

Exams important questions for students of IPCC

Question 1

Head Office passes adjustment entry at the end of each month to adjust the position arising out of inter-branch transactions during the month. From the following inter-branch transactions in January, 1996, make the entry in the books of Head Office :

(a) *Bombay Branch*

(1) *Received Goods : Rs. 6,000 from Calcutta Branch, Rs. 4,000 from Patna Branch.*

(2) *Sent Goods to Rs. 10,000 to Patna, Rs. 8,000 to Calcutta.*

(3) *Received B/R : Rs. 6,000 from Patna.*

(4) *Sent Acceptance : Rs. 4,000 to Calcutta, Rs. 2,000 to Patna.*

(b) *Madras Branch (Apart from the above)*

(5) *Received Goods : Rs. 10,000 from Calcutta, Rs. 4,000 from Bombay.*

(6) *Cash Sent : Rs. 2,000 to Calcutta, Rs. 6,000 to Bombay.*

(c) *Calcutta Branch (Apart from the above)*

(7) *Sent Goods to Patna : Rs. 6,000.*

(8) *Paid B/P : Rs. 4,000 to Patna, Rs. 4,000 cash to Patna.*

(15 marks) (Intermediate–May 1996)

Question 2

From the following information, prepare a Balance Sheet of International Bank Ltd. as on 31st March, 1994 giving the relevant schedules and also specify at least four important Principal Accounting Policies :

	Rs. in lakhs	
	Dr.	Cr.
Share Capital		198.00
19,80,000 Shares of Rs. 10 each		
Statutory Reserve		231.00
Net Profit Before Appropriation		150.00
Profit and Loss Account		412.00
Fixed Deposit Account		517.00
Savings Deposit Account		450.00
Current Accounts	28.00	520.12
Bills Payable		0.10
Cash credits	812.10	
Borrowings from other Banks		110.00
Cash in Hand	160.15	
Cash with RBI	37.88	
Cash with other Banks	155.87	
Money at Call	210.12	
Gold	55.23	

Exams important questions for students of IPCC

<i>Government Securities</i>	110.17	
<i>Premises</i>	155.70	
<i>Furniture</i>	70.12	
<i>Term Loan</i>	<u>792.88</u>	
	<u>2,588.22</u>	<u>2,588.22</u>

Additional Information :

<i>Bills for collection</i>	18,10,000
<i>Acceptances and endorsements</i>	14,12,000
<i>Claims against the Bank not acknowledged as debt</i>	55,000
<i>Depreciation charges—Premises</i>	1,10,000
<i>Furniture</i>	78,000

50% of the Term Loans are secured by Government guarantees. 10% of cash credit is unsecured. Also calculate cash reserves required and statutory liquid reserves required.

Note : Cash reserves required 3% of demand and time liabilities; liquid reserves required 30% of demand and time liabilities.
(20 marks) (Intermediate–Nov. 1994)

Question 3

The following are the Balances of Hercules Insurance Co. Ltd. as on 31st March, 1996 :

	(Rs. in '000)
<i>Capital</i>	320,00
<i>Balances of Funds as on 1.4.95</i>	
<i>Fire Insurance</i>	800,00
<i>Marine Insurance</i>	950,00
<i>Miscellaneous Insurance</i>	218,65
<i>Unclaimed Dividends</i>	8,50
<i>Amount Due to Other Insurance Companies</i>	34,50
<i>Sundry Creditors</i>	72,50
<i>Deposit and Suspense Account (Cr.)</i>	22,80
<i>Profit and Loss Account (Cr.)</i>	80,40
<i>Agents Balances (Dr.)</i>	135,00
<i>Interest accrued but not due (Dr.)</i>	22,50
<i>Due from other Insurance Companies</i>	64,50
<i>Cash in Hand</i>	3,50
<i>Balance in Current Account with Bank</i>	74,80
<i>Furniture and Fixtures WDV (cost 100,00)</i>	58,00
<i>Stationery Stock</i>	1,40
<i>Expenses of Management</i>	

Exams important questions for students of IPCC

<i>Fire Insurance</i>	<i>280,00</i>	
<i>Marine Insurance</i>	<i>160,00</i>	
<i>Miscellaneous Insurance</i>	<i>40,00</i>	
<i>Others</i>	<i><u>30,00</u></i>	<i>510,00</i>
<i>Foreign Taxes—Marine</i>		<i>8,00</i>
<i>Outstanding premium</i>		<i>82,00</i>
<i>Donation Paid (No 80G Benefit)</i>		<i>10,00</i>
<i>Transfer Fees</i>		<i>1,00</i>
<i>Reserve for Bad Debts</i>		<i>11,70</i>
<i>Income Tax Paid</i>		<i>120,00</i>
<i>Mortgage Loan (Dr.)</i>		<i>975,00</i>
<i>Sundry Debtors</i>		<i>25,00</i>
<i>Government Securities Deposited with RBI</i>		<i>37,00</i>
<i>Government Securities (1020,00)</i>		<i>1020,00</i>
<i>Debentures</i>		<i>465,50</i>
<i>Equity Shares of Joint Stock Companies</i>		<i>225,00</i>
<i>Claims Less Re-insurance</i>		
<i>Fire</i>	<i>450,00</i>	
<i>Marine</i>	<i>358,90</i>	
<i>Miscellaneous</i>	<i><u>68,00</u></i>	<i>876,90</i>
<i>Premium Less Re-insurance</i>		
<i>Fire</i>	<i>1762,50</i>	
<i>Marine</i>	<i>1022,50</i>	
<i>Miscellaneous</i>	<i><u>262,25</u></i>	<i>3047,25</i>
<i>Interest and Dividends Received on Investments</i>		<i>58,50</i>
<i>Tax Deducted at Source</i>		<i>11,70</i>
<i>Commission</i>		
<i>Fire</i>	<i>500,00</i>	
<i>Marine</i>	<i>350,00</i>	
<i>Miscellaneous</i>	<i><u>80,00</u></i>	<i>930,00</i>
<i>You are required to make the following provisions :</i>		
<i>Depreciation on Furniture—10% of Original Cost</i>		
<i>Depreciation on investments of Joint Stock Companies Shares</i>		<i>10,00</i>
<i>Transfer to General Reserve</i>		<i>10,00</i>
<i>Outstanding claims as on 31.3.96</i>		

