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V Semester B.Com. Degree Examination, March/April - 2022

COMMERCE

Advanced Accounting

(CBCS Scheme)

Paper: AC 5.3

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates:

Answer should writing in english only.

SECTION - A

Answer any Five sub-questions. Each sub-question carries 2 marks. (5×2=10)

1. a) What are non-banking assets?
- b) What is meant by reinsurance?
- c) Give two examples of contingent liabilities in banking companies.
- d) Give the meaning of reserve for unexpired risk.
- e) What is ex-interest and cum-interest of securities?
- f) State any two reasons for the Buyback of shares.
- g) What do you mean by the term 'Vesting period' under ESOP?

SECTION - B

Answer any Three of the following; each question carries five marks. (3×5=15)

2. From the following, calculate the benefits paid as per Insurance Regulation Act.

Claims by death	Rs. 1051500
Annuities	Rs. 202250
Surrenders	Rs. 282000
Bonus in cash	Rs. 19500
Bonus in reduction of premium	Rs. 25500
Additional Information :	
Further bonus in reduction of premium	Rs. 12500

[P.T.O.]



3. Calculate Rebate on Bills Discounted for the year ended 31.03.2021.

Date of the Bill	Amount (Rs)	Period in months	Rate of Interest
12-01-2021	42000	5	8.0%
15-02-2021	96000	4	8.25%
18-03-2021	58000	3	8.5%

4. Indus India Ltd decides to buyback 10% of Rs. 100 crores paid up equity capital. The face value per equity share is Rs. 10 but the market value per share is Rs. 15. Indus India Ltd takes the following steps for buyback of shares:

- To issue 14% debentures of Rs. 100 each at par for face value of Rs. 10 crores.
- To utilize general reserve.
- To sell investments of Rs. 7 crores for Rs. 8 crores.
- To buyback the shares at a market price.
- To immediately cancel the shares bought back.

Journalize the above transactions.

5. Zenith Limited has its Share Capital divided into Equity Shares of Rs. 10 each. On 01.10.2020, it granted 70000 Employee's Stock Option at Rs. 50 per share when the market value of each share was Rs. 120 per share. The option is to be exercised between 15th December 2020 and 31st March 2021. The employees exercised their options for 55000 shares only and the remaining options lapsed. The company closes its books on 31st March every year.

Show journal entries (with narration) as it would appear in the books of the company up to 31st March 2021.



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SECTION - C

Answer any Three questions. Each question carries 15 marks.

(3 × 15 = 45)

6. The following are the balances of Mysore Bank Ltd. Prepare the Profit and Loss Account and Balance Sheet as on 31.03.2021.

	Debit (Rs)	Credit (Rs)
Interest & Discount		390000
Share Capital		900000
Reserve Fund		450000
Deposits		1200000
Telegraphic transfer		300000
Traveler's letter of credit		450000
Gift Cheques		90000
Pension fund		150000
Borrowings from Bank		112500
Unclaimed Dividend		37500
Rent		30000
Commission		75000
Profit & Loss Account as on 01.04.2020		60000
Bills payable		15000
Buildings	375000	
Money at Call & Short Notice	412500	
Furniture	60000	
Cash in hand	412500	
Cash at Bank	487500	
Investments	262500	
Loan, cash credit & overdrafts	1710000	
Interest on deposits	262500	

[P.T.O.]



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Audit fees	15000	
Salaries	75000	
Director's fees	7500	
Printing & Stationery	7500	
Depreciation	11250	
Non-Banking Asset	150000	
Other Expenditure	11250	
	4260000	4260000

Adjustments :

- Provide Rs. 7500 for rebate on bills discounted.
- Bills for collection amounted to Rs. 15750.
- Provide Rs. 3750 for income tax.
- Directors propose 5% dividend on Share Capital.

7. From the following balances of India Insurance Company Limited as on 31.03.2021, prepare

- Fire Revenue Account.
- Marine Revenue Account.
- Profit & Loss Account.

	Fire (Rs.)	Marine (Rs)
Bad debts	15000	36000
Reserve as on 01.04.2020	750000	2460000
Claims paid & outstanding	570000	1140000
Commission paid	270000	324000
Additional reserve as on 01.04.2020	150000	—
Premium less reinsurance	1800000	3240000
Management expenses	435000	1200000
Commission on reinsurance ceded	90000	180000

Auditor's fees	9000
Director's fees	9600



Share transfer fees	2400
Bad debts recovered	3600
Depreciation	105000
Interest & Dividend received	42000
Difference in exchange (Credit)	900
Miscellaneous receipts	15000
Profit on sale of land	180000

In addition to the usual reserve, an additional reserve in case of Fire Insurance is to be increased by 5% of Net premium.

8. The following are the balances extracted from the books of Life line Insurance Co. Ltd. as on 31.03.2021.

Life Assurance Fund (01-04-2020)	2205000
Premium	315000
Management expenses	29835
Consideration for annuities granted	15930
Dividend paid	30000
Fines	138
Annuities	44130
Claims by death	119970
Claims by maturity	54630
Commission	39677
Interest, Dividend & Rent	83192



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Income tax on interest	4590
Surrenders	32790
Bonus paid in cash	14175
Preliminary expenses	300
Claims admitted but not paid	120051
Outstanding premium	3750
Stamps on hand	600
Annuities due but not paid	33570
Government securities	1306335
Mortgages loan	463665
Freehold premises	750000
House properties	150000
Share Capital	600000
Furniture	30000
Loans on company policies	300000

Prepare Revenue Accounts and Balance Sheet after taking into consideration the following :

- Claims covered under reinsurance is Rs. 30000.
- Further claims intimated Rs. 3750.



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9. Mr. Pradyumna makes the following investments during the year ended 31st March 2021.

- 10/04/2020 Purchased 600000, 10% bonds in Religere Ltd at 120. Interest is payable on 1st September and 1st March.
- 01/05/2020 Purchased 10% convertible debentures of Likith Ltd. for Rs. 12,00,000. Interest is due for payment on 1st October & 1st April.
- 15/08/2020 Converted the debentures of Likith Ltd into equity shares of Rs. 100 each. The market value of these shares on this date was Rs. 20. The accrued interest to date was paid.
- 20/09/2020 Received 10% dividend on equity shares of Likith Ltd.
- 31/12/2020 Likith Ltd announced rights issue of 1 equity share for every 10 equity shares held at Rs. 12 per share. The market value of shares was Rs. 25.
- 31/01/2020 Mr. Pradyumna sold the rights shares for Rs. 25 each.
- 15/03/2020 Mr. Pradyumna sold 5000 shares at Rs. 25 each.

Prepare separate accounts for each category of investment. Ignore tax and brokerage charges.
