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)
Time : 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.

(10x2=20)

a) Give the definition of statutory reserve.

b) How do you treat the following in bank final accounts

i) Gold

ii) Silver.

c) Give two examples of contingent liabilities in banking companies.

d) What do you mean by reinsurance?

e) What is meant by reserve for unexpired risks?

f) What is surrender value of life policy?

g) What is reinsurance accepted?

h) Write any two objectives of farm accounting.

i) State the methods of inflation accounting.

j) Mention any four items under schedule 5 of banking company accounts.

k) What are non-banking assets?

l) Mention any four items of benefits paid by life insurance company.
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:

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

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

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

<table>
<thead>
<tr>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>41,000 Debtors</td>
</tr>
<tr>
<td>10,000 Bills receivables</td>
</tr>
<tr>
<td>20,000 Cash</td>
</tr>
</tbody>
</table>

   Total Rs. 71,000

<table>
<thead>
<tr>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000 Less : Bills payable</td>
</tr>
<tr>
<td>25,000 Creditors</td>
</tr>
</tbody>
</table>

   Total Rs. 35,000

   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 360
On December 31, 2013 400

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

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

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

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium received during the year</td>
<td>22,66,000</td>
</tr>
<tr>
<td>Bonus in reduction of premium for 2014-15</td>
<td>14,000</td>
</tr>
<tr>
<td>Outstanding premium on 1-4-2014</td>
<td>1,74,000</td>
</tr>
<tr>
<td>Outstanding premium on 31-3-2015</td>
<td>2,18,000</td>
</tr>
<tr>
<td>Premium received in advance on 1-4-2014</td>
<td>65,000</td>
</tr>
<tr>
<td>Premium received in advance on 31-3-2015</td>
<td>53,000</td>
</tr>
<tr>
<td>Re-insurance premium received for 2014-15</td>
<td>2,30,000</td>
</tr>
</tbody>
</table>

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. (3x16=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.

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

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 31st March 2015.

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

|                                                     | 33,46,500 | 33,46,500|

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

a) Claims admitted but not paid Rs. 9,000
b) Management expenses due Rs. 2,000
c) Interest accrued Rs. 19,300
d) Premium outstanding Rs. 10,000
e) Bonus utilised in reduction of premium Rs. 2,000
f) 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.

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

**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 31st March 2014.

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

i) Closing stock on 31-3-2014:

- 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.