

S-5/COMH/06/23

**TDP (Honours) 5th Semester Exam., 2023**  
**( Held in 2024 )**

**ACCOUNTING THEORY AND  
MANAGEMENT ACCOUNTING**

**( Honours )**

**SIXTH PAPER**

**Full Marks : 80**

**Time : 3 hours**

*The figures in the margin indicate full marks  
for the questions*

**Answer eight questions, taking two from each Unit**

**UNIT—I**

1. (a) What is 'deductive approach' related to the formulation of accounting theory?
- (b) Distinguish between accounting theory and accounting practice.
- (c) What are the reasons for the limited acceptance of accounting theory in practice?  
2+5+3=10

**24M/545**

**( Turn Over )**





2. (a) What do you mean by 'accounting concept and accounting convention'?
- (b) Explain the salient features of 'proprietary concept'?
- (c) Compare between entity concept and proprietary concept.  $2+4+4=10$

3. (a) What is meant by income in accounting?
- (b) Discuss the necessity of measurement of income in accounting.
- (c) Discuss the transaction method of measurement of income in accounting.  $2+4+4=10$

#### UNIT—II

4. (a) What is capital?
- (b) Distinguish between accounting concept of capital and economic concept of capital.
- (c) State the problems of measurement of capital.  $2+5+3=10$



5. (a) What do you mean by current asset?  
(b) State the importance of valuation of inventory in accounting.  
(c) Enumerate the logic behind the principle of valuing closing stock at 'the lower of cost or market price'. 2+4+4=10
6. (a) What is Balance Sheet?  
(b) What does a Balance Sheet convey?  
(c) How is Balance Sheet of a company related to its Profit & Loss A/c? 2+3+5=10

UNIT—III

7. (a) What is meant by management accounting?  
(b) Discuss the methods and techniques of management accounting.  
(c) Discuss the limitations of management accounting. 2+4+4=10
8. (a) What do you mean by positive and negative working capital?  
(b) State the various sources of working capital.  
(c) What factors are to be considered in determining the working capital of a company? 2+2+6=10



9. On 1st January of a year the Managing Director of a company wants to know the amount of working capital that will be required during the year. From the following information of the company, prepare the forecast of working capital requirement :

Production in the last year was 60000 units. The current year's production will be 20% more than that. Like the previous year in the current year also all units produced will be sold out.

Analysis of selling price :

Raw Materials	4.80
Direct Wages	2.60
Overhead	1.60
Profit	1.00
Selling Price	<u>10.00</u>

Raw materials will remain in store, on an average, for 2 months, before using for production. Each unit will be in production process for one month, the raw materials being fed into pipeline immediately. The labour and overhead costs will occur evenly during the year.

Finished goods will stay in the warehouse, awaiting despatch to customers, for



approximately 3 months. Credit allowed by creditors is  $1\frac{1}{2}$  months from the date of delivery of raw materials. Credit allowed to debtors is  $2\frac{1}{2}$  months from the date of despatch. 20% of sales will be on cash basis.

There will be regular production and sales cycles. Wages will be paid on 1st day of the next month. Suppliers of overhead will extend a credit period equal to half the same to be allowed by creditors for raw materials. A cash balance of ₹ 25,000 is to be maintained.

10

## UNIT—IV

10. (a) What do you mean by 'fund from operation'?

(b) What are the managerial uses of 'fund flow statement'?

(c) Explain the utility of ratio analysis.

2+4+4=10

11. From the summarized Balance Sheet of a company as at 31st March, 2022 and 31st March, 2023 respectively, you are required to prepare—

(a) a statement of changes in working capital;



(b) a statement of sources and application of funds : 4+6=10

Liabilities	2022	2023	Assets	2022	2023
	₹	₹		₹	₹
Equity Share Capital	75,000	1,20,000	Fixed Assets at cost	2,40,070	2,53,730
10% Redeemable Preference Share Capital	1,00,000	80,000	Less : Depreciation	90,020	98,480
Reserve for Replacement of Machinery	15,000	10,000	Investments	61,000	76,000
Long-term Loans	—	40,000	Stock	98,000	1,04,000
Bank Overdraft	22,000	—	Trade Debtors	88,000	85,000
Trade Creditors	84,450	75,550	Bank	11,750	32,000
Proposed Dividend on Equity Shares	12,000	24,000			
Profit & Loss A/c	1,00,350	1,02,700			
	<u>4,08,800</u>	<u>4,52,250</u>		<u>4,08,800</u>	<u>4,52,250</u>

**Additional Information :**

- (i) During the year, additional equity capital was issued to the extent of ₹ 25,000 by way of bonus shares as fully paid up
- (ii) Proposed dividend for the year ended 31st March, 2022 were paid in October 2023
- (iii) Movement in Reserve for replacement of Machinery A/c represents transfer to Profit & Loss A/c

- (iv) Fixed Assets costing ₹ 6,000 (accumulated depreciation ₹ 4,800) were sold for ₹ 250. Loss arising there from was written off
- (v) Preference Shares redeemed in the year (June 2022) were out of a fresh issue of Equity Shares Premium paid on redemption was 10%

12. (a) Explain the limitations of ratio analysis.

(b) From the following information given below, calculate—

- (i) Current Ratio;  
 (ii) Acid Test Ratio;  
 (iii) Debt Equity Ratio;  
 (iv) Asset Proprietorship Ratio :

$$4 + (1\frac{1}{2} \times 4) = 10$$

*Balance Sheet of X Co. Ltd.  
 as on 31st December, 2022*

Liabilities		₹	Assets		₹
Shareholders' Fund :			Fixed Assets		1,80,000
Equity Share Capital		1,50,000	Current Assets :		
12% Preference Share Capital		30,000	Stores		12,000
Reserve and Surplus		24,000	Stock-in-Trade		32,000
15% Debentures		48,000	Sundry Debtors		10,000
			Cash in Hand		2,000
			Cash at Bank		4,000
					60,000



Liabilities		₹	Assets	₹
Current Liabilities :			Preliminary Expenses	48,000
Bank Loan	12,000		Discount on Issue of Debentures	4,000
Sundry Creditors	16,000			
Proposed Dividend	2,000			
Provision for Taxation	10,000	40,000		
		<u>2,92,000</u>		<u>2,92,000</u>

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