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UN – 394

V Semester B.Com. Examination, Nov./Dec. 2015
(Semester Scheme) (Repeaters) (Prior to 2014-15)
(100 – 2013-14 Only) (90 – Prior to 2013-14)
COMMERCE

Paper – 5.5 : (E-1) 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

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

- a) What are subsidiary companies ?
- b) How are the following items treated in the final accounts of a general insurance company ?
 - i) Commission on reinsurance ceded.
 - ii) Commission on reinsurance accepted.
- c) How do you show bills for collection in the final accounts of a bank ?
- d) What is "Post acquisition profit" ?
- e) How do you treat the following items in the banking accounts ?
 - i) treasury bills
 - ii) compulsory deposits (employees) payable A/c.
- f) Mention 2 statutory books to be maintained by a life insurance company.
- g) What is minority interest ?
- h) What is life insurance ?
- i) What is cash reserve ratio ?
- j) Give the meaning of cost of control.
- k) Expand IRDA.
- l) Give the meaning of rebate on bills discounted.

P.T.O.



SECTION – B

Answer **any 5** questions from the following. **Each** correct answer carries **5** marks.

(5×5=25)

2. Briefly explain the steps involved in the preparation of consolidated balance sheet.
3. Give the meaning of the following :
 - a) Claims on policy
 - b) Paid up value
 - c) Premium.
4. S Bank Limited has discounted the following bills during the year ended 31-12-07 at discount of 5% P.A.

Amount (Rs.) Due date

1,00,000	31-1-08
80,000	30-4-08
60,000	3-3-08

Calculate rebate on bills discounted.

5. A new Fire Insurance Company received premium totalling Rs. 80,00,000 (net), Claims totalled Rs. 18,00,000 and the expenses of management including commission amounted to Rs. 36,00,000 all in the final year of its working. What is the profit earned by the company ?
6. Calculate the premium earned (net) for the year ending 31-3-2008 from the following in case of fire insurance :

	Rs.
Premium received by reinsurance	6,90,000
Premium outstanding on 1-4-07	10,000
Premium outstanding on 31-3-08	8,000
Reserve for unexpired risks on 1-4-07	3,50,000
Additional reserve on 1-4-07	40,000

It is the policy of the company to maintain 50% of premium towards reserve for unexpired risks. Additional reserve is to be increased by 5% of net premium.

7. From the following particulars of Modern Life Assurance Company, prepare Revenue A/c as on 31-3-13 :

	Rs.
Premium	15,18,000
Bonus in cash	1,74,240
Fines and fees	792
Interest and dividend	8,25,000
Income tax	1,30,350
Management expenses	1,92,500
Bonus in reduction of premium	2,170
Commission	59,400
Surrenders	93,700
Reassurances irrecoverable	1,400
Claims	9,80,000
Consideration for annuities granted	50,000

8. While preparing the final accounts of Banking Company, under which schedule the following items are shown :

- a) Locker rent.
- b) Employers' contribution to provident fund.
- c) Statutory reserve.
- d) Stamps on hand.
- e) Loss on sale of investments.



SECTION – C

Answer **any 3** questions from the following. **Each** correct answer carries **15** marks.

(3×15=45)

9. 'SR' Bank Limited requires you to prepare financial statements as on 31-3-12 from the following :

	Dr.	Cr.
	Rs.	Rs.
Share capital (1,00,000 equity shares of Rs. 100 each)	–	10,00,000
Reserve fund	–	5,00,000
Loans, cash and overdraft	5,70,000	–
Premises	1,00,000	–
Investments	8,00,000	–
Current deposits	–	2,00,000
Fixed deposits	–	2,50,000
S.B. deposits	–	1,00,000
Salary to staff	56,000	–
Directors fees	8,200	–
General expenses	54,800	–
P/L A/c on 1-4-11	–	32,000
Interest and discounts	–	2,56,000
Stationary	17,000	–
Bills purchased	92,000	–
Interim dividend paid	34,000	–
Recurring deposits	–	40,000
Shares	1,00,000	–
Cash with RBI	3,86,000	–
Money at call and short notice	1,60,000	–
	23,78,000	23,78,000

Adjustments :

- 1) Unexpired discount amounted to Rs. 380.
- 2) Interest accrued on investments Rs. 8,000.



