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(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) As per RBI's Prudential Accounting Norms, provision required for standard assets is @ 0.40% / @ 10% / @ 20%.
 - (ii) Commission on reinsurance ceded deals with Schedule 2/Schedule 3/Schedule 4 in Revenue Account.
 - (iii) Accounting for investments deals in AS-13/AS-14/AS-15.

(2)

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

(i) In current cost accounting method, depreciation is to be computed on the — of fixed assets.

(ii) Under the Presidency Towns Insolvency Act, 1909, rent is considered as preferential creditors up to —.

(iii) In banking company's final accounts, Schedule 12 is associated with —.

(c) Write True or False : $1 \times 2 = 2$

(i) Partly paid-up investments in an insurance company is considered as contingent liabilities.

(ii) According to the provisions of the Insolvency Act, any amount due to government or local authority is known as preferential creditor.

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

(a) What is rebate on bill discounted and how is it treated in the final accounts of banking companies?

(b) Explain the list of creditors to be prepared by a debtor when he/she becomes insolvent.

(3)

(c) What are the limitations of historical accounting in a period of inflation?

(d) Explain cum-interest purchase and ex-interest purchase.

3. (a) From the following information, prepare Profit & Loss A/c of Assam Bank Ltd. for the year ended 31st March, 2014 (working should form part of your answer) :

| | 11 |
|--|----------|
| | ₹ |
| Interest on Loan | 3,00,000 |
| Interest on Fixed Deposits | 2,75,000 |
| Commission | 10,000 |
| Exchange and Brokerage | 20,000 |
| Salaries and Allowances | 1,50,000 |
| Discount on Bills (Gross) | 1,52,000 |
| Interest on Cash Credits | 2,40,000 |
| Interest on Temporary Overdrafts in Current Account | 30,000 |
| Interest on Savings Bank Deposits | 87,000 |
| Postage, Telegram and Stamps | 10,000 |
| Printing and Stationery | 20,000 |
| Sundry Expenses | 10,000 |
| Rent | 15,000 |
| Taxes and Licenses | 10,000 |
| Audit Fee | 10,000 |

(4)

Additional Information :

- (i) Rebate on bill discounted—
₹ 30,000
- (ii) Directors' fees and allowances—
₹ 30,000
- (iii) Bad Debts—₹ 40,000
- (iv) Provision for Income Tax is to be made @ 55% (round off to nearest thousand)
- (v) Interest of ₹ 4,000 on doubtful debts was wrongly credited to interest on Loan Account
- (vi) Transfer 20% of Net Profit to statutory reserve and provide ₹ 15,000 as dividend

Or

- (b) Explain the RBI's Prudential Accounting Norms as recommended by the Narasimham Committee.

4. (a) From the following particulars, you are required to prepare Fire Revenue A/c for the year ended 31st March, 2013 :

| | ₹ |
|---|----------|
| Claims paid | 4,80,000 |
| Claims outstanding on 1st April, 2012 | 40,000 |
| Claims intimated but not accepted on 31st March, 2013 | 10,000 |

(5)

| | ₹ |
|--|-----------|
| Claims intimated and accepted but not paid on 31st March, 2013 | 60,000 |
| Premium received | 12,12,000 |
| Reinsurance premium paid | 1,20,000 |
| Commission | 2,00,000 |
| Commission on reinsurance ceded | 10,000 |
| Commission on reinsurance accepted | 5,000 |
| Expenses of management | 3,17,000 |
| Reserve for unexpired risk on 1st April, 2012 | 4,00,000 |
| Additional reserve for unexpired risk | 20,000 |
| Reinsurance recoveries of claims | 8,000 |
| Sundry expenses regarding claims | 5,000 |
| Loss on sale of motorcar | 5,000 |
| Bad debts | 3,000 |
| Refund of double taxation | 5,000 |
| Interest and dividends | 6,000 |
| Income tax deducted thereon | 1,000 |
| Legal expenses regarding claims | 3,000 |
| Profit on sale of investments | 2,000 |
| Rent of staff quarters deducted from salaries | 2,000 |
| Depreciation on furniture | 6,000 |

You are required to provide an additional reserve for unexpired risks at 1% of the net premium in addition to the opening balance.

(6)

Or

(b) Explain the financial statements that are to be prepared by the life insurance companies as per the IRDA Regulations, 2002.

5. (a) From the following Trial Balance of Mr. X. who commenced business on 1st January, 2012, you are asked to prepare a Statement of Affairs and a Deficiency A/c :

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| | | | |
|---------------------------------------|-----------------|---------------------|-----------------|
| | ₹ | | ₹ |
| Cash | 2,300 | Creditors | 1,80,000 |
| Stock-in-Trade | 6,660 | Secured Creditors | 25,000 |
| Debtors (all goods) | 1,30,000 | Preferential Claims | |
| Furniture | 2,820 | for Rent | 1,900 |
| Investment in Shares | 5,000 | Capital | 13,500 |
| Value of Securities held by Creditors | 35,000 | Profit (2010, 2011) | 55,540 |
| Loss (2012) | 25,000 | | |
| Drawings (up to December, 2012) | 69,160 | | |
| | <u>2,75,940</u> | | <u>2,75,940</u> |

Or

(b) Distinguish between the following :

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

- (i) A Statement of Affairs and a Balance Sheet
- (ii) The Presidency Towns Insolvency Act and the Provincial Insolvency Act

(7)

6. (a) On 1st April, 2012, Ashok Ltd. had 12% government bonds amounting to ₹ 4,00,000 at ₹ 96 (face value being ₹ 100 each), interest being payable on 31st March and 30th September every year. On 1st June, 2012, Ashok Ltd. sold 12% government bonds of ₹ 1,00,000 at ₹ 98 ex-interest.

Show 12% Government Bonds A/c for the year ended 31st March, 2013. At the end of the year, the market value of the bonds was ₹ 99 each (ex-interest).

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Or

(b) Write explanatory notes on the following :

6+6=12

(i) Cum-interest sale and Ex-interest sale

(ii) Jobbers and Brokers

7. (a) A company has the following transactions at the given dates and price indices for the first quarter, 2014 :

| | ₹ | Price Index |
|--------------------------------|--------|-------------|
| Opening balance (January 1) | 6,000 | 100 |
| Cash sale (February 1) | 17,500 | 105 |
| Payment to creditors (March 1) | 12,000 | 108 |
| Cash purchase (March 1) | 2,000 | 108 |
| Payment of expenses (March 31) | 2,000 | 110 |
| Closing balance (March 31) | 7,500 | 110 |

Calculate monetary gain or loss.

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(8)

Or

- (b) What do you mean by Inflation Accounting? Discuss the limitations of historical accounting in a period of inflation.

5+6=11

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