Total No. of printed pages = 10

2019

ADVANCED FINANCIAL ACCOUNTING

Paper : 405

(Accountancy Major)

Full Marks – 80

Pass Marks – 24

Time – Three hours

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

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

   (a) Provision against loss assets is required to be made at ——— percent. (Fill in the blank)

   (b) Commission on re-insurance ceded is a commission payable by the re-insurer to the original insurer to whom it is a gain. (State whether the statement is true or false)

   (c) Comptroller and Auditor General of India is appointed by Finance Minister of Central Government as per the advice of the President of India under Section 148 of the Constitution. (State whether the statement is true or false)

(d) In case of Union (Central Government) the 'Contingency Fund' remains at the disposal of :

(i) President of India

(ii) Prime Minister

(iii) Finance Minister

(iv) Reserve Bank of India

(Choose the correct option)

(e) The difference between the Standard Turnover and the Actual Turnover during the indemnity period is called ———. (FIll in the blank)

(f) What is re-insurance ?

(g) Mention one objective of preparing Investment Account.

(h) What type of loss is considered as consequential loss ?

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

(a) Explain the meaning of 'Non-banking Assets' of a bank.

(b) Mention two objectives of Government Accounting.

(c) Explain the meaning of Life Fund in respect of Life Insurance.

(d) What is 'Indemnity Period' in the context of insurance claim ?

(e) Mention two important features of Investment Account.

(f) Name any two committees formed by Parliament for control of public expenditure.

3. (a) The Life Assurance Fund of an insurance company for the year ended 31st March, 2019 showed a balance of Rs. 32,24,000. It is found that the following adjustments are yet to be made :

	Rs.
(i) Dividend from investments	3,10,000
(ii) Income tax on above	10,000
(iii) Bonus in reduction of premium	2,15,000
(iv) Claims covered under re-insurance	3,00,000

	Rs.
(v) Claims intimated but not yet admitted	2,55,000
(vi) Premiums outstanding	65,000

Considering the above adjustments, ascertain actual Life Assurance Fund for the year ending 31st March, 2019. 5

Or

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

(b) A fire occurred on 30.4.2018 in the premises of Bad Luck Ltd. The information available from the books of the company is as below :

	Rs.
Value of inventory on 1.1.2018	50,000
Purchases from 1.1.2018 to 30.4.2018	3,20,000
Direct labour and expenses	70,000
Sales from 1.1.2018 to 30.4.2018	7,00,000
Salvage value of stock	13,000

Gross profit ratio is 20% on sales.

Prepare a statement showing the amount of claim to be lodged in case of loss of inventory assuming the whole inventory was insured. 5

Or

Describe the steps to be followed to lodge claims before the insurance company for indemnification of loss of stock by fire. 5

(c) Write a note on Consolidated Fund of India. 5

Or

Briefly describe five principles of Government Accounting. 5

(d) On 1.4.2018 Mr. Prakash had investment in 3,000 equity shares of Rs. 10 each in Assam Ltd. having a book value of Rs. 12 each. During the year ended 31st March, 2019, Mr. Prakash entered into the following transactions in respect of his investment.

April 10, 2018 purchased 1000 equity shares of Rs. 10 each in Assam Ltd. at Rs. 15 each.

September 1, 2018 Assam Ltd. made a right issue of one share for every four shares held at Rs. 20 per share. Mr. Prakash took up half the right shares and sold the remaining rights for Rs. 4 per share.

Prepare Investment Account in the books of Prakash for the year ended 31.3.2019. 5

Or

Explain the treatment of Bonus Shares and Right Shares in Investment Account. 5

4. From the following information, prepare a Profit and Loss Account of United Bank of India for the year ended 31st March, 2019 :

	Rs.
Interest on loans	5,10,000
Commission	1,64,000
Interest on fixed deposits	6,34,000
Discount on bills discounted (Gross)	2,90,000
Interest on cash credit	4,46,000
Interest on overdraft	3,50,000
Sundry charges (Dr)	10,000
Rent, taxes and lighting expenses	36,000
Payment to employees	1,10,000
Interest on S/B Accounts	70,000
Directors fees	5,000
Locker's rent	45,000
Depreciation on bank's property	2,000
ATM maintenance charges	1,000

Additional information :

	Rs.
(i) Rebate on bills discounted	12,000
(ii) Provide for contingencies	20,000
(iii) Provide for taxations @ 30%	
(iv) Transfer Rs. 30,000 to Reserves.	10

Or

Explain the guidelines issued by the Reserve Bank of India to the banks on the concept of income recognition. 10

5. On 1st April, 2018 Zee Ltd. had Rs. 4,00,000, 12% government stock at Rs. 94 (face value Rs.100). Interest is payable half yearly on 31st March and 30th September. The Company sold Rs. 1,20,000 of the stock at Rs. 95 ex-interest on 1.6.2018.

Draw up 12% Government Stock Account in the books of the company for the year ended 31st March, 2019. The stock was quoted at Rs. 98 ex-interest at Stock Exchange on that date. Ignore income tax and brokerage. 10

Or

Explain the procedure of accounting for investment in Fixed Income bearing securities. 10

6. From the following information, prepare the Fire Revenue Account of United India Insurance Company Ltd. for the year ended 31st March, 2019.

	Rs.
Reserve for unexpired risk on 1.4.2018	50,000
Additional reserve on 1.4.2018	10,000
Claims paid	74,000
Surveyor's fees	1,000
Expenses of management	24,000
Premiums received	1,42,000
Legal charges regarding claims	5,000
Interest and dividends	9,000
Income tax on interest and dividends	600
Re-insurance premiums	6,400
Re-insurance recoveries	5,200
Commission on direct business	15,000
Commission on re-insurance accepted	3,000
Commission on re-insurance ceded	4,500
Claims outstanding on 1.4.2018	6,000
Claims outstanding on 31.3.2019	9,000
Profit on sale of investment	400

The Company maintains additional reserve for unexpired risk at 1% of the net premium in addition to the opening balance. 10

Or

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

(i) Meaning of reserve for unexpired risk

(ii) Meaning of valuation Balance Sheet

(iii) Meaning and accounting treatment of consideration for annuities granted.

7. From the following details determine the amount of claim under a loss of profit insurance policy :

Indemnity period	6 months
Date of the fire	1.4.2018
Dislocation upto	1.8.2018
Sum insured	Rs. 1,20,000
Sales for the last accounting year	Rs. 4,80,000
Net profit for the last accounting year	Rs. 88,000
Standing charges of the last accounting year i.e. 2017 (all insured)	Rs. 32,000
Sales from 1.4.2018 to 1.8.2018	Rs. 80,000
Sales for the year 1.4.2017 to 31.3.2018	Rs. 6,00,000
Sales for the corresponding period in the preceding year i.e. 1.4.2017 to 1.8.2017	Rs. 2,00,000

The policy contains 'special circumstances clause' which stipulates for increase of turnover (standard and annual) by 10% as there is an upward trend in the business. 10

Or

Answer the following :

(a) Point out five distinctions between Government Accounting and Commercial Accounting. 5

(b) Explain the general duties of Comptroller and Auditor General of India relating to audit of accounts. 5