

**B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2016****Fifth Semester****Core 14—SPECIAL ACCOUNTING**

(Common for Model I, Model II and UGC Sponsored B.Com. Degree Programmes)

[2013 Admission onwards]

Time : Three Hours

Maximum : 80 Marks

**Part A**

*Answer all questions.*

*Each question carries 1 mark.*

1. What is reversionary bonus ?
2. What is money at call ?
3. What is investment ?
4. Explain insolvency ?
5. What is Memorandum Trading Account ?
6. What are loss assets ?
7. What is bonus in reduction of premium ?
8. How is statutory reserve maintained ?
9. What is meant by the sale of right ?
10. What is reinsurance ?

(10 × 1 = 10)

**Part B**

*Answer any eight questions.*

*Each question carries 2 marks.*

11. What are agents balance in preparing the accounts of insurance company ?
12. Explain schedule 16 of banking accounts.
13. Bring two important decisions of Garner v/s Murray.

**Turn over**



14. What is underinsurance ?
15. Differentiate ex-interest and cum-interest.
16. What are non-banking assets of banks ? How are they disclosed ?
17. Differentiate annuity and consideration for Annuities granted ?
18. Explain in detail the preparation of memorandum trading account.
19. What is realisation account ? What is the significance of preparing a realisation account ?
20. Explain Piecemeal Distribution.
21. A fire occurred in the premises of a trader on June 15, 2015 and part of the stock was destroyed. The value of stock saved as Rs. 4,500. The stock on 1<sup>st</sup> January 2015 valued at Rs. 36,750. The purchases to the date of fire amounted to Rs. 1,04,940 and sales were Rs. 1,56,500. The average profit ratio is 30 %. Prepare the statement to check the claim.
22. On 1-4-2014 bills for collection were 51,00,000. During the year 14-15, Bills received for collection amounted to Rs. 75,00,000 Bills collected during the year 14-15 are 98,47,000. Bills dishonoured for the year amounted to Rs. 27,10,000. Prepare bills for collection account.

(8 × 2 = 16)

### Part C

*Answer any six questions.  
Each question carries 4 marks.*

23. Write short notes on : (a) interbank transactions ; (b) reinsurance ceded ; (c) loss of profit policy.
24. Briefly explain the classification of bank advances with examples.
25. Explain the method followed for arriving at profit in the life insurance business.
26. What is the application of Garner v/s Murray ? Bring two important decisions of Garner v/s Murray.
27. Following are balances extracted from the books of Oriental General Insurance Company. Prepare Revenue Account for the year ending 31/12/2015 :

	<i>Fire</i>	<i>Marine</i>
	Rs.	Rs.
Funds on 1/1/2015	3,10,000	8,40,000
Premium	5,56,400	8,82,200
Due to reinsurers	4,400	20,200
Claims paid and outstanding	2,61,500	1,02,000
Commission	21,000	54,000
Operating expenses	42,000	73,000

Premium outstanding were for Fire Rs. 1,400 and Marine Rs. 1,600. Provisions is to be made for unexpired risk on fire and marine at 50% and 100% respectively.



28. A, B and C are partners sharing profits in  $\frac{1}{2}, \frac{1}{3}$  and  $\frac{1}{6}$ , their capitals on the date of dissolution were Rs. 50,000, Rs. 10,000 and Rs. 40,000 respectively. The firm had the liability to creditors for Rs. 50,000. A's advance to firm is Rs. 10,000. The details of assets realised are :

1<sup>st</sup> realisation Rs. 40,000      2<sup>nd</sup> realisation Rs. 30,000  
 3<sup>rd</sup> realisation Rs. 54,000      4<sup>th</sup> realisation Rs. 7,000.

Prepare a statement showing the distribution should be made by following Proportionate Capital Method.

