

C.U.SHAH UNIVERSITY

Summer Examination-2018

Subject Name: Accounting & Finance-IV

Subject Code: 4CO04AFI2

Branch: B.Com (English)

Semester: 4

Date: 14/05/2018

Time: 10:30 To 01:30

Marks : 70

Instructions:

- (1) Use of Programmable calculator & any other electronic instrument is prohibited.
- (2) Instructions written on main answer book are strictly to be obeyed.
- (3) Draw neat diagrams and figures (if necessary) at right places.
- (4) Assume suitable data if needed.

- Q-1 Attempt the following questions: (14)**
- | | | |
|-----------|---|---|
| a) | Which Independent Regulatory Authority has been formed for Insurance Companies?
(A) TRAI. (B) IRDA. (C) RBI. (D) None of the above | 1 |
| b) | Generally what is the term of Insurance policy in General Insurance?
(A) one year. (B) Two year. (C) Three year. (D) Four year | 1 |
| c) | Out of following, which premium is an expense for Insurance Company?
(A) On Direct Business. (B) On Accepted Re - Insurance
(C) On ceded Re - Insurance. (D) None of the above | 1 |
| d) | Statement of Affair is similar to.....
(A) Balance Sheet. (B) Trial Balance
(C) Profit & Loss A/c. (D) None from A, B,C | 1 |
| e) | In statement of Affair, Bills Receivables are shown in.....
(A) List E. (B) List F. (C) List D. (D) List G | 1 |
| f) | An Official appointed by Court for completion of Insolvency procedure under provincial Insolvency act is Known as.....
(A) Receiver. (B) Official assignee
(C) Liquidator. (D) None of the above | 1 |
| g) | Which of the following item is not included in Deficiency account?
(A) Book value of the assets. (B) Initial capital
(C) Loss of the Share speculation. (D) Surrender value of life Insurance policy | 1 |
| h) | Receiver's Remuneration is paid.....
(A) As secured creditors.
(B) with top priority
(C) as unsecured creditor
(D) Before payment to preferential creditor | 1 |
| i) | Fire Insurance gives protection to
(A) Tangible assets. (B) Intangible assets | 1 |



- (C) Invisible assets. (D) long term liabilities
- j) The average clause in a loss of Profit policy protects the..... 1
 (A) Workers. (B) Insurer. (C) Insured (D) Government
- k) Consequential loss policy indemnifies..... 1
 (A) Capital losses. (B) Revenue losses
 (C) Budgeted losses. (D) None of these
- l)is the important asset of the business. 1
 (A) Cash. (B) Stock.
 (C) Bank overdraft (D) Machinery
- m)is a technique to planned control of the use of Cash. 1
 (A) Budget. (B) Cash Planning
 (C) Forecasting. (D) Adjusted earning method
- n) Inventory management means..... 1
 (A) Human resources management.
 (B) Skill Financial management
 (C) Skill Administrative management
 (D) None of the above

Q-2

From the following particulars your are required to prepare Fire Revenue A/C of R General Insurance Co. for the year ended on 31-3-2011. **14**

Claims paid	4,98,000	Legal (Medical exps.) Exps. For claims	2,000
Claims outstanding (as on 1-4-2010)	40,000	Commission	2,00,000
Claims unpaid up to 31-3-2011	70,000	Commission on Re-insurance ceded	8,000
Premium Received	12,00,000	Commission on Re-insurance accepted	5,000
Re-insurance premium (Dr)	1,20,000	Profit on sale of investments.	2,000
Loss on sale of car	4,000	Administrative Exp.	2,95,000
Depreciation	6,000	Provision for unexpired risk on 1st April 2010	4,00,000
Re- insurance	20,000	Additional provision for unexpired risk res.	20,000
Interest and Dividend Total	1,20,000	Unrecorded Bonus in Reduction of prem.	12,000
Tax on Int.& Dividend	20,000		

Make provision for unexpired Risk Reserve as per rule. You are also required to provide for additional reserve for unexpired risk at 1% of net premium in addition to the opening balance.

Q-3 **Attempt all questions** **(14)**

- A** Difference between Capital Account and Deficiency Account **7**
B What is Insurance? Explain the types of Insurance? **7**

Q-4

Mr. R has applied for insolvency as on 31-12-2010 on that dates following **14**



balances are shown in his books.

Balance	Debit	Credit
Capital	-	1,90,000
Machinery (Estimated to Realise Rs. 90,000)	1,56,000	-
Bills Receivable (Estimated to Realise)	16,000	-
Bank Overdraft Mortgaged on Building	-	65,000
Trade Stock (Estimated to Realise Rs 1,10,000)	2,00,000	-
Building (Estimated to Realise Rs 1,00,000)	1,95,000	-
Furniture (Estimated to Realise Rs 20,000)	24,000	-
Creditors Mortgaged on Stock	-	2,30,000
Creditors	-	2,26,000
Other assets (Estimated to Realise Rs 30,000)	44,000	-
Debtors :(1) Good. 30,000 (2) Doubtful (40% Realise) 20,000 (3) Bad debts. 25,000	75,000	
Cash on hand	1,000	
	7,11,000	7,11,000

A liability of discounted bill is Rs 65,000. Out of this it is estimated that Rs 20,000 is to be paid.

His private property and liabilities are Rs 26,000 and Rs 17,000 respectively. Rs 20,000 is expected to realise from private property.

Receivers' expenses to be estimated Rs 4,000. Creditors include salary of two clerk of Rs 280 per month for three months, two months rent @ Rs 200 per month and wages of three workers for four month @ Rs 90 per month.

R has commenced his business before three years as on 1-1-2008 with capital of Rs 2, 85,000. During first year he earned profit of RS 35,000 and during second and third year he suffered loss of Rs 30,000 and Rs 40,000. During three years his drawings were of Rs 60,000

From the above information prepare statement of affairs and deficiency account.

- Q-5 Attempt all questions (14)**
- A** Short note : Average clause 7
- B** Short note : IRDA 7
- Q-6 Attempt all questions (14)**
- A** Explain importance of Cash Management. 7
- B** Define advantages of Cash Budget. 7
- Q-7 Attempt all questions (14)**
- A** Difference between Liberal policy and Strict policy 7
- B** Define objectives of maintaining Receivables. 7
- Q-8 Attempt all questions (14)**
- A** Fire broke out in A's godown on 15-03-07. Stock except Rs. 5,760 was destroyed by fire. Prepare statement of claim from the following particulars : 10

Particulars	2004	2005	2006	2007
Purchase	1,73,440	1,79,200	2,106,400	89,600



Sales	2,56,000	2,40,000	2,88,000	96,000
Wages	38,400	16,000	20,800	9,600
Depreciation	12,800	12,800	11,200	3,200
Opening Stock	88,000	70,400	52,800	17,600

Stock is valued at 10% more.

B The K Traders take a Stock Insurance Policy on 31-10-2007. Most of the Stock was destroyed. The value of stock salvaged is 40,000.

4

The following information is available from books of account :

Particulars	Rs
Stock on 1-4-2007	60,000
Purchase during 1-4-2007 to 31-10-2007	3,00,000
Sales during 1-4-2007 to 31-10-2007	2,00,000
Commission to purchase manager	3%
Rate of Gross Profit (on sales)	30%

Calculate the amount of claim.