Exams important questions for students of IPCC

Fire	200,00
Marine	50,00
Miscellaneous	32,50

Provision for tax @50%. Proposed dividends @20%. Provision for the unexpired risks is to be made as follows:

(a) On Marine Policies 100% Premium less reinsurance.

(b) On Other Policies 50% Premium less reinsurance.

You are required to prepare the revenue and profit and loss account for the year ended 31.3.1996 of the company. (20 marks) (Intermediate–Nov. 1996)

Question 4

Give computation of “premium income,” “claims expense” and “commission expense” in the case of an insurance company. (5 marks)(Intermediate–May 2000)

Question 5

On 31st March, 1997, Uncertain Bank Ltd. had a balance of Rs. 9 crores in “rebate on bills discounted” account. During the year ended 31st March, 1998, Uncertain Bank Ltd. discounted bills of exchange of Rs. 4,000 crores charging interest at 18% per annum the average period of discount being for 73 days. Of these, bills of exchange of Rs. 600 crores were due for realisation from the acceptors/customers after 31st March, 1998, the average period outstanding after 31st March, 1998 being 36.5 days.

Uncertain Bank Ltd. asks you to pass journal entries and show the ledger accounts pertaining to :

(i) discounting of bills of exchange and

(ii) rebate on bills discounted. (10 marks) (Intermediate–May 1998)

Question 6

S & M Ltd., Bombay, have a branch in Sydney, Australia. At the end of 31st March, 1995, the following ledger balances have been extracted from the books of the Bombay Office and the Sydney Office :

	Bombay		Sydney	
	(Rs. thousands)		(Austr dollars thousands)	
	Debit	Credit	Debit	Credit
Share Capital	–	2,000	–	–
Reserves & Surplus	–	1,000	–	–
Land	500	–	–	–
Buildings (Cost)	1,000	–	–	–
Buildings Dep. Reserve	–	200	–	–
Plant & Machinery (Cost)	2,500	–	200	–
Plant & Machinery Dep. Reserve	–	600	–	130
Debtors / Creditors	280	200	60	30
Stock (1.4.94)	100	–	20	–
Branch Stock Reserve	–	4	–	–

Exams important questions for students of IPCC

Cash & Bank Balances	10	—	10	—
Purchases / Sales	240	520	20	123
Goods sent to Branch	—	100	5	—
Managing Director's salary	30	—	—	—
Wages & Salaries	75	—	45	—
Rent	—	—	12	—
Office Expenses	25	—	18	—
Commission Receipts	—	256	—	100
Branch / H.O. Current A/c	120	—	—	7
	4,880	4,880	390	390

The following information is also available :

- (1) Stock as at 31.3.95 :
Bombay Rs. 1,50,000
Sydney A \$ 3,125
 - (2) Head Office always sent goods to the Branch at cost plus 25%.
 - (3) Provision is to be made for doubtful debts at 5%.
 - (4) Depreciation is to be provided on buildings at 10% and on plant and machinery at 20% on written down values.
 - (5) The Managing Director is entitled to 2% commission on net profits.
 - (6) Income-tax is to be provided at 47.5%.
- You are required :
- (a) To convert the Branch Trial Balance into rupees;
(use the following rates of exchange :
Opening rate A \$ = Rs. 20
Closing rate A \$ = Rs. 24
Average rate A \$ = Rs. 22
For Fixed Assets A \$ = Rs. 18).
 - (b) To prepare the Trading and Profit & Loss Account for the year ended 31st March, 1995 showing to the extent possible H.O. results and Branch results separately. (Balance Sheet not required.)

(20 marks) (Intermediate May 1995)

Question 7

Bidisha Bank Ltd. had extended the following credit lines to a Small Scale Industry which had not paid any interest since March, 1995.

	Term Loan	Export Credit
Balance outstanding on 31.3.2001	Rs. 70 Lacs	Rs. 60. Lacs
DICGC/ECGC Cover	50%	40%
Securities held	Rs. 30 Lacs	Rs. 25 Lacs
Realisable value of securities	Rs. 20 Lacs	Rs. 15 Lacs

Compute the necessary provisions to be made for the year ended 31st March, 2001

(6 marks) (Intermediate–May 2002)

Question 8

Following are the statements of interest on advances in respect of performing and non-performing assets of Madura Bank Ltd. Find out the income to be recognised for the year ended 31st March. 1998.

		(Rs. in lakhs)
<i>Performing Assets</i>	<i>Interest earned</i>	<i>Interest received</i>
<i>Cash credit and overdrafts</i>	<i>1,800</i>	<i>1,060</i>
<i>Term loans</i>	<i>480</i>	<i>320</i>
<i>Bills purchased and discounted</i>	<i>700</i>	<i>550</i>
<i>Non-performing Assets</i>		
<i>Cash credit and overdrafts</i>	<i>450</i>	<i>70</i>
<i>Term loan</i>	<i>300</i>	<i>40</i>
<i>Bills purchased and discounted</i>	<i>350</i>	<i>36</i>

(4 Marks) (Intermediate–Nov. 1998)