FYUGP/Sem-6/AC-CE2

2026

Commerce (Core)

Paper Code : AC-CE-6324

Paper Name : Advanced Financial Accounting

Time : 3 hours ***Full Marks : 70***

The figures in the margin indicate full marks for the questions

1. Answer the following as directed : 1×10=10

   a) Final Accounts of Insurance companies are prepared according to the provisions of LICI Act, 1956. (State True or False)

   b) Cum-interest and ex-interest is applicable only to the fixed interest bearing securities. (State True or False)

   c) Face value of investment is always equal to the Capital Value of the investment. (State True or False)

   d) Loss of profit insurance is also known as consequential loss. (State True or False)

   e) Average clause in Insurance claim is applied to prevent the firm from getting undue compensation. (State True or False)

   f) The difference between standard sales and actual sales in indemnity period is known as _____. (Fill in the blank)

   g) Commission on re-insurance ceded is an _____. (Fill in the blank)

   h) Consideration for annuities granted is a source of _____ for a life insurance company. (Fill in the blank)

   i) When an investment is quoted as cum-interest, the price of the investment includes the Cost of investment and _____. (Fill in the blank)

j) Interest on investment should always be calculated on _____.
(Fill in the blank)

2. Answer the following questions : 2×5=10

a) Mention two features of investment account.

b) What is average clause in insurance claims ?

c) What is salvage value of stock in insurance claims ?

d) What is surrender value ?

e) Explain the term 'life fund'.

3. Answer the following questions *(any four)*: 5×4=20

a) Why is it necessary to insure the assets of a business while taking up a policy on loss of profit ?

b) Mr. S. Dutta took out a fire insurance policy containing an average clause covering his stock for Rs. 90,000. On the date of fire the value of stock was Rs. 120,000. The loss was assessed at Rs. 85000. Ascertain the amount of loss which can be recovered from the insurance comapny.

c) Mention the objectives of preparing an investment account.

d) On 1-6-2025 Mr. A purchased from Mr. B 1000, 12% Debentures of xyz Ltd.@ Rs 95 cum-interest (nominal value Rs. 100). Interest is payable on 30th June and 31st December each year. Give journal entries in the books of Mr. A and Mr. B on 1-6-2025.

e) What are the Statutory and Subsidiary books maintained by a life Insurance Company ?

f) Write a note on Fire Insurance Revenue Account.

4. Answer the following questions *(any three)*: 10×3=30

a) On 1st April 2025, the godown of Pawan Ltd. was destroyed by fire. From the books of accounts, the following particulars were obtained :

Stock at cost on 1-1-2024 Rs. 27,570

Stock as per balance sheet on 31-12-2024	Rs. 51,120
Purchases during 2024	Rs. 2,71,350
Purchases from 1-1-2025 to 31-3-2025	Rs. 75000
Sales during 2024	Rs. 351,000
Sales from 1-1-2025 to 31-3-2025	Rs. 91,500
Value of Stock Salvaged	Rs. 6,300

Goods of whose original cost was Rs 3600 had been valued at Rs, 1,500 on 31-12-2024. These were sold in March 2025 for Rs. 2700. Except this transaction, the rate of gross profit has remained constant. Calculate the value of goods destroyed.

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b) From the following particulars prepare a Fire Revenue Account of the Purbanchal Insurance Co-Ltd. for the year ended 31-3-2025.

Reserve for Unexpired risk on 1-4-2024		Rs. 2,56,000
Additional Reserve on 1-4-2024		Rs. 59,000
Claims paid		Rs. 325,000
Management expenses		Rs. 1,41,000
Premiums		Rs. 5,05,000
Interest and Dividend		Rs. 91,500
Income tax on interest and dividend		Rs. 3500
Re-insurance premium		Rs. 45,000
Profit on sale of investment		Rs. 10,000
Legal charges regarding claims		Rs. 7500
Re-insurance claims		Rs. 13500
Commission on direct business		Rs. 55,500
Outstanding claims :		
	on 01-04-2024	Rs. 35,000
	on 31-03-2025	Rs. 47,000

The company calculates its Reserve for unexpired risk at 50% of the net premium each year. 10

c) On 1-4-2024, Mr. Anjan Baruah had investment in 1,000 equity shares of Rs. 10 each in Reliance Power Ltd. having a book value of Rs. 12 each. During the year ended 31-03-2025, Mr. Anjan Baruah entered into the following transactions in respect of his investments :

10.04.2024 Purchased 3,000 equity shares of Rs. 10 each in Reliance Power Ltd. at Rs. 14 each.

12.06.2024 Reliance Power Ltd. made a bonus issue of one equity share for every two shares held.

24.06.2024 Sold 1000 of the bonus shares @ Rs. 18 per share.

14.09.2024 Received dividend @ 20% on shares in Reliance Power Ltd. for the year ended 31.3.2024.

Prepare an investment Account in the books of Anjan Baruah. The rate of brokerage and other expenses being 1%. 10

d) Write notes on : $2\frac{1}{2} \times 4 = 10$

i) Standard sales

ii) Indemnity period

iii) Standing charges

iv) Increased Cost of Working

e) Explain the procedure of accounting for investments in fixed income bearing securities. 10

f) Explain the method of followed for ascertaining profit of life insurance business. 10

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