

2 0 1 5

(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) Choose the correct answer : $1 \times 3 = 3$

- (i) According to Sec. 17, every banking company shall transfer a sum equal to 20% / 22% / 24% of its net profits to a reserve fund as statutory reserve.
- (ii) In Life Insurance Business, interim dividends paid during the year is an appropriation / income / expense.
- (iii) Accounting for investments is associated with AS-13 / AS-14 / AS-15.

(2)

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

(i) Under General Insurance, 'reserve for unexpired risks' is deducted from _____.

(ii) Profit from sale of marketable securities are transferred to _____.

(iii) In banking companies, unexpired discount is also known as _____.

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

(i) As per RBI's Prudential Accounting Norms, provision required to be made against the standard assets is @ 0.40%.

(ii) In case of ex-interest/ex-dividend sales of securities, quoted prices do not include accrued interest.

2. Write short notes on the following : $4 \times 4 = 16$

(a) NPA

(b) Cash credit

(c) Investment account

(d) Bonus

(3)

3. (a) The following figures are extracted from the books of Guwahati Bank Ltd. as on 31.03.2014 :

Interest and discount received	₹ 40,30,000
Interest paid on deposits	24,04,000
Issued and subscribed capital	10,00,000
Reserve under Section 17	7,00,000
Commission, exchange and brokerage	1,80,000
Rent received	60,000
Profit on sale of investment	1,90,000
Salaries and allowances	2,10,000
Directors' fees and allowances	24,000
Rent and taxes paid	1,08,000
Stationery and printing	24,000
Postage	50,000
Other expenses	24,000
Audit fees	8,000
Depreciation on bank's properties	25,000

Other Information :

(i) Provision for bad and doubtful debts necessary ₹ 1,00,000

(ii) Rebate on bills discounted as on 31.03.2014 ₹ 15,000

(iii) Provide ₹ 7,00,000 for income tax

(iv) The Directors' desire to declare dividend @ 10%

Prepare the Profit and Loss Account of Guwahati Bank Ltd. for the year ended 31st March, 2014.

(4)

Or

- (b) What is slip system of ledger posting? Discuss its advantages and disadvantages. $8+3+3=14$

4. (a) From the following figures of Live Saving Life Assurance Co. Ltd., prepare a valuation Balance Sheet and Profit Distribution Statement for the year ended 31st March, 2014. Also pass necessary Journal Entries to record the transactions :

	14
Balance of Life Assurance Fund as on 01.04.2013	1,67,15,000
Interim bonus paid in the valuation period	25,00,000
Balance of Revenue Account for the year ended 31.03.2014	2,40,00,000
Net liability as per valuers' certificates as on 31.03.2014	1,65,00,000

The company declares a reversionary bonus of ₹ 185 per ₹ 1,000 and gave the policyholders as option to take bonus in cash ₹ 105 per ₹ 1,000. Total business conducted by the company was ₹ 600 lakhs. The company issued profit policy only $\frac{3}{4}$ th of the policyholders in value opted for cash bonus.

(5)

Or

- (b) Distinguish between : $7 \times 2 = 14$
- (i) Surrender value and Paid-up value
(ii) Re-insurance and Double insurance

5. (a) From the following information as on 31st March, 2014, prepare the Revenue Accounts of Sagar Co. Ltd. engaged in Marine Insurance Business : 14

Particulars	Direct Business (₹)	Re-insurance (₹)
I. Premium :		
Received	24,00,000	3,60,000
Receivable		
1st April, 2013	1,20,000	21,000
31st March, 2014	1,80,000	28,000
Premium paid	2,40,000	—
Payable		
1st April, 2013	—	20,000
31st March, 2014	—	42,000
II. Claims :		
Paid	16,50,000	1,25,000
Payable		
1st April, 2013	95,000	13,000
31st March, 2014	1,75,000	22,000
Received	—	1,00,000
Receivable		
1st April, 2013	—	9,000
31st March, 2014	—	12,000
III. Commission :		
On insurance accepted	1,50,000	11,000
On insurance ceded	—	14,000

(6)

Other Expenses and Income :

Salaries—₹ 2,60,000, Rent, Rates and Taxes—₹ 18,000, Printing and Stationery—₹ 23,000, Indian Income tax paid—₹ 2,40,000, Interest, Dividend and Rent received (Net)—₹ 1,15,500, Income tax deducted at source—₹ 24,500, Legal expenses—₹ 40,000, Bad debts—₹ 5,000, Double income tax refund— ₹ 12,000, Profit on sale of motorcar— ₹ 5,000

Balance of Fund as on 1st April, 2013 was ₹ 26,50,000 including additional reserve of ₹ 3,25,000. Additional Reserve has to be maintained at 5% of the net premium of the year.

Or

- (b) Briefly explain schedules to be shown in the financial statements of General Insurance Companies as prescribed by IRDA Regulation, 2002. 14

6. (a) On 1st January, 2014, ABC Ltd. held as investment ₹ 50,000, 6% Government Stock costing ₹ 47,000. On 31st March, a purchase of ₹ 2,00,000 of same Government Stock was made at ₹ 95 cum-interest. On 1st July, the company sold ₹ 1,00,000 Stock @ ₹ 96. On 1st October, a further ₹ 70,000 of

(7)

the investment was sold at ₹ 98 cum-interest. The market price of the stock on 31.12.2014 was ₹ 99 (ex-interest). Half-yearly interest is payable on 30th June and 31st December every year.

