

2022

COMMERCE

Paper : CC-205

(Accounting Theory)

Full Marks : 40

*The figures in the margin indicate full marks.**Candidates are required to give their answers in their own words as far as practicable.*

Module - I

Answer *any two* questions.

1. (a) Mention two points of difference between Accounting concept and Accounting convention.
- (b) What is Generally Accepted Accounting Principles (GAAPs)? Explain any three inadequacies of GAAPs.
- (c) Explain the problem of 'Pluralism' in setting up Accounting Standards. 2+(2+3)+3
2. (a) On 01.04.2020, A Ltd. purchased a land for ₹ 7.5 crore (including registration cost of ₹ 50 lakhs) for constructing an office building. Construction work commenced on 01.06.2020. The Company incurred the following costs in relation to the construction of the office building.

	₹.
Preparation and leveling of the land	15,00,000
Purchase of materials for the construction (including ₹ 4,20,000 internal profit)	50,60,000
Costs of the construction workers (per month)	5,00,000
Directly attributable cost on construction of the building	18,30,000
Professional fees to the engineer	3,30,000
Cost of formal opening of the office building	1,50,000

The construction of the office building was completed on 31.03.2021. Unfortunately, the construction work was suspended for two months due to strict lockdown. You are required to compute the cost of the office building as on 31.03.2021.

- (b) When does a company begin charging depreciation on an asset as per Ind AS 16?
- (c) Define the term 'Net Realisable Value' as per Ind AS 2. 6+2+2

Please Turn Over

3. (a) Explain the terms 'Return of Capital' and 'Return on Capital'.
- (b) X Co. purchased 1000 units of goods on 01.04.2021 at ₹ 10 per unit. On 31.03.2022 the company had 100 units of goods and ₹ 13,500 in hand. Find out the accounting income for the year under physical capital maintenance concept assuming the cost per unit of goods as ₹ 12 on 31.03.2022.
- (c) Replacement Cost of an asset on 31.03.2022 was ₹ 22,500. The asset could be sold on that date for ₹ 22,000, selling cost being ₹ 1,000. The asset, if used, could earn ₹ 25,000 only for next just one year. Determine the Deprival Value of the asset if the discounting factor is 25%. 2+3+5
4. (a) Write a short note on procedure for issue of Accounting Standards in India.
- (b) S Ltd. has a plant with the normal capacity to produce 50,00,000 units of a product per annum and the fixed overhead is ₹ 1,50,00,000. How should the Company account for Fixed overhead as per Ind AS 2, 'Inventories' if
- (i) actual production is 30,00,000 units?
- (ii) actual production is 50,00,000 units?
- (iii) actual production is 75,00,000 units? 5+5

Module - II

Answer *any two* questions.

5. (a) Determine the Reportable Segments from the following information of Jupiter Ltd. for the year 2021-22.

[Fig. in ₹ Crores]

	A	B	C	D	E	Total
Segment Revenue from External Sale	9,000	2,000	1,600	900	5,500	19,000
Segment Revenue from Intersegment Sales	2,500	180	220	600	500	4,000
Total Revenue	11,500	2,180	1,820	1,500	6,000	23,000
Segment Result [Profit/(Loss)]	126	8	(7)	6	(130)	3
Segment Assets	150	10	12	40	38	250

- (b) Write short note on Stamp Report (1980). 7+3
6. (a) "A common accounting standard is required in the interest of the investors who are exploring investment opportunities in other geographical areas"— Explain the statement in the light of International Harmonisation of Accounting Standards.
- (b) Mention the role of International Financial Reporting Standards regarding Globalization of Accounting Standards. 6+4

7. From the following information in respect of ZIKKO Ltd., compute the Total Value of Human Capital by using appropriate model. The Company uses 19% Cost of Capital for discounting purpose. Retirement age is 55 years.

Distribution of Employees

Age	Unskilled		Semi-skilled		Skilled	
	No.	Average Annual Earnings	No.	Average Annual Earnings	No.	Average Annual Earnings
30 - 39	100	₹ 18,000	60	₹ 36,000	40	₹ 84,000
40 - 49	50	₹ 30,000	30	₹ 48,000	20	₹ 1,20,000
50 - 54	30	₹ 36,000	20	₹ 60,000	10	₹ 1,80,000

Present Value of Annuity Factor @ 19%

5 Years	10 Years	15 Years	20 Years	25 Years
3.0576	4.3389	4.8759	5.1009	5.1951

10

8. (a) X Ltd. provides the following information as on 31st March, 2022.

12% Debt - ₹ 2,000 Crores	Equity Capital - ₹ 500 Crores
Reserves and Surplus - ₹ 7,500 Crores	Risk Free Rate - 9%
Beta Factor - 1.05	Market Rate of Return - 19%
Equity (Market) Risk Premium - 10%	Operating Profit After Tax - ₹ 2,100 Crores
Tax Rate - 30%	

Using the above information, you are required to calculate Economic Value Added of X Ltd.

- (b) Write short note on True Blood Report.

6+4