

2023

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) What is 'deductive approach' in accounting theory? How does it differ from 'inductive approach'?
 - (b) Discuss the modern accounting approach where the need and behaviour of the users of accounting information are taken as the primary consideration for the formulation of accounting theory.
 - (c) Write a short note on : 'Pluralism'. (3+2)+3+2
2. (a) ABC Ltd. has acquired a land for setting up of its office building. Before the commencement of construction of the building, certain permissions are required from different authorities. The company has incurred significant costs for obtaining such permissions such as environmental clearance and change of land use, etc. Whether such cost can be capitalized as per Indian Accounting Standards (Ind AS) 16? If yes, whether this can be capitalised as a cost of construction of the office building?
 - (b) A Ltd. purchased two properties on 01.04.2022. The details about the properties are given below :

Particulars	Property 1 (₹)	Property 2 (₹)
Cost	2,50,000	3,50,000
Fair value / Market value (31.03.2023)	2,75,000	4,00,000
Estimated life	10 years	10 years
Subsequent Measurement	Cost model	Revaluation model

Company has not charged any depreciation on any of these two properties as the fair value of these properties is in excess of their carrying amount. Company has also recognized the difference between carrying value and the fair value in Statement of Profit and Loss for both the properties. On the basis of information given, assess whether the company has adopted the correct accounting policies in accordance with Ind AS 16. If not, mention the proper treatment.

- (c) If normal production unit is 2,00,000, actual production unit 1,50,000 and fixed production overhead is ₹ 30,00,000. Then what amount to be charged in cost sheet as per unit fixed production overhead, total fixed production overhead and in Statement of Profit & Loss as unabsorbed fixed production overhead as per Ind AS 2? 2+5+3

Please Turn Over

3. (a) Following information is extracted from the financial statement of D Ltd. for the financial year 2022-23 :

	₹
Non-current assets	2,00,00,000
Current assets	75,00,000
Equity share capital	25,00,000
Reserve	1,00,00,000
Non-current liabilities (Long-term debt)	95,00,000
Current liabilities	55,00,000

Calculate : (i) Residual capital and (ii) Entity capital.

- (b) Briefly discuss the difference between accounting profit and economic profit.
- (c) What do you understand about the concept of “physical capital maintenance”? Comment on the given situation that whether the entity has maintained the physical capital properly or not.
On 01.04.2022, entity has 5,000 units of a certain product. At the end of the period, on 31.03.2023 the entity has 1,000 units of the product and cash of ₹ 60,000 in its possession (where the cost of the product on 31.03.2023 is ₹ 16). (1+1)+3+(2+3)
4. (a) Define the term “Property, Plant and Equipment” as per Ind AS 16.
- (b) S Ltd. produces product XYZ using raw material A. Material A is purchased at ₹ 1,500 per kg. but its price is on the decline. The output is expected to be sold at ₹ 10,800 per kg, while its total cost is ₹ 11,000 per kg.
2,000 kg of Material A and 500 kg of output are in stock at the year-end. Replacement cost of Material A is ₹ 1,200 per kg. How will you value the inventory at the year end as per Ind AS 2?
What will be your answer if the product XYZ could be sold at ₹ 11,500 per kg?
- (c) ‘Fair value is a market based measurement, not an entity-specific measurement.’ — Discuss.
- (d) A Ltd. holds equity shares of a private company. In order to determine the fair value of the share, the company used the available quoted price of similar companies. Under which level of fair value hierarchy will the above inputs be classified? 2+(2+2)+2+2

Module - II

Answer *any two* questions.

5. From the following information in respect of Jupiter Ltd., calculate the Total Value of Human Capital by using appropriate model. The company uses 18% Cost of Capital for discounting purposes. 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	70	₹ 6,000	50	₹ 7,000	30	₹ 10,000
40-49	20	₹ 8,000	15	₹ 10,000	15	₹ 12,000
50-54	10	₹ 10,000	10	₹ 12,000	5	₹ 14,000

Present Value of Annuity Factor @ 18%

5 Years	10 Years	15 Years	20 Years	25 Years
3.1272	4.4941	5.0916	5.3527	5.4669

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6. (a) Briefly discuss the process followed for setting International Financial Reporting Standards.
 (b) Bring out the comparison between Generally Accepted Accounting Principles and International Financial Reporting Standards. 6+4
7. CREDO Ltd. provides you with the following summarised Balance Sheet as at March 31, 2023.

(₹ In Lakhs)

Liabilities	₹	Assets	₹
Equity Share Capital	982.00	Fixed Assets	2411.00
Reserves and Surplus	1314.00	Current Assets	50.00
Long Term Debt	145.00		
Sundry Creditors	20.00		
Total	2461.00	Total	2461.00

Other information provided is as follows :

- (a) Earnings Before Interest and Taxes — ₹ 2,203.00 Lakhs.
 (b) Interest Paid — ₹ 14.00 Lakhs.
 (c) Tax Rate — 40%.
 (d) Risk Free Rate — 11.32%.
 (e) Specific Risk Premium — 1.10%.

Using the above data, you are required to compute Economic Value Added of CREDO Ltd. (with proper Workings Note) as on March 31, 2023. 10

8. Write short notes on (*any two*) : 5+5
- (a) Intellectual Capital
 (b) The Corporate Report
 (c) Balanced Score Card.