

Subject: Financial Accounting

Class: B.Com IV Sem

Topic Name: Final Account of General Insurance Companies

Adjustment	1 st entry	2 nd entry
1) Reserve For unexpired Risk	50% on Net premium 100% On net premium (Only Marine)	B/S Liability Side
2) Bonus	Dr. side Revenue a/c	Add to Net premium Cr.Side
3) Dividend	Dr. Side of P & L Appro.	Liability side in B/S
4) General Reserve	Dr. Side of P & L Appro.	Liability side in B/S
5) Accrued Interest	Cr. Side of P&L	Asset Side
6) Income Tax Provision	Dr. side of P & L	Liability side in B/S

Q1. From the following extract available from the books of Shree Insurance company Ltd. For the year ended 31.3.2001, prepare necessary accounts and find out profit or loss :

Income Tax on Investment Income	3,000	
Director's Fees	27,000	
Dividend(Gross)	25,000	
Interest received	6,000	
Provision for taxation	75,000	
Fixed assets	10,000	
	Fire `	Marine `
Outstanding claims on 1-4-2000	13,000	3,000
Claims paid during the year	45,000	9,000
Reserve for unexpired risk	50,000	37,000
Outstanding premiums on 31-3-2001	12,000	8,000
Premium on direct business	1,27,000	75,000
Re-insurance premium (cr)	6,000	7,000

Re-insurance premium (Dr)	15,000	3,000
Commission	35,000	20,000
Administrative expenses	19,000	7,000

The following points should be considered while preparing the accounts.

1. Depreciation on fixed assets is to be provided @ 10%.
2. Interest accrued ` 2,000
3. Taxation provisions need to be ` 70,000 on 31-3-2001
4. Claims outstanding as on 31-3-2001 are : Fire ` 5,000 Marine ` 1,000
- (5) Reserve for unexpired risk on 31-3-2001 Fire 50% of net premium
Marine 100% of net premium

Ans:-

Shree General Insurance Company Ltd.

Fire Revenue Account

For the year Ended on 31st March, 2001

Particulars	`	`	Particulars	`	`
Claims Paid	45,000		Provision for unexpired risk	50,000	50,000
Less O/s P.Y.	<u>13,000</u>		Additional Provision for unexpired risk	=	
	32,000			1,27,000	
Add claims intimated	--		Premium received	<u>15,000</u>	
Add O/s C.Y.	<u>5,000</u>	37,000	Less reinsurance premium paid	1,12,000	
Commission on direct business		35,000		12,000	
Expenses of Management		19,000	+O/S premium	<u>6,000</u>	1,30,000
Profit	65,000		+Receivable		
Provision for unexpired risk 50% of Net premium		65,000	Commission on reinsurance ceded		
Additional Provision for unexpired risk			Interest and dividend less tax		
		1,80,000			1,80,000

Shree General Insurance Company Ltd.

Marine Revenue Account

For the year Ended on 31st March, 2001

Particulars	₹	₹	Particulars	₹	₹
Claims Paid	9,000		Provision for unexpired risk		37,000
Less O/s P.Y.	<u>3,000</u>		Additional Provision for unexpired risk	==	
	6,000			75,000	
Add claims intimated	--	7,000	Premium received	<u>3,000</u>	
Add O/s C.Y.	<u>1,000</u>		Less reinsurance premium paid	72,000	
		20,000		7,000	
Commission on direct business		7,000		<u>8,000</u>	87,000
Expenses of Management		3,000	+O/S premium		
Profit	87,000		+Receivable		
Provision for unexpired risk 50% of Net premium		87,000	Commission on reinsurance ceded		
Additional Provision for unexpired risk			Interest and dividend less tax		
		1,24,000			1,24,000

Shree Insurance Company Ltd.

Profit & Loss Account

For the year Ended on 31st March,2001

Particulars	₹	₹	Particulars	₹	₹
To Director fees		27,000	By Dividend	25,000	
To Depreciation		1,000	By Interest	6,000	
To Profit C/d		34,000	By interest accrued	<u>2,000</u>	
				33,000	
			Less Income tax	<u>3,000</u>	30,000
			By Tax Provision not required		5,000
			By Profit Fire		24,000
			By Profit Marine		3,000
		62,000			62,000

Q2. The Moon Insurance Co.Ltd. furnished following Trial Balance as on March 31, 1998:-

Particulars	Dr.	Cr.
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Share Capital	-	1,40,00,000
General Reserve	-	16,18,000
Staff Provident Fund	-	1,42,000
Creditors	-	16,00,000
Expenses of Management:		
Fire	3,86,000	
Marine	1,72,000	
Claims paid:		
Fire	5,60,000	
Marine	5,37,000	
Commission:		
Fire	3,48,000	
Marine	2,47,000	
Income tax on Interest	29,000	
Directors fees	58,000	
Depreciation on furniture	4,000	
Contribution to Provident Fund	15,000	
R.B.I. Securities	1,83,46,000	
Interest accrued	36,000	
Premium outstanding:		
Fire	7,04,000	
Marine	5,96,000	
Sundry Debtors	1,93,000	
Staff P.F .Investment	1,42,000	
Cash & Bank	6,54,000	
Furniture less depreciation	1,24,000	

