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V Semester B.Com. Examination, Nov./Dec. 2014
(Semester Scheme) (Repeaters) (Prior to 2014-15)
(100 – 2013-14 Only) (90 – Prior to 2013-14)

COMMERCE

Paper – 5.5 (E - I) : Advanced Financial Accounting

Time : 3 Hours

Max. Marks : 90/100

Instructions : 1) Answer should be **completely** written **either** in **English** or in **Kannada**.

2) Section **A, B, C** – **Common** to **all** Students.

3) Section **D** – **Compulsory** for **100** marks paper.

SECTION – A

Answer **any ten** sub-questions from the following. **Each correct** answer carries **two** marks. **(10×2=20)**

1. a) What is the meaning of Holding Company ?
b) How is the inter-company owing treated in Consolidated Balance Sheet ?
c) What amount represents payment for goodwill by the Holding Company ?
d) What is Money-at-call and Short-notice ?
e) Write any four items shown in Schedule 16 of Bank Final Accounts.
f) State the types of Bank Deposits as shown in Schedule 3 of Bank Final Accounts.
g) Write the types of Insurance from accounting point of view.
h) Expand IRDA.
i) What do you mean by Premium on Reinsurance ceded ?
j) What is Surrender Value of Insurance Policy ?
k) State the minimum rates of Reserve for Unexpired Risks to be maintained by General Insurance Companies.
l) Write any four types of insurance business carried on by General Insurance Companies.

P.T.O.



SECTION – B

Answer **any five** questions from the following. **Each** correct answer carries **five** marks.

(5×5=25)

2. State the steps involved in the preparation of Consolidated Balance Sheet.
3. A Ltd. acquired 8000 Equity Shares in B Ltd. on 1-7-2013. The following information is made available with respect to A Ltd. and B Ltd. as on 31-3-2014.

	A Ltd. Rs.	B Ltd. Rs.
Equity Shares of Rs. 100 each	20,00,000	10,00,000
General Reserve on 1-4-2013	3,00,000	2,00,000
on 31-3-2014	5,00,000	2,60,000
Profit and Loss Account on 1-4-2013	5,00,000	70,000
on 31-3-2014	10,00,000	1,80,000
Shares in B Ltd.	10,00,000	—

Calculate Goodwill or Capital Reserve as the case may be to be included in Consolidated Balance Sheet.

4. Calculate Rebate on Bills Discounted for the year ended 31-3-2013.

Amount (Rs.)	Due Date	Rate of Discount
50,000	26-5-2013	8%
2,00,000	06-6-2013	10%
3,00,000	12-6-2013	9%
1,50,000	05-7-2013	12%

5. Prepare Profit and Loss Account as per Form B-PL in the books of National General Insurance Company.

	Rs.
Operating Profit of Fire Insurance Business	2,52,000
Operating Loss from Marine Insurance Business	(76,000)
Auditor's Fees	12,000
Directors' Fees	12,400
Share Transfer Fees	3,200
Bad Debts recovered	4,800
Interest, Dividend received	1,56,000
Depreciation on Assets	32,000
Loss on sale of Investments	3,000
Difference in Exchange (Cr.)	2,000



6. From the following particulars, calculate Net Premium earned for the year ended 31-3-2012 of a General Insurance Business.

	Fire Rs.	Marine Rs.
Premium on direct business	12,00,000	21,60,000
Premium on reinsurance accepted	3,00,000	6,40,000
Premium on reinsurance ceded	4,00,000	8,00,000
Reserve for unexpired risk on 1-4-2011	6,00,000	16,40,000
Reserve for unexpired risk to be maintained at 50% and 100% of net premium for Fire Insurance and Marine Insurance respectively.		

7. The following particular relates to a Life Insurance Corporation for the year 31-3-2012.

	Rs.
Premium received during the year	22,66,000
Outstanding premium on 1-4-2011	1,74,000
Outstanding premium on 31-3-2012	2,18,000
Premium received in advance on 1-4-2011	56,000
Premium received in advance on 31-3-2012	44,000
Bonus utilised in reduction of premium for 2011-12	14,000
Reinsurance Premium paid during the year 2011-12	1,20,000

Find out the amount of premium to be credited to Revenue Account.

8. Write a short note on classification of Bank Advances.

SECTION – C

Answer **any three** questions from the following. **Each** correct answer carries **fifteen** marks. (3×15=45)

9. Following are the Balance Sheets of A Ltd. and B Ltd. as on 31-03-2013.

Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
Equity Share Capital			Fixed Assets	2,40,000	61,000
(Shares of			Shares in B Ltd.	51,000	—
Rs. 10 each)	3,00,000	60,000	Stock	60,000	18,000
General Reserve	30,000	12,000	Debtors	36,000	7,200



Profit and Loss A/c	15,000	19,000	Bills Receivables	—	10,800
Creditors	27,000	7,400	Cash	3,000	5,000
Bills Payables	18,000	3,600			
	3,90,000	1,02,000		3,90,000	1,02,000

A Ltd. purchased 4,500 Equity shares in B Ltd. on 1-9-2012. The balance of General Reserve and Profit and Loss Account of B Ltd. stood at Rs. 7,200 and Rs. 4,800 respectively on 1-4-2012. The Bills Receivables of B Ltd. of Rs. 9,000 is accepted by A Ltd. The Debtors of B Ltd. of Rs. 2,500 are due from A Ltd.

Prepare Consolidated Balance Sheet of A Ltd. and its subsidiary B Ltd. as on 31-3-2013.

10. From the following Trial Balance of Pavan Bank Ltd., prepare Profit and Loss Account for the year ended 31st March 2013 and Balance Sheet as on that date.