10. The following are the Balance Sheets of H Limited and S Limited as on 31-12-2011.

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Equity share capital (Rs. 100 each)	2,50,000	1,00,000	Building	75,000	90,000
Capital reserve	–	60,000	Plant	1,20,000	54,700
General reserve	1,20,000	–	800 shares in S Ltd.	1,70,000	–
Profit and loss A/c	28,600	18,000	Stock	70,000	18,000
Loan from bank	50,000	–	Debtors	21,000	20,000
Bills payable (including Rs. 1,500 to H Ltd.)	23,550	4,700	Bank	8,450	4,000
Creditors	–	4,000	Bills receivable (including Rs. 1,500 from S Ltd.)	7,700	–
	4,72,150	1,86,700		4,72,150	1,86,700

H Limited acquired the shares in S Limited on 1-4-2011. Prepare a Consolidated Balance Sheet as at 31-12-2011 after taking into account the following :

- 1) Creditors of S Limited include Rs. 3,000 due from H Limited.
- 2) Buildings of S Limited are found under valued by Rs. 10,000 and the plant of the same company is found over valued by Rs. 5,000. The new values are to be incorporated.
- 3) The balance of profit and loss A/c of S Ltd. Rs. 18,000 represents the profits earned by the company during the year ended 31-12-2011.

11. From the following balances of National General Insurance Company as on 31-3-13, prepare (a) Fire Revenue A/c (b) Marine Revenue A/c (c) Profit and Loss A/c :

	Rs.
Provision for unexpired risk on 1-4-12 : Fire	5,00,000
Marine	16,40,000
Additional reserve of fire on 1-4-12	1,00,000
Auditor's fees	15,900
Claims paid : Fire	3,80,000
Marine	7,60,000
Bad debts : Fire	10,000
Marine	24,000
Management expenses : Fire	2,90,000
Marine	8,00,000



Commission paid : Fire	1,80,000
Marine	2,16,000
Depreciation	70,000
Interest received	28,000
Profit on sale of land	1,20,000
Premium received : Fire	12,00,000
Marine	21,60,000
Commission earned on reinsurance ceded : Fire	60,000
Marine	1,20,000

Provision for unexpired risk to be kept at 50% of premium received for fire and at 100% for marine dept. The additional reserve in case of fire insurance is to be increased by 5% of net premium.

12. Following Balance Sheets are presented to you as on 31-12-2010. Considering the additional information given prepare Consolidated Balance Sheet of A Ltd. and its subsidiary B Ltd. as on 31-12-2010.

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Share capital			Fixed assets	3,50,000	1,50,000
shares of Rs. 100	5,00,000	2,00,000	Stock	90,000	40,000
Profit and loss A/c	80,000	–	Debtors	60,000	30,000
General reserve	1,00,000	–	6% Debentures		
6% Debentures	–	1,00,000	in B Ltd.	60,000	–
Creditors	75,000	45,000	Shares in B Ltd.		
			1,500 shares at		
			Rs. 80 each	1,20,000	–
			Bank	75,000	25,000
			Profit and Loss A/c	–	1,00,000
	7,55,000	3,45,000		7,55,000	3,45,000

Additional information :

- A Ltd. acquired shares on 1-4-2010. The profit and loss A/c of B Ltd. showed a debit balance of Rs. 1,50,000 on 1-1-2010.
- Creditors of B Ltd. include Rs. 20,000 for goods supplied by A Ltd. on which A Ltd. made a profit of Rs. 2,000. Half of the goods were still in stock on 31-12-2010.



13. The following Trial Balance extracted from the books of Mutual Life Assurance Company Limited as on 31-3-2008 :

	Dr.	Cr.
	(Rs.)	(Rs.)
Share capital (shares of Rs. 10 each)	–	1,60,000
Life assurance fund as on 1-4-07	–	29,72,300
Dividend paid	15,000	–
Bonus of policy holder	31,500	–
Premium received	–	1,01,500
Claims paid	1,97,000	–
Commission paid	9,300	–
Management expenses	32,300	–
Mortgage in India	4,92,200	–
Interest, dividend and rent	–	1,12,700
Agent balances	9,300	–
Free hold premises	40,000	–
Investments	23,05,000	–
Loan agents company policies	1,73,600	–
Cash on deposits	27,000	–
Cash in hand and on current A/c	7,300	–
Surrenders	7,000	–
	33,46,500	33,46,500

You are required to prepare Company's Revenue Account for the year ended 31-3-08 and its Balance Sheet as on that data by taking the following :

- 1) Claims admitted but not paid Rs. 9,300.
- 2) Management expenses due Rs. 200.
- 3) Interest accrued Rs. 19,200.
- 4) Premium outstanding Rs. 12,000.

SECTION – D

(Compulsory for students answering for 100 marks)

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

14. Give the meaning of general insurance and the differences between life insurance and general insurance.