

CHRIST UNIVERSITY, BANGALORE-560029

End Semester Examination April 2012
IV B.Com Professional

Code : COP434

Sub : ADVANCED FINANCIAL ACCOUNTING - II

Max. Marks : 100

Duration : 3Hrs

SECTION A

Answer all questions. Wrong answer carries negative mark of 0.25 each

15 X 1 = 15

- 1 Capital reserve on consolidation of accounts refers to
 - a) the excess of acquisition cost over the paid up value of shares
 - b) the excess of acquisition cost over the paid value of shares and proportionate shares in reserves & surplus and profit & loss account
 - c) the excess of paid value of shares over acquisition cost
 - d) the excess of paid up value of shares and proportionate shares in reserves & surplus and profit & loss account over acquisition cost
- 2 H Ltd would be holding company of S Ltd, if H ltd holds
 - a) 50% of nominal value of shares
 - b) 50% of paid up value of shares
 - c) More than 50% of paid up value of shares
 - d) More than 50% of nominal value of shares
- 3 In case of Ex interest purchase the interest accrued till the date of purchase is
 - a) added to cost of investment
 - b) reduced from cost of investment
 - c) debited to profit and loss account
 - d) ignored
- 4 The provisioning required for standard asset is
 - a) 1%
 - b) 0.25%
 - c) 10%
 - d) 30%
- 5 A cash credit is treated as NPA
 - a) if its interest remains past due for 180 days or more
 - b) if it remains out of order for 180 days or more
 - c) if its interest remains past due for 90 days or more
 - d) if it remains out of order for 90 days or more
- 6 The appropriation to statutory reserve for banking company is made at
 - a) 10%

- b) 15%
- c) 25%
- d) 30%
- 7 Valuation balance sheet is prepared
- a) by General insurance companies
- b) by Life insurance companies
- c) by marine insurance companies
- d) by fire insurance companies
- 8 Premium on re-insurance ceded is
- a) added to premium received
- b) deducted from premium received
- c) classified as other asset
- d) added to claims paid
- 9 The format of revenue account of General Insurance company is prescribed in
- a) Form B-RA
- b) Form C-RA
- c) Form R-RA
- d) Form A-RA
- 10 Premium received on issue of shares and debentures of electricity companies is shown
- a) under reserve fund in general balance sheet
- b) as addition to share capital
- c) as income in profit and loss account
- d) as receipt in Receipts and expenditure on capital account
- 11 Cost of replacement not involving any increase in capacity is
- a) capitalised
- b) charged to revenue account
- c) appropriated in net revenue account
- d) none of the above
- 12 Double account system of presenting final accounts is followed by
- a) Electricity and water supply companies
- b) Statutory Companies
- c) Government companies
- d) Infrastructure companies

- 13 Long term investments carrying value is adjusted if
- there is increase in market value
 - there is decrease in market value
 - there is permanent decrease in fair value
 - there is permanent increase in fair value
- 14 A provision for diminution in the value of long term investment should be made
- when decline is temporary
 - when decline is permanent
 - when investment is sold
 - None of the above
- 15 The model of capitalisation of historical cost of HR Accounting involves
- capitalising salaries and wages
 - capitalising all cost relating with making an employee ready for service
 - the value of sacrifice made to make replace its human resource
 - capitalising the recruitment expenditure

SECTION B

Answer Any Four Questions

4 X 5 = 20

- 16 Explain in detail with suitable example the treatment of issue of bonus shares by a subsidiary company.
- 17 State the financial statements prepared by Life insurance company and General Insurance company as a part of its final accounts as per IRDA regulations and the purpose of each statement.
- 18 Explain in brief the format of financial statements under double accounts method.
- 19 From the following calculate the claims incurred to be charged to revenue account

Claims paid for the year	4,80,000
Claims outstanding as on 01.04.2009	40,000
Claims intimated but not accepted as on 31.3.2010	10,000
Claims intimated and accepted but not paid on 31.3.2010	15,000
O/s claims on re-insurance accepted on 31.3.2010	22,000
Claims on re-insurance ceded	3,00,000
O/s claims on re-insurance ceded on 01.04.2009	22,000
O/s claims on re-insurance ceded on 31.03.2010	18,000
Survey and legal expense relating to claims	62,000

- 20 On April 1 2009, Suresh had 20,000 equity shares of X Ltd. Face value of shares is Rs.10 and book value is Rs.16. On June 1 2009 he purchased 5,000 equity shares of X Ltd for Rs.18 each. X Ltd declared dividend @ 15% on June 30 2008. Prepare Shares in X Ltd ledger account in the books of Suresh for the year 2009-10.

SECTION C

Answer any 3 questions

3 X 15 = 45

21 From the following balances as at 31st Mar 2010 appearing in the books of KL Life Insurance Company Ltd prepare Revenue account and balance sheet

Share capital (of 100 each)	8,00,000	Mortgages in India	5,73,000
Life assurance fund	13,60,000	Claims by death	88,000
General reserve	90,000	Claims by maturity	80,000
Advances given	18,800	General reserve	90,000
Due from re-insurers	15,400	Deposit with RBI	84,000
Due to re-insurers	19,000	Indian Govt Securities	4,36,000
Agents balances Dr.	7,200	Foreign Govt securities	30,000
Annuities paid	32,700	Commission	
Sundry creditors	720	— direct	2,20,000
Premiums		— reinsurance ceded	1,600
- direct	2,84,000	- reinsurance accepted	4,800
- reinsurance accepted	20,000	Bank loan	8,700
- Reinsurance ceded	28,000	Salaries	12,000
Interim bonus to policy holders	9,000	Auditors fees	2,000
Interest and rent recd	86,400	Rent paid	1,600
Loans on policy given	84,000	Legal charges	1,520
Leasehold buildings	25,320	Travelling expenses	200
Shares of companies	7,60,000	Expense of management	880
Cash with bank	2,800	Furniture & Fixtures	15,600
Cash in hand	26,400	Outstanding premium(c/g)	26,400
		State Govt Securities	2,90,000

