

Instructions: 1. Question No. 1 is compulsory.

2. Attempt any 3 questions from Question No. 2 to Question No. 6.

3. Each question carries 20 marks.

4. Prepare working notes wherever necessary.

5. Figures to the right indicate marks.

- Q1. a. The cost of a partly finished unit at the end of 2017-18 is ₹ 300. The unit can be finished next year by a further expenditure of ₹ 200. The finished unit can be sold at ₹ 500, subject to a payment of 4% brokerage on selling price. Calculate the value of inventory according to AS 2. (5)
- b. An earthquake destroyed a major warehouse of X Ltd. on 20th May 2021. The accounting year on the company ended on 31st March 2021. The accounts were approved on 30.06.2021. The loss from the earthquake is estimated at ₹ 100 lakhs. State with reasons, whether the loss due to the earthquake is an adjusting even or a non-adjusting event according to AS 4 and how the fact of loss is to be disclosed by the company. (5)
- c. Whole Foods had acquired a brand from a food technology company against a consideration of ₹ 500 crores. The valuation of the brand was performed by an independent valuer who had predicted cashflows for the next 30 years to determine the value of the brand. The brand has been established in the market place for nearly 50 years. Since the brand was acquired, it was capitalized and shown as an intangible asset in the books. Over what period should the brand be amortized according to AS 26? (5)
- d. A company follows a policy of refunding money to dissatisfied customers if they make a claim within 30 days from the date of purchase and return the goods. From past experience, it appears that 0.50% of the customers claim refund per month. The company sold goods worth ₹ 10 lakhs last month. Should a provision be made according to AS 29? If yes, calculate the amount of provision. (5)

- Q2.** Calculate the value of inventory on the 30th of April 2018 using the FIFO method from the following information: (20)

Receipts:

April 1st Balance of 50 units @ ₹ 4 per unit

April 5th Received from supplier 40 units @ ₹ 3 per unit

April 8th Received from supplier 30 units @ ₹ 4 per unit

April 15th Received from supplier 20 units @ ₹ 5 per unit

April 25th Returned to store 10 units @ ₹ 2 per unit

April 26th Received from supplier 40 units @ ₹ 3 per unit

Issues:

April 10th Issued 70 units

April 12th Issues 10 units

April 20th Issued 20 units

April 24th Issued 10 units

April 30th Shortage of 5 units

- Q3. a.** From the following information related to K Ltd. Calculate value of Human Capital using Lev and Schwartz Model. (10)

Particulars	Skilled	Unskilled
Average Annual Earnings of an employee till date of retirement	35,000	30,000
Age of Retirement	60 years	60 years
Discount rate	15%	15%
No. of employees in a group	50	30
Average Age	57 years	58 years

- b.** A company purchased shares in 1997 of XYZ Company worth ₹ 42,000 when the general price index was 105. At the end of 2016, the market price of the shares was ₹ 36,000 and the price index was 125. At the end of 2017, the market price of the shares was ₹ 40,000 and index 130. (10)

You are required to calculate the CPP value of shares at the end of 2016 and 2017 respectively and the gain or loss in the value of shares

- Q4. a.** Elaborate on the five elements of financial statements (10)
- b.** Explain the meaning of accounting standards and describe the standard setting process. (10)

- Q5.** a. Explain the meaning of financial reporting and write about the users of financial information. (10)
- b. Describe the threats that accountants face and the safeguards that can be implemented to reduce these threats. (10)
- Q6.** a. Illustrate the qualitative characteristics of financial statements. (10)
- b. Outline the traditional and modern rules of accounting. (10)