

**APS COLLEGE OF COMMERCE
N.R.COLONY, BANGALORE
B. Com. Examination, December – 2019
(F + R) (CBCS) (2016-17 and Onwards)**

COMMERCE

5.5: Elective – I : Advanced Accounting

TIMINGS: 3 Hours

MAX MARKS: 70

Section A

1. Answer any five sub-questions from the following. Each correct answer carries two marks

a)

- i. As per Banking Regulation Act, 1949,
- ii. Double entry system,
- iii. Slip system of accounting (Debit/Credit slips) and
- iv. Self-Balancing system.

(b) According to Section 17 (1) of the Banking Regulation Act, every Banking Company, incorporated in India, must transfer at least 25% of its annual profits (before declaring dividends) to Statutory Reserve.

(c) Catastrophe Reserve means a reserve created and maintained by Insurance Companies to meet losses arising from an entirely unexpected set of events like natural calamities and disasters like earthquakes, floods, famine, etc., and human-made disasters like terrorist attacks, massacre etc. [OR It is a reserve created to meet emergencies]

(d) Reserve for Unexpired Risks is the amount (reserve) representing that part of premium attributable to the risks which are not yet expired at the end of the period. OR The provision made for the unexpired portion of the risks at the end of the accounting period is known as Reserve for Unexpired Risks.

(e) Current Purchasing Power Accounting (CPPA/CPP);
Current Cost Accounting (CCA);
Specific and General Price Level Accounting (SGPLA);
Periodic Revaluation of Fixed Assets.

(f)

- To ascertain the cost of each farming activity:

- To ascertain the profit or loss on each farming activity,
- To maintain proper accounting records of farming activities.
- To ascertain the return on capital employed,
- To evaluate financial position of the farm at the end of the year.

(g) Fair Value of an investment is the amount for which it could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller at an arm's length transaction.

Section – B

Answer **any three questions** from the following. Each correct answer carries **6 marks**

2. Calculation of Rebate on Bills Discounted on 31-3-2019

<u>Date of the Bill</u>	Period (in months)	Due Date (including 3 grace days)	Days Beyond 31-3-2019	Amount	Rate	Rebate
13.01.2019	4	16.5.2019	30+ 16=46	75000	8.50	$75000 * 8.50\% * 46/365 = 803.42$
09.3.2019	3	12.6.2019	30+31+12=73	60000	8.75	$60000 * 8.75\% * 73/365 = 1050$
16.3.2019	2	19.5.2019	30+ 19=49	40000	9.00	$40000 * 9\% * 49/365 = 483.29$

3. Crop Account for the year ending 31.3.2018

Particulars	Amount	Particulars	Amount
To Opening Stock: Wheat- 89,000 Seeds-14,000 Fertilizers-16,000	1,19,000	By Sale of Wheat	792000
To Purchases: Seeds 12000 Fertilizers 18000	30000	By Drawings (Wheat consumed)	15000

To Salary paid in Cash	115000	By Live Stock A/c (Grains consumed)	75000
To Wages paid in Wheat (contra)	75000	By Wages paid in Wheat (contra)	75000
To Depreciation on Farm Machinery	3000	By Closing Stock: Wheat- 60,000 Seeds-10,000 Fertilizers-13,000	83000
To Repairs of Farm Equipment's	50000		
To Gross Profit c/d (bal fig)	648000		
	10,40,000		10,40,000

4. Schedule No. 4: Benefits Paid as on 31.3.2019

Particulars	Amount	Amount
Insurance Claims	790,000	
By Death Paid		
Add Outstanding as on 31.3.2019	65000	
Further Claims intimated	20000	
	875000	
Less: Outstanding as on 1.4.2018	50000	
Claims covered under Reinsurance	90000	140,000
	735,000	
By Maturity	360,000	10,95,000
Surrender Value of Policies	120,000	
Add: Outstanding	10,000	130,000
Annuities Paid		290,000
Bonus in cash		99400
Further Bonus in reduction of Premium		12000
Total		1626400

