Total No. of printed pages = 10

4 (Sem-4) ADAC

2017

ADVANCED FINANCIAL ACCOUNTING

Paper : 405

(Accountancy Major)

Full Marks – 80

Time – Three hours

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

1. Answer the following as directed : 1×8=8

(a) Write the meaning of Non-performing Assets of a Bank.

(b) Rebate on bills discounted for a banking company is an income. (State whether the statement is true or false.)

(c) Commission on re-insurance ceded is an income. (State whether the statement is true or false.)

(d) Consideration for annuities granted is ..... for a life insurance company. (Fill in the blank with appropriate word.)

(e) Mention one feature of an Investment Account.

(f) Face Value of the investment is always equal to the Capital Value of the investment. (State whether the statement is true or false.)

(g) Government accounts are generally kept under Single entry System. (State whether the statement is true or false.)

(h) Loss of Profit Insurance is also known as ..... . (Fill in the blank with appropriate word / words.)

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

(a) Briefly explain the meaning of 'Capital Adequacy' of a banking company.

(b) Mention two basic features of Government Accounting.

(c) Explain the meaning of 're-insurance' in respect of insurance business.

(d) Mention two objectives of preparing Investment Account.

(e) What is 'average clause' in insurance claim ?

(f) Write two differences between Government Accounting and Commercial Accounting.

3. (a) From the following particulars, calculate gross profit on short sales : 5

(i) Profit for 2015 amounted to Rs. 65,000 after debiting standing charges totalling Rs. 75,000.

(ii) Sales for 2015 amounted to Rs. 11,20,000.

(iii) Fire occurred on June 1, 2016 and affected sales for four months.

(iv) Sales for four months ending September 30th, in 2015 and 2016 amounted to Rs. 3,00,000 and Rs. 40,000 respectively.

(v) Accounts are prepared on 31st December each year.

Or

Explain the accounting treatment of 'bonus shares' and 'right shares' in Investment Account. 5

(b) From the following information, find out the amount of provision to be made and to be shown in the Profit and Loss Account of a Commercial Bank as on 31.3.2017 : 5

	Rs. (in lakhs)
Standard Assets	4,000
Sub-standard Advances (unsecured)	2,000
Sub-standard Advances (secured)	1,200
Doubtful Advances (all unsecured) :	
Upto one year	900
Upto three years	400
More than three years	300
Loss Assets	500

Or

State in brief the books maintained by a banking company. 5

(c) A Life Insurance Company gets its valuation made once in every three years. The Life Assurance Fund on 31st March, 2017 amounted to Rs. 40,00,000 before providing Rs. 45,000 for the shareholders' dividend for the year 2016 - 17. Its actuarial valuation on 31st March, 2017 disclosed a net liability of Rs. 36,00,000 under the assurance and annuity contracts. An interim bonus of Rs. 60,000 was paid to the policy holders during the triennium ending 31st March, 2017. Prepare a statement showing the amount available as bonus to policy holders. 5

Or

Point out the main features of accounts of General Insurance Company. 5

(d) Briefly describe five principles of Government Accounting. 5

Or

Briefly describe the powers of the Comptroller and Auditor General of India in connection with audit of accounts. 5

4. From the following balances, prepare the Profit and Loss Account of UCO Bank Ltd. for the year ended 31.3.2017 : 10

	Rs.
Rent and taxes	26,000
Directors' fees	6,000
Interest on overdraft	3,00,000
ATM charges	1,000
ATM maintenance charges	500
Interest on Current Accounts	84,000

	Rs.
Interest on Loans	5,18,000
Interest on Fixed Deposit	5,50,000
Commission and brokerage	15,000
Establishment expenses	80,000
Discount on bills discounted (gross)	4,00,000
Interest on Cash credit	4,60,000
Interest on Savings Bank Deposit	1,36,000
Printing and stationery	5,500
Lockers rent	2,000
Depreciation on Bank's properties	10,000
Sundry charges	3,400

Other information :

(i) Rebate on bills discounted 90,000

(ii) Bad debt 12,000

(iii) Provision for taxation to be made at 30%.

Or

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

(i) Non-banking assets

(ii) Provision and contingencies.

5. Nagaon Investment Ltd. furnishes the following details relating to holding in 12% Government Stock : 10

1. 1. 2016 Opening Balance : Face value Rs. 30,000, Cost Rs. 25,000.

1.3.2016 Purchased Rs. 12,000 Stock @ Rs. 91 cum-interest.

1. 6. 2016 Sold Rs. 8,000 Stock @ Rs. 95 cum-interest.

1. 8. 2016 Purchased Rs. 6,000 Stock @ Rs. 94 ex-interest.

1. 11. 2016 Sold Rs. 10,000 Stock @ Rs. 96 ex-interest.

Interest being payable on 31st March and 30th September each year. Brokerage and other expenses being 1% in each case. Prepare an Investment Account in the books of Nagaon Investment Ltd. for the year ending 31st December, 2016. Apply FIFO Method.

Or

Describe the procedure of recording for accounting for investments in variable income bearing securities. 10

6. From the following particulars, prepare a Fire Revenue Account of L M Insurance Co. Ltd. for the year ended 31st March, 2017 : 10

	Rs.
Reserve for unexpired risk on April 1, 2016	2,56,000
Additional Reserve on April 1, 2016	59,000
Claims paid	3,25,000
Management expenses	1,40,000
Premiums	5,10,000
Interest and Dividend	90,000
Income tax on Interest and Dividend	3,500
Re-insurance premium	45,000
Profit on sale of investment	10,000
Legal charges regarding claims	7,200
Re-insurance recoveries	13,500
Commission on direct business	52,000

Outstanding claims :

	Rs.
On 31st March, 2107	35,000
On 31st March, 2016	42,000

The Company calculates its reserve for unexpired risks at 50% of the net premium each year.

Or

Explain the method followed for assessing the profit of life insurance business. 10

7. A fire occurred on the midnight of 30th June, 2016 in the premises of M/S. Bad Luck Ltd. From the following figures, calculate the amount of claim to be lodged with the insurance company for loss of stock : 10

	Rs.
Stock at cost on 1.1.2015	90,000
Stock at cost on 1.1.2016	70,000
Purchases during 2015	4,00,000
Purchases from 1.1.2016 to 30.6.2016	6,00,000
Sales during 2015	6,00,000
Sales from 1.1.2016 to 30.6.2016	8,80,000

You are informed that :

(a) In 2016 the cost of purchases has risen by 20% over the levels prevailing in 2015.

(b) In 2016 the selling prices have gone up by 10% over the levels prevailing in 2015.

(c) Salvaged value is Rs. 700.

Or

Write in detail the System of Financial Administration in India. 10