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INTERMEDIATE M'19 EXAM

SUBJECT- ADVANCED ACCOUNTS

Test Code – CIM 8143

BRANCH - () (Date :)

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ANSWER-1**Revenue Account of Kalyan General Insurance Company for the year ended 31.03.2018**

Particulars	Sch.	This Yr	Last Yr
Premium (Net)	1	59,75000	
Total (A)		59,75,000	

	Particulars	Sch.	This Yr	Last Yr
1.	Claims Incurred	2	45,26,000	
2.	Commission	3	1,47,000	
3.	Operating Expenses related to Insurance Business (2,30,000 - 45,000 - 35,000)		1,50,000	
	Total (B)		48,23,000	
	Operating Profit / (Loss) from Insurance Business (A - B)		11,52,000	
	Appropriations		NIL	
	Total (C)		11,52,000	

(3 MARKS)**Schedule 1 - Premium Earned (Net)**

Particulars		This Yr	Last Yr
Add :	Premium from Direct Business Written	65,75,000	
	Premium on Re-Insurance accepted	9,50,000	
Less :	Premium on Re-Insurance ceded	(4,75,000)	
	Net Premium	70,50,000	
Less:	Changes in Unexpired Risk Reserve Provn [Reqd 50% of 70,50,000 - Opg 24,50,000]	(10,75,000)	
	Total Premium Earned (Net)	59,75,000	

(2 MARKS)**Schedule 2 - Claims Paid (Net)**

	Particulars	This Yr	Last Yr
Claims Paid - Direct (Paid 42,50,000 + Legal Exps 45,000 + Surveyor's Fees 35,000)		43,30,000	
Add: Claims paid on Re-Insurance Accepted		5,00,000	
Less: Claims from Re-Insurance Ceded (Received 3,25,000 + Due at end 1,10,000 - Due at opg 65,000)		(3,70,000)	
Net Claims Paid		44,60,000	
Add: Claims Outstanding as on 31.03.2018 (Direct Rs. 7,18,000 + Re-Insurance Rs. 60,000)		7,78,000	
Less: Claims Outstanding as on 01.04.2017 (Direct 6,25,000 + Re-Insurance 87,000)		(7,12,000)	

Total Claims Incurred**45,26,000****(3 MARKS)****Schedule 3 - Commission**

Particulars	This Yr	Last Yr
Commission Paid	1,50,000	
Add:Re-Insurance Accepted	11,000	
Less: Commission on Re-Insurance ceded	(14,000)	
Net Commission	1,47,000	

(2 MARKS)**ANSWER-2**

(i) Capital Funds - Tier I :	Rs. in lakhs	Rs. in lakhs
Equity Share Capital		480,00
Statutory Reserve		280,00
Capital Reserve (arising out of sale of assets)		<u>9,30</u>
		769,30

Capital Funds - Tier II :

Capital Reserve (arising out of revaluation of assets)	280	
Less : Discount to the extent of 55%	<u>(154)</u>	<u>1,26</u>
		<u>770,56</u>

(3 MARKS)**(ii) Risk Adjusted Assets :**

Funded Risk Assets	Rs. in lakhs	Percentage weight	Amount Rs. in lakhs
Cash Balance with RBI	4,80	0	—
Balances with other Banks	12,50	20	2,50
Claims on banks	28,50	20	5,70
Other Investments	782,50	100	782,50
Loans and Advances:			
(i) guaranteed by government	128,20	0	—
(ii) guaranteed by public sector undertakings of Central Govt.	702,10	0	—
(iii) Others	52,02,50	100	52,02,50
Premises, furniture and fixtures	1,82,00	100	1,82,00
Other Assets	2,01,20	100	<u>2,01,20</u>
			<u>63,76,40</u>

Off-Balance Sheet Item	Rs. in lakhs	Credit Conversion Factor
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Acceptances, Endorsements

and Letters of credit	37,02,50	100	<u>37,02,50</u>
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$$\text{Risk Weighted Assets Ratio} = \frac{\text{Capital Funds (Tier I \& Tier II)}}{\text{Risk Adjusted Assets + Off Balance Sheet items}} \times 100$$

$$= \frac{7,69,30 + 1,26}{63,76,40 + 37,02,50}$$

$$\text{Capital Adequacy Ratio} = \frac{770,56}{100,78,90} \times 100 = 7.65\%$$

Expected ratio is 9%. So the bank has to improve the ratio by introducing further Tier I capital.