5. Calculation of Cost of Purchase of Government Bonds:

Particulars	Amount
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Purchase Price (Cum-Interest Price) : $180,000 \times 98/100$	176400
Less Accrued interest: $180000 \times 10/100 \times 5/12$	7500
Purchase price(Ex interest Price)	168900
Add: Stamp Duty : 2.5 % on ` 1,68,900	4222.50
Taxes : 1.5 % on ` 1,68,900	2533.50
Brokerage : 2 % on ` 1,68,900	3378
Legal Charges	200
Cost of Purchase	1,79,234.00

6. Accounting for Price Level Changes or Inflation Accounting is a system of accounting which

Regularly records all items in financial statements at their current values.

Objectives of Inflation Accounting are:

- To show the real profit or loss for the accounting period as against the unrealistic profit or
- loss on the basis of historical costs;
- To indicate the real financial position of the business in current costs rather than the
- conventional financial position on the basis of historical costs;
- To indicate the real capital employed in the business;
- To ensure that sufficient funds will be made available for the replacement of fixed assets, by charging depreciation on current values.

OR

- To remove the various distortions with which financial statement based on historical costs suffer;
- To provide for more meaningful inter-period comparison;
- To improve the meaning and measurement of income and expenses in the face of changing purchasing power of money;
- To improve decision making in the organisation.

Section C

Answer **any three questions** from the following. Each correct answer carries **14 marks**

7. Working Notes:

Schedules

Particulars	Amount
Schedule 1 : Capital	
1,00,000 Shares of ` 10 each	10,00,000
Schedule 2 : Reserves and Surplus	
Statutory Reserve Fund:	
Opening Balance	500000
Addition during the year	43500
Profit and Loss Account Balance	1,29,750

Schedule 3 : Deposits	
Fixed and Recurring Deposits	700,000
Current Accounts	350,000
Savings Bank Deposits	450,000
	15,00,000
Schedule 4 : Borrowings	
Borrowings from SBI	3,00,000
Schedule 5 : Other Liabilities and Provisions	
Pension Fund	50,000
Provision for Doubtful Debts	25000
Rebate on Bills Discounted	12000
* Provision for doubtful debts can also be deducted from Advances, in Schedule – 8. In such a case Schedule – 5 total will be ` 62,000	
Schedule 6 : Cash and Balances with RBI	
Cash on hand	3,00,000
Schedule 7 : Balances with Banks and Money at call and Short Notice	
Cash at Bank	1,50,000
Schedule 8 : Investments	
Government Securities	8,00,000
Schedule 9 : Advances	
Bills Discounted	1,50,000
Loans. Cash Credit and Overdraft	11,92,000*
	13,42,000
* If provision for doubtful debts is deducted (if not considered in Schedule – 5) the total of Schedule – 9 will be ` 13,17,000	
Schedule 10 : Fixed Assets	
Buildings	3,00,000
Safe-Lockers and Furniture	2,60,000
Computers, Counting Machine & Printers	4,00,000
	9,60,000
Schedule 11 : Other Assets	
Stamps on Hand	3,000
Interest Accrued	5,000
	8,000
Schedule 12 : Contingent Liabilities	
Bonus pending award	15,000
Schedule 13 : Interest Earned	
Interest and Discount received	7,15,000
Add : Accrued interest	5,000
	7,20,000
Less : Rebate on bills discounted	12,000
	7,08,000
Schedule 14 : Other Incomes	
Commission and Exchange	30,000
Profit on sale of Investments	10,000

Locker Rent	3000
Transfer Fees	2000
	45000
Schedule 15 : Interest Expended	
Interest on Deposits	1,55,000
Schedule 16 : Operating Expenses	
Operating Expenses	4,00,000
Provisions and Contingencies	
Provision for Doubtful Debts	25,000

LAKSHMI BANK Ltd.

