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V Semester B.Com. Degree Examination, March/April - 2023

**COMMERCE
Advanced Accounting
(CBCS Scheme)
Paper : AC-5.3**

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates:

Answers should be written in English only

SECTION - A

Answer any FIVE sub-questions. Each sub-question carries 2 marks.

(5×2=10)

1. a) What do you mean by Employee stock option Plan (ESOP)?
- b) Mention any two objectives of Buyback of shares.
- c) What do you mean by fair value of an Investment?
- d) What is a statutory Reserve?
- e) Give the meaning of Non-Performing assets.
- f) What is meant by Life Insurance?
- g) State the meaning of Reserve for unexpired risk.

SECTION - B

Answer any THREE of the following questions. Each question carries 5 marks.

(3×5=15)

2. Venkateshwara Ltd., has equity shares of Rs. 10 each in its share capital On 01/10/2021, the company granted 50,000 stock options at Rs. 40 per share, when the market price was Rs. 120 per share. The fair value of the option was Rs. 80 per option. The options were to be exercised between 15th October 2021 and 31st March 2022. The employees exercised their options only for 40,000 shares and the remaining option lapsed. The company closes its books of accounts on 31st March every year. Pass necessary entries in the books of Venkateshwara Ltd.,

[P.T.O.]



3. The following information have been extracted from the books of Sumukha Ltd., as on 31-3-2022.

a) **Issued and subscribed capital:-**

10,00,000 Equity shares of Rs. 10 each,
fully paid up.

Rs. 1,00,00,000

b) **Reserves and surplus: -**

General Reserve Rs. 16,00,000. Surplus Rs. 4,00,000,

Capital Reserve Rs. 6,00,000, securities premium Rs. 3,00,000, 12% Debentures Rs. 10,00,000.

c) Cash and Bank Balance Rs 20,00,000.

d) The company decided to Buyback 20% of its paid -up Equity share capital at face value. It was also decided to issue further 12% Debentures of Rs 10,00,000 at par for the purpose of Buyback. Pass necessary journal entries.

4. An analysis of bills discounted by Axis Bank as on 31-3-2022 is as follows:

| Due Date of the Bill | Amount of the Bill | Rate of Interest |
|----------------------|--------------------|------------------|
| 09/05/2022 | 3,60,000 | 9% |
| 15/06/2022 | 6,00,000 | 9% |
| 06/07/2022 | 5,20,000 | 8% |
| 18/08/2022 | 7,50,000 | 8% |

Calculated Rebate on Bills discounted as on 31-3-2022.

5. Calculate the Premium Earned (Net) for the year ending 31-03-2022. From the following information related to fire Insurance:

| Particulars | (Rs.) |
|--|----------|
| Premium received less reinsurance | 6,10,000 |
| Premium outstanding on 01-04-2021 | 40,000 |
| Premium outstanding on 31-03-2022 | 50,000 |
| Reserve for unexpired risk on 01-04-2021 | 3,40,000 |
| Additional Reserve on 01-04-2021 | 60,000 |

It is the policy of the company to maintain 50% of premium towards Reserve for unexpired risks.

SECTION - C

Answer any THREE questions. Each question carries 15 Marks. (3×15= 45)

6. On 01-04-2021, 4000 8% Debentures of Rs. 100 each of Sun Ltd., were invested in Moon Ltd., at a cost of Rs. 3,64,000.
- 01-07-2021 - Purchased 800 Debentures at Rs. 98 cum-interest.
 - 01-12-2021 - 1,200 Debentures were sold at Rs. 96 ex-interest
 - 01-02-2022 - Sold 1,600 Debentures at Rs. 99 cum-interest
 - 31-03-2022 - 2,000 Debentures were sold at Rs. 95 each cum-interest
 - Interest is payable on 31st March. Ignore Income Tax and Brokerage.