(7 MARKS)

ANSWER-3

ANSWER-A

Journal of A & Co. Ltd.

			Dr. Rs.	Cr. Rs.
20X1	Equity Share Capital A/c (Rs. 10)	Dr.	7,50,000	
Dec. 31	To Capital Reduction A/c			6,00,000
	To Equity Share Capital A/c (Rs. 2)			1,50,000
	(Reduction of equity shares of Rs. 10 each to shares of Rs. 2 each as per Reconstruction Scheme dated...)			
	6% Cum. Preference Share Capital A/c (Rs. 100)	Dr.	4,00,000	
	To Capital Reduction A/c			1,00,000
	To Pref. Share Capital A/c (Rs. 75)			3,00,000
	(Reduction of preference shares of Rs. 100 each to shares of Rs. 75 each as per reconstruction scheme)			
20X1	Freehold Property A/c	Dr.	82,500	
Dec. 31	To Capital Reduction A/c			82,500
	(Appreciation in the value of property: Book value Revalued Figure Rs. 1,00,000 Rs. 1,20,000 Rs. 3,25,000 Rs. 3,87,500 Total Rs. 4,25,000 Rs. 5,07,500 Profit on revaluation: Rs. 82,500)			
"	6% Debentures A/c	Dr.	1,20,000	
	To Freehold Property A/c			1,20,000
	(Claims of debenture-holders, in part, in respect of principal discharged by transfer			

	of freehold property vide Scheme of Reconstruction)			
	Accrued Interest A/c	Dr.	22,500	
	To Bank A/c			22,500
	(Debenture interest paid)			
"	Bank A/c	Dr.	1,30,000	
	To 8% Debentures A/c			1,30,000
	(8% Debentures issued for cash)			
"	Bank A/c	Dr.	1,40,000	
	To Trade Investment A/c			55,000
	To Capital Reduction A/c			85,000
	(Sale of Trade Investment for Rs. 1,40,000 cost being Rs. 55,000; profit credited to Capital Reduction Account)			
"	Directors' Loan A/c	Dr.	1,00,000	
	To Equity Share Capital A/c			90,000
	To Bank A/c			5,000
	To Capital Reduction A/c			5,000
	(Directors' loan discharged by issue of equity shares of Rs. 90,000, cash payments of Rs. 5,000 and surrender of Rs. 5,000, vide Scheme of Reconstruction)			
Dec. 31	Capital Reduction Account	Dr.	24,000	
	To Equity Share Capital Account			24,000
	(Arrears of preference dividends satisfied by the issue of equity shares, 25% of the amount due, Rs. 96,000)			
"	Capital Reduction A/c	Dr.	8,48,500	
	To Patents			37,500
	To Goodwill			1,30,000
	To Inventory			65,000
	To Provision for Doubtful Debts			68,500
	To Bank			12,500
	To Profit & Loss Account			5,35,000
	(Writing off patents, goodwill, profit and loss account and reducing the value of stock, making the required provision for doubtful debts and payment for			

cancellation of capital commitments)

(10*1 = 10 MARKS)

Balance Sheet of A & Co. Ltd. (And Reduced) as on 1st January, 20X2

(5 MARKS)

Particulars	Notes	Rs.
Equity and Liabilities		
1 Shareholders' funds		
a Share capital	1	5,64,000
2 Non-current liabilities		
a Long-term borrowings	2	3,85,000
3 Current liabilities		
a Trade Payables		3,00,000
b Short term provision	3	68,500
Total		13,17,500
Assets		
1 Non-current assets		
a Fixed assets		
Tangible assets	4	4,37,500
Intangible assets	5	-
2 Current assets		
a Inventories		3,60,000
b Trade receivables	6	4,85,000
c Cash and cash equivalents		35,000
Total		13,17,500

Notes to accounts

1 Share Capital		
Equity share capital		
1,32,000 Equity shares of Rs. 2 each (of the above		
45,000 shares have been issued for		
consideration other than cash)		2,64,000
Preference share capital		
4,000 6% Preference shares of Rs. 75 each		<u>3,00,000</u>
Total		<u>5,64,000</u>
2 Long-term borrowings		
Secured		
6% Debentures		2,55,000
8% Debentures		<u>1,30,000</u>
Total		<u>3,85,000</u>

