



I Semester M.Com. (FA)/MFA Examination, January/February 2018  
(CBCS)

Paper 1.1 : ACCOUNTING CONVENTIONS AND STANDARDS

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any seven** questions out of ten. **Each** question carries **two** marks.

(7×2=14)

- a) Define 'Accounting Standards'.
- b) List any four areas where differing accounting policies are followed.
- c) What are the circumstances under which changes in accounting policies are made ?
- d) Why does prior period item arise ? Give two examples of prior period items.
- e) What are the two permitted accounting treatments in respects of Government Grants related to depreciable fixed assets ?
- f) Define "Current Investments".
- g) What is the accounting treatment of Goodwill arising on Amalgamation ?
- h) Name the two types of Leases and specify who can claim depreciation on the leased assets, as per AS-19.
- i) How is "Basic Earnings Per Share" calculated ?
- j) Define "Timing Difference" and give two examples.

SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks.

(4×5=20)

2. What is an Exposure Draft ? How does this help in the process of issuance of accounting standards ?

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3. How are Accounting Standards classified ? Explain in one or two sentences, each type of Accounting Standards.
4. Explain in five points, the accounting standard relating to valuation of inventories.
5. What are the two methods used for recognition of revenue from rendering of services ? Give any three services under special conditions and respective revenue recognition norms as given in the Accounting Standard.
6. Explain the accounting treatment of Initial recognition of foreign currency transactions. Also explain the provisions relating to valuation of such items at the Balance Sheet date.
7. What are Government Grants ? How are they accounted ?

### SECTION – C

Answer **any three** questions out of five. **Each** question carries **twelve** marks.

(3×12=36)

8. Explain the benefits of Accounting Standards. Are there any difficulties faced by the standard setters, in general ?
9. Explain the provisions of AS 10 – Property, Plant and Equipment.
10. What are the conditions for an amalgamation to be considered in the nature of merger ? Explain the accounting method to be followed in such cases, as prescribed under AS-14.
11. What are the standards set by AS-15 “Employee Benefits” ?
12. Prepare Cash Flow Statement of Pixel Electronics Limited in accordance with AS-3 from the following summary cash account for the year ending 31<sup>st</sup> March 2017. You may use either direct method or indirect method.

#### Pixel Electronics Limited

#### Balance Sheet as on 31-3-2017

Liabilities	Rs. In thousands	
	As at 31-3-2017	As at 31-3-2016
Share Capital	11,000	6,600
Reserves and Surplus	4,400	3,960



Long-term Loans	4,400	7,260
Sundry Creditors	7,260	6,160
Interest Payable	770	550
Income-tax Payable	1,100	770
Proposed Dividend	2,200	1,760
<b>Total</b>	<b>31,130</b>	<b>27,060</b>

<b>Assets</b>	<b>As at 31-3-2017</b>	<b>As at 31-3-2016</b>
Net Fixed Assets	13,200	9,900
Long Term-Investments	4,180	3,960
Inventories	4,400	4,620
Sundry Debtors	8,140	8,030
Interest Receivable	550	330
Cash and Bank Balances	660	220
<b>Total</b>	<b>31,130</b>	<b>27,060</b>

**Profit and Loss Account For Year Ending 31-3-2017**

<b>Income</b>	<b>Amount</b>
Sales	38,060
Interest (TDS Rs. 15)	550
Dividend	330
<b>Total (1)</b>	<b>38,940</b>



**Expenditure**

Cost of Sales	23,760
Administrative and Selling Expenses	7,700
Interest	1,320
Depreciation	1,760
Total (2)	<b>34,540</b>
Net Profit before Taxation (1) – (2)	4,400
Less : Current Tax Expenses	1,320
Net Profit after tax	<b>3,080</b>

During the year the Company paid a Dividend of Rs. 2,640 thousands.

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