

2 0 1 8

(November)

COMMERCE

(Speciality)

Course : 301

(Advanced Financial Accounting)

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

(New Course)

Full Marks : 80

Pass Marks : 24

Time : 3 hours

1. (a) Fill in the blanks : 1×4=4

- (i) A _____ is an asset that ceases to generate income for the bank.
- (ii) Consideration for annuities granted is a source of _____ for a life insurance company.

(iii) In case of marine insurance, the provision against unexpired risk is maintained at _____ % of net premium.

(iv) Investments are freely bought and sold in the _____ through banks and brokers.

(b) Write True or False : 1×4=4

(i) Rebate on bills discounted for a banking company is an income.

(ii) Balance Sheet of a life insurance business is prepared in the prescribed form A-BS of the Insurance Act.

(iii) Revenue Account of a general insurance company has five Schedules.

(iv) Brokerage is added in the cost of investment in the books of purchaser of investment.

2. Write short notes on any four of the following : 4×4=16

(a) Money at Call and Short Notice

(Continued)

- (b) Double Insurance
- (c) Fire Insurance Revenue Account
- (d) Cum-dividend and Ex-dividend
- (e) Columnar Investment Accounts

3. (a) What is bank accounting? What are the main features of bank's accounting system? Point out the main advantages and disadvantages of slip system of posting in Bank Accounts. 2+6+3+3=14

Or

(b) The following are the figures extracted from the books of XYZ Bank Ltd. as on 31st March, 2018 :

Interest and Discount received	20,30,000
Interest paid on Deposits	12,02,000
Issued and Subscribed Capital	5,00,000
Reserve under Section 17	3,50,000
Commission, Exchange and Brokerage	90,000
Rent Received	30,000
Profit on Sale of Investment	95,000
Salaries and Allowances	1,05,000
Director's Fees and Allowances	12,000
Rent and Taxes paid	54,000
Stationery and Printing	12,000

(Turn Over)

Postage, Telephone and Internet Charges	₹ 25,000
Audit Fees	4,000
Depreciation on Bank's Properties	12,500
Other Expenses	12,000

Other Information :

- (i) A customer to whom a sum of ₹ 2,50,000 has been advanced, has become insolvent and it is expected that 40% of the sum can be recovered from his estate. Interest due at 15% on his debt has not been provided in the books
- (ii) Provision for bad and doubtful debts on other debts necessary ₹ 50,000
- (iii) Rebate on bills discounted as on 31st March, 2018 ₹ 7,500
- (iv) Provide ₹ 3,50,000 for Income-tax
- (v) The directors desire to declare 10% dividend
- Make the necessary assumptions and prepare the Profit and Loss Account of XYZ Bank Ltd. in accordance with law. 14

P9/162

(Continued)

4. (a) (i) Draw a proforma of Revenue Account of life insurance company with imaginary figures. 10

(ii) How is bonus in reduction of premium treated in the Revenue Account? 4

Or

- (b) The Young India Life Assurance Co. Ltd. had a paid-up share capital of ₹ 25,00,000 divided into 25000 equity shares of ₹ 100 each. Its net liability on all contracts in force as on 31st March, 2018 was ₹ 2,25,00,000 and on 31st March, 2017, this liability was ₹ 2,00,00,000. From the following figures, extracted from the books of the company for the year ended 31st March, 2018, prepare Revenue Account. The company has paid an interim bonus of ₹ 11,00,000 and 20% of the surplus is to be allocated to shareholders, 10% to catastrophe reserve and the balance being carried forward : 14

Life fund as on 1st April, 2017	₹ 2,45,00,000
Premium less re-insurance	1,38,00,000
Interest, dividends and rent	75,00,000
Fines and fees	40,000
Income-tax	11,80,000

P9/162

(Turn Over)

Management expenses	₹	17,50,000
Annuities paid		1,00,000
Commission		5,40,000
Surrenders		8,50,000
Bad debts		10,000
Claims less re-insurance claims		89,00,000
Consideration for annuities granted		4,90,000

5. (a) Point out the main features of accounts of general insurance companies. What statutory books are required to be maintained by a general insurance company under the Insurance Act?

Or

6+8=14

(b) From the following particulars, you are required to prepare Fire Revenue Account for the year ended 31st March, 2018 :

14

Reserve for unexpired risk as on	₹	
1st April, 2017		52,000
Additional reserve as on 1st April, 2017		12,000
Claims paid		65,000
Management expenses		28,250
Insurance premium		1,14,000
Interest and dividends		6,400
Income-tax on interest and dividends		800

P9/162

(Continued)

Re-insurance premium	₹	7,000
Profit on sale of investments		1,600
Legal charges regarding claims		400
Re-insurance claims recoveries		2,800
Commission on direct business		11,200
Commission on re-insurance ceded		600
Commission on re-insurance accepted		400

Outstanding claims :

On 31st March, 2018	7,000
On 31st March, 2017	9,000

The company calculates the Reserve for unexpired risks @ 50% of the net premium each year and increase additional reserve by 5% of net premium annually.

6. (a) What is Investment Account? Explain about the nature and purposes of an Investment Account. How are Investment Accounts prepared when there is issue of bonus shares and right shares by the company?

2+3+3+6=14

P9/162

(Turn Over)

Or

(b) Mr. Investor furnishes the following details relating to his holding in 6% Government Bonds of ₹ 100 each :

Opening balance face value ₹ 60,000
(cost ₹ 59,000)

1.3.2017 100 units purchased ex-interest at ₹ 98

1.7.2017 Sold 200 units ex-interest of the original holding at ₹ 100

1.10.2017 Purchased 50 units at ₹ 98 cum-interest

1.11.2017 Sold 200 units ex-interest at ₹ 99 out of the original holdings

Interest dates are 30th September and 31st March. Mr. Investor closes his books every 31st December.

