

3 SEM TDC AFAC 1 (Sp)

2021

(Held in January/February, 2022)

COMMERCE

(Speciality)

Course : 301

(**Advance Financial Accounting**)

Full Marks : 80

Pass Marks : 24

Time : 3 hours

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

1. (a) Fill in the blanks :

1×4=4

- (i) Non-performing asset means a credit facility in respect of which interest and/or principal repayment instalment is in arrear for more than ____ days.
- (ii) Consideration for annuities granted is a source of ____ for a life insurance company.
- (iii) The general insurance business was taken over by the Central Government with effect from ____.

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(iv) _____ price is not the real price of investment. 1x4=4

(b) Write True or False :
(i) A bank can open a branch only at the permission of the Reserve Bank of India.

(ii) Life Assurance Fund represents profit of the life insurance company.

(iii) Bonus in reduction of premium is shown as expense and income in Revenue Account.

(iv) Brokerage is not deducted from the sale value of investment in the books of seller.

2. Write short notes on any four of the following : 4x4=16

(a) Slip System of Posting

(b) Life Assurance Fund

(c) Fire Insurance Revenue Account

(d) Cum-dividend and Ex-dividend

(e) Columnar Investment Account

3. (a) Give a proforma of Profit and Loss Account of a banking company. Also distinguish between performing and non-performing assets of a bank. 10+4=14

(Continued)

Or

(b) From the following particulars, prepare a Profit & Loss Account of Trinity Bank Ltd. for the year ended 31st March, 2021 : 14

Interest on deposits	₹000)
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
Interest on cash credit	1,600
Auditor's fees	2,320
Director's fees	40
Bad debts to be written-off	30
	100

4. (a) (i) What are the different types of insurance contracts? Explain them in brief. 8

(ii) How is profit or surplus ascertained and distributed by a life insurance company? 6

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(4)

Or

(b) From the following information, prepare a Revenue Account of Luit Valley Life Insurance Company for the year ended 31st March, 2021 :

	(₹'000)
Life Assurance Fund as on 1st April, 2020	7,50,000
Premiums	3,72,000
Interest, dividends and rent	2,26,000
Consideration for annuities granted	12,500
Fines for revival of lapsed policies	200
Claims paid	42,500
Bad debts	400
Expenses of management	35,000
Commission	16,000
Bonus in reduction of premium	500
Annuities paid	18,500
Surrenders	25,500
Surplus on revaluation of reversion purchased	1,500
Income tax paid	32,000
Bonus in cash	18,000

5. (a) What is general insurance? What are the chief features of general insurance? Distinguish between general insurance and life insurance. $3+7+4=14$

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(Continued)

(5)

Or

(b) From the following particulars, prepare a Fire Revenue Account of Lakhimpur Fire Insurance Company for the year ended 31st March, 2021 :

	(₹'000)
Reserve for unexpired risk on 1st April, 2020	1,40,000
Additional reserve as on 1st April, 2020	30,000
Claims paid	80,000
Reinsurance claim	10,000
Management expenses	20,000
Premium	2,00,000
Reinsurance premium	12,000
Commission on direct business	20,000
Commission on reinsurance ceded	2,000
Commission on reinsurance accepted	1,000
Legal charges regarding claim	2,000
Survey expenses	1,000
Profit on sale of investment	1,000
Interest and dividend	20,000
Income tax thereon	2,000
Contribution to fire brigade	1,000
Outstanding claims	5,000

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(6)

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.

6. (a) What is investment? Is it treated as fixed asset? Discuss the various purposes of maintaining an investment ledger. What journal entries are required to be passed in the books of buyer, when an investment is purchased cum-interest and dividend is received by cheque? $2+2+6+4=14$

Or

- (b) Dhananjay Investment Ltd. holds 1000, 15% Debentures of ₹ 100 each in Dibang Industries Ltd. as on 1st April, 2020 at a cost of ₹ 1,05,000. Interest is payable on 30th June and 31st December each year. On 1st May, 2020, 500 Debentures are purchased cum-interest at ₹ 53,500. On 1st November, 2020, 600 Debentures are sold ex-interest at ₹ 57,300. On 30th November, 2020, 400 Debentures are purchased ex-interest at ₹ 38,400.

(Continued)

(7)

On 31st December, 2020, 400 Debentures are sold cum-interest for ₹ 55,000.

Prepare Investment Account valuing holding on 31st March, 2021 at cost (applying FIFO method).

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