reporting cash flows from operating activities with reference to AS-3.

#### SECTION – C

Answer **any three** questions out of **five**. Each question carries **twelve** marks.

(3×12=36)

8. Explain AS-7 constructions contracts.
9. Write short notes on the followings.
  - a) IFRS
  - b) AS-1
  - c) Ind-AS
  - d) Accounting for foreign currency as per AS-11.
10. Explain the provisions of AS 2 – Inventory valuation.
11. Explain the treatment of intangible assets as per AS-26.
12. The directors of Durex Tools Ltd. are very much worried at the deteriorating financial position of the concern has availed full overdraft facility from SBI of India and still it is not able to pay off its creditors on due dates not withstanding satisfactory profits earned by it. The following are the Balance Sheets as at 31<sup>st</sup> December, 2014 and 2015.

Liabilities	2014 (Rs.)	2015 (Rs.)	Assets	2014 (Rs.)	2015 (Rs.)
Share capital in	1,00,000	1,00,000	Land and Buildings	30,000	50,000
shares of Rs.10 fully paid			Plant and Machinery (cost)	50,000	60,000
Profit and Loss a/c	6,000	8,000	Vehicles (cost)	11,600	12,400



Bank overdraft	16,000	60,000	Stock	22,000	72,000
Creditors	20,000	60,000	Debtors	46,000	60,000
Provisions for Depreciation :					
Plant and Machinery	12,000	18,000			
Vehicles	5,600	8,400			
	<b>1,59,600</b>	<b>2,54,400</b>		<b>1,59,600</b>	<b>2,54,400</b>

During the year a dividend of 10% was paid to share holders. On 1<sup>st</sup> January, 2015 an asset which was originally purchased for Rs. 2,000 and showing a book value of Rs. 1,000 was sold for Rs. 1,600. You are required to prepare a statement of cash flow as per AS-3 which should indicate as what has happened to the money which has come into the business during the year 2015.

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I Semester M.F.A. Degree Examination, January 2016  
(Semester Scheme)  
**FINANCE AND ACCOUNTING**  
Paper – 1.1 : Accounting Conventions & Standards

Time : 3 Hours

Max. Marks : 80

**Instruction : Answer all Sections.**

**SECTION – A**

Answer any ten questions from the following in about 3–4 lines each. Each question carries 2 marks. (10×2 = 20)

1. a) Define 'Accounting Standards'.
- b) Identify any four benefits of 'Accounting Standards'.
- c) List any four areas where more than one accounting treatment is possible.
- d) What do you mean by "Deferred tax" ?
- e) What are the three heads under which cash movement is explained in a Cash Flow Statement ?
- f) What are 'prior period items' ?
- g) What are employee benefits ?
- h) Explain the conditions for capitalization of borrowing costs.
- i) What are the types of 'Earnings Per Share' that are required to be disclosed ?
- j) What kind of Accounting Policies' would you adopt while presenting Interim Financial Report ?
- k) How do you calculate 'Impairment Loss' ?
- l) Identify any two differences between Accounting Standards followed in India and the International Financial Reporting Standards (IFRS).

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## SECTION – B

Answer **any three** questions from the following. **Each** question carries 5 marks.

(3x5 = 15)

2. Define 'Contract Revenue'. What are the items covered under Contract Revenue as stated in AS 7 : Construction Contracts.
3. What are foreign currency transactions and explain their accounting treatment as stated in AS 11 : Effects of Changes in Foreign Exchange Rates ?
4. Explain any two types of Government Grants and explain their accounting treatment as stated in AS 12 : Government Grants.
5. What are the classifications of investments ? Explain the standard prescribed in AS 13 : Accounting for Investments with regard to 'Reclassification of Investments'.
6. Explain 'Related Party Transactions' and give five examples for such transactions.

## SECTION – C

Answer **any two** questions from the following. **Each** question carries 15 marks.

(2x15 = 30)

7. Explain the standards set for Valuation of Inventories under AS 2.
8. What are the conditions for recognizing revenue from sale of goods ? When do you recognize revenue in respect of the following :
  - a) Installation and inspection.
  - b) Sale on Approval.
  - c) Warranty Sales.
  - d) Consignment Sales.
  - e) Installments Sales.
9. What are Fixed Assets' ? Explain the provisions of AS : 10 with respect to Accounting for Fixed Assets.
10. Define 'Amalgamation' and explain the types of amalgamation and their accounting treatment.



## SECTION - D

(Compulsory)

(1x15 = 15)

11. Prepare a Cash Flow Statement from the following. You may use Direct Method or Indirect Method, but the statement must be in conformity with AS-3.

**AMD Limited**  
**Balance sheet as at 31-12-2012**

	Rs. in lakhs	
	2010	2009
<b>Assets</b>		
Cash on hand and balances with banks	200	25
Short-term investments	670	135
Sundry debtors	1,700	1,200
Interest receivable	100	—
Inventories	900	1,950
Long-term investments	2,500	2,500
Fixed assets at cost	2,180	1,910
Accumulated depreciation	(1,450)	(1,060)
Fixed Assets (net)	730	850
<b>Total assets</b>	<b>6,800</b>	<b>6,660</b>
<b>Liabilities</b>		
Sundry creditors	150	1,890
Interest payable	230	100
Income taxes payable	400	1,000
Long-term debt	1,110	1,040
<b>Total liabilities</b>	<b>1,890</b>	<b>4,030</b>
<b>Shareholders' Funds</b>		
Share capital	1,500	1,250
Reserves	3,410	1,380
<b>Total shareholders' funds</b>	<b>4,910</b>	<b>2,630</b>
<b>Total liabilities and shareholders' funds</b>	<b>6,800</b>	<b>6,660</b>



