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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

[P.T.O.]



(4)

34523

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.



(5)

34523

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

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

- a) Premium outstanding Rs. 16,000.
- b) Further Bonus utilised in reduction of premium Rs. 11,000.
- c) Claims covered under reinsurance Rs. 40,000.
- d) 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.
