



IPCC – November 2017

ADVANCED ACCOUNTING

Test Code – I N J 5 0 0 1

Branch (MULTIPLE) (Date : 04.06.2017)

(50 Marks)

Note : All questions are compulsory.

Question-1 : (8 marks)

In the books of Mr. Chena Swami

Salem Branch Account **(3marks)**

	To Balance b/d		By Bank (Remittance to H.O.)	19,50,000
	Opening stock:		By Balance c/d	
	Ghee	40,000	Closing stock:	
	Oil	22,500	Refined oil	19,500
	Debtors	1,80,000	Ghee	90,000
	Cash on hand	25,690	Debtors (W.N. 1)	2,10,000
	Furniture & fittings	23,800	Cash on hand (W.N. 2)	44,800
	To Goods sent to Branch A/c		Furniture & fittings	21,420
	Refined Oil (30x1500x12)	5,40,000		
	Ghee (20x5000x12)	12,00,000		
	To Bank (Expenses paid by H.O.)	76,800		
	Net Profit			
	To Transferred General P&L	2,26,930		
		23,35,720		23,35,720

Mr. Chena Swami

Trading and Profit and Loss account for the year ended 31st March, 2016

(Excluding branch transactions)**(3 marks)**

	To Opening Stock:		By Sales:	
	Refined Oil	44,000	Refined Oil	24,10,000
	Ghee	10,65,000	Ghee	38,40,500
	To Purchases:		By Closing Stock:	
	Refined Oil 27,50,000		Refined Oil	8,90,000
	Less: Goods sent to Branch (5,40,000)	22,10,000	Ghee	15,70,000
	Ghee 48,28,000			
	Less: Goods sent			

to Branch (12,00,000)	36,28,000		
To Direct Expenses	6,35,800		
To Gross Profit	11,27,700		
	87,10,500		87,10,500
To Manager's Salary	2,40,000	By Gross Profit	11,27,700
To General Expenses	1,86,000	By Branch Profit transferred	2,26,930
To Depreciation			
Furniture (88,600-79,740)	8,860		
Building (5,10,800+2,41,600-7,14,780)	37,620		
To Manager's Commission @ 10% (8,82,150 x10/110)	80,195		
To Net profit	8,01,955		
	13,54,630		13,54,630

Working Notes

1 Debtors Account (1 mark)

To Balance b/d	1,80,000	By Cash Collections	20,15,000
To Sales made during the year:		By Balance c/d (Bal. Figure)	2,10,000
Refined oil	5,95,000		
Ghee	14,50,000		
	22,25,000		22,25,000

2 Branch Cash Account (1 mark)

To Balance b/d	25,690	By Remittance	19,50,000
To Collections	20,15,000	By Exp.	45,890
		By Balance c/d (Bal. Figure)	44,800
	20,40,690		20,40,690

Note:

1. Branch managers generally get commission based on the Branch profits and not on overall organizational profits. The answer given above is on the basis of the information given in the

question and the commission of branch manager is computed as 10% on overall organizational profits after charging such commission.

2. Since the amount of cash sales was not given specifically in the question, total amount of cash collections during the year amounting ` 20,15,000 has been considered as collection from Debtors in the above solution.

Question 2: (12marks)

Form B – RA (Prescribed by IRDA) Superb General Insurance Co. Ltd

Revenue Account for the year ended 31st March, 2016 Fire and Marine Insurance Businesses (4 marks)

	Schedule	Fire Current Year	Marine Current Year
		Rs.	Rs.
Premiums earned (net)	1	4,27,500	1,40,000
Profit / (Loss) on sale / redemption of investments		—	—
Others (to be specified)			
Interest, Dividends and Rent – Gross		—	—
Total (A)		<u>4,27,500</u>	<u>1,40,000</u>
Claims incurred (net)	2	82,000	88,000
Commission	3	40,000	20,000
Operating expenses related to Insurance business	4	70,000	50,000
Premium Deficiency			
Total (B)		<u>1,92,000</u>	<u>1,58,000</u>
Profit from Fire / Marine Insurance business (A-B)		2,35,500	(18,000)

Schedules forming part of Revenue Account (1 1/2 marks)

Schedule –1 <i>Premiums earned (net)</i>		Fire Current Year	Marine Current Year
		Rs.	Rs.
Premiums from direct business written		4,80,000	3,50,000
Less: Premium on reinsurance ceded		<u>(25,000)</u>	<u>(15,000)</u>
Total Premium earned		4,55,000	3,35,000
Less: Change in provision for unexpired risk		<u>(27,500)</u>	<u>(1,95,000)</u>
		<u>4,27,500</u>	<u>1,40,000</u>
Schedule – 2 Claims incurred (net)		82,000	88,000
Schedule – 4 Operating expenses related to insurance business Expenses of Management		70,000	50,000

Form B-PL

Superb General Insurance Co. Ltd.

