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4(Sem 4) ADAC

2014

**ADVANCED ACCOUNTING**

(Major)

Paper : 405

Full Marks : 80

Time : Three hours

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

1. Answer as directed : 1×8=8
- (a) Write the meaning of Non-performing Assets of a Bank.
- (b) What is Actuarial Valuation in the context of a Life Insurance accounts ?
- (c) Write with reasons whether the following statement is true or false :
- “Capital Value of the investment is always equal to the Nominal Value of the Investment.”

Contd.

- (d) Mention *one* important feature of Investment Account.
- (e) What is meant by 'Insurance Claim' ?
- (f) Write whether the following statement in the context of Insurance claim is true *or* false  
 "If the stock was undervalued, the amount by which it was undervalued should be added to the given value."
- (g) Name *any two* committees formed by Parliament for control of public expenditure.
- (h) Write *two* important objectives of GASAB.

2. Answer the following : 2×6=12

- (i) What is Investment Account ? Explain.
- (ii) Shivaji purchased 300, 12% Debentures of Tomtom Ltd. @ Rs. 95 cum interest on 01.06.2013. Interest is payable on 30th June and 31st December each year. Calculate the cost of Investments for Shivaji.
- (iii) Write a brief note on "Period of Indemnity" in the context of Insurance Claims.

(iv) What is "Memorandum Trading Account" in the context of Insurance Claims ? Show a specimen of such account.

(v) Write *any four* objectives of Government Accounting.

(vi) Explain *any two* differences between Government Accounting and Commercial Accounting.

3. (a) From the following balances, prepare Schedule 2 : Reserve and Surplus for Sun Bank Ltd. as on 31.03.2014 from the following information :

	Rs.
Statutory Reserve	6,000
Net Profit before appropriation	4,000
Securities Premium	3,000
Capital Reserves	12,000
Profit and Loss Account (31.03.2013)	6,700
Revenue and other Reserves	4,000

**OR**

Explain the special features of Accounting of a Banking entity. 5

(b) Write short notes on :  $2\frac{1}{2} \times 2 = 5$

(i) Life Fund and

(ii) Reserve for Unexpired Risk in the context of Life Insurance and General Insurance Companies respectively.

**OR**

A fire insurance company provides the following information as on 31.03.2014

	Rs.
Reserve for Unexpired Risks as on 01.04.2013 :	1,40,000
Additional Reserve for Unexpired Risks as on 01.04.2013 :	40,000
Premiums earned during the year :	2,50,000
Reinsurance Premium during the year :	20,000

The company calculates its reserve for unexpired risks at 50% of the net premium received each year and maintains additional reserve at 10% of net premiums annually.

You are required to show the adjustment for change in reserve for unexpired risks while calculating 'Premiums Earned (Net)'. 5

(c) Answer *any two* of the following questions :  $5 \times 2 = 10$

(i) Briefly describe the powers of the Comptroller and Auditor General of India in connection with audit of accounts.

(ii) Briefly describe the Government Accounting Standard setting procedure followed in India.

(iii) Write a note on the 'Consolidated Fund of India'.

4. UBI Bank Ltd. supplies the following balances as on 31st March 2014.

	Rs.
Bills Discounted and Purchased (Dr.)	4,36,000
Rebate on Bills Discounted (31.3.2013) (Cr.)	8,000
Discount Received (Cr.)	87,000

The particulars of bills discounted are detailed below (Due dates include grace periods) :

Amount of Bills Discounted	Due Date	Rate of discount
2,06,000	31.3.2014	10%
1,30,000	15.5.2014	10%
1,00,000	20.6.2014	10%

You are required to calculate the Rebate on Bills Discounted as on 31.03.2014 and to pass the necessary Journal entries in this regard. 10

**OR**

Explain the following terms in the context of Bank Accounts : 5+5=10

(i) Non-banking Assets

(ii) Provisions and Contingencies.

Mention how these items are presented in the Final Accounts

Best Life Insurance Corporation ascertained its Life Insurance Fund at Rs. 70,00,000 by preparing Revenue Account for the year ended 31.03.2014. It was found later that the following had been omitted from the accounts :

(a) Outstanding Premium :	Rs. 60,000
(b) Interest accrued on Investments :	Rs. 80,000
(c) Income tax to be deducted on (b) above :	Rs. 10,000
(d) Claims intimated but not admitted :	Rs. 50,000
(e) Bonus utilised for reduction of premium :	Rs. 15,000
(f) Claims covered under re-insurance :	Rs. 20,000

You are required to pass Journal entries to give effect to the above adjustments and also show the Actual Life Assurance Fund. 10

OR

The following balances are extracted from the accounts of a General Insurance Company Ltd. related to the year ended 31st March 2013.

	Rs.
Reserve for Unexpired Risk (01.04.2013)	3,00,000
Additional Reserve (01.04.2013)	60,000
<b>Premium :</b>	
On Direct Business	7,00,000
On Reinsurance Accepted	1,40,000
On Reinsurance Ceded	1,00,000
Outstanding Premium (31.3.2014)	40,000
Outstanding Premium (31.3.2013)	30,000
<b>Claims Incurred :</b>	
On Direct Business :	2,50,000
On Reinsurance Ceded :	20,000
On Reinsurance Accepted :	50,000
Outstanding Claims (31.3.2014)	16,000
Outstanding Claims (31.3.2013)	20,000
<b>Commission :</b>	80,000
Commission on Reinsurance Ceded	5,000
Employees Salaries etc.	90,000
Legal and Professional Charges :	10,000
Other operating expenses :	32,000
Profit on Sale of Investments	10,000
Interest, Dividend and Rent	55,000

On the basis of aforesaid balances you are required to prepare Revenue Account of the Insurance company for the year ended 31.03.2014 in proper format.

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Consider the following information taken from the records of Bora Ltd.

The company had a balance of 5% Government Bonds of Rs. 5,00,000 (Cost Rs. 4,80,000) as on 31.12.2012.

Interest was receivable on April 1 and October 1 each year.

The company received interest upto October

On July 1, 2013 the company further purchased Bonds of Rs. 1,50,000 at a cost of Rs. 1,70,000.

On October 15, 2013 Bonds worth Rs. 80,000 were sold for Rs. 70,000.

You are required to prepare Investment Account for the year ending December 31, 2013 considering brokerage of ½% on buying and selling and ignoring tax, stamp duty etc.

10

Contd.

OR

Write brief notes on :

- (i) Cum-interest
- (ii) Ex-interest
- (iii) Fixed income bearing securities
- (iv) Brokerage.

7. M/s Sushmita Ltd. supplied the following information :

- (i) Accounts are prepared on 31st December each year and net profit for the year 2012 amounted to Rs. 7,50,000 after charging standard charges of Rs. 3,30,000. Sales for 2012 were 54,00,000.
- (ii) Fire occurred in the establishment on July 1, 2013 which affected sales for three months.
- (iii) Sales for three months ending 30th September 2012 and 2013 were Rs. 4,50,000 and Rs. 1,50,000 respectively.
- (iv) The Company took a fire policy for Rs. 14,00,000 with a six month indemnity period.

(i) Sales for 12 months period ended on June 30, 2013 were Rs. 58,00,000.

(ii) The company spent Rs. 10,000 as additional expenses to mitigate the effect of the loss.

You are required to ascertain the amount of claim to be lodged in the above case. Also state whether Average clause will be applicable or not in ascertaining the amount of claim.

8+2=10