

DEPARTMENT OF COMMERCE

M-COM II YEAR

ADVANCED CORPORATE ACCOUNTING

P18COC312

STUDY MATERIAL

1) What is "Rebate on Bills discounted"? How is it dealt with in a Bank's final accounts?

This is also termed as "unexpired discount" or "discount received but not earned".

The rebate on bills discounted is reduced from discount received and it is shown under "other liabilities" in the Balance sheet.

2) How is interest on doubtful debt treated in Bank accounts:

Interest earned by a Banking Company on doubtful debts can be treated in any of the following ways in the accounts of a Banking Company.

i) Interest suspense method

ii) cash basis

iii) Accrual method:

3) Explain the meaning of NON-performing Assets?

Any asset which generates income is a 'performing asset'. An asset becomes 'non performing' when it ceases to generate income for a bank. This happens when interest or instalment of principle or both are not received on due dates and delay exceeds a 'stipulated time'.

4) write a note on 'NON Banking Assets'.

A Banking company may have to take possession of certain assets charged in its favour on account of the failure of a debtor to repay the loan in time.

5) what is 'Statutory Reserve'?

Every Banking Company incorporated in India is required under section 17(1) of the Act to create a Reserve fund and to transfer to such fund, before any dividend is declared, a sum equal to not less than 25% of the profit as disclosed in the profit and loss account. Such reserve is termed as "statutory reserve".

6) what do you understand by 'Contingent Liabilities'?

These are not liabilities of a bank on the date of a balance sheet, but can become liabilities at a future date. The contingent liabilities are shown under schedule 12 as a footnote to the balance sheet of a bank.

7) Define Banking?

The Banking Regulation act 1949 defines Banking as "accepting for the purpose of lending or investment, of deposits of money from the public repayable

on demand or otherwise and with drawables by cheque, draft, order or otherwise.

8) What is meant by 'annuity'?

The person taking out an annuity may pay the premium in regular instalments over a certain period or, he/she may pay it in a lump sum at once.

9) What is Reinsurance?

Life insurance company provides cover for risk to life. When the management of a insurance company feels that the risk taken is more than its risk bearing capacity, risk can be shifted through "reinsurance". Reinsurance is adjusted while computing premiums, claims and commissions.

10) Explain the meaning of 'surrender value'?

Surrender is shown as an expenditure under schedule 4 - benefits paid along with claims, annuities etc.

11) What do you understand by 'Life assurance fund'?

A life insurance company maintains a life assurance fund which represents the excess of revenue income over revenue expenditure relating to the life insurance business.

12) Give the meaning of "Reversionary Bonus"?

It refers to Bonus declared by Insurance Company which is payable only on the maturity of the policy together with policy amount.

13) Explain the meaning of "Double Insurance"?

Taking more than one policy on the same subject matter with two or more insurance companies is called double insurance.

14) Write a note on 'Reserve for unexpired Risk'?

It is peculiar to general insurance business. It represents the income received in advance by the Insurance Company as premium.

15) What is difference between 'Annuities' and 'Consideration for annuities granted'?

'Annuity' is an annual payment guaranteed and paid by an insurance company regularly as long as the insured is alive in consideration of a 'lumpsum' received in the beginning. Sometimes, the consideration may be paid over a certain period in regular instalments.

16) Explain the meaning of 'Inflation Accounting'.

The various ways in which financial accounts can be adjusted for changing prices have come to be known as "Inflation Accounting".

17) Explain the meaning of 'Cost of Sales Adjustment'.

It ensures that inventories are shown in the balance sheet at their current values. It also helps in showing the stock sold or used at its current value.

18) What is Monetary Working Capital Adjustment? MWCA

Monetary working capital is the difference between trade debtors and trade creditors. Thus, an apparent increase in monetary working capital due to price level changes is called MWCA.

19) What is Back-log depreciation?

Back log depreciation is not debited to the Income Statement. It is debited to the 'Current Cost Reserve' and credited to the asset account which is shown as a reduction in the balance sheet assets' side. Thus, the current year's profit is not affected because of the back log depreciation relating to the previous year.

20) write a brief note on 'current purchasing power method'.

This method was evolved in 1974 by the Institute of chartered accountants in England and Wales. It was issued as statement of standard Accounting Practice no. 7 (SSAP-7), entitled "Accounting changes in the purchasing power of money".

21) write short notes on 'current cost Accounting method'.

The general complaint that ccp method is not satisfactory in dealing with price level changes has made the British Government withdraw the statement of standard accounting practice - 7 (SSAP-7) which was issued in 1974.

22) what is human resource accounting?

HRA is the process of identifying and measuring data about human resources and communicating this information to interested parties.

23) Objectives of HRA

- i) To provide quantitative information for making managerial decisions.
- ii) To evaluate the return on investment of human resources.

24) Enumerate the various methods of valuation of human resources.

a) cost based methods.

- a) Historical cost method
- b) Replacement cost method
- c) Opportunity cost method
- d) Standard cost method
- e) Total cost method.

b) value based methods

- a) unpurchased goodwill method or capitalisation of super profits method.
- b) Present value of future earning method
- c) Renewals valuation method
- d) Net benefit method
- e) Total payment method.

25) what is BHEL?

Bharat heavy Electrical Company is the first Indian company, which has published human resource accounts from 1974-75 onwards and considered as one of the Fortune 500 Companies listed outside U.S.A.