Prepare the Investment Account for 8% Debentures of Sun Ltd., in the books of Moon Ltd.,

7. Following is the Trial Balance of Vijaya Bank Ltd., as on 31st March 2022. Prepare profit and loss Account for the year ended 31-03-2022 and Balance sheet as on that date.

| Particulars | Dr. (Rs) | Cr. (Rs) |
|---------------------------------------|----------|-----------|
| Share capital : Shares of Rs. 10 each | - | 12,00,000 |
| Reserve fund | - | 6,00,000 |
| Interest and Discount | - | 5,20,000 |
| Deposits | - | 16,00,000 |
| Creditors | - | 3,40,000 |
| Borrowings | - | 11,50,000 |
| Rent | - | 40,000 |
| Unclaimed dividend | - | 50,000 |
| Commission | - | 1,00,000 |

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| | | |
|-----------------------------------|------------------|------------------|
| Profit/Loss on 01-04-2021 | - | 80,000 |
| Buildings | 5,00,000 | - |
| Money at call and short notice | 5,50,000 | - |
| Furniture | 80,000 | - |
| Cash in hand | 3,00,000 | - |
| Investments | 12,50,000 | - |
| Loans, cash credits and overdraft | 22,80,000 | - |
| Interest on Deposits | 3,50,000 | - |
| Audit fees | 20,000 | - |
| Non-Banking Assets | 2,00,000 | - |
| Salaries | 1,00,000 | - |
| Other expenditure | 15,000 | - |
| Director's fees | 20,000 | - |
| Printing and stationery | 15,000 | - |
| | 56,80,000 | 56,80,000 |

Adjustments:

- a) Provide Rs. 20,000 for rebate on bills discounted.
- b) Provide Rs. 12,500 for bad debts.
- c) Director propose 8% dividend on share capital.
- d) Liabilities outstanding on Forward Exchange contract Rs. 24,000.



8. The following are the balances extracted from the books of Max Life Insurance Co., Ltd. as on 31-03-2022.

| Particulars | Dr. (Rs) | Cr. (Rs) |
|--------------------------------------|------------------|------------------|
| Life Assurance fund as on 01-04-2021 | - | 29,40,000 |
| Premium | - | 4,21,000 |
| Consideration for Annuities granted | - | 21,500 |
| Interest, Dividend and rent | - | 1,04,500 |
| Share capital | - | 8,00,000 |
| Annuities due but not paid | - | 45,000 |
| Reserve fund | - | 1,60,000 |
| Management expenses | 38,000 | - |
| Dividend paid | 40,000 | - |
| Annuities | 60,000 | - |
| Bonus in reduction of Premium | 5,000 | - |
| Investments | 17,40,000 | - |
| Buildings | 12,00,000 | - |
| Loans on company policies | 4,00,000 | - |
| Mortgage | 6,20,000 | - |
| Claims paid | 2,33,000 | - |
| Commission | 53,000 | - |
| Surrenders | 44,000 | - |
| Bonus paid in cash | 18,000 | - |
| Furniture | 41,000 | - |
| | 44,92,000 | 44,92,000 |

Prepare Revenue Account and Balance sheet after taking into the following:

- Premium outstanding Rs. 16,000.
- Further Bonus utilised in reduction of premium Rs. 11,000.
- Claims covered under reinsurance Rs. 40,000.
- Management expenses due Rs. 4,000.

9. The following balances are extracted from the books of Oriental Insurance Co Ltd., as on 31st March 2022.

| Particulars | Fire (Rs.) | Marine (Rs.) |
|--------------------------------------|------------|--------------|
| Premium less reinsurance | 14,96,000 | 11,88,000 |
| claims paid | 4,00,000 | 3,48,000 |
| Commission paid | 2,48,000 | 2,04,000 |
| Management expenses | 3,44,000 | 2,72,000 |
| Commission on reinsurance ceded | 52,000 | - |
| Claims outstanding on 01-04-2021 | 96,000 | 44,000 |
| Premium outstanding on 01-04-2021 | 1,04,000 | 68,000 |
| Reserves as on 01-04-2021 | 8,40,000 | 9,60,000 |
| Additional Reserves as on 01-04-2021 | 2,40,000 | 40,000 |

(Rs)

| | |
|--------------------------------------|----------|
| Interest and dividend on Investments | 2,52,000 |
| Audit fees | 52,000 |
| Directors fees | 1,44,000 |
| Loss on sale of investments | 32,000 |
| Depreciation | 1,44,000 |

**Additional Information:**

- a) Premium outstanding on 31-03-2022- Fire Rs. 1,20,000. Marine Rs. 60,000.
- b) Claims outstanding on 31-03-2022 - Fire Rs. 1,84,000, Marine Rs. 68,000.
- c) Reserve for unexpired risk to be maintained at 50% and 100% for Fire and Marine Insurance respectively.
- d) Additional Reserve for Fire to be kept at 20% of net premium.

Prepare Revenue Account for Fire and Marine Insurance and Profit and Loss Account for the year ended 31-3-2022.
