

**V Semester B.Com. Examination, November/December 2015  
(Semester Scheme) (2014-15 and Onwards) (F+R)**

**COMMERCE**

**Paper – 5.5 : Elective – 1 : Advanced Accounting (Paper – I)**

3 Hours

Max. Marks : 100

**Instruction: Answers should be completely written either in Kannada or in English.**

**SECTION – A**

1. Answer any ten of the following sub-questions. Each correct answer carries 2 marks. (10×2=20)
- Give the definition of statutory reserve.
  - How do you treat the following in bank final accounts
    - Gold
    - Silver.
  - Give two examples of contingent liabilities in banking companies.
  - What do you mean by reinsurance ?
  - What is meant by reserve for unexpired risks ?
  - What is surrender value of life policy ?
  - What is reinsurance accepted ?
  - Write any two objectives of farm accounting.
  - State the methods of inflation accounting.
  - Mention any four items under schedule 5 of banking company accounts.
  - What are non-banking assets ?
  - Mention any four items of benefits paid by life insurance company.

P.T.O.



## SECTION - B

Answer any four of the following questions. Each correct answer carries 8 marks.

(4×8=32)

2. Write short notes on :

- i) Rebate on bills discounted
- ii) Classification of farm activities
- iii) Non-performing assets
- iv) Direct business.

3. Analysis of bills discounted by Indian Bank as on 31-3-2015 is as follows :

Amount of the bill	Due date of the bill	Rate of interest
Rs. 2,40,000	6 <sup>th</sup> June 2015	9% P.A.
Rs. 4,00,000	12 <sup>th</sup> June 2015	10% P.A.
Rs. 3,50,000	6 <sup>th</sup> July 2015	8% P.A.
Rs. 5,00,000	5 <sup>th</sup> August 2015	7% P.A.

Calculate rebate on bills discounted as on 31-3-2015.

4. A company has the following monetary items on January 1, 2013.

	Rs.
Debtors	41,000
Bills receivables	10,000
Cash	20,000
	<u>71,000</u>

	Rs.
Less : Bills payable	10,000
Creditors	25,000
	<u>35,000</u>
	<u>36,000</u>

The following are the transactions affecting monetary items during the year :

- a) Sales of Rs. 1,40,000 (made evenly throughout the year)
- b) Purchases of goods Rs. 1,05,000 (made evenly throughout the year)
- c) Operating expenses of Rs. 35,000 (incurred evenly throughout the year)
- d) One machine was sold for Rs. 18,000 on July 1, 2013
- e) One machine was purchased for Rs. 25,000 on December 31, 2013.

The general price index was as follows:

On January 1, 2013                      300

Average for the year 2013            350

On July 1, 2013                         380

On December 31, 2013                400

You are required to compute the general purchasing power, gain or loss, for the year.

5. On 1<sup>st</sup> January 2014, HP Ltd., purchased 1,000, 15% debentures of Reliance Ltd., of Rs. 100 each at Rs. 96 each. On 1<sup>st</sup> July 2014, 50% of debentures were sold at Rs. 99 each. Debenture interest is payable half-yearly on 30<sup>th</sup> June and 31<sup>st</sup> December.

Show 15% debentures in Reliance Ltd., account in the books of HP Ltd., assuming that the accounting year closes on 31<sup>st</sup> December. Market price of a debenture as on 31<sup>st</sup> December 2014 is Rs. 98.

6. The following relates to a Life Insurance Corporation for the year ended 31-3-2015.

	Rs.
Premium received during the year	22,66,000
Bonus in reduction of premium for 2014-15	14,000
Outstanding premium on 1-4-2014	1,74,000
Outstanding premium on 31-3-2015	2,18,000
Premium received in advance on 1-4-2014	65,000
Premium received in advance on 31-3-2015	53,000
Re-insurance premium received for 2014-15	2,30,000

Calculate the amount of premium to be shown under schedule-1 of Life Insurance Company Accounts.



## SECTION - C

Answer any three of the following questions. Each correct answer carries 16 marks. (3×16=48)

7. From the following particulars prepare Profit and Loss Account for the year ended 31-3-2015 and Balance Sheet as on that date of Barnali Bank Ltd.

Particulars	Dr. Rs.	Cr. Rs.
Share capital : 1,00,000 shares of Rs. 10 each Rs. 5 paid up	-	5,00,000
Reserve fund	-	10,00,000
Fixed deposits	-	20,00,000
Savings Bank deposits	-	30,00,000
Current accounts	-	70,00,000
Borrowings from other banks	-	2,00,000
Investments	30,00,000	-
Premises	12,00,000	-
Cash in hand	60,000	-
Cash at Bank	28,00,000	-
Money at call and short notice	3,00,000	-
Interest accrued and paid	2,00,000	-
Salaries	80,000	-
Rent	30,000	-
Profit and loss account (1-4-2014)	-	1,60,000
Interest earned	-	4,50,000
Bills discounted	5,00,000	-
Bills payable	-	8,00,000
Loans, advances, overdrafts	70,00,000	-
Unclaimed dividends	-	30,000
Sundry creditors	-	30,000
	<b>1,51,70,000</b>	<b>1,51,70,000</b>

The bank had the bills for Rs. 14,00,000 as collection for its constituents and also, acceptances and endorsements for them amounting to Rs. 4,00,000.

