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(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) As per the Finance Act, 2005,
banks are allowed to issue _____
shares.

(ii) Life insurance business is carried
on by Life Insurance Corporation of
India since _____.

(iii) The general insurance business was taken over by the Central Government with effect from ____.

(iv) ____ price is not the real price of investment.

(b) State whether the following statements are True or False : 1×4=4

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

(ii) Life insurance is more appropriate to be called life assurance.

(iii) Commission on re-insurance ceded is an income.

(iv) Only FIFO method is used to calculate cost of closing balance of investment.

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

(a) Slip System of Posting

(b) Insurance Regulatory and Development Authority

(c) Life Assurance Fund

(d) Marine Insurance

(e) Cum-interest and Ex-interest Quotations

3. (a) Discuss the following items which are related to a banking company : $3\frac{1}{2} \times 4 = 14$

(i) Rebate on Bills Discounted

(ii) Non-performing Assets

(iii) Statutory Reserve

(iv) Statutory Liquidity Ratio

Or

(b) Following figures are extracted from the books of J. K. Bank Ltd. as on 31.03.2019 :

	₹ ('000)
Interest and discount received	4,060
Interest paid on deposits	2,404
Share capital	1,000
Commission and exchange	180
Rent received	60
Profit on sale of investment	190
Salaries paid to employees	210
Rent paid	108
Stationery	48
Postal expenses	40
Audit fees	8
Depreciation on Bank's properties	25
Director's fees	34
Preliminary expenses	10

Further Information :

- (i) A customer to whom a sum of ₹ 5,00,000 has been advanced has become insolvent and 40% recovered from his estate
- (ii) Provision for bad and doubtful debts necessary—₹ 1,00,000
- (iii) Rebate on bills discounted as on 31.03.2018—₹ 10,000
Rebate on bills discounted as on 31.03.2019—₹ 15,000
- (iv) Provide ₹ 7,00,000 for income tax
- (v) The directors desire to declare 10% dividend

Prepare Profit & Loss A/c of J. K. Bank Ltd. in accordance with law.

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4. (a) What is life insurance? What are the statutory and subsidiary books maintained by a Life Insurance Company?

2+6+6=14

Or

- (b) Best Life Insurance Co. Ltd. had a paid-up capital of ₹ 10,00,000 divided into 100000 shares of ₹ 10 each. Its net liability on all contracts in force as on 31st March, 2019 was ₹ 96,00,000 and

on 31st March, 2018, this liability was ₹ 84,00,000. The company has paid an interim bonus of ₹ 2,60,000 and 20% of the surplus is to be allocated to shareholders, 20% to reserves and balance being carried forward.

Following figures are extracted from the books of the company for the year ended 31st March, 2019 :

	₹
Premium less re-insurance premium	57,20,000
Interest, dividend and rent	28,00,000
Fees	16,000
Income tax	4,40,000
Management expenses	7,00,000
Annuities paid	50,000
Commission	2,20,000
Surrenders	3,20,000
Surplus on revaluation of reversions	20,000
Re-insurance irrecoverable	16,000
Claims less re-insurance claims	34,00,000
Consideration for annuities granted	1,60,000

Prepare Revenue A/c of Best Life Insurance Co. Ltd. for the year ended 31st March, 2019.

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5. (a) What do you mean by 'Reserve for Unexpired Risk'? How and why is it created in General Insurance? Also distinguish between General Insurance and Life Insurance.

2+4+4+4=14

6. (a) (i) What is Investment A/c? Discuss about the features and purposes of Investment A/c. 2+4+4=10

(ii) Distinguish between Cum-interest and Ex-interest in Investment A/c. 4

Or

(b) Mr. Babubhai furnishes the following details relating to his holding in 6% Government Bonds :

Opening Balance

(on 01.04.2018) : 1200 bonds of ₹ 100 each at a cost of ₹ 1,18,000

01.06.2018 : 200 bonds purchased ex-interest at ₹ 98

01.10.2018 : Sold 400 bonds ex-interest out of the original holding at ₹ 100

01.01.2019 : Purchased 100 bonds at ₹ 98 cum-interest

01.02.2019 : Sold 400 bonds ex-interest at ₹ 99 out of the original holdings

Interests are calculated as on 30th June and 31st December. Mr. Babubhai closes his books on every 31st March.

Show the Investment A/c as it would appear in his books. Working note should be a part of your answer.

(Old Course)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

1. (a) Fill in the blanks : 1×4=4

(i) Non-banking assets are shown in Schedule _____ of a bank Balance Sheet.

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

(iii) The Presidency Towns Insolvency Act, _____ applies to the persons residing in the Presidency Towns of Mumbai, Kolkata and Chennai.

