

PGDM (Insurance Business) 2014-16

Insurance Accounting & Analysis

INS-106

Trimester – I, End-Term Examination, September, 2014

Time allowed: 2½ Hours

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Note : - *Please be relevant and brief in your answers.*

- *Section C is compulsory.*

- *Do not write anything on this question paper except your roll no.*

Section-A

There are 5 questions in this section. Attempt any 3 questions. Each question carries 5 marks.

- A-1. (a) 'Accounting information should be comparable'. Do you agree with this statement? Give two reasons. (3)
- (b) How will you define revenues and expenses? (2)
- A-2. (a) Why is it necessary for accountants to assume that business entity will remain a going concern? (3)
- (b) Discuss the concept-based on the premise 'do not anticipate profits but provide for all losses'. (2)
- A-3. Show the effect of the following transactions on Assets, Liabilities and Capital through accounting equation: (5)
- (a) Started business with cash Rs. 1,20,000
- (b) Rent received Rs. 10,000
- (c) Invested in shares Rs. 50,000
- (d) Received dividend Rs. 5,000
- (e) Purchase goods on credit from Ragani Rs. 35,000
- (f) Paid cash for house hold Expenses Rs. 7,000
- (g) Sold goods for cash (costing Rs.10,000) Rs. 14,000
- (h) Cash paid to Ragani Rs. 35,000
- (i) Deposited into bank Rs. 20,000
- A-4. (a) Describe the purpose for the preparation of trial balance. (3)
- (b) Explain the major Cash Inflow and outflows from financing activities. (2)
- A-5. The liquidity of a business firm is measured by its ability to satisfy its long-term obligations as they become due? Comment. (5)

Cont./2-

Section-B

[Note: Answer 2 out of the 3 Questions below. Each Question carries 10 marks.]

B-1. (a). From the following information, calculate (5)

- (i) Debtors Turnover Ratio (ii) Average Collection Period.
(iii) Payable Turnover Ratio (iv) Average Payment Period.

Given :	(Rs.)		(Rs)
Sales	8,75,000	Creditors	90,000
Bills Receivable	48,000	Bills Payable	52,000
Purchases	4,20,000	Debtors	59,000

(b) Charles Ltd. made a profit of Rs.1,00,000 after charging depreciation of Rs.20,000 on assets and a transfer to general reserve of Rs.30,000. The goodwill written-off was Rs.7,000 and gain on sale of machinery was Rs.3,000. Other information available to you (charges in the value of current assets and current liabilities) are debtors showed an increase of Rs,6,000; creditors an increase of Rs.10,000; prepaid expenses an increase of Rs.200; bills receivables a decrease of Rs.3,000; bills payables a decrease of Rs.4,000 and outstanding expenses a decrease of Rs. 2,000. Ascertain cash flow from operating activities. (5)

B-2. (a) From the following information calculate:

- (i) Gross Profit Ratio (ii) Inventory Turnover Ratio (iii) Current Ratio (iv) Liquid Ratio (5)

Sales	Rs.25,20,00	Net Profit	Rs.3,60,000
Cost of Sales	Rs.19,20,000	Long-term Debt	Rs. 9,00,000
Creditors	Rs.2,00,000	Average Inventory	Rs. 8,00,000
Current Assets	Rs. 7,60,000	Fixed Assets	Rs.14,40,000
Current Liabilities	Rs.6,00,000	Net Profit before Interest and Tax	Rs.8,00,000

(b) Welprint Ltd. has given you the following information: (Rs.) (5)

Machinery as on April 01, 2004	50,000
Machinery as on March 31, 2005	60,000
Accumulated Depreciation on April 01, 2004	15,000
Accumulated Depreciation on March 31, 2005	25,000

During the year, a Machine costing Rs. 25,000 with Accumulated Depreciation of Rs.15,000 was sold for Rs. 13,000.

Calculate cash flow from Investing Activities on the basis of the above information.

B-3. (a) Compute Gross Profit Ratio, Working Capital Turnover Ratio, Debt Equity Ratio and Proprietary Ratio from the following information: (5)

Paid-up Capital	Rs.5,00,000	Current Assets	Rs. 4,00,000
Net Sales	Rs.10,00,0	13% Debentures	Rs.2,00,000
Current Liability	Rs.2,80,000	Cost of Goods Sold	Rs.6,00,000

(b) Prepare a Cash Flow statement from the following information : (5)
(In Lakhs)

Liabilities	2004 (Rs.)	2005 (Rs.)	Assets	2004 (Rs.)	2005 (Rs.)
Equity Share Capital	40,000	50,000	Fixed Assets	41,000	40,000
Profit and Loss Account	1,000	1,200	Less : Provision for Depreciation	11,000	15,000
General Reserve	2,000	2,500		30,000	25,000
10% Debentures	6,000	6,500	Debtors	20,000	24,000
Sundry Creditor	12,000	11,000	Stock	30,000	35,000
Provision for Taxation	3,000	4,200	Prepaid Expenses	300	500
Proposed Dividend	5,000	5,800	Cash	1,200	3,500
Bank overdraft	12,500	6,800			
	81,500	88,000		81,500	88,000

Additional Information:

Interest paid on Debenture Rs. 600

Section-C

Case Study

15 Marks

From the following balances, prepare the trading and profit and loss account and balance sheet as on March 31, 2005.

Debit Balances	Amount Rs.	Credit Balances	Amount Rs.
Drawings	6,300	Capital	1,50,000
Cash at bank	13,870	Discount received	2,980
Bills receivable	1,860	Loans	15,000
Loan and Building	42,580	Purchases return	1,450
Furniture	5,130	Sales	2,81,500
Discount allowed	3,960	Reserve for bad debts	4,650
Bank charges	100	Creditors	18,670
Salaries	6,420		
Purchases	1,99,080		
Stock (opening)	60,220		
Sales return	1,870		
Carriage	5,170		
Rent and Taxes	7,680		
General expenses	3,630		
Plant and Machinery	31,640		
Book debts	82,740		
Bad debts	1,250		
Insurance	750		
	4,74,250		4,74,250

Adjustments

- Closing stock Rs. 70,000
- Create a reserve for bad and doubtful debts @ 10% on book debts
- Insurance prepaid Rs. 50
- Rent outstanding Rs. 150
- Interest on loan is due @ 6% p.a.