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4 (Sem 4) ADAC

2015

**ADVANCED ACCOUNTING**

**(Major)**

Paper : 405

Full Marks – 80

Time – Three hours

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

Answer *all* questions.

1. Answer as directed : 1×8=8
- (i) Write the definition of Banking Company as per Banking Regulation Act, 1949.
- (ii) Premium received by an insurance company is shown in the \_\_\_\_\_ A/c. (Fill in the blanks)

[Turn over



- (iii) Final Accounts of Insurance Companies are prepared according to the provision of the LICI Act, 1956. (State whether the statement is true or false)
- (iv) How you will write the Heading of an investment account if it is opened in general ledger ?
- (v) Cum-interest and Ex-interest is applicable only to the fixed interest bearing securities. (State whether the statement is true or false)
- (vi) The average clause applicable in a fire insurance policy discourage \_\_\_\_\_. (Fill in the blank)
- (vii) The accounts of Government Departments are maintained on \_\_\_\_\_ basis. (Fill in the blank)
- (viii) Single Entry system is followed to keep the records of the transactions relating to non-commercial nature. (State whether the statement is true or false)

2. Answer the following :  $2 \times 6 = 12$

- (i) Write two types of statutory books to be maintained by an insurance company.

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- (ii) Write the name and numbers of schedules of Revenue Account of a general insurance company.
- (iii) Write two objectives of preparing Investment Account.
- (iv) Write the meaning of 'cum-interest' relating to Investment Accounting.
- (v) Write two differences between Government Accounting and Commercial Accounting.
- (vi) Write two objectives of Government Accounting.

3. (a) UTI Bank Ltd. discounted bills of the face value of Rs. 8,00,000 for Rs. 7,68,000 on January 3, 2013. Of the total discounts, Rs. 11,572 pertain to the next accounting year is 2013-2014. Show journal entries to be passed at the time of discounting the bills. Also show the opening entry in the books of the bank at the beginning of the next year.

5

Or

- Write five conditions for recognising an advance/loan as NPA (as per RBI notification, dated July 1, 2010).

5

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(b) On 1.4.2013 Mr. Akash had investment in 1,000 equity shares of Rs. 10 in Assam Ltd. having a book value of Rs. 12 each. During the year ended 31st March, 2014, Mr. Akash entered into the following transactions in respect of his investment :

April 1, 2013

Purchased 3,000 equity shares of Rs. 10 each in Assam Ltd. at Rs. 15 each.

Oct 1, Assam Ltd. made a right issue of one share for every two shares held at Rs. 10 per share. Right sold in the market for Rs. 4 per share.

Dec 31, Received interim dividend for the year ended 31st March, 2014 @ 12% on shares in Assam Ltd.

Prepare Investment Account in the books of Mr. Akash. 5

Or

Write the accounting treatment of pre-acquisition and post-acquisition period dividend. 5

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(c) A fire occurred in the premises of Guwahati Enterprises on 31st August, 2013, destroying a part of the stock. On 31st March, 2013, stock appeared in the books at Rs. 1,80,000. The value of stock salvaged was Rs. 34,500. Total sales during the year ended on 31st March, 2013 amounted to Rs. 18,00,000 and the cost of sales during the period was Rs. 12,60,000. The value of sales from April 1, 2013 to the date of fire was amounted to Rs. 4,59,000 and purchases Rs. 3,16,500 during the period. Goods valued Rs. 6,000 was withdrawn for household purposes which was included in the said purchases.

Prepare a statement of claim for submission to the Insurance Company assuming books of accounts are closed on 31st March each year. 5

Or

Describe the procedure to be followed to lodge claim before Insurance Company for indemnification of loss of stock due to fire. 5

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(d) Answer any *one* of the following questions :

5×1=5

- (i) Briefly describe five principles of Government Accounting.
- (ii) Write a note on classification of Incomes and Expenditures of Government.
- (iii) Write a note on Government Accounting Standards Advisory Board.

4. Good Bank has furnished the following information in respect of their advances as on 31.3.2013. You are required to classify the advances for provisioning purposes. Also calculate the amount of provisions required as per Prudential Accounting Norms. 10

	(Rs. in thousand)
Total loans and advances	4,800
Fully secured loans and advances (Without any default)	3,000
Advances overdue for 11 months (Secured by Mortgage of the value Rs. 2,00,000)	500

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(Rs. in thousand)

Advances overdue for 13 months to 35 months (Secured by Mortgage of Land and Buildings valued at Rs. 2,50,000)	600
Advances overdue for more than 36 months (Secured upto Rs 1,00,000)	300
Non-recoverable advances (balance)	400

Or

Explain the following in relation to Bank Accounting :

- (i) Capital Adequacy
- (ii) Rebate on Bills Discounted. 6+4=10

5. The following balances are extracted from the accounts of Best Life Assurance Ltd. related to the year ended 31st March, 2014.

	Rs.
Life fund at the beginning of the year	6,12,500
Premium less re-insurance	3,45,000
Interest, dividends and rents	1,87,500
Fines and fees	1,000
Income tax	29,500
Management expenses	43,750
Annuities paid	2,500

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	Rs.
Commission	13,500
Surrenders	21,250
Bad debt	250
Claims less re-insurance claims	2,22,500
Consideration for annuities granted	12,250

The Best Life Assurance Ltd. had a paid up capital of Rs. 62,500 divided into 6,250 equity shares of Rs. 10 each and its net liability on all contracts in force as on 31st March, 2014 was Rs. 5,62,500 and on 31st March, 2013, this liability was Rs. 5,00,000.

Prepare Revenue Account of Best Life Assurance Ltd. for the period ended 31st March, 2014, considering the following :

- (i) The company has paid an interim bonus of Rs. 27,500.
- (ii) Transfer 30% of surplus to Shareholders' Account and 10% of surplus to the Catastrophe Reserve and carry forward the balance amount.

Or

Write the following in relation to accounting of Insurance Companies : 3+3+4=10

- (i) Meaning of Reserve for unexpired risk
- (ii) Rates of Reserve for unexpired risk, and
- (iii) Treatment of Reserve for unexpired risks in Revenue Account.

6. On 1.4.2013 Mr. A hold 1,200, 15% debentures of Rs. 100 each at a cost of Rs. 1,26,000. Interest is payable on 30th June and 31st December each year. During the year 2013-2014, he entered into the following transactions in the same debenture.

- |            |   |
|------------|---|
| 01.05.2013 | Purchased cum-interest 600 debentures at Rs. 64,200 |
| 01.09.2013 | Sold ex-interest 700 debentures at Rs. 66,850       |
| 30.11.2013 | Purchased ex-interest 500 debentures at Rs. 48,000  |
| 31.12.2013 | Sold cum-interest 400 debentures for Rs. 55,000.    |

Applying FIFO method, ascertain the cost of investment on 31st March, 2014 by preparing an Investment Account. 10