# APPENDIX - I

**CONFIDENTIAL**

**QUESTIONNAIRE ON THE PROPRIETY AND JUSTIFICATION OF ACCOUNTING STANDARDS**

[Please give tick mark in the appropriate cage.]

## A. Accounting Standards on Disclosure

1. Should the concepts of going concern, consistency, accrual and prudence be followed as fundamental accounting assumption in the preparation of financial statements?
   - 1. Yes
   - 2. No
   - 3. Not considered

2. If the answer to Q. No 1 is No, should the fact of non-compliance be disclosed?
   - 1. Yes
   - 2. No
   - 3. Undecided

3. Should the reasons for noncompliance with the above assumptions be also disclosed?
   - 1. Yes
   - 2. No
   - 3. Undecided

4. Do you agree that prudence, substance over form and materiality should govern the selection and application of accounting policies?
   - 1. Agreed
   - 2. Disagreed
   - 3. Undecided

5. How much discretion be allowed to management in the selection and application of accounting policies?
   - 1. To a large extent
   - 2. To a certain extent
   - 3. To a very limited extent

6. Do you think that distinction between (a) fundamental accounting concepts (b) accounting bases and (c) accounting policies is clear?
   - 1. Yes
   - 2. No
   - 3. Unknown

7. How should the significant accounting policies followed in the preparation of financial statements be disclosed?
   - 1. As an integral part of accounts
   - 2. As supplementary information
   - 3. Need not be disclosed

8. If accounting policies need be disclosed, should they be disclosed in one place or in scattered way over different but relevant contexts?
   - 1. In one place
   - 2. In scattered way
   - 3. Not considered

9. Is it possible to rectify an inappropriate accounting treatment of an item by merely disclosing accounting policies?
   - 1. Possible
   - 2. Impossible
   - 3. Unknown

10. Should the financial statements show corresponding figures for the preceding period?
    - 1. Yes
    - 2. No
    - 3. Undecided

11. Should the change in accounting policies, if any, be disclosed?
    - 1. Yes
    - 2. No
    - 3. Depends on the nature of change

12. Should the effect of change in accounting policies on earlier period's and/or in subsequent period's accounting statement be quantified and disclosed?
    - 1. Only current period.
    - 2. Both current & subsequent period.
    - 3. Not for any period
13. How frequently should the accounting statements be prepared?

- Half yearly
- Annually
- 2 yearly

14. Do you think that standards should clearly define the phrase, adequate, full and fair?

- Yes
- No
- Not considered

15. Do you agree that at present major business houses in India are not disclosing accounting policies regularly and fully?

- Agreed
- Disagreed
- Unknown

**B. Accounting standard on Depreciation.**

1. Do you think the accounting standards on depreciation have ensured uniformity on its accounting practice?

- Yes
- No
- Unknown

2. If the answer to question No. 1 is yes, please state the magnitude of reduction in diversities.

- Greatly
- Moderately
- Insignificantly

3. Do you agree that straight line method of depreciation is simplest to apply.

- Agreed
- Disagreed
- Undecided

4.a) Do you think that suitability of a particular method of depreciation depends upon the circumstances?

- Yes
- No
- Undecided

b) If the answer is yes, should the matter be left with the management to decide?

- Yes
- No
- By the then authority

5. Do you think that management's discretion on the choice of depreciation method widens the diversities in its accounting practice?

- Yes
- No
- To some extent

6. Do you consider that straight line method of depreciation is most appropriate?

- Appropriate
- Inappropriate
- Undecided

7. Should the depreciation method be followed consistently year after year?

- Yes
- No
- Undecided

8. Do you recommend a change in depreciation method in the altered circumstances?

- Recommended
- Not recommended
- Undecided

9. Should the effect of change in depreciation method be quantified and disclosed in the financial statement?

- Should be made in all cases
- Should be made only when the effect is significant
- Need not be reported
10. Should change in depreciation method be treated as change in accounting policy?
   1. Yes
   2. No
   3. Unknown

11. Which of the lives of the assets is acceptable for calculating depreciation?
   1. Economic life
   2. Physical life

12. How frequently should the asset life be reviewed and revised?
   1. Every year
   2. In every five years
   3. Not at all

13a) Do you think disclosure of the basis of asset valuation is useful?
   1. Yes
   2. No
   3. Not considered

13b) If the answer is yes, please state does such disclosure make the accounting statements more useful.
   1. To a great extent
   1. To some extent
   3. Negligible

14. Should the followings be clearly disclosed in the financial statement.
   i) Depreciation method used
      1. Yes
      2. No
      3. Undecided

   ii) Useful lives or depreciation rates-used
      1. Yes
      2. No
      3. Undecided

   iii) Total depreciation allocation for the period.
      1. Yes
      2. No
      3. Of course

   iv) Gross amount of depreciable asset and the related accumulated depreciation.
      1. Yes
      2. No
      3. Undecided

   v) Reasons for change in depreciation method if any.
      1. Detail
      2. Briefly
      3. Not at all

