

**TDP (Honours) 5th Semester Exam., 2024  
( held in 2025 )**

**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 meant by accounting theory?  
(b) Discuss the characteristics of accounting theory.  
(c) State the advantages of learning accounting theory. 2+4+4=10
2. (a) What do you understand by 'accounting principle'?



(b) Discuss the theme of 'going-concern concept'.

(c) "Information that are material to the users should only be included in financial statement." Discuss the accounting convention underlying this statement.

2+4+4=10

3. (a) What do you mean by revenue in accounting?

(b) What is the principle of 'realization of revenue'?

(c) What are the internal and external sources of Working Capital Financing?

2+3+5=10

## UNIT—II

4. (a) What do you mean by consumption of capital?

(b) Discuss the characteristics of capital.

(c) Explain the necessity of differentiating between capital and income.

2+4+4=10

5. (a) What is an asset?

(b) State the main characteristics that are to be fulfilled for recognizing an asset in accounting.



(c) Distinguish between current assets and fixed assets.

(d) Distinguish between contingent assets and fictitious assets.  $2+4+2+2=10$

6. (a) What do you mean by financial statement?

(b) Discuss in detail the limitations of financial statement.

(c) Write short notes on Balance Sheet in respect of (i) remaining balances view of Balance Sheet and (ii) true and fair view.

$2+4+(2+2)=10$

### UNIT—III

7. (a) Discuss the importance of management accounting.

(b) Distinguish between management accounting and financial accounting.

$5+5=10$

8. (a) Define the term 'working capital'.

(b) What is meant by qualitative and quantitative working capital?

(c) What do you mean by 'working capital cycle'?

(d) State the factors on which the duration of the cycle depends.  $2+(1\frac{1}{2}+1\frac{1}{2})+2+3=10$



9. From the details concerning a manufacturing enterprise, estimate the amount of working capital needed to finance an activity level of 50%. The capacity of the concern is to produce 240000 units p.a. :

Expected selling price—₹ 10.00 per unit

Cost of raw materials—₹ 3.00 per unit

Direct labour cost—₹ 2.50 per unit

Overhead (including

depreciation ₹ 50,000)—₹ 2,50,000

Raw materials are in stock on an average for one month. Materials are in process on an average for two months. Finished goods are in stock on an average for two months. Credit allowed to debtors for three months and that received from suppliers of raw materials one month. Lag in payment of wages half a month and of overhead one month. Cash on hand and at bank—10% of net working capital.

You may assume that production is carried on evenly throughout the year and overheads accrue similarly. One-fourth of the output is sold against cash.

10

#### UNIT—IV

10. (a) Explain the meaning and different concepts of the term 'fund'.

(b) "Depreciation is not a source of fund."

Explain it critically.

5+5=10

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( Continued )



11. The summarized Balance Sheets of ABC Ltd. as on 31.03.2023 and 31.03.2024 are as follows :

	31.03.2023 (₹)	31.03.2024 (₹)
<b>Assets :</b>		
Fixed Assets	4,00,000	3,20,000
Investment	50,000	60,000
Stock	2,40,000	2,10,000
Sundry Debtors	2,20,000	4,70,000
Bank	1,49,000	1,97,000
	<u>10,59,000</u>	<u>12,57,000</u>
<b>Liabilities :</b>		
Share Capital	4,50,000	4,50,000
General Reserve	3,00,000	3,10,000
Profit & Loss A/c	56,000	68,000
Mortgage Loan	1,68,000	2,70,000
Sundry Creditors	75,000	1,34,000
Provision for Bad Debts	10,000	15,000
Provision for Taxation	—	10,000
	<u>10,59,000</u>	<u>12,57,000</u>

**Additional Information Available :**

- (i) During the year, a part of fixed assets having a book value of ₹ 10,000 was disposed for ₹ 12,000 and the profit is included in the Profit & Loss A/c



(ii) Dividend paid during the year amounted to ₹ 40,000

(iii) Investment costing ₹ 8,000 was sold during the year for ₹ 8,500 and further investment was purchased during the year for ₹ 18,000

(iv) The net profit for the year was ₹ 62,000 after charging depreciation on fixed assets ₹ 70,000 for the year and provision for taxation ₹ 10,000

From the above information, prepare—

(a) a statement of changes in working capital during 2024;

(b) a statement of sources and application of funds for the year ended 31st March, 2024.

4+6=10

12. (a) What is meant by mixed ratio or composite ratio?

(b) From the following information relating to Sun Shine Ltd., prepare a Balance Sheet as on 31.12.24 :

(i) Current ratio—2.5 : 1

(ii) Liquid ratio—1.5 : 1

(iii) Net working capital—₹ 3,00,000



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(iv) Cost of sales/closing

stock—8 times

(v) GP ratio—25%

(vi) Average debt collection

period—1.5 months

(vii) Fixed Assets/Shareholders'

net worth—0.75

(viii) Reserve and Surplus/Share

Capital—0.50

2+8=10

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