

Total number of printed pages-12

4 (Sem-4) ADAC

2022

ADVANCED FINANCIAL ACCOUNTING

(Accountancy Major)

Paper : 405

Full Marks : 80

Time : Three hours

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

1. (a) Fill in the blanks with appropriate words : 1×5=5
- (i) Banks in India are under the general supervision of the _____.
 - (ii) In a contract of insurance, there are two parties namely, the insurer and _____.
 - (iii) The average clause in a loss of stock policy discourages _____.

-Contd.

(iv) Government securities in India are _____ interest.

(v) Government accounts are generally kept under _____ system.

(b) State whether the following statements are True **or** False : $1 \times 5 = 5$

(i) Banks in India were nationalised in the year 1891.

(ii) Life assurance fund represents Profit of the Life Insurance Company.

(iii) The Loss of Profit Policy covers loss of profit due to non-recovery of standing charges only.

(iv) Cum-interest and Ex-interest is applicable only to the fixed interest bearing securities.

(v) The capital division of Govt. accounts consists of capital receipts and capital expenditure.

2. Answer the following questions : $2 \times 5 = 10$

(a) Explain briefly 'Statutory Reserve' used in Banking Business.

(b) Write the meaning of consideration for annuities granted under insurance business.

(c) What is 'Loss of Profit Policy' under insurance claims ?

(d) Write the meaning of 'ex-interest' in respect of Investment Accounting.

(e) Write *any two* features of Government Accounting.

3. (a) From the following figures, calculate Benefits Paid as per Schedule 4 to Policyholders by a Life Assurance Company for the year ended 31st March, 2020 : 5

	₹
Claims by death paid	7,40,000
Claims by maturity paid	16,80,000
Bonus in cash	17,200
Annuities paid	6,36,000
Bonus in reduction of premium	24,800
Interim bonus paid during the year	12,000
Surrender	1,30,600
Outstanding death claims as on 31.3.19	56,000
Outstanding death claims as on 31.3.20	1,18,000

- (b) Nion Bank Ltd. discounted bills of the face value of ₹ 20,00,000 for ₹ 19,36,000 on 25th February, 2020. Of the total discount, ₹ 25,900 pertains to the next accounting year i.e. 2020-21.

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.

Or

What is Non-performing asset? Explain briefly each type of Non-performing asset.

1+4=5

- (c) Write five distinctions between Government Accounting and Commercial Accounting.

Or

Write short note on Government Accounting Standards Advisory Board (GASAB).

- (d) A fire occurred in the premises of XYZ enterprise on 31st August, 2019 destroying a part of the stock. On 31st March, 2019, stock appeared in the books at ₹ 3,60,000. The value of stock salvaged was ₹ 69,000. Total sales during the year ended 31st March, 2019 amounted to ₹ 36,00,000 and the cost of sales during the period was ₹ 25,20,000. The value of sales from April 1, 2019 to the date of fire amounted to ₹ 9,18,000 and purchases ₹ 6,33,000 during the period. Goods valued amounted to ₹ 12,000 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

4. From the following information, prepare a Profit & Loss Account of Subhalaxmi Bank Ltd. for the year ended on 31st March, 2020. 10

	₹
Interest on loan	6,00,000
Interest on Current Account	60,000
Establishment expenses	1,00,000
Rent & taxes	30,000
Interchange fees paid	800
Rebate on bills discounted on 01.04.2019	50,000
Interest on Cash Credit Account	8,00,000
Interest on Fixed Deposit Accounts	6,00,000
Interest on Savings Bank Deposits	1,40,000
Commission charged to customers	40,000
Interest on overdrafts	1,40,000
Discount on bills discounted	2,00,000
Auditor and Director's fees	40,000
ATM charges	4,000
Transfer to Revenue Reserve	10,000
Miscellaneous operating expenses	1,00,000

Or

Give a Proforma of Balance Sheet of a Banking Company showing the schedules also. 10

5. Prepare a Revenue Account of Suraj Life Insurance Company Ltd. for the year ended 31st March, 2020 from the following balances extracted from its books of accounts : 10

	₹
Life Assurance Fund	6,00,000
Premium	2,05,000
Reinsurance Premium Paid	6,000
Consideration for Annuities granted	35,000
Claims :	
By Death	25,000
On Maturity	37,500
Interest, Dividend and Rent	75,000
Income Tax thereon deducted at source	6,000
Fines for revival of lapsed policies	100
Gain on revaluation of investments	6,000
Outstanding Premium	10,000
Commission on Direct business	7,500
Commission on Re-insurance accepted	1,250
Interest accrued	4,500

Commission on Re-insurance ceded	750
Staff salaries and allowances	25,000
Employees welfare expenses	2,500
Bank charges and Commission	100
Auditor's fees (for Audit work)	500
Auditor's fees (for tax consultancy)	350
Bonus to shareholders	300
Medical fees	400
Repairs (Office Equipment)	300
Telephone charges	150
Travelling expenses	200
Annuity paid	1,000
Surrenders	100
Bonus to Policyholders	1,500
Dividend to Shareholders	250

Additional Information :

1. Claims Re-insurance ceded ₹ 3,500
2. Bonus in reduction of Premium ₹ 2,500

3. Increase in Net liability on all contracts in force ₹ 60,000
4. Transfer 25% of surplus to Shareholders Account, 10% to the Catastrophe Reserve and the balance is to be carried forward.
5. Make a provision for income tax to the extent of ₹ 50,000

Or

Explain briefly the procedure of ascertainment of Profit or Loss by a General Insurance Company. 10

6. Harish, an investor furnishes the following details relating to his holding in 6% Govt. Bonds. On 1.1.2019, Opening Balance, Face Value ₹ 1,20,000 - Cost ₹ 1,18,000

1.03.2019 — 100 units purchased ex-interest at ₹ 98.

1.07.2019 — Sold 200 units ex-interest of the original holding at ₹ 100.

1.10.2019 — Purchased 50 units at ₹ 98 cum interest.

1.11.2019 — Sold 200 units ex-interest at ₹ 99 out of original holdings.

Interest dates are 31st March and 30th September. Harish closes his books every 31st December.

Show the Investment Account as it would appear in his books. 10

Or

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

7. Vikash Ltd. has a 'Loss of Profit' insurance policy for ₹ 42,00,000. The period of indemnity is 3 months. A fire occurred on the midnight of 31st January, 2020. The following information is available: 10

Sales : **Amount**

For the year ended 31st December, 2019 1,40,00,000

For the period from 1st Feb, 2019 to 31st Jan, 2020 1,60,00,000

For the period from 1st Feb, 2019 to 30th April, 2019 36,00,000

For the period from 1st Feb, 2020 to 30th April, 2020 2,40,000

Standing charges (insured) 32,00,000

Profit for last year (2019) 10,00,000

Savings in standing charges because of fire 1,00,000

Additional expenses to reduce loss of turnover 2,00,000

Compute the claim to be lodged with the insurance company.

Or

Discuss the procedure of ascertainment of claims amount under loss of stock method due to loss of stock by fire. 10

Amount

1,40,00,000

1,60,00,000

80,00,000

2,40,000

82,00,000

10,00,000

1,00,000

3,00,000