

Reg. No.....

Name.....

B. COM. DEGREE END SEMESTER EXAMINATION MARCH 2018**SEMESTER – 4: COMMERCE (CORE COURSE)****COURSE: 15U4RCOM10: SPECIAL ACCOUNTING**

Common for Regular (2016 Admission) & Supplementary (2015 Admissions)

Time: Three Hours

Max. Marks: 75

SECTION – A*Answer all questions. Each question carries two marks.*

1. What are standard assets?
2. What is rebate on bills discounted?
3. What do you mean by surrender value? Is there a surrender value for general insurance policy?
4. Distinguish between Commission on Reinsurance Accepted and Commission on Reinsurance Ceded.
5. What is Ex-dividend and Cum-Dividend quotation?
6. On 1st January 2016 PQ Ltd. purchased 1,000 12% debentures of AB Ltd. of ₹100 each @ ₹95. On 1st July 2016, 600 debentures were sold at ₹98 each. Debenture interest is payable half yearly on 30th June and 31st December.
You are required to prepare the account of 12% debentures in AB Ltd. in the books of PQ Ltd. assuming the accounting year ends on 31st December. Market price of debentures on 31st December is ₹97.
7. What is average clause?
8. How will you calculate short sales?
9. What are the objectives of farm accounting?
10. Give the journal entry for wheat consumed by the Proprietor. (2 × 10 = 20)

SECTION – B*Answer any five questions. Each question carries five marks.*

11. Explain: (a) Standard Assets (b) Sub-standard Assets (c) Doubtful Assets (d) Loss Assets
12. What important points should be kept in mind in preparing the final accounts of general insurance companies?
13. A fire occurred in the premises of the Unlucky Ltd. on 30th April 2015. All the stocks with the exception of Rs. 13,000 were destroyed by fire. From the following figures, ascertain the loss suffered by the company:

| | ₹ |
|--|----------|
| Stock on 1-1-2014 | 36,000 |
| Stock on 31-12-2014 | 66,000 |
| Purchases during 2014 | 4,80,000 |
| Sales during 2014 | 6,00,000 |
| Sales from 1 st January, 2015 to the date of fire | 3,00,000 |
| Purchases from 1 st January, 2015 to the date of fire | 2,30,000 |

On 20th December, 2014 also fire broke out and the cost of stock destroyed was ₹10,000. There was practice in the firm to value stock at cost less 10%. But all of a sudden, they changed this practice and valued stock on 31st December, 2014 at cost plus 10%. The amount of the policy was ₹40,000 and the claim was subject to an average clause. Ascertain the claim to be lodged.

14. ABC Investments hold 400, 12% Debentures of ₹ 100 each in XYZ Ltd. as on 1st April, 2015 at a cost of ₹ 50,000. Interest is payable on 30th June and 31st December each year. On 1st June 2015, 200 debentures are purchased cum-interest at ₹21,400. On 1st November 2015, 300 debentures are sold

ex-interest at ₹28,650. On 30th November 2015, 200 debentures are purchased ex-interest for ₹19,200. On 31st December 2015, 300 debentures are sold cum-interest for ₹32,250.

Prepare Investment Account valuing closing stocks as on 31st March 2016 at cost (applying FIFO method) or market price, whichever is lower. The debentures were quoted at par on 31st March 2016.

15. Following is an extract from the Trial Balance of a Bank as at 31st March, 2012:

| | ₹ | ₹ |
|---|-----------|----------|
| Bills Discounted | 51,50,000 | |
| Rebate on bills discounted not yet due, April 1, 2011 | | 30,501 |
| Discount received | | 1,45,500 |

An analysis of the bills discounted as shown above shows the following:

| <i>Date of Bills</i> | <i>Amount (₹)</i> | <i>Term months</i> | <i>Discounted @ % p.a.</i> |
|----------------------|-------------------|--------------------|----------------------------|
| January 13 | 7,50,000 | 4 | 12 |
| February 17 | 6,00,000 | 3 | 10 |
| March 6 | 4,00,000 | 4 | 11 |
| March 16 | 2,00,000 | 2 | 10 |

Find out the amount of discount received to be credited to Profit and Loss Account and pass appropriate journal entries for the same.

16. From the following information, Prepare Cattle Account:

| | ₹ |
|------------------------------------|----------|
| Opening stock of livestock | 2,00,000 |
| Closing stock of livestock | 2,42,000 |
| Opening stock of cattle-food | 4,000 |
| Closing stock of cattle-food | 5,000 |
| Purchase of cattle during the year | 3,70,000 |
| Sale of cattle during the year | 4,38,000 |
| Sale of carcasses | 1,000 |
| Purchase of cattle food | 40,000 |
| Wages for rearing cattle | 10,000 |

Crop worth ₹ 10,000 grown in the farm was used for feeding the cattle. Out of the calves born, 4 died and their carcasses realized ₹ 100.

17. ABC Life Assurance Company Ltd. prepared its Revenue Account for the year ended 31st March 2016 and ascertained its surplus as ₹ 7,40,000. It was found later that the following had been omitted from the books of account:

- (i) Interest accrued on investment ₹ 46,000.
- (ii) Outstanding premium ₹ 62,000.
- (iii) Bonus utilized in reduction of premium ₹16,000.
- (iv) Claims intimated but not yet admitted ₹ 8,000
- (v) Claims covered under reinsurance ₹ 6,000

Give entries necessary to rectify the above omissions and ascertain the correct surplus.