15. How should the difference between book value of an asset and the amount realised from its disposal be shown in accounts?
   1. Shown in the revenue statement
   2. Shown in balance sheet as special item.
   3. Disclosed in foot note

16. How should the provision for depreciation on addition to or extension with the existing assets becoming their integral part be treated in accounts?
   1. As per the existing depreciation procedure
   2. Depreciated separately
   3. Charged against revenue

17. Should historical cost of asset be revised for depreciation purpose due to increase or decrease in long term liability arising out of exchange fluctuation, price adjustment, change in duties etc.
   1. Yes
   2. No
   3. Unknown

18. On what value should periodic depreciation be based?
   1. Historical cost
   2. Market value
   3. Replacement cost
19. How should residual value of fixed asset be dealt with?

20. Should depreciation be charged on land whose economic importance is declining or which is situated on the bank of canal or river side with the possibility of soil erosion?

C. Accounting standard on inventories:

1. Should inventories be valued at the lower of cost or net realisable value?

2. Do you think that inventories of consumable stores and maintenance should always be valued at cost price?

3. Do you agree that historical cost of every item of inventories be separately written down to its net realisable value?

4a) Do you think that book value of a current asset should not exceed its realisable value?

4b) Do you think that above principle is suitable for valuing stock in forestry, contract account and wine industry?

5. Should fixed production overhead be allocated to cost of inventory?

6. If answer to question No. 5 is yes, should fixed production overhead be allocated on the basis of normal production capacity?

7. Should administration, selling and distribution overhead be allocated to cost of inventory?

8. Do you accept the view that exceptional amounts of wasted material, labour or other expenses should not be included as part of inventory cost?

9. Is it possible to recommend a single formula to be used in all cases for pricing the issues of materials to production?

10. Which of the three methods FIFO, LIFO and weighted average—would you prefer under general circumstances?
11. Would you recommend that inventory value should not be reduced to replacement cost even if it is less than the lower of its historical cost and net realisable value.

1. Recommended 1 2 3
2. Not recommended
3. Yet to decide

12. Do you think that inventories be disclosed in maximum detail categories?

1. Yes 1 2 3
2. No
3. Depends on nature of inventory

13. Should accounting policy adopted for inventory valuation including the cost formula used be disclosed in the financial statement?

1. Yes 1 2 3
2. No
3. Not considered

14. Do you think that effect of change in accounting policy regarding inventory valuation be quantified and disclosed without fail?

1. Yes 1 2 3
2. No
3. Not considered

D. Accounting standard on Research and Development cost.

1. Should the expenditure in respect of pure research, applied research and development activities be taken in one accounting head?

1. Yes 1 2 3
2. No
3. Undecided

2. Costs of equipments and facilities acquired for a particular R & D. Project with no alternative future use be treated in accounting as:

1. Part of R & D cost for the period and written off 1 2 3
2. Capitalised asset and Depreciated over the project life
3. Not considered

3. Please state how should the pure research cost be treated in accounts.

1. Charged against revenue 1 2 3
2. Capitalised & amortised
3. Not considered

4. How should the applied research cost be accounted for?

1. Charged as expense 1 2 3
2. Capitalised & amortised
3. Unknown

5. What should be the accounting treatment of development cost?

1. Capitalised & depreciated 1 2 3
2. Charged against revenue
3. Depends on nature of development

6. Should the recovery of RD costs out of expected benefits from future products be considered a pre-condition for deferral of development expenditure?

1. Yes 1 2 3
2. No
3. Undecided

7. Should the policy of deferring the development costs be followed in case of all development projects under the similar condition?

1. Yes 1 2 3
2. No
3. Depends on Circumstances
8. What should be the basis of systematic allocation of R & D cost when they are deferred?

9. How frequently should the effectiveness of the commercial use of the development project be reviewed?

10. Do you think that unamortised balance of development cost be fully written off immediately when the possibility of its commercial use no longer exists?

11. Do you agree that the excess of unamortised balance of development cost over the expected future benefits, if any, be written off immediately?

12. Do you think that development costs once written off should not be re-instated even if the review shows that such cost can definitely be recovered out of future expected benefits?

13. Should the R & D costs be disclosed in the financial statement?

14. Should the movement of deferred development expenditure be disclosed in the financial statement?

15. Do you think that basis, proposed or adopted, for amortisation of deferred development cost including accounting policy for R & D costs be disclosed?

Date ______________________
Place ______________________
Name ______________________
Signature ____________________
APPENDIX - II

Tabulation of responses to empirical study on the issues arising out of accounting standards on Disclosure of Accounting Policies

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<th>Question No.</th>
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| 14            | 12           | 12           | 11           | 35          |
| 15            | 11           | 11           | 5            | 27          |

|                | Accountant   | Professional | Executive    |              |
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| 15            | 11           | 11           | 5            | 27          |

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| 15             | 1            | 0            | 3             | 4           |

|                | 0            | 0            | 4            | 7           |

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