Profit And Loss Account for the year ended 31st March 2019

LAKSHMI BANK Ltd. Profit And Loss Account

Particulars	Schedule	Amount
INCOME: Interest Earned	13	708000
Other Incomes	14	45000
Total (A)		753000
II EXPENDITURE		
Interest Expended	15	155000
Operating Expenses	16	400000
Provisions & Contingencies		25000
Total (B)		580,000
III PROFIT/ LOSS		
Profit for the year (A-B)		173000
Profit/Loss brought forward		-----
Total (C)		173000
IV. APPROPRIATIONS		
Transfer to Statutory Reserve		
25% of 1,73,000		43250
Transfer to Other Reserves		
Transfer to Govt/ Proposed Dividend		

Balance carried to Balance Sheet		129750
Total (C)		173000

LAKSHMI BANK Ltd.

Balance Sheet

as on 31stMarch 2019

Particulars	Schedule No.	Amount
CAPITAL AND LIABILITIES		
Capital	1	10,00,000
Reserves and Surplus	2	673000
Deposits	3	15,00,000
Borrowings	4	300,000
Other Liabilities and Provisions	5	87000
Total		3560,000
ASSETS:		
Cash and Balances with RBI	6	300,000
Cash with Banks and Money at call and short notice	7	150,000
Investments	8	800,000
Advances	9	1342000
Fixed Assets	10	960000
Other Assets	11	8000
Total		3560,000
Contingent Liabilities	12	15000

8. Working Notes:

Particulars	Amount
Schedule 1 : Premium	
Premium received	2,80,000
Schedule 2 : Commission Expenses	
Commission	25,000
Schedule 3 : Operating Expenses related to Insurance Business	
Administrative and General Expenses	54,000
Depreciation on Furniture	3,000
	57,000
Schedule 4 : Benefits Paid [Net]	
Claims by Death	60,000
Claims by Maturity	100,000
Surrenders	20,000
	180,000
Schedule 5 : Share Capital	

Share Capital	12,00,000
Schedule 6 : Reserves and Surplus	
Investment Fluctuation Account	10,000
Schedule 8 : Investments	
Government Securities	10,00,000
Schedule 9 : Loans	
Loan on Mortgages	5,60,000
Loan on Policies	3,00,000
	860,000
Schedule 10 : Fixed Assets	
Freehold Property and Furniture	1,03,000
Schedule 11 : Cash and Bank Balances	
Cash at Bank	168000
Schedule 12 : Advances and Other Assets	
Agents' Balances	3600
Outstanding Premium	24000
Interest accrued but not due	3000
Schedule 13 : Current Liabilities	
Sundry Creditors	5600
Claims admitted but not due	6000
	11600
FORM – A : RA	
INDIAN LIFE ASSURANCE SOCIETY	
REVENUE ACCOUNT for the year ended 31st March 2018	
Particulars	Amount
Premium Earned	280,000
Consideration for Annuities Granted	50000
Interest, Dividend and Rent	70,000
Profit on realisation of assets	2000
Total (A)	402000
Commission	25000
Operating Expenses related to Insurance business	57000
Total (B)	82000
Benefits Paid	180,000
Total (C)	180,000
Surplus (D) = (A – B – C)	140,000
Appropriations:	
Balance Being Funds for Future Appropriations	140,000
Total (D)	140,000

FORM – A : BS

INDIAN LIFE ASSURANCE SOCIETY

BALANCE SHEET as at 31st March 2018 Add: For the year

Particulars	Schedule	Amount
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		No.	
SOURCES OF FUNDS:			
SHAREHOLDERS' FUNDS:			
Share Capital			12,00,000
Reserves and Surplus			10,000
Borrowings			-----
Funds for Future Appropriations:			
As on 1.4.2017	800,000		
Add: For the year	140,000		940,000
TOTAL			2150,000
APPLICATION OF FUNDS:			
Investment		8	10,00,000
Loans		9	860,000
Fixed Assets		10	103000
Current Assets:			
Cash and Bank Balances 168000		11	
Advances & Other Assets 30600		12	
=198600			
Less: current Liabilities	11600	13	
Net current assets			187000
Total			2150,000

