Roll No. | | | | | | | | | | | | | **Total No. of Pages : 04**

Total No. of Questions : 17

M.Com. (2018 Batch) (Sem.–1)

ACCOUNTING THEORY

Subject Code : MCOP-104-18

Paper ID : [75336]

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.**
2. **SECTIONS-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.**

SECTION-A

Q1 Mention the accounting standard for following :

Depreciation and writing off preliminary expenses.

Q2 How call option differs from the put option?

Q3 What is human resource accounting?

Q4 Distinguish between holding and subsidiary company

Q5 How amalgamation differs from the merger?

Q6 What is Crypto Currency?

Q7 What is interim reporting?

Q8 Distinguish between Indian According Standards and US-GAAP.

SECTION-B

UNIT-I

Q9 Explain the accounting theory. Discuss in detail the different approaches to the formulation of accounting theory.

Q10 What are the Objectives of Inventory Valuation? Discuss the different methods of Inventory Valuation.

UNIT-II

Q11 What are the different Types of Leases? Distinguish between Lease, Hire Purchase and Installment Sale.

Q12 From the following data calculate (a) cost of sales and (b) closing inventory under the CPP method presuming that the firm is following LIFO Method for inventory valuation.

	Rs.	Price Index
Inventory as on 1.1.2017	8,000	100
Purchases	48,000	
Inventory as on 31.12.2017	12,000	
Price Index as on 1.1.2017		140
Average Price Index 2017		125

UNIT-III

Q13 What is meant by Standardisation and Harmonisation of accounting practices? Discuss the advantages of Harmonisation to different beneficiaries.

Q14 Balance sheets as on 31st March 2010

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Equity	5,00,000	2,00,000	Fixed Assets	3,00,000	1,00,000
Shares of Rs. 10 each					
General Reserve	1,00,000	50,000	60% Shares in S Ltd. at cost	1,62,400	
Profit and loss Account	60,000	35,000	Current Assets	2,77,600	2,39,000
Creditors	80,000	60,000	Preliminary expenses	-	6,000
Total	7,40,000	3,45,000	Total	7,40,000	3,45,000

H Ltd. acquired the share on 1st April 2017 on which date General Reserve and profit and loss Account of S Ltd. showed balances of Rs. 40,000 and Rs. 8,000 respectively. No part of preliminary expenses was written off during the year ending 31st March 2018. Prepare the consolidated balance sheet of H Ltd. and its subsidiary S Ltd. as on 31st March 2018.

UNIT-IV

Q15 What is meant by segment reporting? What is the need for segment reporting? Discuss the objectives of segment reporting.

Q16 Explain the concept of Social Reporting. Enlighten the different approaches to social reporting. Briefly discuss social disclosure practices in India.

SECTION-C

Q17 Read the Case study carefully and give the answers of questions given at the end :

John Dearden and his wife, Patricia, have been taking an annual vacation to Stowe, Vermont, each summer. They like the area very much and would like to retire someday in this vicinity. While in Stowe during the summer, they notice a "For Sale" sign in front of a self-service station. John is 55 and is no longer satisfied with commuting to work in New York City. He decides to inquire about the asking price of the station. He is aware that Stowe is considered a good vacation area during the entire year, especially when the ski season is in progress. On inquiry, John determines that the asking price of the station is $70,000, which includes two pumps, a small building, and 1/8 acre of land. John asks to see some financial statements and is shown profit and loss statements for 2007 and 2006 that have been prepared for tax purposes by a local accountant.

JEFF'S SELF-SERVICE STATION

Statement of Earnings

For the Years Ended December 31, 2007 and 2006

	2007	2006
Revenues (A)	**$1,85,060**	**$1,75,180**
Expenses :		
Cost of goods sold	1,60,180	1,53,280
Depreciation (assets)	1,000	1,000
Real Estate Property Taxes	1,100	1,050
Repairs and maintenance	1,470	1,200
Other expenses	680	725
Total expenses (B)	**$1,64,430**	**$1,57,255**
Profit (A-B)	**$20,630**	**$17,925**
Assets :		
Building and Equipment Cost	$ 30,000	
Original Estimated Life	30 years	
Depreciation per year	1,000	

John is also given an appraiser's report on the property. The land is appraised at $50,000, and the equipment and building are valued at $20,000. The equipment and building are estimated to have a useful life of 10 years. The station has been operated by Jeff Szabo without additional help. He estimates that if help were hired to operate the station, it would cost $10,000 per year. John anticipates that he will be able to operate the station without additional help. John intends to incorporate. The anticipated tax rate is 50%.

Questions :

a) Determine the indicated return on investment if John Dearden purchases the station. Include only financial data that will be recorded in the books. Consider 2007 and 2006 to be representative years for revenue and expenses.

b) Determine the indicated return on investment if help were hired to operate the station.

c) Why is there a difference between the rates of return in (a) and (b)? Discuss.

d) Should John purchase the station?