

**Roll No.**

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**Total No. of Pages : 04**

**Total No. of Questions : 10**

**M.Com. (Sem.-1)**  
**ACCOUNTING THEORY**  
**Subject Code : MCOP-104-18**  
**M.Code : 75336**  
**Date of Examination : 10-01-2023**

**Time : 3 Hrs.**

**Max. Marks : 60**

**INSTRUCTIONS TO CANDIDATES :**

1. **SECTION-A** contains **EIGHT** questions carrying **TWO** marks each and students have to attempt **ALL** questions.
2. **SECTION-B** consists of **FOUR** Subsections : **Units-I, II, III & IV**. Each Subsection contains **TWO** questions each carrying **EIGHT** marks each and student has to attempt any **ONE** question from each Subsection.
3. **SECTION-C** is **COMPULSORY** and consist of **ONE** Case Study carrying **TWELVE** marks.

## SECTION-A

- 1. Write briefly :**
- a) Distinguish between revenue and income.
  - b) What do you mean by double entry system?
  - c) What is price level change?
  - d) What is meant by human resource accounting?
  - e) What is segment reporting?
  - f) What do you mean by crypto currency?
  - g) Explain the term financial derivative.
  - h) What is meant by inventory valuation?

## SECTION-B

### UNIT-I

2. What do you mean by accounting theory? Distinguish between financial accounting, cost accounting and management accounting.
3. What do you mean by Generally Accepted Accounting Principles (GAAPs]. Discuss the nature and scope of GAAPs.

### UNIT-II

4. From the following data calculate (a) cost of sales and (b) closing inventory under the CPP method presuming that the firm is following LIFO Method for inventory valuation.

	Rs.	Price Index
Inventory as on 1.1.2020	8,000	100
Purchases	48,000	
Inventory as on 31.12.2020	12,000	
Price Index as on 1.1.2020		145
Average Price Index 2020		123

5. What are the different types of leases? Distinguish between Lease, Hire Purchase and Installment Sale.

### UNIT-III

6. From the following balance sheet of H. Ltd. and its subsidiary S Ltd. drawn up at 31.12.2017. Prepare a consolidated Balance sheet as on that date having regard to the following.
  - i. Reserve and profit and loss account (cr.) of S. Ltd. stood at Rs. 50,000 and 30,000 respectively, on the date of acquisition of its 80% shares. Held by H Ltd. as on 1/01/2017 and
  - ii. Machinery (Book value Rs. 2,00,000) and furniture (Book value Rs. 40,000) of S Ltd. were revalued at Rs. 3,00,000 and Rs. 30,000 respectively for the purpose of fixing the price of its shares there was no purchase or sale of these assets since the date of acquisition.

**Balance sheets of H Ltd. S Ltd. as at 31st December 2017**

<b>Liabilities</b>	<b>H Ltd.</b>	<b>S Ltd.</b>	<b>Assets</b>	<b>H Ltd.</b>	<b>S Ltd.</b>
Equity Shares of Rs. 100 each	10,00,000	2,00,000	Machinery	6,00,000	1,80,000
Reserves	4,00,000	1,50,000	Furniture	1,00,000	34,000
<b>Profit and Loss Account</b>	2,00,000	50,000	80% Shares in S Ltd. 1600 at Rs.200 each	3,20,000	
Creditors	3,00,000	1,00,000	Current Assets	8,80,000	2,86,000
<b>Total</b>	<b>19,00,000</b>	<b>5,00,000</b>	<b>Total</b>	<b>19,00,000</b>	<b>5,00,000</b>

7. What is meant by Standardization and Harmonization of accounting practices? Discuss the advantages of Harmonization to different beneficiaries.

**UNIT-IV**

8. Explain the concept financial reporting. Discuss the key issues in financial reporting.

**OR**

9. Explain the concept of social reporting. Discuss the elements of Social disclosures in Annual Reports.

**SECTION-C**

10. Read the Case study carefully and give the answers of questions given at the end:

**LENNAR CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF EARNINGS (in Part)**

**Years Ended November 30, 2006, 2005, and 2004**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	(Dollars in thousands, except per share amounts)		
<b>Revenues:</b>			
Homebuilding	15,623,040	13,304,599	10,000,632
Financial Services	643,622	562,372	500,336
<b>Total Revenues</b>	<b>16,266, 662</b>	<b>13,866, 971</b>	<b>10,500,968</b>
<b>Cost and Expenses:</b>			
Homebuilding (1)	14,677,565	11,215,244	8,629,767
Financial Services	493,819	457,604	389,605
Corporate General and administration	193,307	187,257	141,722
<b>Total Cost and Expenses</b>	<b>15,364,691</b>	<b>11,860,105</b>	<b>9,161,094</b>
<b>Equity in Earnings (Loss) from</b>	<b>(12, 536)</b>	<b>133,814</b>	<b>90,739</b>

<b>unconsolidated entries (2)</b>			
Management fee and other income, net	66,629	98,952	97,680
Minority interest Expenses net	13,415	45,030	10,796
Loss on redemption of 9.95% senior notes	—	34,908	—
Earnings from continuing operation before <b>Provision for taxes</b>	942,649	2,159,694	1,517,497
Less Provision for taxes	348,780	815,284	572,855
<b>Net Earnings from continuing operation</b>	<b>593,869</b>	<b>1,344,410</b>	<b>944,642</b>
<b>Discontinuing operation:</b>			
Earnings from discontinuing operation before Provision for tax		17,261	1,570
Less Provision for taxes	—	6,156	593
<b>Net Earnings from discontinuing operation</b>	<b>—</b>	<b>10,745</b>	<b>977</b>
<b>Net Earnings from continuing and discontinuing operation</b>	<b>593,869</b>	<b>1,355,155</b>	<b>945,619</b>

- a) Homebuilding costs and expenses include \$501.8 million, \$20.5 million, and \$16.8 million, respectively, of inventory valuation adjustments for the years, ended November 30, 2006, 2005, and 2004.
- b) Equity in earnings (loss) from unconsolidated entities includes \$126.4 million of valuation adjustments to the Company's investments in unconsolidated entities for the year ended November 30, 2006. There were no material valuation adjustments for the years ended November 30, 2005 and 2004.

### Questions:

- a) Does it appear that there is a 100% ownership in all consolidated subsidiaries?
- b) Describe equity earnings. Why were these entities not consolidated?
- c) What type of “special item” would be Loss on Redemption of 9.95% Senior Notes?
- d) Which would likely be considered more important when looking to the future— net earnings from continuing operations or net earnings?

Consider homebuilding revenue and homebuilding costs. Comment on the trend in profitability between 2005 and 2006.

**NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.**