Profit and Loss Account for the year ended 31st March, 2016 (4 marks)

Particulars	Schedule	Current Year	Previous Year
		Rs.	Rs.
Operating Profit/(Loss)			
(a) Fire Insurance		2,35,500	
(b) Marine Insurance		(18,000)	
(c) Miscellaneous Insurance		—	
Income From Investments			
Interest, Dividend & Rent–Gross		1,29,000 [#]	
Other Income (To be specified)			
Total (A)		<u>3,46,500</u>	
Provisions (Other than taxation)			
Depreciation		9,000	
Other Expenses –Director’s Fee		<u>80,000</u>	
Total (B)		<u>89,000</u>	
Profit Before Tax		2,57,500	
Provision for Taxation		99,138	

Working Notes: (2 ½ mark)

		Fire	Marine
		Rs.	Rs.
1.	Claims under policies less reinsurance		
	Claims paid during the year	1,00,000	80,000
	Add: Outstanding on 31 st March, 2016	<u>10,000</u>	<u>15,000</u>
		1,10,000	95,000
	Less : Outstanding on 1 st April, 2015	<u>(28,000)</u>	<u>(7,000)</u>
		<u>82,000</u>	<u>88,000</u>
2.	Expenses of management		
	Expenses paid during the year	60,000	45,000
	Add: Outstanding on 31 st March, 2016	<u>10,000</u>	<u>5,000</u>
		<u>70,000</u>	<u>50,000</u>
3.	Premiums less reinsurance		
	Premiums received during the year	4,50,000	3,30,000
	Add: Outstanding on 31 st March, 2016	<u>30,000</u>	<u>20,000</u>
		4,80,000	3,50,000
	Less : Reinsurance premiums	<u>(25,000)</u>	<u>(15,000)</u>
		<u>4,55,000</u>	<u>3,35,000</u>

4. Reserve for unexpired risks is 50% of net premium for fire insurance and 100% of net premium for marine insurance. Reserve for unexpired risks for fire insurance =

Rs.4,55,000X50%=Rs.2,27,500. Opening Balance in reserves for unexpired risk for fire insurance was Rs.2,00,000. Hence, additional transfer to reserve for fire insurance in the year will be Rs.27,500. On similar basis of calculation, the additional transfer to reserve for marine insurance will be Rs.1,95,000

5. **Provision for taxation account**

	Rs.		Rs.
31.3.2016 To Bank A/c (taxes paid)	60,000	1.4.2015 By Balance b/d	85,000
31.3.2016 To Balance c/d	1,24,138	31.3.2016 By P & L A/c (Bal Fig)	99,138
	1,84,138		1,84,138

Interest and dividend in case can't be bifurcated between fire and marine thus taken to profit and loss account.

Question 3 : (6 marks)

**In the books of Vridhi Insurance Co. Ltd.
Journal Entries (4 marks)**

Date	Particulars	(Rs. in crores)	
		Dr.	Cr.
1.1.2015	Unexpired Risk Reserve (Fire) A/c Dr.	20.00	
	Unexpired Risk Reserve (Marine) A/c Dr.	15.00	
	Unexpired Risk Reserve (Miscellaneous) A/c Dr.	5.00	
	To Fire Revenue Account		20.00
	To Marine Revenue Account		15.00
	To Miscellaneous Revenue Account		5.00
	(Being unexpired risk reserve brought forward from last year)		
31.12.2015	Marine Revenue A/c Dr.	18.30	
	To Unexpired Risk Reserve A/c		18.30
	(Being closing reserve for unexpired risk created at 100% of net premium income amounting to Rs.18.3 crores i.e.18+7-6.70)		
	Fire Revenue A/c Dr.	21.85	
	To Unexpired Risk Reserve A/c		21.85
	(Being closing reserve for unexpired risk created at 50% of net premium income of Rs. 43.7 crores i.e.43+5-4.30)		
	Miscellaneous Revenue A/c Dr.	4.50	
	To Unexpired Risk Reserve A/c		4.50
	(Being closing reserve for unexpired risk created at 50% net premium income of Rs. 9 crores i.e. 12+4-7)		

Unexpired Risk Reserve Account (2 marks)

Date	Particulars	Marine (Rs.)	Fire (Rs.)	Misc. (Rs.)	Date	Particulars	Marine (Rs.)	Fire (Rs.)	Misc. (Rs.)
1.1.15	To Revenue A/c	15.00	20.00	5.00	1.1.15	By Balance b/d	15.00	20.00	5.00
31.12.15	To Balance c/d	<u>18.30</u>	<u>21.85</u>	<u>4.50</u>	31.12.15	By Revenue A/c	<u>18.30</u>	<u>21.85</u>	<u>4.50</u>
		<u>33.30</u>	<u>41.85</u>	<u>9.50</u>			<u>33.30</u>	<u>41.85</u>	<u>9.50</u>

