



I Semester M.Com. (FA) Examination, Jan./Feb. 2019  
(CBCS)

Paper – 1.1 : ACCOUNTING CONVENTIONS AND STANDARDS

Time : 3 Hours

Max. Marks : 70

**Instruction : Answer all Sections.**

SECTION – A

1. Answer any **seven** questions out of **ten**. Each question carries **two** marks : **(7×2=14)**
- What do you mean by 'Accounting Standards' ?
  - What is the basic measurement principle for valuation of inventory ?
  - Define "Cash Equivalents".
  - Why does Prior Period Item arise ? Give two examples.
  - What are the two permitted accounting treatments in respects of Government Grants related to depreciable fixed assets ?
  - Define "Current Investments".
  - What is the accounting treatment of Goodwill arising on Amalgamation ?
  - What is a qualifying asset ? And how do you treat borrowing costs relating to such qualifying assets ?
  - How is "Basic Earnings Per Share" calculated ?
  - Define "Timing Difference" and give two examples.

SECTION – B

Answer any **four** questions out of **six**. Each question carries **five** marks : **(4×5=20)**

- Explain the different types of Accounting Standards.
- What does "IFRS" stand for ? What is the Indian version of IFRS ? Name any five differences between Indian GAAP and IFRS.
- Explain briefly the provisions of AS1-Disclosure of Accounting Policies.

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5. What are the two types of Segments covered under AS 17-Segment Reporting ? List any five items of disclosure requirements under AS 17.
6. List the circumstances under which a lease is considered as a finance lease. How do you treat finance lease in the books of the lessee ?
7. Explain “Cost of Inventories” with reference to AS-2 Valuation of Inventories.

SECTION – C

Answer **any three** questions out of **five**. Each question carries **twelve** marks. **(3x12=36)**

8. Explain in detail, the procedure for issue of Accounting Standards followed in India.
9. Explain the provisions of AS 7-Construction Contracts.
10. Explain the criteria for recognition of revenue in respect of sale of goods and rendering of services. Give 3 illustrations each and explain the basis for their revenue recognition.
11. What are the standards set by AS-11 “Effects of changes in foreign exchange rates” ?
12. Honour Communication Limited has presented the following Balance Sheet and Statement of Profit and Loss for the year ended March 31, 2017. You are required to prepare Cash Flow Statement for the year ending 31<sup>st</sup> March 2017 in accordance with AS-3. Use either direct method or indirect method.

**Honour Communications Limited**  
**Balance Sheet as at March 31, 2017**

Balance Sheet	As at		Assets	Amount in Lakhs	
	31-3-2017	31-3-2016		As at 31-3-2017	As at 31-3-2017
<b>Liabilities</b>			<b>Assets</b>		
Share Capital	5,000	4,200	Fixed Assets		
Reserves and Surplus	3,610	3,290	At cost	11,500	10,400
Long-term loans	1,600	2,600	Less :		
			Accumulated		
			Depreciation	5,820	4,700
Sundry Creditors	4,950	4,030	Net Fixed Assets	5,680	5,700





Interest Payable	200	150	Long Term-Investments	1,500	1,000
Income-tax payable	300	200	Short Term-investments	250	100
			Inventories	3,700	2,700
			Sundry Debtors	4,300	4,650
			Interest Receivable	170	150
			Cash and bank balances	60	170
<b>Total</b>	<b>15,660</b>	<b>14,470</b>	<b>Total</b>	<b>15,660</b>	<b>14,470</b>

**Profit and Loss Account For the y.e. 31-3-2017**

**Income**

Sales	25,000
Interest income (TDS Rs. 30)	200
Dividend Income	100
<b>Total - (1)</b>	<b>25,300</b>

**Expenditure**

Cost of sales	17,400
Administrative and selling expenses	3,920
Interest Expense	400
Depreciation	1,120
<b>Total - (2)</b>	<b>22,840</b>
Net Profit before Taxation (1) - (2)	2,460
Less : Current Income tax	740
Net Profit after tax	1,720
Balance brought forward	3,290
Profit available for appropriation	5,010
Less : Dividend Paid	1,400
Balance carried to Balance Sheet	3,610

**Additional Information :**

- Repayment of Term Loan amounted to Rs. 1,000 lakhs.
- Amount realized on disposal of old fixed assets Rs. 400 lakhs (Book Value Rs. 400 lakhs)