

First Year M. Com Degree Examinations

September / October 2014

Directorate of Distance Education

COMMERCE

DPA 540 Paper: IV: Accounting Theory

Time: 3 hrs.]

[Max.Marks: New Scheme: 80

Old Scheme: 70

Note:

- a. Sections – A, B and C are common and compulsory for the students both the new and old schemes.**
- b. Section – D shall be answered by only the students under New Scheme (with 20 internal assessment marks)**

Section-A (5X2=10)

Note:

- a. Answer all the five sub – questions.**
- b. Each sub-questions carries two marks**
- c. Answer to each sub-questions shall be in not more than six sentences.**

1.

- a) What is meant by accounting standard?
- b) Mention any four important objectives of Financial reporting.
- c) What do you mean by GAAPs?
- d) Define Accounting Conventions.
- e) What is matching principle?

Section-B (3X10=30)

Note:

- a. Answer any three questions.**
- b. Each sub-questions carries 10 marks**
- c. Answer to each question shall be in not more than five pages.**

- 2. Select any Accounting Standard issued by ICAI and explain the major aspects of that Standard.**
- 3. Write an analytical note on the early history of Accounting thought.**
- 4. “Materiality is essentially a matter of professional judgment”. Do you agree? Why?**

Contd.....2

5. Define Human Resource Accounting and bring out a case for capitalization of human resource costs.
6. Prepare a statement showing the amount of depreciation under Current Cost Accounting (CCA) method for each of the four years as well as the backlog depreciation for a certain item of the asset from the following details.
 - a. Cost of Machine R 50,000
 - b. Estimated life: 4 years
 - c. Residual value: Nil
 - d. Inflation factor: 10% per annumAssuming straight line method of depreciation.

Section-C (2X15=30)

Note:

- a. **Answer any two questions.**
 - b. **Each question carries 15 marks.**
 - c. **Answer to each theory question shall be in not more than eight pages.**
7. Describe the Current Purchasing Power Method and explain how the items of Financial Statements are restated under Partial and under Complete Revelation Methods.
 8. Compare and contrast Entity Theory and Proprietary Theory.
 9. A company has a capital base of R 10 crore and has earned profits to the tune of R 11 lakhs. The return on investment (RoI) of the particular industry to which the company belongs is 12.5%. if the service of a particular executive are required by the company, it is expected that the profits will increase by R 2.5 lakhs over and above the target profit.

Determine the amount of maximum bid price for that particular executive and the maximum salary that could be offered to him.

Section-D (1X10=10)

Note:

- a. **This Section is only for the student of NEW Scheme (with 20 internal assessment marks).**
- b. **Answer any one question and it carries 10 marks**
- c. **Answer to the theory question shall be in not more than five pages.**

10. "Conventional financial statements fail to exhibit true and fair view of business". Do you agree? Why?
11. Describe the inductive approach to accounting theory construction.

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