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This paper has 4 printed sheets

**M.Com. Semester III Examination (Old Course)**  
**November / December 2016**  
**Subject : Accounting Theory and Practice**  
**Paper No.6302**

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S.No. **7026**  
Duration: 3 Hours

Max. Marks: 100

General Instructions : Attempt all questions. All questions carry equal marks.

Q1: Discuss the different concepts of capital maintenance for income measurement. Which capital maintenance concept is useful to a business firm during inflation?

Or

What do you mean by Generally Accepted Accounting Principles. Discuss the accounting principles for financial reporting purposes. (20)

Q.2 Which method do you suggest for the development of accounting theory formulation. Is it possible to develop a sound theory of accounting theory based on a particular method of reasoning ?

Or

“The value of the asset, not its cost is the real measure of the amount depreciable.” Comment on this statement. (20)

Q.3 What is the main objective of CCA? Discuss briefly the various adjustments that are required in determining current cost Profit for an accounting period. State whether CCA method has been used by some companies in India for financial reporting.

Or

Discuss the general purpose report for the financial for external users. Do you think that general purpose report is an ideal solution in company for financial reporting. (20)

Q.4 Discuss the the steps taken by the international standard Committee for convergence and harmonization in corporate reporting during the past decade .

Or

Discuss the following concepts:

- Interim Reporting
- AS-17

(20)

Q. 5. From the following Comparative Balance Sheet and Income Statement, Prepare Cash Flow Statement for the year ended 31<sup>st</sup> March 2016. (All figures in ₹ Crore.)

**Comparative Balance Sheet**

LIABILITIES	FY 2015	FY 2016	ASSETS	FY 2015	FY 2016
Equity Share Capital	10,000	8,000	<b>Fixed Assets:</b>		
Reserves & Surplus	1,100	1,000	Furniture & Fittings	4,000	5,000
<b>Loan Funds:</b>			Plant	1,000	3,000
Secured Loans	200	Nil	Leasehold Premises	1,000	500
Unsecured Loans	300	100	<b>Current Assets:</b>		
<b>Short Term Liabilities:</b>			Debtors	400	200
Creditors	300	400	Stocks	500	200
Bills Payable	100	500	Bills Receivable	400	Nil
			Cash	3,700	300
			Bank	1,000	800
<b>Total</b>	<b><u>12,000</u></b>	<b><u>10,000</u></b>	<b>Total</b>	<b><u>12,000</u></b>	<b><u>10,000</u></b>

**Income Statement for the Financial Year 2016**

<b>Sales</b>		<b>10,000</b>
Less: Operating Expenses		(5,600)
<b>Operating Profit</b>		<b>4,400</b>
<i>Non cash and/or Non operating Items</i>		
Less: Depreciation on Plant	(300)	
Interest Paid	(50)	
Add: Interest Received	50	
Dividend Received	30	
Gain on sale of Plant (Book Value of Plant sold is 380)	20	(250)
<b>Earnings Before Taxes (EBT)</b>		<b><u>4,150</u></b>
Less: Tax Paid		(945)
<b>Earnings After Taxes (EAT)</b>		<b><u>3,205</u></b>

Or

From the following Comparative Balance Sheet and Income Statement, Prepare Cash Flow Statement for the year ended 31<sup>st</sup> March 2016. (All figures in ₹ Crore.)

**Comparative Balance Sheet**

<b>LIABILITIES</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>ASSETS</b>	<b>FY 2015</b>	<b>FY 2016</b>
Equity Share Capital	5,000	6,000	<b>Fixed Assets:</b>		
Reserves & Surplus	1,000	2,000	Land and Building	3,000	4,000
<b>Loan Funds:</b>			Plant	1,000	3,000
Secured Loans	2,000	Nil	Furniture	1,000	2,000

Unsecured Loans	2,000	2,200	<b>Current Assets:</b>		
<b>Short Term Liabilities:</b>			Debtors	100	200
Creditors	Nil	400	Stocks	3,000	200
Bills Payable	Nil	400	Bills Receivable	400	Nil
			Cash	700	800
			Bank	800	800
<b>Total</b>	<b><u>10,000</u></b>	<b><u>11,000</u></b>	<b>Total</b>	<b><u>10,000</u></b>	<b><u>11,000</u></b>

### Income Statement for the Financial Year 2016

<b>Sales</b>		<b>8,000</b>
Less: Operating Expenses		
Manufacturing Expenses	(2,000)	
Administrative Expenses	(1,000)	
Selling and Distribution Expenses	(1,200)	(4,200)
<b>Operating Profit</b>		<b>3,800</b>
<i>Non cash and/or Non operating Items</i>		
Less: Depreciation on Plant	(100)	
Interest Paid	(50)	
Add: Interest Received	50	
Dividend Received	30	
Appreciation in Land and Building	20	(50)
<b>Earnings Before Taxes (EBT)</b>		<b><u>3,750</u></b>
Less: Tax Paid		1,125
<b>Earnings After Taxes (EAT)</b>		<b><u>2,625</u></b>