

2025

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) Discuss the deductive approach to formulating accounting theory.
(b) Discuss the approach of accounting theory associated with the direct evidence of users' reaction to accounting reports as a basis for descriptive generalization.
(c) Explain the problem of political bargaining faced by the standard setter while drafting Accounting Standards.
(d) Why is the harmonization of accounting practises required? 3+3+2+2
2. (a) The D Co. acquired a new industrial machine, the list price of which was ₹ 5,21,000. The supplier allowed a trade discount of ₹ 1,000 off the list price. Refundable taxes paid on purchase were ₹ 20,000 (not included in the list price) . On delivery, the cost of installing the machine in its desired location was ₹ 19,000. Costs of testing whether the machine was functioning properly were ₹ 15,000; proceeds from sample produced while testing were ₹ 2,300. Cost of staff training was ₹ 2,500 and other general overhead cost was ₹ 5,000. According to Ind AS 16— 'Property, Plant and Equipment', what should be the total costs included in the industrial machine?
(b) A company installed a chemical manufacturing plant costing ₹ 500 cr to manufacture and sell the chemical. It also installed a chemical handling plant costing ₹ 55 cr to comply with the environmental requirements which does not directly result in future economic benefits. Should the chemical handling plant be recognised as an asset? Discuss with reason.
(c) If the company chooses the revaluation model, what should be the objective of conducting revaluation with sufficient regularity?
(d) Should the major inspection cost be recognised in the carrying amount of the PPE? Discuss with reason. 4+2+2+2
3. (a) On 01.06.2024 L Ltd. took a loan from bank of ₹ 50 cr for expansion of the business on the condition that the principal amount would be repaid in five equal yearly instalments. The first instalment will be due on 01.06.2025. How will this loan be classified in the financial statement for the financial year 2024-25?

Please Turn Over

(1994)

- (b) A company spends ₹ 20,00,000 for fixed production overhead. The normal level of production is 1,00,000 units per annum but the business was able to produce 1,25,000 units in the current year. Other costs per unit were ₹ 520. Calculate cost per unit.
- (c) Should the storage cost be included in the cost of inventories? Discuss with reason.
- (d) What are the formulae that can be used to calculate cost of inventories? In which situation the cost formula cannot be used? 2+2+2+(2+2)
4. (a) On 01.04.2024, an entity has 50,000 units of a certain product costing ₹ 35 p.u. At the end of the year, on 31.03.2025, the entity has 5,000 units of the product in stock and cash of ₹ 20,00,000 in its possession. The cost of the product on 31.03.2025 is ₹ 40 p.u. Has the entity been able to maintain the physical capital? Discuss.
- (b) Discuss the scope of fair value measurement as per Ind AS 113. Give an example.
- (c) An asset is sold in two different active markets at different prices. S Ltd. enters into transactions in both markets and can access the price in those markets for the asset at the measurement date. In the Kolkata market, the price that would be received is ₹ 570, transaction costs in that market are ₹ 50 and the costs to transport the asset to that market are ₹ 40. Thus, the net amount that would be received is ₹ 480. In the Delhi market the price that would be received is ₹ 580, transaction costs in that market are ₹ 20 and the costs to transport the asset to that market are ₹ 60. Thus, the net amount that would be received in Delhi market is ₹ 500.
- (i) What should be the fair value of the asset if Kolkata Market is the principal market?
- (ii) What should be fair value if none of the markets is a principal market?
- (iii) The net realization after expenses is more in the export market, say ₹ 550, but the Government allows only 25% of the production to be exported out of India. Which market-domestic or foreign— will you consider for determination of fair value and why? 2+2+(2+2)

Module - II

Answer *any two* questions.

5. (a) Bring out the reasons behind the growth of Forensic Accounting.
- (b) Briefly explain the problems associated with the preparation of Interim Reporting. 4+6
6. (a) DEFINE Ltd. provides you with the following summarised Balance Sheet as at March 31, 2025.

Liabilities	₹ (In Lakhs)	Assets	₹ (In Lakhs)
Equity Share Capital	1962.92	Fixed Assets	4819.80
Reserves and Surplus	2627.24	Current Assets	100.00
Long-Term Debt	288.88		
Sundry Creditors	40.76		
Total	4919.80	Total	4919.80

Additional Information :

- (i) Earnings Before Interest and Taxes - ₹ 4405.68 Lakhs.

- (ii) Interest Paid - ₹ 26.96 Lakhs.
 (iii) Tax Rate - 40%.
 (iv) Risk Free Rate - 11.32 %
 (v) Specific Risk Premium - 1.10 %

Using the above data, you are required to compute the Economic Value Added of DEFINE Ltd. (with proper Working Note) as on March 31,2025.

(b) What is meant by Investigative Accounting? 8+2

7. From the following information regarding NEXT Ltd., compute the Total Value of Human capital using an appropriate model. The retirement age is 55 years. 10

Distribution of Employees

Age	Unskilled		Semi-skilled		Skilled	
	No.	Average Annual Earnings	No.	Average Annual Earnings	No.	Average Annual Earnings
30 - 39	50	₹ 9,000	30	₹ 18,000	20	₹ 42,000
40 - 49	25	₹ 15,000	15	₹ 24,000	10	₹ 60,000
50 - 54	15	₹ 18,000	10	₹ 30,000	5	₹ 90,000

Present Value of Annuity Factor @ 15 %

5 Years	10 Years	15 Years	20 Years	25 Years
3.3522	5.0188	5.8474	6.2593	6.4641

8. Write short notes on (*any two*):

5×2

- (a) The Stamp Report
 (b) Internal Business Processes
 (c) True Blood Report.