UNIT - I

BANK ACCOUNTS :

The profit and loss accounts of a banking company has to be prepared in form 'B'.

The Balance sheet of a Banking company has to be prepared in 'form 'A''.

Rebate on bills discounted :

The Rebate on bills discounted is reduced from discount received

And it is shown under 'other liabilities' in the Balance sheet.

Bad debts and provision for doubtful debt :

under the heading "provision and contingencies" in the profit and loss account

And in the Balance sheet advances

schedule 7

Provision for taxation and income tax

under the heading ' "provision and contingencies' in the profit and loss account.

And in the Balance sheet 'other liabilities and provisions' schedule 5

Intrest on doubtful debt

i) Intrest suspension method

ii) cash basis → It is a best method

iii) Accrual method.

Provision for NON - Performing assets.
Standard assets :-

A provision of 0.25% on

Standard assets

Sub - Standard assets :-

A general provision of 10% is to be

made on total outstanding amount.

Doubtful assets :-

	Percentage of provision
upto one year	20%
more than one year but upon three years	30%
Above three years	50%

Loss assets :-

100% provision

UNIT - II

Insurance company accounts :

Types of Insurance :-

1) Life Insurance
2) General Insurance

Accounts of General Insurance companies :-

Revenue account has to be prepared at the end of each financial year in the prescribed form "B-RA".

Profit and loss account has to be prepared in Form "BPL"

Balance sheet has to be prepared in Form "B-BS".

Reserve for unexpired Risk :-

Under section 64 v(i) (ii) (b) of the IRDA Act, the Reserve for unexpired Risk should be as under.

i) Fire and miscellaneous business - 50% of premium earned

ii) marine cargo business 50% of premium earned

iii) marine Hull business 100% of premium earned.

closing reserve are more than opening reserve
↓
amount reduced from premium earned

opening reserve are more

↓

amount of change should be added to

premium

Additional Reserve :

Is Adjusted in schedule 1 premium earned and shown under schedule 14 "provisions"

Premiums!

After adjusting change in Reserve for unexpired risk, net premium is shown in Revenue account.

claims!-

Any reinsurance claims payable or paid should be added and

claims covered under reinsurance should be reduced. The balance is net claims to be shown in Revenue account.

Inflation accounting :

Different methods of Inflation accounting :-

1) Current purchasing power method (CPP)
or General purchasing power method (GPP)
2) Current cost accounting method (CCA)
3) Hybrid method.

1) CPP method
i) Determining the conversion factors:

$$\text{Conversion factor} = \frac{\text{Index on the date of conversion}}{\text{Index on the date the item arose}}$$

ii) mid period conversion
iii) Gain or loss on monetary items

2) CCA method
A) Cost of sales Adjustment (COSA)

$$COSA = (C - O) - Ia\left(\frac{C}{IC} - \frac{O}{IO}\right)$$

C = Closing stock under historical accounting system
O = opening stock under historical accounting system
Ia = Average Index for the accounting period
IC = Closing Index for the accounting period
IO = opening Index for the accounting period.

B) Depreciation Adjustment

Depreciation adjustment = Depreciation as per CCA method on current value of assets − Depreciation as per historical accounts on original cost assets.

c) Monetary working capital Adjustment (MWCA)

$$MCWA = C - O - Ia\left(\frac{C}{Ic} - \frac{O}{Io}\right)$$

O = opening monetary working capital
C = closing monetary working capital
Ia = Average index for the period
Io = Index applicable to opening mwc
Ic = Index applicable to closing mwc

D) Gearing Adjustment

$$GA = \frac{L}{O} \times A$$

L = Net Borrowings
O = Net average operating assets
A = The total current cost adjustments

$$GA = \frac{L}{L+S} \times A$$

S = Share holders' fund

3) Hybrid method :-

Combined CCA and CPP

UNIT - IV

Double account system :-

Important accounting terms and provision relating to Electricity supply Companies

1) Depreciation :-

i) Compound Interest method

ii) straight Line method

Depreciation need not provided when the asset has been written down to 10% of its original cost.

2) Contingency Reserve

Reserve from revenues - not less than 1/4 %

and

not more than 1/2 %

of the original cost of fixed assets.

3) Development Reserve

4) Tariffs and dividend control Reserve

5) General Reserve :-

Section 67

annual contribution at a rate note exceeding 1/2 % of the original cost of the fixed assets

total Reserve does not exceeds 8%.

6) Reasonable Return :

An amount equal to 1/2 % on any loans advances by the Board.

An amount equal to ½ % on the amount borrowed from organisations.

An amount equale to ½ % on the amount realised by the issue of debentures

An amount equal to ½ %. on the accumulations in the Development Reserve.

7) Disposal of surplus :-

⅓ of the surplus not exceeding 5%. of the reasonable return

of the balance ½ will be transfered to tariffs and Dividend control Reserve

The balance will be distributed among consumers by way of reduction of rates or by way of special rebate.

UNIT - V

AS-10 - Accounting for fixed assets

Date of issue : NOV 1985 ; mandatory w.e.f 1.4.91

This does not deal

1) Forest, plantation and similar regenerative natural resources.

2) wasting assets
   mining
   oil
   natural gas

3) expenditure on real estate development

4) live stock

5) government grants and subsidies

6) lease rights.

main features :-

1) The cost of fixed assets should comprise of its purchase price and attributable cost

2) self constructed assets only direct cost are included in the cost of the assets.

3) Fixed assets should be eliminated
   No further benefits

4) Fixed assets are revalued.

5) Goodwill should be recorded only when some consideration has been paid for it.

Disclosure :-

1) Gross and net book value of fixed assets

2) Construction or acquisition

3) Information of revalued assets

AS - 20 - Earnings per share

(Date of issue : 1-4-2001 ; made mandatory w.e.f 1-4-2001)

objective:

comparison of performance among different enterprise for same period and different accounting period for the same enterprise.

Scope :-

mandatory for listed enterprises

main features :-

1) Basic earning per share = ~~Net~~

$$\frac{\text{Net profit or loss for the period attributable to equity shareholders}}{\text{The weighted average number of equity shares outstanding during the period}}$$

2) Diluted earnings per share = After ajusting the Basic EPS

Disclosures:

1) The amounts used as the numerators in calculating Basic and Diluted earnings per share

2) The weighted average number of Equity shares used as the denominator in calculating Basic and Diluted earnings.

3) The nominal value of shares along with EPS

AS-22 - Accounting for taxes on Income

objective:

accounting treatment for taxes on Income.

main features:-

1) Taxable Income differ from the accounting Income

Taxable Income is calculated accordance with tax law

accounting Income is calculated through accounting policies

2) permanent difference and Timing difference.

3) permanent difference originate in one period and do not reverse subsequently

4) Timing difference originate in one period and are usually reversed in one or

more subsequent periods

5) Deferred tax assets should be recognised and carried forward.

6) Tax effect of Timing difference is called "Deferred tax".

7) Deferred tax assets and liabilities should be measured using Tax rates and Tax laws

8) Deferred Tax assets and liabilities should not be discounted to their present value.

Presentation and Disclosure:-

1) An enterprise should offset assets and liabilities representing current tax.

2) An enterprise should offset deferred tax assets and deffered tax liablities

3) The nature of the evidence of deffered tax

4) The break up of deferred tax assets and liabilities into major components of the respective balance should be disclosed in the notes to accounts.