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(March)

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) Write True or False : 1×4=4

(i) A banking company cannot grant loan to any of its directors.

(ii) The Insurance Regulatory Authority set up in 1996 is presently known as Insurance Regulatory and Management Authority.

(iii) General Insurance includes all types of insurance.

(iv) Ex-interest price is less than the cum-interest price.

(b) Fill in the blanks :

1×4=4

(i) Paid-up capital of a banking company must be at least _____ of the subscribed capital of the banking company.

(ii) Life insurance has an element both of protection and _____.

(iii) Commission on reinsurance ceded is _____.

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

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

4×4=16

(a) Rebate on bills discounted

(b) Cash reserve ratio

(c) Surrender value

(d) Fire insurance

(e) Objectives of investment

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

- (i) Unexpired discount
- (ii) Non-banking assets
- (iii) Contingent liabilities
- (iv) Sub-standard assets

Or

(b) The following are the figures extracted from the books of Sun Rise Bank Ltd. as on 31st March, 2020. You are asked to prepare Profit and Loss Account for the year ended 31st March, 2020. Working notes should form part of your answer : 14

	(₹ '000)		(₹ '000)
Interest on Loans	300	Interest on Temporary	
Interest on Fixed		Overdrafts in	
Deposits	275	Current A/c	30
Interest on Savings		Postage and Stamps	10
Bank Deposits	87	Printing and	
Commission	10	Stationery	20
Exchange and		Sundry Expenses	10
Brokerage	20	Rent	15
Salaries and		Audit Fees	10
Allowances	150	Taxes and Licenses	10
Discount on Bills			
Discounted (Gross)	152		
Interest on Cash			
Credit	240		

Additional information :

- (i) Rebate on bills discounted—
₹ 30,000
- (ii) Salary of managing director—
₹ 30,000

(iii) Provision for doubtful debts—
₹ 40,000

(iv) Provision for income tax is to be made @ 55% (to be rounded off to the nearest thousand)

(v) Provide ₹ 15,000 as dividend

4. (a) Prepare (with imaginary figures) Revenue Account and Balance Sheet of a life insurance company. 7+7=14

Or

- (b) The following information have been supplied relating to Jai Hind Insurance Company for the year ending on 31st March, 2020 :

	(₹)
Life Insurance Fund	24,50,000
Premiums	13,80,000
Interest, Dividend and Rent Received	7,50,000
Fines and Fees	720
Bonus in Cash	1,58,400
Income Tax	1,18,500
Management Expenses	1,75,000
Bonus in Reduction of Premium	1,900
Commission	54,000
Surrender	85,200

	(₹)
Surplus on Revaluation of Reversion Purchased	4,800
Reassurance Balance Irrecoverable	1,250
Claims	8,90,000
Consideration for Annuities Granted	45,000

According to actuarial valuation, the net liability on the policies of the company including the annuity transactions amounted to ₹ 22,50,000. The surplus is to be allocated as 25% to shareholders, 70% to policyholders and the balance to be carried forward to the next period. The company also paid interim bonus amounting to ₹ 1,03,000.

Prepare the Revenue Account on the basis of the above information and also show the Valuation Balance Sheet.

10+4=14

5. (a) Explain in brief the following items relating to general insurance business :

3½×4=14

- (i) Reinsurance recoveries
- (ii) Profit on sale of investment
- (iii) Reserve for unexpired risks
- (iv) Legal expenses regarding claims

Or

(b) From the following particulars, you are required to prepare Fire Revenue Account of Jai Durga Insurance Co. Ltd. for the year ended 31st March, 2020 : 14

	(₹)
Reserve for Unexpired Risk as on 1st April, 2019	52,000
Additional Reserve as on 1st April, 2019	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
Reinsurance Premium	7,000
Profit on Sale of Investments	1,600
Legal Charges regarding Claims	400
Reinsurance Claims Recoveries	2,800
Commission on Direct Business	11,200
Commission on Reinsurance Ceded	600
Commission on Reinsurance Accepted	400
Outstanding Claims :	
On 31st March, 2020	7,000
On 31st March, 2019	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'? Why is it prepared? Mention the special features of Investment Account. How are stock exchange transactions (sale and purchase of securities) recorded in books? 2+2+6+4=14

Or

- (b) On 1st April, 2019, 400, 12% Debentures of ₹ 100 in X Ltd. were held as investment by Y Ltd. at a cost of ₹ 36,800. Interest is payable on 31st March every year.

On 1st August, 2019, 50 Debentures were purchased @ ₹ 96 cum-interest and on 1st February, 2020, 250 Debentures were sold @ ₹ 99 ex-interest. On 1st March, 2020, 100 Debentures were purchased @ ₹ 94 ex-interest. On 31st March, 2020, 150 Debentures were sold @ ₹ 98 cum-interest.

Prepare Investment Account for the year ended 31st March, 2020 using FIFO method. Market price of debentures on 31st March, 2020 is at par.

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(Old Course)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

1. (a) Write True or False : 1×4=4

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

(ii) In case of marine insurance, the provision against unexpired risk is 100%.

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

(iv) Adjusting account to charging prices is a never ending process.

(b) Fill in the blanks : 1×4=4

(i) A nonperforming asset is an asset that ceases to generate ____ for the bank.

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

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

(iv) Investment Account is a ____ Account.

