

4 (Sem-4) ADAC

2016

ADVANCED ACCOUNTING

(Accounting Major)

Paper : 405

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks
for the questions

1. Answer the following as directed : $1 \times 8 = 8$

(a) The Banking Regulation Act was passed
in the year 1956.

(State whether the statement is
True or False)

(b) Non-banking assets must be disposed
off within _____ years from the date of
acquisition.

(Fill in the blank with
appropriate word)

(c) Commission on reinsurance ceded is
treated as an

(i) income

(ii) expenditure

(Choose the correct alternative)

(d) Premium received by an insurance company is shown in the ____ Account.

(Fill in the blank with appropriate word)

(e) Face value of the investment is always equal to the capital value.

(State whether the statement is True or False)

(f) Cost of bonus shares is ____.

(Fill in the blank with appropriate word)

(g) Government Accounting always follows Double Entry System.

(State whether the statement is True or False)

(h) The difference between the Standard Turnover and the Actual Turnover during the indemnity period is called ____.

(Fill in the blank with appropriate word)

2. Answer the following questions : 2×6=12

(a) Briefly explain the meaning of non-performing assets.

(b) What is a Valuation Balance Sheet?

(c) Mention any two features of Investment Accounting.

(d) What is a Loss of Profits Policy?

(e) Mention any two objectives of Government Accounting.

(f) What is Contingency Fund?

(a) Nirvan Bank Ltd. discounted bills of the face value of ₹ 10,00,000 for ₹ 9,68,000 on 13th January, 2014. Of the total discount, ₹ 12,500 pertains to the next accounting year, i.e., 2014-15.

Show the 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

Explain the special features of Bank Bookkeeping.

5

(b) The Revenue Account of a life insurance company shows the Life Assurance Fund on 31st March, 2015 at ₹ 62,21,310 before taking into account the following items :

	₹
Claims recovered under reinsurance	12,000
Bonus utilized in reduction of Life Insurance Premium	4,500

(4)

Interest accrued on securities	8,200
Outstanding premium	5,400
Claims intimated but not admitted	26,500

Compute the correct Life Assurance Fund as on 31st March, 2015, after taking into account the above omissions.

Or

Write a brief note on Revenue Account of a General Insurance Company.

(c) A fire occurred on 25th April, 2015 in the premises of CARELESS Ltd. The information available from the books of the company is as follows :

The value of inventory on 01.01.2015	50,000
Purchases from 01.01.2015 to 25.04.2015	3,00,000
Direct labour payment	75,000
Direct expenses paid	50,000
Sales from 01.01.2015 to 25.04.2015	5,00,000
Gross profit ratio is 20% on sales	—
Salvaged value of stock	10,000

Prepare a statement showing the amount of claim to be lodged in case of loss of inventory assuming that the whole of inventory is insured.

Or

Explain bonus shares and rights shares.

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(Continued)

(5)

Explain the responsibilities of Government Accounting Standards Advisory Board.

5

Or

Write a note on Consolidated Fund of India.

5

From the following particulars, prepare the Profit & Loss A/c of UCO Bank Ltd. for the year ending 31st March, 2015 :

10

₹

Commission Charged	7,000
Discount on Bills Discounted	2,10,000
Director's and Auditor's Fees	5,000
Establishment Expenses	60,000
Interest on Loans	2,80,000
Interest on Fixed Deposits	2,98,000
Interest on Cash Credit A/c	2,40,000
Sundry Expenses	2,000
Interest on Current A/c	45,000
Interest on Overdraft	60,000
Interest on Savings Bank A/c	72,000
Postage and Telegram	2,000
Printing and Advertising	3,000
Unexpired Discount on Bills Discounted	55,000
Rent and Taxes	22,000

Make a provision of ₹ 30,000 for doubtful debts; Interest income of ₹ 2,000 on non-performing assets cannot be recognized as income in Profit & Loss A/c during the year.

A16/630

(Turn Over)

Or

Explain the guidelines issued by the Reserve Bank of India to the banks on the concept of income recognition.

5. From the following figures, prepare a Revenue A/c in the statutory form for Life Insurance Corporation of India for the year ended 31st March, 2015 :

Claims by death paid	1,42,000
Claims by maturity paid	70,000
Premium	14,12,000
Consideration for annuities granted	1,64,000
Annuities paid	1,06,000
Bonus paid in cash	4,000
Expenses of management	76,000
Commission	19,000
Interest, dividend and rent (net)	1,95,000
Income tax deducted at source	12,000
Surrenders	26,000
Bonus in reduction of premium	1,000
Dividend paid to shareholders	9,000
Life Assurance Fund on 01.04.2014	30,45,000
Outstanding death claims on 01.04.2014	22,000
Outstanding death claims on 31.03.2015	16,000

Additional Information :

(i) Increase in net liability on all contracts in force on 31.03.2015 over the same on 31.03.2014 was ₹ 2,00,000

Transfer 90% of surplus to shareholders Account and 10% to Catastrophe Reserve

Or

State the procedure of ascertainment of profits of a life insurance company and distribution of such profits. 10

Jaipur Investments Ltd. holds 1000, 15% debentures of ₹ 100 each in Udaipur Industries Ltd. as on 1st April, 2014 at a cost of ₹ 1,05,000. Interest on investment is payable on 30th June and 31st December every year. On 1st May, 2014, 500 debentures are purchased cum-interest at ₹ 33,500. On 1st November, 2014, 600 debentures are sold ex-interest at ₹ 57,300. On 30th November, 2014, 400 debentures are purchased ex-interest at ₹ 38,400. On 31st December, 2014, 400 debentures are sold cum-interest at ₹ 55,000.

Prepare an Investment A/c in the books of Jaipur Investments Ltd. valuing holding on 31st March, 2015 at cost (applying FIFO method). 10

Or

What is Investment Accounting? Explain the procedure of recording investment transactions in fixed income-bearing securities. 3+7=10

7. From the following particulars, ascertain the amount of claim to be lodged in respect of the consequential loss policy :

- (i) Fire occurred on 1st July, 2014 and affected sales for three months
- (ii) Sales for 3 months ending 30th September in 2013 and in 2014 were ₹ 1,50,000 and ₹ 50,000 respectively
- (iii) The policy was for ₹ 4,50,000 with a 6 months' period of indemnity
- (iv) Sales for 12 months ending 30th June 2014 were ₹ 19,00,000
- (v) Accounts are prepared on 31st December. The net profit for 2013 amounted to ₹ 2,50,000 after debiting insured standing charges totalling ₹ 1,10,000. Sales for 2013 were ₹ 18,00,000
- (vi) A sum of ₹ 3,500 was spent as additional expenses to mitigate the effect of the loss

Or

Show the distinction between Government Accounting and Commercial Accounting.