(iv) Investment A/c is a _____ A/c.

(b) Write True or False : 1×4=4

(i) A bank can open a branch only at the permission of the Reserve Bank of India.

(ii) Valuation Balance Sheet is prepared to know surplus or deficiency of the life insurance business.

(iii) Preferential creditors are shown under List C of the Statement of Affairs.

(iv) By the term inflation, we mean a rise in the value of money and a fall in general price level.

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

(a) Rebate on Bills Discounted

(b) Life Insurance Corporation Act, 1956

(c) Deficiency A/c

(d) Objectives of Investment Accounting

(e) Mid-period Conversion

3. (a) Explain in relation to Bank Accounting :

3×4=12

(i) Cash credit and overdraft

(ii) Cash reserve ratio

(iii) Core banking

(iv) Non-performing assets

Or

(b) Prepare the Profit & Loss A/c with necessary schedules of Trinity Bank Ltd. for the year ended 31st March, 2019 :

	12
	₹ ('000)
Interest on loans	2,590
Interest on deposits	3,850
Commission, exchange and brokerage	82
Discount on bills discounted (gross)	1,950
Payment to employees	540
Interest on cash credit	2,230
Rent and rates	180
Interest on overdrafts	1,540
Directors' fees	30
Auditors' fees	12
Postal expenses	14
Printing and stationery	29
Sundry expenses	17

Other Information :

	₹ ('000)
(i) Rebate on bills discounted	490
(ii) Bad debts	400
(iii) Provision for income tax	1000

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

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

7+4=11

Or

(b) From the following information, prepare a Revenue A/c of North-East Life Insurance Company for the year ended 31st March, 2019 :

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	₹ ('000)
Life assurance fund as on 1st April, 2018	7,50,000
Premiums	3,72,000
Interest, dividends and rents	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 premiums	500
Annuities paid	18,500
Surrenders	25,500
Surplus on revaluation of reversions purchased	1,500
Income tax paid	32,000
Bonus in cash	18,000

5. (a) What is Statement of Affairs? How is it prepared? Distinguish between a Statement of Affairs and a Deficiency Account. 2+5+4=11

Or

- (b) Mr. Ramesh Kumar filed a petition of insolvency on 30th June, 2018. His books showed the following balances :

	₹	₹
Cash in Hand	150	
Fixture and Fittings (estimated to produce ₹ 1,200)	3,750	
Stock-in-Trade (estimated to produce ₹ 18,000)	27,000	
Sundry Creditors :		
Trade Creditors		30,000
Bills Payable		33,000
Sundry Debtors :		
Good	15,000	
Doubtful (estimated at 50%)	30,000	
Bad	30,000	
Bank Overdraft		18,000
Capital		24,900
	1,05,900	1,05,900

Other Information :

- (i) Liability on bills discounted amounting to ₹ 7,500 (expected to rank ₹ 1,500)
- (ii) His household furniture, etc. was valued at ₹ 3,750. He owned a house valued at ₹ 11,250, having a mortgage on it of ₹ 9,000 at 4% p.a. Interest thereon was paid up to the preceding 31st December
- (iii) Preferential creditors amounted to ₹ 525 (included in Sundry Creditors) and ₹ 225 for rates on the house

Prepare a Statement of Affairs and Deficiency A/c.

7+4=11

6. (a) What are the special features of Investment A/cs? How are stock exchange transactions (sale and purchase of securities) recorded in books?

6+5=11

Or

(b) Jaipur Investment Ltd. holds 1000, 15% debentures of ₹ 100 each in Udaipur Industries Ltd. as on 1st April, 2018, at a cost of ₹ 1,05,000. Interest is payable on 30th June and 31st December each year. On 1st May, 2018, 500 debentures are purchased cum-interest at ₹ 53,500. On 1st November, 2018, 600 debentures are sold ex-interest at ₹ 57,300. On 30th November, 2018, 400 debentures are purchased ex-interest at ₹ 38,400. On 31st December, 2018, 400 debentures are sold cum-interest for ₹ 55,000.

Prepare Investment A/c valuing holding on 31st March, 2019 at cost (applying FIFO method).

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7. (a) What do you mean by 'Inflation Accounting'? What are the limitations of historical accounting in a period of inflation? Also distinguish between holding gain and operating gain.

2+5+4=11

Or

(b) Compute the net monetary result of X Co. Ltd. as on 31st March, 2019. The relevant data are given below :

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	01.04.2018	31.03.2019
	₹	₹
Cash	5,000	10,000
Book Debts	20,000	25,000
Creditors	15,000	20,000
Loan	20,000	20,000
Retail Price Index Numbers :		
1st April	200	—
31st March	—	300
Average for the year—240		