(5 × 5 = 25)

SECTION – C

Answer any three questions. Each question carries ten marks.

18. Explain the following:

- (a) Steps in ascertaining the loss of stock by fire.
- (b) Investment ledger
- (c) Types of insurance
- (d) Cash Reserve Ratio (CRR)

19. From the following information, Prepare Profit and Loss Account of ABC Bank Ltd. for the year ended on 31st March, 2016.

| | ₹ |
|--|----------|
| Interest on loans | 3,00,000 |
| Interest on fixed deposits | 2,75,000 |
| Commission | 10,000 |
| Exchange and brokerage | 20,000 |
| Salaries and Allowances | 1,50,000 |
| Discount on bills (Gross) | 1,52,000 |
| Interest on cash credits | 2,40,000 |
| Interest on temporary overdrafts in current accounts | 30,000 |
| Interest on Savings Bank Deposits | 87,000 |
| Postage, telegram and stamps | 10,000 |
| Printing and Stationery | 20,000 |
| Sundry expenses | 10,000 |
| Rent | 15,000 |
| Taxes and licenses | 10,000 |
| Audit fees | 10,000 |

Additional information:

- (a) Rebate on bills discounted ₹ 30,000.
 (b) Salary to Managing Director ₹ 30,000.
 (c) Bad debts ₹ 40,000.
 (d) Provision for income tax is to be made @ 45%.
 (e) Interest of ₹5,000 on doubtful debts was wrongly credited to interest on loans account.
20. Following are the details extracted from the books of Bharat Life Assurance Company Ltd. as on 31st March, 2016 :

| | (in Lakhs) |
|---|-------------|
| Premium on direct business (including first year premium ` 300 Lakhs) | 1,200 |
| Reinsurance premium ceded | 250 |
| Reinsurance premium accepted | 175 |
| Claims paid | 675 |
| Surrenders | 125 |
| Commission on direct business | 50 |
| Commission on reinsurance ceded | 20 |
| Commission on reinsurance accepted | 15 |
| Considerations for annuities granted | 40 |
| Annuities paid | 32 |
| Interest, dividend and rent (after deduction of income tax at source ` 2 Lakhs) | 23 |
| Reinsurance claims received | 12 |
| Registration and renewal fees | 2 |
| Salaries and allowances | 15 |
| Managerial remuneration | 3 |
| General expenses | 2 |
| Depreciation on fixed assets | 3 |
| Profit on sale of investment | 5 |

Construct the Revenue Account of the Company for the year ended 31st March, 2016 after adjusting the following:

- (i) Premium outstanding ₹20 Lakhs.
 - (ii) Claims outstanding ₹ 4 Lakhs.
 - (iii) Reinsurance claims receivable ₹12 Lakhs.
 - (iv) Commission on direct business owing ₹3 Lakhs.
21. Raju carried out the following transactions in the shares of Sunshine Ltd.:
- (a) On 1st April, 2015 he purchased 20,000 equity shares of ₹ 1 each fully paid for ₹` 30,000 on cum right basis.
 - (b) On 15th May, 2015, Raju sold 4,000 shares for ₹ 7,600.
 - (c) At a meeting on 15th June 2015, the company decided:
 - (i) To make a bonus issue of one fully paid share for every four shares held on 1st June 2015 and
 - (ii) To give its members the right to apply for one share for every five shares held on 1st June, 2015 at a price of ₹ 1.50 per share of which 75 paise is payable on or before 15th July, 2015 and the balance, 75 paise per share, on or before 15th September, 2015. The shares issued under (i) and (ii) were not to rank for dividend for the year ending 31st march, 2015
 - (d) Raju received his bonus shares and took up 2,000 shares under the right issue, paying the sums thereon when due and selling the rights to the remaining shares at 40 paise per share; the proceeds were received on 30th September, 2015.
 - (e) On 15th March 2016, he received a dividend from Sunshine Ltd. of 15% in respect of the year ended 31st March 2015.
 - (f) On 30th March, he received ₹14,000 for the sale of 10,000 shares. You are required to record these transactions in the Investment Account in Raju's books for the year ended 31st March 2016, transferring any profits or losses on these transactions. Apply Average basis. Expenses and taxes to be ignored.
22. A fire occurred on 1st February 2015 in the premises of PQR Ltd., a retail store, and business was partially disorganized up to 20th June 2015. The Company was insured under a 'Loss of profit' for ₹ 1,25,000 with a six months period indemnity. From the following information, compute the amount of claim under the loss of profit policy.

| | ₹ |
|--|----------|
| Actual turnover from 1 st February to 30 th June 2015 | 80,000 |
| Turnover from 1 st February 2014 to 31 st January 2015 | 4,50,000 |
| Insured standing charges for the last financial year | 56,000 |
| Turnover for the last financial year | 4,20,000 |
| Turnover from 1 st February to 30 th June 2014 | 2,00,000 |
| Net profit for last financial year | 70,000 |
| Total standing charges for last financial year | 64,000 |

The company incurred additional expenses amounting to ₹ 6,700 which reduced the loss in turnover, there was also a saving during the indemnity period for ₹ 2,450 in the insured standing charges as a result of the fire.

There had been a considerable increase in trade since the date of the last annual accounts and it has been agreed that an adjustment of 15% be made in respect of the upward trend in turnover.

(10 x 3 = 30)