8. Following Trial Balance was extracted from the books of Vivek Life Insurance Company Ltd., as on 31<sup>st</sup> March 2015.

Particulars	Dr. Rs.	Cr. Rs.
Paid-up share capital of Rs. 10 each	—	1,00,000
Life Assurance Fund on 1 <sup>st</sup> April 2014	—	29,72,300
Bonus to policyholders	31,500	—
Premium received	—	1,61,500
Claims paid	1,97,000	—
Commission paid	9,300	—
Management expenses	32,300	—
Mortgages in India	4,92,200	—
Interest and dividends received	—	1,12,700
Agents balances	9,300	—
Freehold premises	40,000	—
Investments	23,05,000	—
Loans on company's policies	1,73,600	—
Cash on deposits	27,000	—
Cash in hand and current account	7,300	—
Surrenders	7,000	—
Dividend paid	15,000	—
	<b>33,46,500</b>	<b>33,46,500</b>

You are required to prepare the company's Revenue Account for the year as on 31<sup>st</sup> March 2015 and its Balance Sheet as on that date after taking following matters into consideration :

- Claims admitted but not paid Rs. 9,000
- Management expenses due Rs. 2,000
- Interest accrued Rs. 19,300
- Premium outstanding Rs. 10,000
- Bonus utilised in reduction of premium Rs. 2,000
- Claims covered under reinsurance Rs. 2,300.



9. Following balances are extracted from the books of United Insurance Company Ltd. as on 31-3-2015.

Particulars	Fire	Marine
	Rs.	Rs.
Claims paid	1,00,000	87,000
Premium	3,74,000	2,97,000
Commission on reinsurance ceded	13,000	-
Commission	62,000	51,000
Expenses of management	86,000	68,000
Reserve for unexpired risks on 1-4-2014	2,10,000	2,40,000
Additional reserve on 1-4-2014	60,000	10,000
Claims outstanding on 1-4-2014	24,000	11,000
Premium outstanding on 1-4-2014	26,000	17,000
Depreciation on assets		36,000
Loss on sale of investments		8,000
Audit fees		13,000
Directors remuneration		36,000
Interest and dividend received		63,000

**Additional information :**

- i) Premium outstanding on 31-3-2015  
Fire – Rs. 33,000; Marine – Rs. 15,000
- ii) Claims outstanding on 31-3-2015  
Fire – Rs. 46,000; Marine – Rs. 17,000
- iii) An fire claim amounting to Rs. 11,000 was recovered by reinsurance.
- iv) Reserve for unexpired risks to be maintained at 50% for fire insurance and 100% for Marine Insurance on Net Premium.
- v) Additional reserve for fire insurance to be maintained at 20% net premium.
- vi) Interest accrued on investments Rs. 13,000.

Prepare Revenue Accounts for both Fire Insurance and Marine Insurance and profit and loss account for the year ended 31-3-2015.



10. From the following Trial Balance and additional information, prepare crop and Livestock Accounts and final accounts of Chethana farm house for the year ending 31<sup>st</sup> March 2014.

<b>Particulars</b>	<b>Dr.</b>	<b>Cr.</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Opening stock on 1-4-2013 :</b>		
- Live stock	3,75,000	-
- Paddy	1,50,000	-
- Cattle feed	27,500	-
- Fertilizers	12,500	-
- Seeds	7,500	-
<b>Capital :</b>	-	11,00,000
Land and buildings	6,87,500	-
Form equipments	3,75,000	-
Debtors and creditors	52,500	65,000
Bank balance	21,250	-
Cash in hand	18,250	-
<b>Outstanding general expenses</b>	-	11,000
<b>Purchases :</b>		
- Live stock	75,000	-
- Cattle feed	1,50,000	-
- Fertilizers	40,000	-
- Seeds	14,500	-
<b>Expenses :</b>		
- Crop	1,36,000	-
- Live stock	31,250	-
- general	29,250	-
<b>Sales :</b>		
- Live stock	-	1,20,000
- Paddy	-	5,39,000
- Milk	-	3,98,000
Repairs and maintenance	30,000	-
	<b>22,33,000</b>	<b>22,33,000</b>

**Additional information :**

i) Closing stock on 31-3-2014 :

	Rs.
- Live stock	3,30,000
- Paddy	75,000
- Cattle feed	15,000
- Fertilizers	8,750
- Seed	6,750

ii) Depreciate : Land and buildings at 4% p.a., farm equipments at 10% p.a.

iii) The owner withdrew Milk - Rs. 15,000 and paddy Rs. 24,000 for personal use.