



PG – 765

I Semester M.F.A. Examination, January 2015

(CBCS Scheme)

FINANCE AND ACCOUNTING

Paper – 1.1 : Accounting Conventions and Standards

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any seven** questions. **Each** question carries **two** marks. (7×2=14)

- a) Define "Accounting Standard".
- b) How do Accounting Standards benefit the Accountants and Auditors ?
- c) Name a few Accounting Standard setting bodies of different countries.
- d) What are fundamental accounting assumptions according to AS1 : Disclosure of Accounting Policies ?
- e) What are monetary items with regard to foreign currency denominated transactions ? What are the valuation principles in respect of such monetary items on the balance sheet date ?
- f) Classify "Investments" under the Accounting Standard 13 : Accounting for Investments.
- g) What are contingent gains ? Can we recognise contingent gains in the financial statements ?
- h) Give any two features of IFRS.
 - i) Give any two differences between Accounting Standards followed in India and the IFRS.
 - j) When do you recognise revenue in respect of Interest and Royalties ?

SECTION – B

Answer **any four** questions. **Each** question carries **five** marks. (4×5=20)

2. What is the measurement principle for inventories ? Explain "Cost of Purchase" in the context of valuation of inventories under AS-2.

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3. Name the two methods of depreciation. Explain the procedure to be followed in case of change of depreciation method as stated in AS-6.
4. Under AS-7 : Construction Contracts, what constitutes "contract costs" ?
5. Explain the revenue recognition principle relating to sale of goods based on AS-9 : Revenue Recognition.
6. TEAM Co. Ltd. had outstanding equity shares of 50,00,000 as on 1-4-2013. Net profit for the year 2013-14 is Rs. 1,00,00,000; TEAM Co Ltd had 12% 1,00,000 convertible debentures outstanding of Rs. 100/- each to be converted into 10 equity shares. Tax rate is 30%. Calculate (i) Basic EPS and (ii) Diluted EPS.
7. What is the prescribed accounting treatment of research cost and development cost, under AS26 : Intangible Assets ?

SECTION – C

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

8. Explain the procedure for issue of accounting standards in India.
9. List out the salient features of AS10 : Accounting for fixed assets.
10. What are Government Grants ? How do you treat Government Grants in the financial statements ?
11. Prepare Cash Flow Statement in accordance with AS-3 using the direct method from the following summary cash account for the year ending 31st March 2014. The Company does not have any cash equivalents.

Summary Cash Account of Lollipop Corporation Ltd. for the year ending 31-3-2014

Receipts	Amount in Rs. lakhs	Payments	Amount in Rs. lakhs
Balance on 1-4-2013	50	Payments to Suppliers	2,000
Issue of Equity Shares	300	Purchase of Fixed Assets	200
Receipts from customers	2,800	Overhead Expenses	200
Sale of Fixed Assets	100	Wages and Salaries	100
		Taxation	250
		Dividend	50
		Repayment of Bank Loan	300
		Balance on 31-3-2014	150
Total	3,250	Total	3,250



12. Prepare the Opening Balance Sheet of Vishal-Shekar Ltd. which is created upon merger of Vishal Limited and Shekar Ltd using Pooling of Interests Method, from the Balance Sheets and additional information relating to merger given below.

Balance Sheet as on 31-12-2013

Liabilities	Vishal Shekar		Assets	Rs. In lakhs	
	Limited	Limited		Vishal Limited	Shekar Limited
Equity Shares of Rs. 10/- each	5,000	3,000	Tangible Fixed Assets	5,500	3,620
General Reserve	1,000	800	Intangible Assets	–	200
Investment Allowance Reserve	–	200	Investments	100	–
Profit and Loss Account	750	500	Stock	600	500
Trade Creditors	600	700	Debtors	1,200	900
Other Current Liabilities	100	50	Cash and Bank	50	30
Total	7,450	5,250	Total	7,450	5,250

- a) Issued equity shares of Rs. 10/- each equivalent to Rs. 5,200 lakhs to the shareholders of Vishal Limited and Rs. 3,100 lakhs to the shareholders of Shekar Limited.
- b) Investment allowance reserve are to be maintained for two more years.