3	Short term provision		
	Provision for doubtful debt		68,500
4	Tangible assets		
	Fixed assets		
	Tangible assets		
	Freehold property	4,25,000	
	Add: Appreciation under scheme of Reconstruction	82,500	
	Less: Disposed of	<u>(1,20,000)</u>	3,87,500
	Plant		50,000
	Patents	37,500	
	Less: Written off under scheme of Reconstruction	<u>(37,500)</u>	-
	Net carrying value		<u>4,37,500</u>
5	Intangible assets		
	Goodwill	1,30,000	
	Less: Written off under scheme of Reconstruction	<u>(1,30,000)</u>	
	Net carrying value	-	-
6	Trade receivables		
	Trade receivables		4,85,000

ANSWER-B

1. Computation of Net Premium earned

Particulars	Rs.
Premium on Direct Business (Reed 92,00,000 + Due at end 3,94,000 - Due at opg 4,59,000)	91,35,000
Add: Premium on Re-Insurance Accepted (Reed 7,86,000 + Due at end 33,000 - Due at opg 37,000)	7,82,000
Less: Premium on Re-Insurance Ceded (Paid 6,36,000 + Due at end 20,000 - Due at opg 28,000)	(6,28,000)
Net Premium Earned	92,89,000

(2 MARKS)

2. Computation of Claims Expense

Particulars	Rs.
Claims Paid Direct (Paid 73,00,000 + Due at end 1,01,000 - Due at opg 94,000)	73,07,000
Add: Re-Insurance Accepted (Paid 5,80,000 + Due at end 12,000 - Due at opg 16,000)	5,76,000
Less: Re-Insurance Ceded (Reed 2,10,000 + Due at end 39,000 - Due at opg 42,000)	(2,07,000)

Net Claims Paid**76,76,000**

Note: Alternative presentation methods of computing Net Premium Income / Net Claims Expense, to obtain the above numbers, are also possible. **(3 MARKS)**

ANSWER-4**(a) Bills for Collection (Assets) A/c**

20X1		Rs.	20X1-X2		Rs.
Apr. 1	To Balance b/d	7,00,000		By Bills for Collection (Liabilities) A/c	47,00,000
20X1-X2	To Bills for Collection (liabilities) A/c	64,50,000		By Bills for collection (Liabilities) A/c	5,50,500
			20X2 Mar. 31	By Balance c/d	18,99,500
		71,50,000			71,50,000

Bills for Collection (Liabilities) Account

20X1-X2		Rs.	20X1		Rs.
	To Bills for collection (Assets) A/c	47,00,000	Apr. 1	By Balance b/d	7,00,000
	To Bills for Collection(Assets) A/c	5,50,500	20X1-X2	By Bills for collection(Assets) A/c	64,50,000
20X2 Mar. 31	To Balance c/d	18,99,500			
		71,50,000			71,50,000

(4 MARKS)**(b) Acceptances, Endorsement & other Obligation Account**

20X1-X2		Rs.	20X1		Rs.
	To Constituents Liability for Acceptance, Endorsement, etc.	25,00,000	Apr. 120X1-X2	By Balance b/d	14,50,000
	To Constituents Rs. Liability for Acceptances, Endorsement etc.	10,00,000		By Constituents, Liabilities for Acceptances, Endorsements, etc.	44,00,000
	To Constituents Rs. Liability for Acceptances, Endorsements, etc. (amount paid on failure of clients)	1,00,000			
Mar. 31	To Balance c/d	22,50,000			
		58,50,000			58,50,000

(c) For classifying loans as fully secured or otherwise, the value of the security as on the last date of the year is considered. The value of the security is Rs. 8,20,000 covering the loan and

the interest due comfortably. Hence it is to be treated as good and fully secured.

(4 MARKS)

(d) Rebate on Bills Discounted Account

		Rs.			Rs.
20X1-X2	To Interest and Discount A/c	6,000	20X1 Apr. 1	By Balance b/d	20,000
20X2 Mar. 31	To Balance c/d	14,000			
		20,000			20,000

(1 MARK)

Interest & Discount Account

20X2		Rs.	20X1		Rs.
Mar. 31	To Profit & Loss A/c	98,06,000	Apr. 1 20X1-X2	By Balance b/d	98,00,000
				By Rebate on Bills discounted A/c	6,000
		98,06,000			98,06,000

(1 MARK)