

Q.P. Code – 57224

First Year M.Com. Degree Examination, OCTOBER/NOVEMBER 2016

(Directorate of Distance Education)

Commerce

(DPA 540) Paper 10.04 — ACCOUNTING THEORY

Time : 3 Hours]

[Max. Marks : 70/80

Instructions to Candidates :

- 1) Sections-A, B and C are common and compulsory for the students of both new and old schemes.
- 2) Section-D shall be answered by only the students under new scheme (with 20 internal assessment marks).

SECTION – A

1. Answer **ALL** the five sub-questions. Each question carries **2** marks : **5 × 2 = 10**
 - (a) What is Pragmatic approach?
 - (b) What is stamp report?
 - (c) What do you mean by replacement cost?
 - (d) What is matching principle?
 - (e) Identify the difference between Cost Accounting and Management Accounting.

SECTION – B

Answer any **THREE** questions and each question carries **10** marks : **3 × 10 = 30**

2. Critically evaluate the proprietary theory.
3. What are the benefits of Accounting Standards?
4. Write an analytical note on competitive bidding model.
5. Briefly explain the importance and need for GAAPs.
6. A piece of land is acquired at the end of 2013 for Rs. 1,00,000 when the general price index is 100. The general price level rose by 20% during 2015 and 10% during 2014. The land is sold on 31st December 2015 for Rs. 1,75,000 which could have been sold on 31st December 2014 for Rs. 1,30,000. Using four columns show the balance sheet amount for land plus net income for 2014 and 2015 under (i) historical cost not restated (ii) historical cost restated (iii) current value not restated (iv) current value restated for general price effect.

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SECTION – C

Answer any **TWO** questions and each question carries **15** marks :

2 × 15 = 30

7. Explain the basic Accounting concept and Fundamental Accounting Assumptions.
8. What is inflation accounting? Explain the different approaches to inflation accounting with suitable example.
9. From the following information in respect of XYZ Ltd. calculate the total value of human capital according to Lev and Schwartz model.

Distribution of employees at XYZ Ltd.

Age	Unskilled		Semi skilled		Skilled	
	No.	Average annual earnings (Rs.)	No.	Average annual earnings (Rs.)	No.	Average annual earnings (Rs.)
30-39	135	40000	110	45000	50	80000
40-49	75	50000	60	60000	35	90000
50-59	25	60000	30	70000	25	100000
60-64	10	70000	15	80000	10	110000

Apply 18% discount factor.

SECTION – D

This section is only for the students of New Scheme (with **20** internal assessment marks). Answer any **ONE** question and it carries **10** marks :

1 × 10 = 10

10. Compare and contrast proprietary theory and enterprise theory.
11. Write a note on effects of inflation on Accounting.