

MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
MAKE-UP EXAMINATIONS: 2076
MASTER OF BUSINESS STUDIES (MBS)
SEMESTER - IV

Subject: Accounting Theory and Practice
Full Marks: 100

Course Code: ACC 547
Time: 4:00 Hours

You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.

SECTION A: CRITICAL THINKING QUESTIONS (10 X2 = 20 MARKS)

Answer all questions:

1. Define conservatism principle of financial accounting.
2. Give any main four roles of Nepal Accounting Standard Board.
3. "Faithful presentation is the fundamental characteristics of useful financial reporting". Briefly explain.
4. Express the four features of assets as per International Financial Reporting Standard.
5. State the concept of physical capital maintenance.
6. Write the concept of corporate social responsibility in relation to accounting standard.
7. Point out any four features of inflation in accounting.
8. Give any four characteristics of General Purchasing Power Method (GPPM).
9. Give any two differences between economic value added and monetary value added concept.
10. List out any four considering factors on internet financial reporting.

SECTION B: SHORT ANSWER QUESTIONS (6 X 8 = 48 MARKS)

Answer any SIX questions:

11. "Conceptual framework of international financial reporting is a basic guideline for organization". Explain this statement based on the purpose and status of its conceptual framework. (4+4=8)
12. "Accounting Assumptions are basic guideline for financial accounting". Express your argument with highlighting this statement. (8)
13. Explain the methods of measurement of the elements of financial statement. And show the concept of capital maintenance and the determination of capital profit. (4+4=8)
14. Give the meaning of market value added. Explain the indication and importance of the market value added. (2 +3 +3=8)
15. Give the meaning of director's report. Explain the contents of director's report. (2+6=8)
16. "Human resource accounting and reporting is a challenging job due to more dynamic subject matter". With reference this statement explain its objectives, benefits and limitations. (2+3+3=8)
17. A firm's income statement for the year ended 31st Chaitra 2075 was as follows;

Particulars	Amount Rs.	
	Detail	Total
Sales Revenue		100,000
Less:- Cost of goods sold		
Beginning inventory	15,000	
Purchase	60,000	
Ending inventory	<u>(10,000)</u>	<u>65,000</u>
Gross margin		35,000
Less:- Salary	10,000	
Depreciation	7,500	
Administrative expenses	4,000	
Interest on loan	<u>3,500</u>	<u>25,000</u>
Net Profit before tax		10,000
Less:- Tax		<u>3,000</u>
Profit after Tax		7,000
Less:- Dividend		<u>5,000</u>
Surplus		2,000

Other information:

The general price index was 120 of Baisakh and 150 of Chaitra 2075

The gearing adjustment for the period was Rs 1,000

Depreciation adjustment..... Rs.2,500

Fixed assetRs.7,000

MWCA Rs.2,000

Required:

- a. Cost of Sales Adjustment (COSA) (3)
- b. Current Cost Accounting Reserve (CCAR) (2)
- c. Current cost income statement. (3)

18. Following Trading and Profit and Loss account of Pant Brick Manufacturing , Latikoili , Surkhet

Particulars	Amount Rs.	Particulars	Amount Rs.
To opening stock	70,000	By sales revenue	450,000
To Purchase 250,000		By closing stock	60,000
Less:- Return <u>10,000</u>	240,000		
To carriage	8,000		
To power	10,000		
To work in progress	20,000		
To wages	30,000		
To Gross profit	<u>132,000</u>		
	<u>510,000</u>		<u>510,000</u>
To operating expenses	25,000	By gross profit	132,000
To electricity charge	5,000	By interest	2,000
To repair	5,500	By commission	1,000
To depreciation	5,000		
To salary	25,500		
To net profit	69,000		
	135,000		135,000

Required:

Value Added Statement with applies

(8)

SECTION C: LONG ANSWER QUESTIONS (2 X 16 = 32 MARKS)

Answer any TWO questions:

19. International financial reporting standard is guided for making qualitative characteristics for useful financial information. Explain the qualitative characteristics, its applications and enhancing qualitative characteristics for financial reporting. (4+6+6=16)
20. Following are the Comparative balance as on 31st Chaitra 2074 and 2075.

Liabilities	2074	2075	Assets	2074	2075
Equity share	200,000	250,000	Fixed Asset	250,000	225,000
Surplus	30,000	50,000	Debtor	40,000	100,000
Creditor	100,000	150,000	Inventory	150,000	130,000
8% debenture	180,000	115,000	Cash	70,000	110,000
Total	510,000	565,000	Total	510,000	565,000

Income statement for the year 2075

Particulars	Amount	
	Detail Rs.	Total Rs.
Sales Revenue		500,000
Less:- Cost of goods Sold		
Opening stock	50,000	
Purchase	300,000	
Closing Stock	<u>(40,000)</u>	<u>310,000</u>
Gross Profit		190,000
Less:- Operating expenses		
Salaries and wages	40,000	
Depreciation	25,000	
Interest	15,000	
Tax	<u>20,000</u>	<u>100,000</u>
Net Profit		<u>90,000</u>

Additional Information

- i. Tax and Interest paid at the end of the year
- ii. The price index was on 31st Chaitra 2074 -100 and on 31st Chaitra 2075-120.
- iii. At the time of share issue – 50 and at the time of asset purchase - 60

Required:

- a. General Price Level gain or loss (6)
- b. CPP adjusted income statement (6)
- c. CPP adjusted balance sheet on 31st December 2075 (4)

21. You are given following adjusted trial balance of a trading company.

Account title	Trial balance		Adjustments		Adjusted Trial balance	
	Dr. Rs.	Cr. Rs.	Dr. Rs.	Cr. Rs.	Dr. Rs.	Cr. Rs.
Opening stock	22,000	-	-	-	22,000	-
Purchase	90,000	-	-	-	90,000	-
Plant and machinery	300,000	-	-	30,000	270,000	-
Land and building	200,000	-	10,000	-	210,000	-
Tax paid	12,000	-	-	-	12,000	-
Transportation-in	8,000	-	-	-	8,000	-
Direct wages	33,000	-	-	-	33,000	-
Salaries	25,000	-	-	-	25,000	-
Account receivable	60,000	-	-	-	60,000	-
Other expenses	15,000	-	-	-	15,000	-
Advertisement suspense	13,000	-	-	-	13,000	-
Cash and bank	90,000	-	-	-	90,000	-
Paid up equity share capital	-	200,000	-	-	-	200,000
10% preference share	-	100,000	-	-	-	100,000
Sales less return	-	250,000	-	-	-	250,000
10% debenture	-	150,000	-	-	-	150,000
Account payable	-	50,000	-	-	-	50,000
Provision for tax	-	18,000	-	-	-	18,000
Sinking fund	-	25,000	-	-	-	25,000
P/L appropriation account	-	75,000	-	-	-	75,000
Adjustments:-	-	-	-	-	-	-
Appreciation	-	-	-	10,000	-	10,000
Depreciation	-	-	30,000	-	30,000	-
Interest expenses	-	-	15,000	-	15,000	-
Interest payable	-	-	-	15,000	-	15,000
Sinking fund	-	-	10,000	10,000	10,000	10,000
Provision for bad debt	-	-	11,000	11,000	11,000	11,000
Proposed dividend equity share	-	-	10,000	10,000	10,000	10,000
Proposed dividend preference share	-	-	10,000	10,000	10,000	10,000
Total	868,000	868,000	96,000	96,000	934,000	934,000

Required:

Balance sheet, Retained earnings statement, income statement and cash flow statement as per company act. (4+2+5+5 = 16)