9. Working Notes:

Particulars	Fire	Marine
Schedule -1 premium earned		
Premium less reinsurance	373000	297000
Add: outstanding premium (31.3.2019)	33000	15000
	406000	312000
Less: Outstanding Premium (1.4.2018)	26000	17000
NET PREMIUM	380,000	295000
<i>Reserve for Unexpired Risks:</i>		
Add: Opening Balance		
(` 2,10,000 + ` 60,000)	270,000	
(` 2,40,000 + ` 10,000)		250,000
	650,000	545000
Less: Closing Balance		
(50 % + 20 % =) 70 % of ` 3,80,000	266000	
100 % of ` 2,95,000 + ` 10,000		305000
	384000	240000
Schedule 2 : Claims Incurred		
Claims Paid	100,000	87000

Add: Outstanding Claims (31.3.2019)	46000	17000
	146000	104000
Less: Outstanding Claims (1.4.2018)	24000	11000
	122000	93000
Less: Covered under Reinsurance	11000	
	111000	93000
Schedule 3 : Commission		
Commission on Direct Business	62000	51000
Less: On Reinsurance ceded	13000	
	49000	51000
Schedule 4 : Operating Expenses Related to Insurance Business		
Operating Expenses	86000	68000
FORM – B : RA NATIONAL GENERAL INSURANCE CO. LTD. REVENUE ACCOUNT for the year ended 31st March 2019		
Particulars	Fire	Marine
Premium Earned	384000	240,000
Total (A)	384000	240,000
Claims Incurred	111000	93000
Commission	49000	51000
Operating Expenses related to Insurance Business	86000	68000
Total (B)	246000	212000
Operating Profit (A – B)	138000	28000

Form – B : PL

NATIONAL GENERAL INSURANCE CO. LTD.

Profit and Loss Account for the year ending 31.3.2019

Particulars	Amount
Operating Profit / Loss	
Fire Insurance	138000
Marine Insurance	28000
	166000
Income from Investment	
Interest and Dividend	63000
Interest Accrued	13000
Total (A)	242000
Other Expenses:	
Depreciation on Assets	36000

Loss on sale of Investment	8000
Audit fees	13000
Director's Remuneration	36000
Total (B)	93000
Profit Before Tax (A – B)	149000

10. In the Books of NAGE GOWDA (A Farmer)

Trading and Profit and Loss Account

for the year ending 31st March 2019

Particulars	Amount	Particulars	Amount
To Opening Stock:		By Sales:	
Live Stoc	590000	Milk etc	304000
Paddy	60000	Paddy	526000
Cattle Feed	25000	Livestock	90000
Fertilizers	22000	By Drawings:	
To Purchases:		Paddy	
Livestock	116000	Milk	
Fertilizers	27000	By Closing Stock	
Seeds	12000	Livestock	350000
Cattle Feed	68000	Paddy	75000
To Crop Expenses:		Cattle Feed	30000
Labour	72000	Fertilizers	35000
Other Direct Expenses	8000		
To Livestock Expenses			
Labour	75000		
Medical Expenses	9000		
Dairy Expenses	15000		
To Gross Profit c/d (Bal. Fig.)	366000		
	1465000		1465000
To Indirect General Expenses	121000	By Gross Profit b/d	366000
To Provision for Depreciation		By Loan Waived	15000
Tractor(20 % of ` 3,60,000)	72000		
Farm House: (10 % of ` 2,00,000)	20000		
To Interest Payable	12000		
To Net Profit c/d (Bal. Fig)	291000		
	516000		516000

Balance Sheet as at 31st March 2019

Liabilities		Assets	
Capital:		Cash in Hand & at Bank	1,65,000
Opening:	10,52,000	Closing Stock:	
Add: Net Profit	291000	Live stock	350000
	1343000	Paddy	75000
Less: Drawings:		Cattle field	30000
Paddy:30000		Fertilizer	35000
Milk:25000	55000	Tractor 360000	
	1288000	Less: Provision for Depreciation72000	288000
Creditors	113000	Land	800000
Agricultural Loan From SBI 660000		Farmhouse 200000	
Less: Waived off: 150000	510000	Less: Provision for Depreciation-20000	18000
Interest Payable	12000		
	1923000		1923000

11. In the Books of Mrs. Shalini Investment Account for the period from 1st January 2018 to 31st December 2018

[Scrip: 10% Debentures of ₹ 100 each of Famous Ltd.]