**Statement of Profit and Loss for the period ended 31-12-2012**

	(Rs. in lakhs)
Sales	30,650
Cost of sales	(26,000)
<b>Gross profit</b>	<b>4,650</b>
Depreciation	(450)
Administrative and selling expenses	(910)
Interest expense	(400)
Interest income	300
Dividend income	200
Foreign exchange loss	(40)
<b>Net profit before taxation and extraordinary item</b>	<b>3,350</b>
Extraordinary item Insurance proceeds from earthquake disaster settlement	180
<b>Net profit after extraordinary item</b>	<b>3,530</b>
Income-tax	(300)
<b>Net profit</b>	<b>3,230</b>

The following additional information is given :(figures are in Rs. lakhs)

- An amount of 250 was raised from the issue of share capital and a further 250 was raised from long term borrowings.
- Dividends paid were 1,200.
- Tax deducted at source on dividends received (included in the tax expense of 300 for the year) amounted to 40.
- During the period, the enterprise acquired fixed assets for 350. The payment was made in cash.
- Plant with original cost of 80 and accumulated depreciation of 60 was sold for 20.
- Foreign exchange loss of 40 represents the reduction in the carrying amount of a short-term investment in foreign-currency designated bonds arising out of a change in exchange rate between the date of acquisition of the investment and the Balance Sheet date.
- Sundry debtors and sundry creditors include amounts relating to credit sales and credit purchases only.



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I Semester M.F.A. Examination, January 2016  
(CBCS)  
**FINANCE AND ACCOUNTING**  
**Paper – 1.1 : Accounting Conventions and Standards**

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer any seven sub-questions out of ten. Each sub-question carries two marks. (7x2=14)
- How Accounting Standards are enforced in India ?
  - Do you support the view that Government Agencies should set the Accounting Standards ?
  - What is meant by "Accrual" assumption ?
  - List the "events occurring after the balance sheet date".
  - Under what circumstances, can an enterprise change its Accounting Policies ?
  - Name the three categories of transactions that are covered under AS-11 "Effects of changes in foreign exchange rates".
  - What is the accounting treatment for post-employment benefits which are in the nature of "Defined Contribution Plans" ?
  - Give four examples of Related Parties for a Company.
  - How Timing Difference gives rise to Deferred Tax ? Give two examples.
  - State any two differences between Accounting Standards (in India) and International Accounting Standards (IAS/IFRS).

SECTION – B

Answer any four questions out of six. Each question carries five marks. (4x5=20)

2. Based on AS-2 valuation of inventories answer the following :
- What is Net Realisable Value ?
  - Explain Cost Formula/ Methods of determine cost of inventories.

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3. What is construction contract ? Name the two types of construction contracts. To whom AS-7 : *Construction Contracts* is applicable ?
4. List the standards in respect of fixed assets shown in the financial statement at historical cost.
5. What are the standards relating to Government Grants under AS 12 ?
6. What is a Finance Lease ? Explain the principles of accounting for finance lease in the books of the lessor.
7. Distinguish 'Provisions' and 'Contingent Liabilities'.

## SECTION - C

Answer **any three** questions out of five. **Each** question carries **twelve** marks. (3×12=36)

8. Explain the provisions of AS 6 – Depreciation Accounting.
9. When do you recognise revenue in respect of the following :
  - a) Guaranteed sales
  - b) Warranty sales
  - c) Consignment sales
  - d) Installation fee
  - e) Admission fee
  - f) Interest.
10. What are the standards relating to investments set out of Accounting for Investments – AS 13 ?
11. What are the conditions to be satisfied for an amalgamation to be considered as Merger ? Explain the method of accounting for such amalgamations.



12. Prepare Cash Flow Statement of Aspire Limited in accordance with AS-3 using the direct method from the following summary cash account for the year ending 31<sup>st</sup> March 2015 :

**BALANCE SHEET AS ON 31-3-2015**

	Rs. in thousands	
	As at 31-3-2015	As at 31-3-2014
<b>Liabilities</b>		
Share capital	5,000	3,000
Reserves and surplus	2,000	1,800
Long-term loans	2,000	3,300
Sundry creditors	3,300	2,800
Interest payable	350	250
Income-tax payable	500	350
Proposed Dividend	1,000	800
<b>Total</b>	<b>14,150</b>	<b>12,300</b>
<b>Assets</b>	<b>As at 31-3-2015</b>	<b>As at 31-3-2014</b>
Net fixed assets	6,000	4,500
Long term – investments	1,900	1,800
Inventories	2,000	2,100
Sundry debtors	3,700	3,650
Interest Receivable	250	150
Cash and bank balances	300	100
<b>Total</b>	<b>14,150</b>	<b>12,300</b>

**Profit and Loss Account for year Ending 31-3-2015**

	As at 31-3-2015
<b>Income</b>	
Sales	17,300
Interest	250
Dividend	150
<b>Total – (1)</b>	<b>17,700</b>



Expenditure	As at 31-3-2015
Cost of sales	10,800
Administrative and selling expenses	3,500
Interest	600
Depreciation	800
<b>Total - (2)</b>	<b>15,700</b>
Net Profit before taxation (1) - (2)	2,000
Less : Provision for income tax	800
<b>Net Profit after tax</b>	<b>1,200</b>

Assets	As at 31-3-2015
Total	14,150
Cash and bank balances	200
Interest Receivable	150
Sundry debtors	2,500
Inventory	2,000
Long term investments	1,800
Fixed assets	7,500

Profit and Loss Account for year ending 31-3-2015	As at 31-3-2015
Total - (1)	17,300
Sales	17,300
Interest	200
Income	1,200