

**2013**

( November )

COMMERCE

( Speciality )

Course : 301

**( Advanced Financial Accounting )**

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

1. (a) Choose the correct answer : 1×3=3
- (i) Preferential creditors are shown under List A/List D/List E.
  - (ii) Revenue Account of life insurance business is prepared in the prescribed form of the Insurance Act, A-RA/A-PL/A-BS.
  - (iii) A term loan is treated as non-performing asset (NPA), if interest on it remains unpaid for a period exceeding 90 days/100 days/120 days.

( 2 )

(b) Fill in the blanks :  $1 \times 3 = 3$

- (i) The IRDA was set up in the year \_\_\_\_\_.
- (ii) During the period of inflation, profits are \_\_\_\_\_.
- (iii) Banking companies are governed by the Banking Regulation Act, \_\_\_\_\_.

(c) Write 'True' or 'False' :  $1 + 1 = 2$

- (i) Adjusting accounts to changing prices is a never-ending process.
- (ii) In case of marine insurance, the provision against unexpired risk is 100%.

2. Write brief answer :  $4 \times 4 = 16$

- (a) Distinction between the Presidency Town Insolvency Act and the Provincial Insolvency Act.
- (b) Explain the accounting for price level changes under current cost accounting (CCA) method.
- (c) Discuss briefly how the following are treated in preparing Revenue Account of insurance company :
- (i) Bonus in reduction of premium
- (ii) Premium
- (d) Explain money at call and short notice.

( 3 )

3. (a) From the following information, prepare Profit & Loss Account of Thrifty Bank for the year ended on 31st March, 2012 by showing necessary schedules : 12

	₹
(in '000)	
Interest on Loans	2,590
Interest on Fixed Deposits	3,170
Commission	82
Payment to Employees	540
Discount on Bills Discounted	1,060
Interest on Cash Credits	2,230
Rent, Taxes and Lighting	180
Interest on Overdrafts	1,540
Directors' Fees, Allowances and Expenses	30
Auditors' Fees and Expenses	12
Interest on Savings Bank Deposits	680
Postage, Telegrams and Telephone	14
Printing and Stationery	29
Sundry Charges	17

Additional Information :

- (i) Provision for contingencies—  
₹ 2,00,000
- (ii) Transfer to reserves—₹ 15,57,000
- (iii) Transfer to Central Government—  
₹ 2,00,000

Or

- (b) Explain the following in the context of the Banking Companies Accounts :  $4 \times 3 = 12$
- (i) Standard Assets
- (ii) Substandard Assets
- (iii) Doubtful Assets

( 4 )

4. (a) Sunrise 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, 2012 was ₹ 96,00,000 and as on 31st March, 2011 was ₹ 84,00,000. The company had 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. The following figures are extracted from the books of the company for the year ended on 31st March, 2012 :

	₹ (in '000)
Premium less Re-insurance Premium	5,720
Interest, Dividend and Rent	2,800
Fees	16
Income Tax	440
Management Expenses	700
Annuities Paid	50
Commission	220
Surrenders	320
Surplus on Revaluation of Reversions	20
Re-insurance Irrecoverable	16
Claims less Re-insurance Claims	3,400
Consideration for Annuities Granted	160

Prepare Revenue Account.

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( 5 )

Or

- (b) Point out the main features of Accounts of 'General Insurance Companies'. Explain the purpose of creating reserve for unexpired risk in insurance business. State its accounting treatment. 7+4=11
5. (a) Mohan filed a petition for bankruptcy on 30th June. His books showed the following balances :

	₹	₹
Cash in Hand		10
Fixtures and Fittings (estimated to produce ₹ 80)	250	
Stock-in-trade (estimated to produce ₹ 1,200)	1,800	
Sundry Creditors :		
Trade Creditors		2,000
Bills Payable		2,200
Sundry Debtors :	₹	
Good	1,000	
Doubtful	2,000	
(Expected to realize 50%)		
Bad	<u>2,000</u>	5,000
Bank Overdraft		1,200
Capital		<u>1,660</u>
		<u>7,060</u> <u>7,060</u>

Liability on bills discounted ₹ 500  
expected to rank ₹ 100.

( 6 )

His household furniture was valued at ₹ 250.

He owned a house valued at ₹ 750 having a mortgage on it of ₹ 600 at 4% interest paid up to the preceding 31st December.

Preferential Creditors amounted to ₹ 35 (included in Sundry Creditors) and ₹ 15 for rates on the house.

Prepare a Statement of Affairs and Deficiency Account of Mohan.

11

Or

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

- 6: (a) Mukesh held on 01.01.2011, ₹ 3,00,000 of 12% Government Securities (tax free) of ₹ 100 each at ₹ 2,82,500.

On 01.06.2011, Mukesh purchased a further ₹ 2,00,000 of the security at ₹ 96½ cum-interest, brokerage being ½% on face value.

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On 31.07.2011, ₹ 2,50,000 of the security was sold at ₹ 94½ ex-interest, brokerage being ½% on face value.

On 01.12.2011, ₹ 1,00,000 of the security was again sold at ₹ 96 cum-interest.

Interest on the security was paid each year on 31st March and 30th September and was credited by the bank on 3rd April and 4th October respectively.

The price of the security on 31.12.2011 was ₹ 94.

Mukesh closes his books on 31st December each year.

Draw up the Investment Account in the books of Mukesh.

11

Or

- (b) Distinguish between the following :

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

- (i) Cum-dividend and Ex-dividend transactions  
(ii) Cum-interest and Ex-interest transactions

7. (a) From the information given below, ascertain the cost of sales and closing inventory under current purchasing power method if the organisation follows :

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(i) First-in-First-out (i.e., FIFO) system

(ii) Last-in-First-out (i.e., LIFO) system

	<i>Historical Cost ₹</i>	<i>General Price Index ₹</i>
Inventory on 31.03.2011	40,000	200
Purchases during 2011-12	3,10,000	220
		(Average for 2011-12)
Inventory on 31.03.12	50,000	230

Or

(b) Discuss the methods which can be adopted to adjust price level changes in determining income.

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