[Interest Payable on: 30th September and 31st March]

Date 2018	Particulars	Nominal Value	Interest	Cost	Date 2018	Particulars	Nominal Value	Interest	Cost
1/1	To Balance b/d	1,20,000	3,000	1,16,000	31/3	By Bank A/c	-	8500	
1/3	To Bank A/c	50000	2083	49000	1/7	By bank a/c	40000	1000	40000
1/7	To P/L A/c			1338	30/9	By Bank A/c		6500	-
1/10	To Bank A/c	15000	-	14700	1/11	By Bank A/c	50000	417	49500
1/11	To P/L A/c			1167	31/12	By Balance c/d	95000	2375	93700
31/12	To P/L A/c [B/f]	-	13709	-					
		185000	18792	182200			185000	18792	182,200

Working Notes:

(a) Accrued Interest on 1/1/2018 : $\text{` } 1,20,000 \times 10/100 \times 3/12 = 3,000$
(b) Cost of 500 Debentures purchased on 1/3/2018: $500 \text{ Debentures} \times \text{` } 98 = \text{` } 49,000$ Face Value: $500 \text{ Debentures} \times \text{` } 100 = \text{` } 50,000$
(c) Interest on 500 Debentures Purchased on 1/3/2018 for 5 months: $\text{` } 50,000 \times \times = \text{` } 2,083$
d) Half-yearly Interest on 31/3/2018 = $\text{` } 1,70,000 \times \times = \text{` } 8,500$
(e) Sale proceeds of 400 Debentures sold on 1/7/2018: $400 \text{ Debentures} \times \text{` } 100 = \text{` } 40,000$
(f) Accrued Interest on 400 Debentures sold on 1/7/2018 – Ex-interest: $\text{` } 40,000 \times \times = \text{` } 1,000$
(g) Profit on sale of 400 Debentures on 1/7/2018 (FIFO): Sale Price = $\text{` } 40,000$ Less: Cost Price: $\times 116000/1200 \times 400 = \text{` } 38,667$ $\text{` } 1,333$
(h) Half-yearly Interest on 30/9/2018: $[\text{` } 1,20,000 + \text{` } 50,000 - \text{` } 40,000] = \text{` } 1,30,000 \times \times = \text{` } 6,500$
(i) Cost of 150 Debentures purchased on 1/10/2018 (cum-interest) : $150 \text{ Debentures} \times \text{` } 98 = \text{` } 14,700$ Less: Accrued Interest: Nil Cost of Purchase (ex-interest): $\text{` } 14,700$
(j) Sale Proceeds of 500 Debentures sold on 1/11/2018: $500 \text{ Debentures} \times \text{` } 99 = \text{` } 49,500$ Face Value: $500 \text{ Debentures} \times \text{` } 100 = \text{` } 50,000$
(k) Accrued Interest on 500 Debentures sold on 1/11/2018 – Ex-interest: $\text{` } 50,000 \times 10/100 \times 1/12 = 417$
(l) Profit on sale of 500 Debentures. On 1/11/2018 (FIFO): Sale Price = $\text{` } 49,500$ Less: Cost Price: $116000/1200 \times 500 = \text{` } 48,333$ $\text{` } 1,167$
(m) Accrued Interest on 31/12/2018: $95,000 \times 10/100 \times 3/12 = 2,375$
(n) Value of Debentures as on 31st December 2018: Cost Price $\rightarrow 950 \text{ Debentures} \times \text{` } 99 = \text{` } 94,050$ OR Average Price $\rightarrow \text{` } 93,700$ whichever is lower