	Dr. Rs.	Cr. Rs.
Share Capital		
1,00,000 Equity Shares of Rs. 10 each		10,00,000
Reserve Fund		5,00,000
Loans, Cash credits and Overdrafts	5,70,000	
Premises	1,00,000	
Investment in Govt. Securities	8,00,000	
Current Deposits		2,00,000
Fixed Deposits		2,50,000
Savings Bank Deposits		1,00,000
Salary to staff	56,000	
Director's Fees	3,600	
Rent, Rates and Taxes	4,600	
General Expenses	54,800	
Profit and Loss Account on 1-4-2012		32,000
Interest and Discounts		2,56,000
Stationery	17,000	
Bills Purchased and Discounted	92,000	



Interim Dividend paid	34,000	
Recurring Deposits		40,000
Shares	1,00,000	
Cash in hand and with RBI	3,86,000	
Money at Call and Short Notice	1,60,000	
	23,78,000	23,78,000

Adjustments :

- i) Endorsements made on behalf of customers Rs. 1,15,000
- ii) Unexpired Discount Rs. 670
- iii) Interest accrued on Investments Rs. 8,000.

11. The following Trial Balance was extracted from the books of a Life Insurance Company Ltd. as on 31st March 2013.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Share Capital (shares of Rs. 10 each)		1,60,000
Life Assurance Fund as on 1-4-2012		29,72,300
Dividend paid	15,000	
Bonus paid in cash	31,500	
Premium Received		1,01,500
Claims Paid :		
By Death	98,000	
By Maturity	99,000	
Commission paid	9,300	
Mortgage in India	4,92,200	
Interest, Dividend and Rent		1,12,700
Agents Balances	9,300	
Freehold Premises	40,000	
Investments	23,05,000	
Administrative Expenses	32,300	
Loan against Policies	1,73,600	
Cash in Hand and at Bank	34,300	
Surrenders	7,000	
	33,46,500	33,46,500



You are required to prepare Revenue Account of the company for the year ending 31st March 2013 and Balance Sheet as on that date taking into account the following adjustments :

- a) Claims admitted but not paid Rs. 9,300 ;
- b) Administrative expenses due Rs. 2,000 ;
- c) Interest accrued Rs. 21,000 ;
- d) Premium outstanding Rs. 12,000.

12. From the following balances of Indian Insurance Co. Ltd. as on 31st March 2012. Prepare :

- i) Fire Revenue Account
- ii) Marine Revenue Account and
- iii) Profit and Loss Account.

Particulars	Fire Rs.	Marine Rs.
Reserve for Unexpired Risk on 1-4-2011	5,00,000	16,40,000
Claims paid and outstanding	3,80,000	7,60,000
Commission paid	1,80,000	2,16,000
Additional Reserve on 1-4-2011	1,00,000	—
Premium less Reinsurance	12,00,000	21,32,000
Management Expenses	2,90,000	8,00,000
Commission on Reinsurance ceded	60,000	1,20,000
Auditor's Fees	12,000	
Director's Fees	12,400	
Share Transfer Fees (Cr.)	3,200	
Profit on sale of Land	40,000	
Depreciation	70,000	
Interest and Dividend received	65,000	
Difference in Exchange (Cr.)	1,200	
Sundry receipts	20,000	
Increase additional reserve with respect to Fire Insurance by 5%.		



13. The summarised Balance Sheets of H Ltd. and S Ltd. as on 31-12-2012 were as follows :

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S Ltd. Rs.
Equity Share Capital (Shares of Rs. 100 each)	2,50,000	1,00,000	Plant	1,20,000	54,700
Capital Reserves	—	60,000	Premises	75,000	90,000
General Reserves	1,20,000	—	Investment in S Ltd. at cost	1,70,000	—
Profit and Loss A/c	28,600	18,000	Stock	70,000	18,000
Creditors	23,550	4,500	Debtors	21,000	20,000
Bills Payable (including Rs. 1,500 to H Ltd.)	—	4,200	Bills Receivables (including Rs. 1,500 from S Ltd.)	7,900	—
Bank Overdraft	50,000	—	Cash	8,250	4,000
	4,72,150	1,86,700		4,72,150	1,86,700

H Ltd. acquired 800 shares of Rs. 10 each in S Ltd. on April 1, 2012. Prepare a Consolidated Balance Sheet as on 31st December 2012 showing your workings and after considering the following.

- Creditors of H Ltd. include Rs. 6,000 due to S Ltd.
- The directors are advised that the Premises of S Ltd. are undervalued by Rs. 10,000 and its plant overvalued by Rs. 5,000.

SECTION – D

(Compulsory for Students answering for 100 marks)

Answer the following question. The correct answer carries **ten** marks. (1×10=10)

14. From the following particulars, prepare Profit and Loss Account of Padmashree Bank Ltd. for the year ended 31st March 2013.

	Rs.
Interest on Loans	5,18,000
Interest on Fixed Deposits	5,50,000
Commission Received	16,000
Salaries and Allowances	1,08,000
Discount on Bills Discounted	2,92,000



Rebate on Bills Discounted	98,000
Interest on Cash credits	4,46,000
Interest on Current Accounts	84,000
Rent and Taxes	36,000
Interest on Overdrafts	3,08,000
Director's Fees	6,000
Auditor's Fees	2,000
Interest on Savings Bank Deposits	1,36,000
Postage and Telephones expenses	3,000
Printing and Stationery	6,000
Locket Rent	2,000
Transfer Fees (Cr.)	1,000
Depreciation on Bank Properties	10,000
Sundry Charges	4,000

Additional Information :

- a) Provision for Bad Debts Rs. 8,000
- b) Provision for Income Tax Rs. 30,000.