Reserve for unexpired Risk:		
Marine	-	12,20,000
Fire	-	6,51,000
Premiums less Reinsurance:		
Fire	-	16,53,000
Marine	-	12,00,000
Additional Reserve:		
Fire	-	7,14,000
Marine	-	75,000
Claims outstanding at the commencement(1-4-97):		
Fire	-	19,000
Marine	-	1,000
Interest on Investments	-	2,57,000
Sundry receipts	-	1000
	<u>2,31,51,000</u>	<u>2,31,51,000</u>

Additional information:-

- 1) Outstanding claims on 31-3-98 : Fire ` 26,000, Marine ` 94,000.
- 2) Provide ` 1,00,000 for survey expenses for marine insurance claims.
- 3) Make provision of ` 2,00,000 for taxation.
- 4) Provide in case of fire insurance for additional reserve at 10% of the net premium in addition to the opening balance.
- 5) Additional Reserve in Marine insurance is to be carried forward.

Reserve for unexpired risks should be 50% of the premiums less reinsurance for fire and 100% for marine.

Prepare the Revenue Accounts, P/L a/c and the Balance Sheet.

Ans:-

Moon Insurance Company Ltd.

Fire Revenue Account

For the year Ended on 31st March, 2005

Particulars	₹	₹	Particulars	₹	₹
Claims Paid and outstanding Less O/s P.Y.	5,60,000 <u>19,000</u> 5,41,000		Provision for unexpired risk	6,51,000	
Less ; Recoveries of claims	<u>26,000</u> -	5,67,000	Additional Provision for unexpired risk	<u>7,14,000</u>	13,65,000
Add O/s C.Y.		3,48,000	Premium received		16,53,000
Commission on direct business		--	Less reinsurance premium paid		
Com. On re-ins.		3,86,000	Commission on reinsurance ceded		
Accepted Expenses of Management	8,26,500	11,200			
Profit	<u>8,79,300</u>				
Provision for unexpired risk 50% of Net premium		17,05,800			
Additional Provision for unexpired risk					
		30,18,000			30,18,000

Moon Insurance Company Ltd.

Marine Revenue Account

For the year Ended on 31st March, 2005

Particulars	₹	₹	Particulars	₹	₹
Claims Paid and outstanding Less O/s P.Y.	5,37,000 <u>1,000</u> 5,36,000		Provision for unexpired risk	12,20,000	
Less ; Recoveries of claims	<u>94,000</u> -	6,30,000	Additional Provision for unexpired risk	<u>75,000</u>	12,95,000
Add O/s C.Y.		1,00,000	Premium received		12,00,000
Sundry Exp.		2,47,000	Less reinsurance premium paid		
Commission on direct business		--	Commission on reinsurance ceded		
Com. On re-ins.		1,72,000			
Accepted Expenses of Management	12,00,000	71,000			
Profit	<u>75,000</u>				
Provision for unexpired risk 50% of Net premium		12,75,000			
Additional Provision for unexpired risk					
		24,95,000			24,95,000

Moon Insurance Company Ltd.

Profit & Loss Account

For the year Ended on 31st March,2005

Particulars			Particulars		
To Director Fees		58,000	By Int on securities	2,57,000	
To Depreciation: Furniture		4,000	Less Tax	29,000	2,28,000
To Contribution to P.F.		15,000	By Sundry Receipts		1,000
To Tax Provision		2,00,000	By Profit as per fire Revenue		11,200
To Balance		34,200	By Profit as per Marine Revenue		71,000
		3,11,200			3,11,200

Moon Insurance Company Ltd.

Balance Sheet

As on 31st March,2005

Liabilities			Assets		
1.Share Capital			1.Loans		--
Authorised Capital		--	2.Investments Govt.		1,83,46,000
Subscribed,called & Paid upCapital		1,40,00,000	Sec.		--
2.Reserve or contingency A/c.			3.House Property		--
General Reserve		16,18,000	4.Agents' Balances	7,04,000	
Add C.Y		34,200	5.Premium	<u>5,96,000</u>	13,00,000
P &L appro.a/c			Outstanding Fire		36,000
3.Balance of Funds & a/c.	8,26,500		Marine		--
Fire Funds	12,00,000	20,26,500	6.Interst, Dividend & Rent o/s		1,93,000
Marine Fund	8,79,300		7.Amt. Due from other insurer		--
Additional Fund	75,000	9,54,300	8.Sundry Debtors		--
Fire Funds			Fixed Deposit (Staff Securities)		6,54,000
Marine Fund			Fixed Deposit (Staff P.F.)		1,24,000
4. Debentures	16,00,000		9.Bills Receivable		
5.Loans and Advances	1,42,000		10.Other accounts		
Creditors	1,00,000		Cash		
Staff Provident Fund	26,000				
	94,000				

Provision for survey claims o/s Fire Marine Tax Provision 6.Contigent Liabilities;	<u>2,00,000</u>	21,62,000	cash at Bank Furniture		
		2,07,95,000			2,07,95,000