

2025

ACCOUNTING THEORY AND REGULATIONS — MDC

Paper : MDC-12

Full Marks : 75

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

Answer *any five* questions.

1. What do you mean by descriptive accounting theory? Give any two examples of descriptive accounting theory. 3+2
2. What is meant by 'Generally Accepted Accounting Principles (GAAP)'? State any three advantages of GAAP. 2+3
3. Write a short note on fair value accounting. 5
4. What is Accounting Standards? List any three benefits of accounting standards. 2+3
5. State the limitations of historic cost accounting. 5
6. Krishna Ltd. dealing in different products, the details of which are given below. You are required to find the value of stock to be shown in Balance Sheet as per AS-2 : 5

Product	X	Z
Cost of unsold units (₹)	20,000	50,000
Market value of stock (₹)	25,000	52,000
Expenses to be incurred to sale (₹)	2,000	2,500

7. What is Adjusting Events and Non-Adjusting Events as per AS-4? 5
8. XYZ Ltd. purchased the following investments on 1st April, 2024 :
 - (a) Equity shares of P Ltd. costing ₹ 5,00,000 intended to be held for more than one year. Market value of such investments as on 31st March, 2025 ₹ 4,20,000.
 - (b) Government securities costing ₹ 3,00,000 intended to be held for less than one year. Market value as on 31st March, 2025 ₹ 3,40,000.

State with reasons how these investments will be valued in the balance sheet as on 31st March, 2025 as per AS-13. 5

Please Turn Over

(4575)

Group - B

Answer *any five* questions.

9. Discuss three fundamental accounting assumptions in the preparation of financial statements which are highlighted in AS-1 (Disclosure of Accounting Policies). 10
10. Identify (no explanation needed) the following items into exceptional item, extraordinary item, change in accounting estimates, change in accounting policy and prior period items as per AS-5 :
- (i) Fixed assets destroyed in an earthquake ₹ 80 lakh.
 - (ii) In valuation of inventory, the cost of inventory is calculated using weighted average method whereas, in the last year it was done using FIFO method.
 - (iii) Demurrage paid to a customer for supply of faulty products.
 - (iv) Provision for bad and doubtful debt made for ₹ 1,20,000 against a debtor at the end of last year. This year the customer paid his entire due.
 - (v) Goods purchased on credit for ₹ 25 lakhs and delivered one day before the year ending on 31.12.2025. But it was accounted for in January 15, 2026. 10
11. As per AS-16 :
- (a) Define 'Borrowing costs' and give two examples.
 - (b) Define 'Qualifying asset' and give two examples.
 - (c) State the Borrowing costs eligible for capitalisation. 3+3+4
12. Following information relating to Essex Ltd. are made available to you :
- | | |
|---|------------|
| Profit before interest and taxes for the year ending 31.12.2025 | ₹ 8,20,000 |
| Corporate tax rate | 40% |
| Interest on Debentures and term loan | ₹ 1,40,000 |
| 10% Cumulative preference shares | ₹ 80,000 |
| 10,000 Equity shares of ₹ 10 each fully paid | ₹ 1,00,000 |
- Calculate EPS when (i) No shares were issued during the year and (ii) when 2,400 equity shares were issued on 31.08.2025. 7+3
13. State the procedure for issuing Accounting Standards in India. 10

14. A machine, the list price of which is ₹ 6,00,000, is imported from USA on 01.04.2025 subject to trade discount of 5%.

Other related expenses are as follows :

Import duty paid (non-refundable) ₹ 1,50,000, freight ₹ 40,000, cost of erection ₹ 15,000, training expenses to employees for operational purpose ₹ 5,000 and cost of trial run (before start of commercial production) ₹ 8,000.

Calculate the amount to be capitalised as cost of machine with reference to AS-10, Property, Plant and Equipment (Revised). 10

15. Define revenue as per AS-9. State the criteria for recognition of revenue from sale of goods. When can such recognition be deferred? 3+5+2

16. (a) After detailed analysis of requirements of International Financial Reporting Standards (IFRS) and extensive discussion with various stakeholders, the Government of India in consultation with ICAI decided to converge and not to adopt IFRS issued by the IASB.

In the light of the above discuss in brief the meaning 'Convergence with IFRS' and 'Ind AS'.

- (b) Define Net Realisable Value (NRV). As per AS-2, state what consists of inventories in a business. (3+2)+(2+3)