29. On 1-1-2015 6 % 200 Debentures of Rs. 100 each in A Ltd. were held as investments by X Ltd. at a cost of Rs. 18,200. Interest is payable on 31<sup>st</sup> December. On 1-4-2015 Rs. 4,000 of such debentures were purchased by X Ltd. at Rs. 98 and as on 1-9-2015 Rs. 6,000 Debentures were sold at Rs. 96 ex-interest. On 1-12-2015 X Ltd. sold Rs. 10,000 Debentures at Rs. 95 ex-interest. On 15-12-2015 X Ltd. purchased 6 % 100 Debentures of Rs. 100 in A Ltd. at a cost of Rs. 9,000. Prepare the Investment Account for 6 % debentures A Ltd. in the books of X Ltd. Ignore tax.
30. A life insurance company gets its valuation done in once in two years. Its Life Assurance fund on 31-03-2015 amounted to Rs. 41,40,000 before providing Rs. 30,000 for the shareholders dividend for the year 2014-15. Its actuarial valuation on 31-03-2015 disclosed a liability of Rs. 40,40,000 under assurance annuity contracts. An interim bonus of Rs. 60,000 was paid to the policy holders during the year ending 31<sup>st</sup> March 2015. Prepare the Valuation Balance Sheet.
31. A fire occurred at the premises of a trader on 31-5-2015 destroying a great part of stock. Stock on 1-01-2015 was Rs. 60,000. The value of stock salvaged was Rs. 13,500. The gross profit on sales was 30 % and sales amounted to Rs. 1,53,000 from January to the date of fire, while for the same period the purchases was Rs. 1,03,500. Prepare the statement of claim.

(6 × 4 = 24)

#### Part D

*Answer any two questions.  
 Each question carries 15 marks.*

32. Define Dissolution. Explain the process of dissolution and the methods of distributing the realised cash.
33. Explain how the profit and loss from a general insurance business is ascertained and prepare a fire revenue account with imaginary figures.

**Turn over**



34. From the following information you are required to work out the claim under loss of profit insurance policy :—

- (a) Cover-Gross Profit Rs. 1,00,000.
- (b) Indemnity period - 6 months.
- (c) Damage due to fire accident on 28<sup>th</sup> December. Accounting year ends on 31<sup>st</sup> December.
- (d) Net profit plus all standing charges in prior accounting year Rs. 1,50,000.
- (e) Standing Charges uninsured Rs. 25,000.
- (f) Turnover of last accounting year Rs. 5,00,000, the rate of gross profit being 25 %.
- (g) The turnover for 12 months immediately preceding the fire Rs. 5,20,000.
- (h) Reduction in insured standing charges due to fire Rs. 25,000 per annum.
- (i) Standard turnover Rs. 2,60,000.
- (j) Increased cost of working during the period of indemnity was Rs. 20,000.
- (k) Turnover during the period of indemnity was Rs. 1,00,000 and out of this turnover of Rs. 80,000 was maintained due to increases cost of working.

35. Following transactions of Trader Ltd. took place during the year ended 31-03-2015 :

Date	Transactions
1/4/2014	Purchased Rs. 12,00,000 85 bonds at Rs. 80.5 cum interest. Interest is payable on 1 <sup>st</sup> November and 1 <sup>st</sup> May.
12/4/2014	Purchased 1,00,000 equity shares of Rs. 10 each in X Ltd. for Rs. 40,00,000
1/05/2015	Received ½ year interest on 8 % bonds.
15/05/2014	X Ltd. made a bonus issue of 3 equity shares for every 2 held. Sold 1,25,000 bonus shares for Rs. 20 each.
1/07/2014	Purchased 50,000 equity shares of Rs. 10 each in C Ltd for Rs. 7.75 each.
1/10/2014	Sold Rs. 3,00,000 8 % bonds at Rs. 81 ex-interest.
1/11/2014	Received half years interest on 8 % bonds.
1/12/2014	Received 18 % dividend on all equity shares in X Ltd.
1/1/2015	C Ltd made a right issue of 1 equity share for every 2 held at Rs. 5 per share. Right were sold in the market at Rs. 2.25 per share.
1/03/2015	Received 12.5% dividend on all equity shares in C Ltd.

Prepare the relevant investment accounts in the books of Trader Ltd for the year ended 31st March 2015.

(2 × 15 = 30)