Prepare the Investment Ledger of the company ignoring income tax and brokerage. 14

Or

- (b) (i) Define 'Investment' and 'Jobbers and brokers'. 6
(ii) What are cum-interest and ex-interest purchase and sale of investment? Show its treatment in investment ledger. 8

(8)

(Old Course)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

1. (a) Choose the correct answer : $1 \times 5 = 5$
- (i) Banking companies are governed by the Banking Regulation Act, 1949 / 1950 / 1951.
 - (ii) Every General Insurance Company must prepare its Financial Statements as per Schedule B / C / D of the IRDA Regulation, 2002.
 - (iii) According to the Provincial Insolvency Act, 1920, salary ₹ 20 / ₹ 40 / ₹ 60 per head is considered as preferential creditors.
 - (iv) Profit on sale of marketable securities are transferred to Profit and Loss Account / Capital Reserve.
 - (v) Accounting for changing prices is also known as Inflation Accounting / Deflation Accounting.

(9)

- (b) Fill in the blanks : $1 \times 3 = 3$
- (i) According to the provisions of the Insolvency Act, any amount due to Government or local authority is known as _____.
 - (ii) AS-13 is associated with accounting for _____.
 - (iii) Presidency Towns Insolvency Act was enacted in the year _____.
2. Write short notes on the following : $4 \times 4 = 16$
- (a) Slip system of accounting for banking companies
 - (b) Valuation of Balance Sheet
 - (c) Deficiency accounts
 - (d) Cum-interest or cum-dividend purchases and sales

(10)

3. (a) From the following information, prepare the Profit and Loss Account of ABC Bank Ltd. for the year ended 31st March, 2014 :

11

	₹
Interest on fixed deposits	27,50,000
Interest on loans	25,90,000
Commission	82,000
Rebates on bill discounted	4,90,000
Establishment charges	5,40,000
Discount on bills discounted (net)	14,60,000
Interest on cash credit	22,30,000
Interest in Current Accounts	4,20,000
Rent and rates	1,80,000
Interest on overdrafts	15,40,000
Directors' fees	30,000
Auditors' fees	12,000
Interest on savings bank deposits	6,80,000
Postage and telegrams	14,000
Sundry charges	17,000
Printing and stationery	29,000

Bad debts to be written-off amounted to ₹ 4,00,000. Provision for taxation may be made at 55%.

Or

- (b) What is rebate on bill discounted? How is rebate on bill discounted treated in preparation of accounts of banking companies?

4+7=11

(11)

4. (a) Zenith Fire Insurance Co. Ltd. commenced its business on 01.04.2013. It submits the following information for the year ended 31.03.2014 :

	₹
Claims paid	7,00,000
Commission paid	50,000
Premium received	15,00,000
Re-insurance premium paid	1,00,000
Expenses of management	3,00,000
Claims outstanding on 31.03.2014	1,00,000
Create reserve for unexpired risk @ 40%	
Rent, Rates and Taxes	18,000
Printing and Stationery	23,000
Salaries	2,60,000
Premium receivable on 31.03.2014	3,01,000

Prepare Revenue Account for the year ended 31.03.2014.

11

Or

- (b) Define the following : 3+4+4=11
- (i) Claims
 - (ii) Re-insurance
 - (iii) Life Insurance Fund

(12)

5. (a) Rakesh commenced business on 01.07.2011 with a capital of ₹ 2,00,000. On 31st March, 2015, an adjudication order for insolvency was made against him. Following are the other details available relating to his business as on 31.03.2015 :

	₹
Sundry creditors	1,50,000
Mortgage loan (building)	1,00,000
Godown rent (2 months)	5,000
Wages due	8,000
Loan of Mrs. Rakesh (given out of her own sources)	25,000
Cost of building (estimated to realize ₹ 1,00,000)	1,60,000
Debtors (includes bad of ₹ 10,000)	90,000
Stock-in-trade (realization value ₹ 10,000)	15,000
Cash in hand/bank	10,000

He maintained books up to 31st March, 2014 and profit up to 31st March, 2014 was ₹ 1,40,000. He did not maintain books from 1st April, 2014 onwards. He has been drawing ₹ 4,000 p.m. and goods worth ₹ 1,500 p.m. uniformly from April 2014 onwards. Prepare Statement of Affairs.

12

(13)

Or

- (b) Distinguish between : 6+6=12
- (i) Statement of Affairs and a Balance Sheet
- (ii) Statement of Affairs and a Deficiency Account

6. (a) On 01.04.2013, Vinoy Ltd. had 12% Govt. 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 01.06.2013, Vinoy Ltd. sold 12% Govt. Bonds of ₹ 1,00,000 at ₹ 98 ex-interest. Show 12% Govt. Bonds Account for the year ended 31st March, 2014.

At the end of the year the market value of the bonds were ₹ 99 each (ex-interest). 11

Or

- (b) Define investment. How do you balance the Investment Account at the end of the year, when market price is less than the cost price? 4+7=11

(14)

7. (a) A company buys and sells goods. During the three months ending March 31, 2014, the company entered into the following transactions :

2014
January 1 : By 500 units costing ₹ 750
" 31 : Sell 400 units for ₹ 2,000 and replace them with units costing ₹ 1,400
February 28 : Sell 200 units for ₹ 1,000. Buy 50 units costing ₹ 200
March 31 : Sell 200 units for ₹ 1,100. Buy 100 units costing ₹ 500

The retail price index during the period was as follows :

January 1, 2014—₹ 200
January 31, 2014—₹ 220
February 28, 2014—₹ 230
March 31, 2014—₹ 240

You are required to prepare Trading Accounts under the following situations : 11

- (i) Historical Cost Accounting
- (ii) Current Purchasing Power Accounting
- (iii) Current Cost Accounting

(15)

Or

- (b) Define Inflation Accounting. Write four objectives of Inflation Accounting. Discuss five points in favour of Inflation Accounting in the context of Indian Companies. 3+4+4=11