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) Fully Secured Creditors

(d) Limitations of Inflation Accounting

(e) Cum-Dividend or Cum-Interest Quotations

3. (a) Define 'Bank Accounting'. Discuss its features. Write any three advantages and three disadvantages of slip system of posting of bank accounts. 2+4+3+3=12

Or

(b) From the following particulars, prepare Profit and Loss Account of Good Luck Bank Ltd. for the year ending on 31st March, 2020 : 12

	(₹ '000)		(₹ '000)
Interest on Loans	518	Advertisement and	
Interest on Cash		Publicity	1.4
Credits	446	Directors' Fees	6
Discount on Bills		Printing and	
Discounted (Net)	390	Stationery	0.4

	(₹ '000)		(₹ '000)
Interest on Overdrafts	108	Law Charges	1.4
Interest on Saving Bank Deposits	220	Payment to Employees	108
Interest on Fixed Deposits	554	Locker's Rent	0.7
Commission, Exchange and Brokerage	16.4	Transfer Fees	1.4
Rent, Taxes and Lighting	36	Depreciation on Bank's Property	10
Auditors' Fees	2.4		
Postage and Telephone Expenses	2.8		
Sundry Expenses	2		
Interest charged against Current Account	45		

Additional information :

	(₹ '000)
(i) Rebate on Bills Discounted	90
(ii) Provide for Bad Debts	58
(iii) Provide for Taxation	10

4. (a) Explain in brief the following items relating to insurance business : 4+4+3=11

- (i) Reinsurance
- (ii) Surrender value
- (iii) Actuarial valuation

Or

(b) From the following particulars, you are required to prepare the Fire Revenue Account of Jai Bharat Fire Insurance Co. Ltd. for the year ended 31st March, 2020 :

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	(₹)
Claims Paid	4,20,000
Claims Outstanding as on 01-04-2019	42,000
Claims Intimated and Accepted but not Paid	65,000
Premium Received	10,60,000
Reinsurance Premium	1,80,000
Commission of Direct Business	2,20,000
Claims Intimated but not Accepted on 31-03-2020	8,000
Commission on Reinsurance Ceded	12,000
Commission on Reinsurance Accepted	6,000
Expenses on Management	2,80,000
Reserve for Unexpired Risks as on 01-04-2019	3,90,000
Additional Reserve for Unexpired Risks as on 01-04-2019	4,000
Bonus in Reduction of Premium	15,000

You are asked by the management to provide for additional reserve for unexpired risk at 1% of the premium in addition to the opening balance.

5. (a) (i) Mention the 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. 6
- (ii) Distinguish between Statement of Affairs and Balance Sheet. 5

Or

- (b) Mr. Sandip filed his petition for bankruptcy on 31st March, 2020 on which date his books showed the following balance :

	<i>Dr.</i> (₹)	<i>Cr.</i> (₹)
Cash in Hand	200	
Fixtures and Fittings (estimated to produce ₹ 1,600)	5,000	
Stock-in-trade (estimated to produce ₹ 24,000)	36,000	
Trade Creditors		40,000
Bills Payable		44,000
Sundry Debtors :		
Good	20,000	
Doubtful (estimated to produce 50%)	40,000	
Bad	40,000	
Bank Overdraft		24,000
Capital		33,200
	1,41,200	1,41,200

Preferential creditors include trade creditors amounting to ₹ 700. Liabilities on bills discounted was ₹ 10,000, out of which ₹ 2,000 were expected to rank.

His household furniture was valued at ₹5,000. He owned a house valued ₹15,000 having a mortgage on it of ₹12,000 at 4%. Interest was paid up to September 30, 2019. Creditors for rates on the house amounted to ₹300.

Prepare a Statement of Affairs and the Deficiency Account of Mr. Sandip. 7+4=11

6. (a) (i) What is 'Investment Account'?
Discuss the special features of an Investment Account. 2+5=7
- (ii) Distinguish between Cum-interest and Ex-interest. 4

Or

- (b) Anik Investments held 600, 6% Debentures of ₹100 each in Tata Ltd. on 1-4-2019 at a cost of ₹72,000. Interest is payable on 30th June and 31st December every year. On 1st June, 2019, 250 Debentures were purchased cum-interest at ₹37,750. On 1st November, 2019, 400 Debentures were sold ex-interest at ₹46,250.

On 30th November, 2019, 250 Debentures are purchased ex-interest for ₹23,250. On 31st December, 2019, 350 Debentures are sold cum-interest at ₹42,000.

Prepare Investment Account for the year ended 31st March, 2020 valuing closing stock at cost (using FIFO method) or market price whichever is less. Debentures are quoted at ₹140 on 31st March, 2020.

11

7. (a) (i) What is price level accounting?
What are its features? 2+5=7
- (ii) Mention any two advantages and two disadvantages of inflation accounting. 2+2=4

Or

- (b) Below is given the Balance Sheet as on 31st March, 2019 on the basis of Historical Cost Accounting :

	(₹)		(₹)
Capital	10,00,000	Plant and Machinery	10,00,000

During the year 2019–2020, Wholesale Price Index has gone up by 20%. On 31st March, 2020, the replacement cost of Plant and Machinery was ₹13,00,000.

It is supposed further that Plant and Machinery is sold for ₹ 14,00,000.

You are required to prepare Final Statements for the year ended 31st March, 2020 under the following approaches :

$$5\frac{1}{2} + 5\frac{1}{2} = 11$$

(i) Current Purchasing Power Accounting

(ii) Current Cost Accounting

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