INTERMEDIATE (IPC) COURSE
STUDY MATERIAL

PAPER : 5
ADVANCED ACCOUNTING
MODULE – 2

BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
This Study Material has been prepared by the faculty of the Board of Studies. The objective of the study material is to provide teaching material to the students to enable them to obtain knowledge in the subject. In case students need any clarifications or have any suggestions to make for further improvement of the material contained herein, they may write to the Director of Studies.

All care has been taken to provide interpretations and discussions in a manner useful for the students. However, the study material has not been specifically discussed by the Council of the Institute or any of its Committees and the views expressed herein may not be taken to necessarily represent the views of the Council or any of its Committees.

Permission of the Institute is essential for reproduction of any portion of this material.

© The Institute of Chartered Accountants of India

All rights reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the publisher.

Revised Edition : July, 2018
Website : www.icai.org
E-mail : bos@icai.in

Committee/Department : Board of Studies
ISBN No. :
Price(All Modules) :
Published by : The Publication Department on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi 110 002, India.

Printed by :
CONTENTS

MODULE – 1
Chapter 1: Framework for Preparation and Presentation of Financial Statements
Chapter 2: Accounting Standards
Chapter 3: Advanced Issues in Partnership Accounts
Appendix-I : Framework for the Preparation and Presentation of Financial Statements
Appendix-II: Applicability of Accounting Standards to Various Entities
Appendix-III: Text of Accounting Standards

MODULE – 2
Chapter 4 : Company Accounts
Chapter 5 : Financial Statements of Insurance Companies
Appendix : Schedule III to the Companies Act, 2013

MODULE – 3
Chapter 6 : Financial Statements of Banking Companies
Chapter 7 : Departmental Accounts
Chapter 8 : Accounting for Branches Including Foreign Branches

© The Institute of Chartered Accountants of India
CHAPTER 4 : COMPANY ACCOUNTS ............................................................ 4.1 – 4.153

Unit 1  ESOP and Buy-back of Shares
1.1 Employees Stock Option Plan ............................................................4.1
   1.1.1 Important terms to be Remembered ........................................4.2
   1.1.2 Provisions of Guidance Note on Employee Share-Based Payments ....4.2
1.2 Buy-Back of Securities .......................................................................4.9
   1.2.1 Provisions of Section 70 of the Companies Act .........................4.12
1.3 Equity shares with differential rights ..................................................4.25

Unit 2 : Underwriting of Shares and Debentures
2.1 Introduction .....................................................................................4.27
2.2 Underwriting Commission ..................................................................4.27
2.3 Provisions in the Companies Act Affecting Underwriting .................4.28
2.4 Underwriting Contract .......................................................................4.28
   2.4.1 Determination of Liability in respect of a Normal Underwriting Contract ......4.28
   2.4.2 Firm Underwriting ....................................................................4.31

Unit 3 : Redemption of Debentures
3.1 Introduction .....................................................................................4.42
3.2 Redemption of Debentures ...............................................................4.43
3.3 Debenture Redemption Reserve .............................................................4.44
   3.3.1 Liability of the Company to create Debenture Redemption Reserve ......4.45
   3.3.2 Balance in Debenture Redemption Reserve .................................4.45
   3.3.3 Adequacy of Debenture Redemption Reserve .............................4.46
   3.3.4 Investment of Debenture Redemption Reserve Amount ...............4.47
3.4 Methods of Redemption of Debentures ..............................................4.49
   3.4.1 By payment in Lumpsum .............................................................4.49
   3.4.2 By payment in Instalments ............................................................4.49
3.4.3 Purchase of Debentures in Open Market ......................................................... 4.49

Unit 4: Amalgamation and Reconstruction
  4.1 Amalgamation .................................................................................................... 4.64
    4.1.1 Types of Amalgamation ............................................................................. 4.64
  4.2 Reconstruction .................................................................................................. 4.64
  4.3 Advanced Problems .......................................................................................... 4.65

Unit 5: Liquidation of Companies
  1 Liquidation - Introduction ................................................................................. 4.118
  2 Definition of Winding Up .................................................................................... 4.118
  3 Winding up by Tribunal ..................................................................................... 4.118
  4 Petition for Winding Up [Section 272] ............................................................... 4.119
  5 Voluntary Winding Up ....................................................................................... 4.120
  6 Liquidators’ Statement of Account ..................................................................... 4.122
  7 Commencement of Winding Up by Tribunal [Section 357] .............................. 4.123
  8 Statement of Affairs ........................................................................................... 4.124
  9 Deficiency Account .............................................................................................. 4.125
 10 Overriding Preferential Payments [Section 326] .............................................. 4.125
 11 Preferential Creditors ....................................................................................... 4.127
 12 Miscellaneous Illustrations .............................................................................. 4.131
 13 Liquidator’s Final Statement of Account ........................................................... 4.143
 14 B List Contributories ......................................................................................... 4.151

CHAPTER 5: FINANCIAL STATEMENTS OF INSURANCE COMPANIES ...... 5.1 – 5.110

Unit 1: Introduction to Insurance Business
  1.1 Introduction ....................................................................................................... 5.1
    1.1.1 Principles of Insurance ............................................................................ 5.5
  1.2 Various types of insurance ............................................................................... 5.5
    1.2.1 Life Insurance Policy .............................................................................. 5.5
    1.2.2 General Insurance ................................................................................. 5.6
  1.3 Various Types of General Insurance ................................................................. 5.6

© The Institute of Chartered Accountants of India
1.3.1 Fire Insurance ................................................................. 5.8
1.3.2 Marine Insurance .......................................................... 5.9
1.3.3 Miscellaneous Insurance Policies ............................... 5.12
1.4 Distinction between Life Insurance and other forms of Insurance  5.13
1.5 Some relevant provisions of the Insurance Act, 1938 ............ 5.13
1.6 Insurance Regulatory and Development Authority Act, 1999
(Some Relevant Amendments in Insurance Act, 1938) ................ 5.15

Unit 2 : Accounting Technique of General Insurance Business
2.1 Functional divisions and books of account maintained therein .... 5.20
2.2 Claims provision at divisional offices ................................ 5.21
2.3 Claims paid ........................................................................ 5.22
2.4 Co-insurance ..................................................................... 5.23
2.5 Outstanding premium .......................................................... 5.23
2.6 Commission ....................................................................... 5.24
2.7 Loans .................................................................................. 5.24
2.8 Investments ........................................................................ 5.25
2.9 Unexpired risks reserve ....................................................... 5.28
2.10 Re-insurance ..................................................................... 5.30

Unit 3 : Financial Statements of Insurance Companies
3.1 Introduction ....................................................................... 5.33
3.2 Structure of Schedules A and B ........................................ 5.33
3.3 Financial Statements .......................................................... 5.34
3.4 IRDA Regulations, 2002 .................................................... 5.34
3.5 Preparation of financial statements ..................................... 5.35
Annexure I: Schedule A for Life Insurance Business .................. 5.65
Annexure II: Schedule B for General Insurance Business ........... 5.89

APPENDIX : Schedule III to the Companies Act, 2013 .................. 1 – 20