Show the Investment Account as it would appear in his books.

14

P9/162

(Continued)

(Old Course)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

1. (a) Fill in the blanks :

1×4=4

(i) Banks in India are under the general supervision of the _____.

(ii) In a contract of insurance, there are two parties namely the insurer and the _____.

(iii) All properties of the insolvent, both movable and immovable are shown under _____ of Statement of Affairs.

(iv) Changes in the price level are not taken into account in the preparation of _____ Accounts.

(b) Write True or False :

1×4=4

(i) Rebate on bills discounted for a banking company is an income.

(ii) General insurance includes all types of insurance.

P9/162

(Turn Over)

(iii) The insolvency proceedings begin with an insolvency petition filed in a proper court of law.

(iv) In an Investment Account, cum-interest means including accrued interest on an investment.

2. Write short notes on any four of the following :

- (a) Slip System of Posting 4×4=16
- (b) Bonus in Reduction of Premium
- (c) Statement of Affairs
- (d) Cum-dividend and Ex-dividend
- (e) General Price Level Accounting

3. (a) From the following particulars, prepare Profit and Loss Account of Safety Bank Ltd. for the year ended on 31st March, 2018 :

Interest on Deposits	₹ ('000)	12
Commission (Cr.)	3,200	
Interest on Loans	100	
Sundry Charges (Dr.)	2,490	
Rent and Taxes	100	
Payment to Employees	200	
Discount on Bills Discounted	500	
Interest on Overdrafts	1,490	
	1,600	

(Continued)

P9/162

Interest on Cash-credit	₹ ('000)	2,320
Auditor's Fees	30	
Director's Fees	20	
Bad Debts to be written off	130	

Or

(b) Give a proforma of Balance Sheet of a banking company, showing imaginary figures. 12

4. (a) What is general insurance? How does it differ from life insurance? Explain 'Reserve for Unexpired Risk' in case of general insurance. 2+4+5=11

Or

(b) From the following particulars, prepare a Fire Revenue Account of Tinsukia Fire Insurance Company for the year ended on 31st March, 2018 : 11

Reserve for unexpired risk on 1st April, 2017	₹	1,40,000
Additional Reserve as on 1st April, 2017		30,000
Claims paid		80,000
Re-insurance claim		10,000
Management expenses		20,000
Premium		2,00,000
Re-insurance premium		12,000

(Turn Over)

P9/162

Commission on direct business	₹	20,000
Commission on re-insurance ceded		2,000
Commission on re-insurance accepted		1,000
Legal charges regarding claim		2,000
Survey expenses		1,000
Profit on sale of investments		1,000
Interest and dividend		20,000
Income-tax thereon		2,000
Contribution to fire brigade		1,000
Outstanding claims		5,000

The company calculates its reserve for unexpired risks at 50% of the net premium each year and maintain additional reserve same as in the last year.

5. (a)

(i) Mention the various lists that have to be prepared in support of the Statement of Affairs, prepared under the Indian Insolvency Act, giving short particulars as to the contents of each of them.

(ii) Distinguish between a Statement of Affairs and a Balance Sheet.

P9/162

(Continued)

Or

(b) From the following information, prepare a Statement of Affairs of Mr. Dukhi Ram who is declared insolvent on 31st March, 2018 :

Cash in hand	₹	2,500
Debtors :		
Good		12,500
Doubtful (expected to realise ₹ 2,000)		6,000
Bad		<u>10,000</u>
Shares in X Ltd.		28,500
Bills receivable (Good)		50,000
Other securities (₹ 30,000 pledged with partly secured creditors and the balance with fully secured creditors)		42,500
Drawings		2,80,000
Trade expenses		1,74,000
Creditors (unsecured)		74,000
Creditors (partly secured)		2,50,000
Creditors (fully secured)		1,70,000
Preferential claims		2,37,000
		<u>7,500</u>

P9/162

(Turn Over)

6. (a) (i) Discuss about the nature and purposes of an Investment Account.

3+4=7

- (ii) Distinguish between Cum-interest and Ex-interest.

4

Or

- (b) On 1.1.2017, 6% 200 debentures of ₹ 100 each in Y Ltd. were held as investments by X Ltd. at a cost of ₹ 18,200. Interest is payable on 31st December. On 1.4.2017, ₹ 4,000 of such debentures were purchased by X Ltd. @ ₹ 98 cum-interest and on 1.9.2017, ₹ 6,000 debentures were sold @ ₹ 96 ex-interest. On 1.12.2017, ₹ 8,000 debentures were sold @ ₹ 99 cum-interest. On 31.12.2017, X Ltd. sold ₹ 10,000 debentures @ ₹ 95 ex-interest.

Prepare Investment Account for 6% Debentures in Y Ltd. in the books of X Ltd. Ignore income-tax (apply FIFO method).

11

7. (a) What is Inflation Accounting? What are its objectives? Discuss in brief the CPP method of Inflation Accounting.

2+4+5=11

P9/162

(Continued)

- (b) The Balance Sheet of PK Ltd. revealed the following among other things :

Or

	31.3.2016	31.3.2017
	(₹)	(₹)
Investments	5,50,000	6,10,000
Book Debts	4,50,000	5,50,000
Cash at Bank	60,000	80,000
Advances for supply of Materials	1,00,000	1,26,500
Due to Suppliers	2,50,000	3,22,000

During 2016-17, material prices rose by 15% and those of finished goods by 10%.

Calculate the Monetary Working Capital Adjustment to be made under Current Cost Accounting System.

11
