**MODEL QUESTION PAPER**

**(1ST YEAR) (COMMERCE)**

**MCO14 – ACCOUNTING THEORY AND PRACTICE**

**TIME: 03 HOURS MAX.MARKS: 90**

**GROUP A: Answer any three questions.**

Q.1 Critically examine the factors that facilitate Accounting Process.

(15)

Q.2 What is Responsibility Accounting? Discuss the merits and demerits of using profit centre and cost centre as ways of measuring managerial performance. (15)

Q.3 Write an explanatory note on Comptroller and Auditor General of India. (15)

Q.4 Following information are available for Better Co., along with various ratios relevant to the particular industry to which it belongs. Find out the relevant ratios relating to Better Co., and give your comments on strengths and weakness of Better Co., by comparing its ratios with that of industry norms.

**Better Co., Balance Sheet as on 31st March, 2012**

**Liabilities Amount Assets Amount**

**Rs Rs**

Equity Share Capital 24,00,000 Net fixed assets 12,10,000

10% Debentures 4,60,000 Cash 4,40,000

Sundry Creditors 3,30,000 Sundry Debtors 5,50,000

Bills Payable 4,40,000 Stocks 16,50,000

Other Current Liabilities 2,20,000

**38,50,000 38,50,000**

**Statement of Profitability for the year ending 31st March,2012**

**Particulars Amount Amount**

**Rs Rs**

Sales

Less: Cost of Goods Sold

Material 20,90,000

Wages 13,20,000

Factory Overhead 6,49,000 40,59,000

Gross Profit 14,41,000

Less: Selling & Distribution Cost 5,50,000

Administrative cost 6,14,000 11,64,000

Earnings before interest & taxes 2,77,000

Less: Interest Charges 46,000

Earnings before tax 2,31,000

Less: Taxes 1,15,500

Net Profit

Industry Norm Ratios considered Norm

a) Current Assets/Current Liabilities 2.5

b) Sales/debtors 8.0

c) Sales/Stock 9.0

d) Sales Total Assets 2.0

e) Net Profit/Sales 3.5%

f) Net Profit/ Net Worth 10.5%

g) Total Debt/ Total Assets 60.0%

h) Net Profit/ Total Assets 7.0% (15)

Q.5 From the following financial statements prepared under traditional accounting system and other additional information provided, prepare the financial statements under Current Cost Accounting.

**Profit & Loss A/c of MNP Company for the year ended 31st March, 2011**

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Amount Rs | Particulars | Amount Rs |
| To Cost of opening stock | 10,00,000 | By Sales revenue | 80,00,000 |
| To Purchases | 40,00,000 | By Closing stock | 8,00,000 |
| To Operating expenses | 12,00,000 |  |  |
| To interest | 3,00,000 |  |  |
| To Depreciation on fixed assets | 2,50,000 |  |  |
| To Provision for taxes | 8,40,000 |  |  |
| To Dividends | 1,50,000 |  |  |
| To Balance c/d | 10,60,000 |  |  |
|  | **88,00,000** |  | **88,00,000** |

**Balance Sheet of MNP Company as on 31st March, 2011**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **Amount Rs** |  | **Assets** | **Amount Rs** |  |
|  | **31-3-11** | **31-3-12** |  | **31-3-11** | **31-3-12** |
| Share capital | 20,00,000 | 20,00,000 | Fixed assets | 20,00,000 | 20,00,000 |
| Reserves | 6,00,000 | 16,60,000 | Less: Depreciation | 5,00,000 | 7,50,000 |
| Long-term loans | 10,00,000 | 9,00,000 |  | 15,00,000 | 12,50,000 |
| Trade creditors | 6,00,000 | 7,00,000 | Trade debtors | 8,00,000 | 14,60,000 |
|  |  |  | Stock | 10,00,000 | 8,00,000 |
|  |  |  | Cash | 9,00,000 | 17,50,000 |
|  | 42,00,000 | 52,60,000 |  | 42,00,000 | 52,62,000 |

The following additional details are also provided.

1. The relevant price indices are,

|  |  |  |
| --- | --- | --- |
|  | Stocks | Debtors and Creditors |
| Opening | 250 | 250 |
| Closing | 260 | 265 |
| Average for 2011 | 255 | 258 |

b) Value of fixed assets to the company: Opening Rs. 28,00,000 and closing Rs. 32,00,000. The estimated life of the fixed assets is 8 years.

**GROUP B**

Answer any three questions. Each question carries 10 marks:

Q.6 Discuss the structure of GAAs. (10)

Q.7 Write an analytical note on International Accounting Standers. (10)

Q.8 Explain the procedure of determining the cash from operation. (10)

Q.9 Aftech Ltd. Is firm that specializes in offering technical consulting services. Aftech reported operating income (EBIT) of Rs. 51.5 lakh and net income of Rs. 23 lakh in the most recent year. In the most recent year, the firm had Rs 14 lakh training and recruitment expenses. A consultant who joins Aftech stays with the firm on average 4 years. Training and recruitment expenses are amortized over 4 years and over the past 4 years, they are, (10)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Current | 1 | 2 | 3 | 4 |
| Recruitment & training expenses(Rs lakh) | 14 | 12 | 10.4 | 9.1 | 8.3 |

Assuming a linear amortization schedule (over 4 years), you are required to estimate the value of human capital asset.

Q.10 Prepare a Fund Flow Statement from the following: (10)

|  |  |  |
| --- | --- | --- |
|  | **2010** | **2011** |
|  | **Rs** | **Rs** |
| Cash | 2,000 | 2,500 |
| Bills Receivable | 2,400 | 2,700 |
| Stock | 3,100 | 3,200 |
| Other Current Assets | 800 | 700 |
| Fixed Assets | 5,000 | 5,800 |
| Accumulated Depreciation | 2,100 | 2,500 |
| Bills Payable | 1,400 | 1,300 |
| Equity Capital | 5,000 | 5,300 |
| Retained Profits | 2,800 | 3,700 |

Other Information:

1. Fixed Assets costing Rs. 1,200 were purchased for cash.
2. Fixed Assets cost Rs. 400, accumulated depreciation Rs. 150, was sold for Rs. 200.
3. Depreciation for the year 2011 was Rs. 550.
4. Dividend paid during 2011 was Rs. 300.
5. Reported profit for 2011 was Rs. 1,200.

**GROUP C**

Answer **any three** questions. **Each** sub-question carries **5** marks:

Q.11 Differentiate between fund flow and cash flow statements. (05)

Q.12 What are the objectives of Government systems of accounting?(05)

Q.13 Outline the Accounting Cycle. (05)

Q.14 List the Advantages of Ratio Analysis. (05)

Q.15 Need for Government System of Accounting. (05)

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