22 The following figures are from the books of Fire Control Insurance Ltd as at the end of the financial year 31st March 2010

Fire fund	6,20,000
General Reserve	3,00,000
Investments	20,00,000
Premiums	18,01,022,
Claims paid	4,01,877
Share capital	6,00,000
Additional reserve	2,20,000
Profit and loss account	50,000
Re-insurance premium paid	75,017
Claims recovered from re insurers	14,079

Commission on re-insurance ceded	32,011
Commission on direct business	1,99,777
Commission on re-insurance accepted	40,100
Outstanding premiums on 31 st Mar 2010	14,865
Claims intimidated but not paid on 1 st Apr 09	40,000
Expenses of management	2,87,965
Audit fees	12,000
Directors fees	12,000
Rates and taxes	3,869
Rents	45,000
Income form investments	1,00,000
Share transfer fees	2,000
Loans (Dr)	4,00,000
Sundry Creditors	15,000
Agents Balance (Dr.)	1,80,000
Cash in hand	20,155
Cash at bank	1,01,487

Prepare revenue account and profit and loss account

- 23 Prepare profit and loss account for the year ended 31.3.2010 and a balance sheet of Mini Bank Ltd as on that date from the following trail balance as on 31.3.2010

Authorised capital		5,00,000
Un issued capital	2,00,000	
Interest paid	48,500	
Loss on sale of investment	12,600	
Commission exchange and brokerage		49,400
Profit on sale of gold		35,900
Provident fund contribution	9,200	
Directors fees	5,500	
Printing and stationery	5,600	
Auditors fees	1,200	
General expenses	2,700	
Overdrafts loans and cash credits	5,50,000	
Short loans		2,20,000
Reserve fund		80,000
Investment fluctuation reserve		20,000
Current accounts		5,00,000
Contingency accounts		1,00,000
Bank premises	60,000	

Kerala government bonds	80,000	
Government of India bonds	4,20,000	
Money at call and short notice	70,000	
Bills discounted	73,000	
Shares of other companies	17,000	
Cash in hand and with RBI	1,10,000	
Cash at banks	3,00,000	
Income tax paid	9,000	
Salaries and allowances	73,500	
Profit and loss account on 01.04.2007		25,000
Interest and discount		1,70,000
Savings bank account		3,55,000
Interim dividend paid	7,500	
	20,55,300	20,55,300

Additional information:

a) Interest accrued on investment Rs.7,000

b) Market value of investment in Government of India bonds was 4,75,000 and increase corresponding fluctuation reserve.

c) Premises added during the year Rs.10,000 and provide 5% depreciation on opening balance.

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The following are the summarised balance sheets of AB Ltd and its subsidiary CD Ltd as at 31st Dec 2010.

Liabilities	AB Ltd	Cd Ltd	Assets	AB Ltd	Cd Ltd
Share capital			Buildings	2,50,000	1,35,000
(Eq. Shares of 10)	5,10,000	1,50,000	Plant	1,40,000	----
General Reserve	50,000	25,000	Furniture	20,000	15,000
Profit and loss	---	25,000	Stock	20,000	35,000
6% Debentures	20,000	---	Debtors	5,000	10,000
Sundry Creditors	50,000	10,000	Cash	5,000	5,000
			Bank	30,000	20,000
			Investment	1,60,000	----
	6,30,000	2,10,000		6,30,000	2,10,000

The following information is furnished:

a) AB Ltd acquired 9,000 shares in Baby Ltd on 1st Jan 2010 when CD Ltd had Rs.25,000 in General Reserve and Rs.20,000 in Profit and loss account & further purchased Rs.10,000 6% Debentures in Baby ltd on 30th Dec 2010 at face value

b) Debtors of CD Ltd include Rs.2,000 due from AB Ltd

c) The value of Buildings as on date of acquisition is valued Rs.20,000/- more than that of its book value as on that date.

Prepare consolidated balance sheet with suitable working notes

- 25 AD Electricity company limited decides to replace one of its old plant with a modern one with larger capacity. The plant when installed in 1940 cost the company Rs.24 Lakhs, the components of material labour and overheads being in the ratio of 5:3:2. it is ascertained that the cost of labour have gone up by 40% and 80% respectively. The proportion of overheads to total costs is expected to remain the same as before. The cost of new plant as per improved design is Rs.60 lakhs and in addition, material recovered from the old plant of value of Rs.2,40,000 has been used in the construction of new plant. The old plant was scrapped and sold for Rs.7,50,000. The accounts are maintained under double account system. Prepare plant account and replacement account.

SECTION D

Compulsory case study

1 X 20 = 20

- 26 MX is an investor holding 700 bonds of face value of Rs.1,000/- each carrying interest of 9% P.A. of MMT Ltd as on 01.04.2010. The carrying value of the Bonds is Rs. 7,31,200/-. During the year the following transactions are done by him.

PURCHASES:

- 300 bonds purchased on 01.08.2010 cum interest @ Rs. 1085 per bond
- 200 Bonds purchased on 01.02.2011 ex interest @ 1010 per bond
- 100 Bonds purchased on 01.03.2011 cum interest @ 990 per bond

SALES

- 200 Bonds on 01.06.2010 cum interest @ 1120
- 400 Bonds on 01.12.2010 ex interest @ 1015

MMT Ltd pays interest on 30th June and 31st December every year. The market value of bonds on 31.03.2011 is Rs. 1003 per bond.

You have been assigned to prepare the Investment Account in respect of MMT Bonds with suitable explanation as per AS-13