Question 4 : (12 marks)

KLM Bank Limited

Profit and Loss Account for the year ended 31st March, 2016 (6 marks)

		Schedule	Year ended 31.03.2016
			Rs.
I.	Income: Interest		
	earned Other	13	37,95,160
	income	14	<u>4,87,800</u>
	Total		<u>42,82,960</u>
II.	Expenditure		
	Interest expended	15	22,95,360
	Operating expenses Provisions and contingencies (4,50,000+2,00,000+2,00,000)	16	5,70,340
	Total		<u>8,50,000</u>
III.	Profits/Losses		
	Net profit for the year		5,67,260
	Profit brought forward		____ Nil
			<u>5,67,260</u>
IV.	Appropriations		
	Transfer to statutory reserve (25% of 5,67,260)		1,41,815
	Proposed dividend		50,000
	Balance carried over to balance sheet		<u>3,75,445</u>
			<u>5,67,260</u>

Profit & Loss Account balance of Rs.3,75,445 will appear under the head 'Reserves and Surplus' in Schedule 2 of the Balance Sheet. (1 mark)

(Schedules will carry one mark each)

		Year ended 31.3.2016 Rs.
	Schedule 13 – Interest Earned	
I.	Interest/discount on advances/bills (Refer W.N.)	<u>37,95,160</u>
		<u>37,95,160</u>
	Schedule 14 – Other Income Commission,	
I.	exchange and brokerage	1,90,000
II.	Profit on sale of investment	2,25,800
III.	Rent received	<u>72,000</u>
		<u>4,87,800</u>
	Schedule 15 – Interest Expended	
I.	Interests paid on deposits	<u>22,95,360</u>
		<u>22,95,360</u>
	Schedule 16 – Operating Expenses	
I.	Payment to and provisions for employees (salaries & allowances)	2,50,000
II.	Rent, taxes paid	1,00,000
III.	Depreciation on assets	40,000
IV.	Director's fee, allowances and expenses Auditor's fee	35,000 12,000
V.	Statutory (law) expenses	38,000
VI.	Postage and telegrams	65,340
VII.	Preliminary expenses [□]	<u>30,000</u>
VIII.		<u>5,70,340</u>

Working Note: (1 mark)

	Rs.
Interest and discount received	38,00,160
Add: Rebate on bills discounted on 31.3. 2015 Less:	15,000
Rebate on bills discounted on 31.3. 2016	<u>(20,000)</u>
	<u>37,95,160</u>

Question 5 : (12 marks)

Karma Limited
Balance Sheet as on 01.04.2016 (6marks)

Particulars	Note No.	Figures as at the end of current reporting period
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	55,00,000
(b) Reserves and Surplus	2	85,85,000
(2) Non-Current Liabilities		
(a) Long-term borrowings - Unsecured Loans		45,00,000
(3) Current Liabilities		
(a) Short-term provisions		90,00,000
Total		2,75,85,000
II. Assets		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets		1,50,00,000
(2) Current assets		
(a) Cash and cash equivalents		5,85,000
(b) Other current assets		1,20,00,000
		2,75,85,000

Notes to Accounts (2 marks)

	Rs.
1 Share Capital	
5,50,000 Equity Shares of Rs.10 each	55,00,000
2 Reserve and Surplus	
General Reserve	50,00,000
Add: Debenture Redemption Reserve transfer	<u>35,00,000</u>
	85,00,000
Add: Profit on sale of investments	<u>2,00,000</u>
	87,00,000
Less: Premium on redemption of debentures (80,000 x Rs.5)	<u>(4,00,000)</u>
Securities Premium Account (1,50,000 x Rs.1.9)	2,85,000
	85,85,000

Working Notes:

(i) Calculation of number of shares to be allotted (2 marks)

Total number of debentures	80,000	
Less : Number of debentures not opting for conversion	<u>(12,000)</u>	
		68,000
25% of 68,000	17,000	

Redemption value of 17,000 debentures Rs.17,85,000

Number of Equity Shares to be allotted:

$$\frac{17,85,000}{11.90} = 1,50,000 \text{ shares of Rs.10 each.}$$

11.90

(ii) Calculation of cash to be paid

Number of debentures	80,000
Less: Number of debentures to be converted into equity shares	<u>(17,000)</u>
	<u>63,000</u>

Redemption value of 63,000 debentures (63,000 × Rs.105) Rs.66,15,000

(iii) Cash and Bank Balance

	Rs.
Balance before redemption	40,00,000
Add : Proceeds of investments sold	<u>32,00,000</u>
	72,00,000
Less : Cash paid to debenture holders	<u>(66,15,000)</u>
	<u>5,85,000</u>

(ii) &(iii) will carry one mark each