SECTION - B

(4x5=20)

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PG – 755

I Semester M.F.A. Degree Examination, January/February 2014

(Semester Scheme)

Finance and Accounting

Paper – 1.1 : ACCOUNTING CONVENTIONS AND STANDARDS

Time : 3 Hours

Max. Marks : 80

Note : Answer all Sections.

SECTION – A

1. Answer **any ten** questions from the following. **Each** question carries **2** marks. **Each** answer should **not** exceed **5** sentences. (10×2=20)
- Name a few prominent (accounting) standard setting bodies.
 - What are different types of Accounting Standards ?
 - What is the scope of accounting standards in India ?
 - What are the duties of the members of ICAI in respect of the mandatory Accounting Standards ?
 - How will you treat a change in the method of providing depreciation from the one followed in the earlier years ?
 - How would you treat "Extraordinary Items" in the financial statements ?
 - Give any four instances where the Indian Accounting Standards differ from the International Accounting Standards.
 - Give any five areas in which different Accounting Policies are encountered.
 - Name the different Cost Formulae that are permitted under "AS-2-Valuation of Inventories".

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- j) Define the two types of Leases under the Accounting Standard 19.
- k) Can you recognise internally generated Goodwill ? What are the conditions for recognising an intangible asset ?
- l) How would you treat Government grants in the form of nonmonetary assets ?

SECTION – B

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

(3×5=15)

- 2. What are the requirements of AS-1 ? Disclosure of Accounting Policies.
- 3. Give the standards relating to “Events occurring after the Balance Sheet Date” under AS 4.
- 4. What constitutes ‘Cost’ of Inventories ?
- 5. Briefly explain the standards relating to accounting of transactions in foreign currency.
- 6. Explain the requirements of AS 16 with regard to accounting of borrowing costs.

SECTION – C

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

(2×15=30)

- 7. Explain the procedure for issue of Accounting Standards followed by ICAI-as brought out by the preface to the statements of Accounting Standards. What is the scope of these Accounting Standards ?
- 8. What are current tax and deferred tax ? Explain the provisions of AS-10. “Accounting for Fixed Assets”.
- 9. State when Revenue should be recognised for the following situations.
 - a) Sale of goods on approval
 - b) Consignment sales
 - c) Subscriptions for publications
 - d) Trade discounts and Volume rebates allowed to customers.



- e) Advertising agency commissions
 - f) Interest income
 - g) Royalty income
 - h) Dividend income.
10. Based on AS-14 Accounting for Amalgamations, explain the following :
- a) The Pooling of Interests Method
 - b) The Purchase Method
 - c) Other Common Procedures
 - d) Disclosure Requirements

SECTION – D

Compulsory :

15

11. Income statement of ABCD Ltd. for the year ended 31st March 2013 and Balance Sheet as on that date were as follows :

Statement of Profit and Loss

	Amount Rs. In Lakhs
Sales	1,440
Raw material consumed	670
Staff Costs	94
Depreciation	118
Loss on disposal of Fixed Assets	18
	<u>900</u>
Operating profit	540
Interest Expense	28
Profit before Tax	512
Tax Expense	124
PAT	388
Dividend	72
Amount added to Reserves	<u>316</u>



Balance Sheet

	Current Year		Previous Year	
	Amount Rs. In lakhs			
Fixed Assets at Cost	1,596		1,560	
Less: Depreciation	(318)	1,278	(224)	1,336
Inventories		240		200
Receivables		476		580
Investments (Short Term)		100		-
Bank		48		56
Total Assets		2,142		2,172
Share Capital	640		640	
Share Premium	24		24	
Retained Earnings	806	1,470	490	1,154
Long Term Loans		200		500
Trade Payables	298		408	
Income Tax Payable	102		86	
Proposed Dividend	72	472	24	518
Total Liabilities		2,142		2,172

During the year asset costing Rs. 90 lakhs has been purchased.

Required : Prepare a cash flow statement, using indirect method.