

10. INSURANCE COMPANIES**PROBLEM NO: 1**

Particulars	Amount (Rs.)
Total Claim paid in 2011 (102000+12000+15000)	1,29,000
Less: Outstanding in the beginning i.e intimated in 2010 or earlier whether accepted in 2010 payment in 2011) (15000+12000)	(27,000)
	1,02,000
Add: Outstanding at the end [intimated in 2011 whether accepted in 2011 & in 2012 (10000+8000)]	18,000
	1,20,000
Less: Re-insurance claim	(25,000)
Claims to be shown in revenue a/c	95,000

PROBLEM NO: 2

Particulars	Amount (Rs.)
Premium received in respect of new policies	5,90,000
Add: Renewal Premium	1,20,000
	7,10,000
Add: Re-insurance premium accepted	90,000
	8,00,000
Less: Re-insurance ceided	(70,000)
Premium amount to be credited to Revenue A/c	7,30,000

PROBLEM NO: 3**Net Premium Earned**

Particulars	Amount (Rs.)	Amount (Rs.)
Premium from direct business	88,00,000	
Add: Receivable on 31-3-2013	3,77,000	
Less: Receivable on 1-4-2012	(4,39,000)	8,73,8000
Add: Premium on Re-insurance accepted	7,52,000	
Add: Receivable on 31-3-2013	32,000	
Less: Receivable on 1-4-2012	(36,000)	7,48,000
		94,86,000
Less: Premium on Re-insurance ceded	6,09,000	-
Add: payable on 31-3-2013	18,000	
Less: Payable on 1-4-2012	(27,000)	(6,00,000)
Net Premium earned		88,86,000

Net Claims Incurred

Particulars	Amount (Rs.)	Amount (Rs.)
Claims paid on direct business		69,00,000
Add: Re-insurance	5,54,000	
Add: Outstanding on 31-3-2012	12000	
Less: Outstanding as on 1-4-2013	(15000)	5,51,000
		74,51,000
Less: Claims received from re-insurance	2,01,000	
Add: Outstanding on 31-3-2013	38,000	
Less: Outstanding on 1-4-2012	(40,000)	(1,99,000)
		72,52,000

Add: Outstanding direct claim at the end of the Year		95,000
		73,47,000
Less: Outstanding Claims at the beginning of the year		(89,000)
Net Claim Incurred		72,58,000

PROBLEM NO: 4

FORM B- RA

Name of the Insurer: Bachao Insurance Company Limited

Registration No. and Date of registration with IRDA:

Revenue Account for the year ended 31st March, 2013(Fire business)

Particulars	Schedule	Amount (Rs.)
Premium earned (net)	1	14,90,500
Profit on sale of investment		15,000
Others		-
Interest and dividend (gross)		75,000
Total (A)		15,80,500
Claims incurred (Net)	2	10,12,500
Commission	3	1,75,000
Operating expenses related to insurance	4	3,75,000
Total (B)		15,62,500
Operating profit from insurance business (A) – (B)		18,000

Schedule –1 Premium earned (net)

Particulars	Amount (Rs.)
Premium received	16,80,000
Less: Premium on reinsurance ceded	(1,12,500)
Net Premium	15,67,500
Less: Adjustment for change in Reserve for Unexpired risk (as per W.N.)	(77,000)
Total premium earned	14,90,500

Schedule -2 Claims incurred (net)

Particulars	Amount (Rs.)
Claims paid	9,60,000
Add: Expenses regarding claims	45,000
	10,05,000
Less: Re-insurance recoveries	(30,000)
	9,75,000
Add: Claims outstanding as on 31st March, 2013	1,35,000
	11,10,000
Less: Claims outstanding as on 31st March, 2012	(97,500)
	10,12,500

Schedule -3 Commission

Particulars	Amount (Rs.)
Commission paid	1,75,000

Schedule-4 Operating expenses related to Insurance Business

Particulars	Amount (Rs.)
Expenses of management (Rs.4,20,000 – Rs.45,000)	3,75,000

WORKING NOTE:

Calculation for change in Reserve for Unexpired risk:

Particulars	Amount (Rs.)	Amount (Rs.)
Reserve for Unexpired Risk as on 31st March, 2013	6,27,000	
Additional Reserve as on 31st March, 2013	3,50,000	9,77,000
Less: Reserve for Unexpired Risk as on 31st March, 2012	7,50,000	
Additional Reserve as on 31st March, 2012	1,50,000	(9,00,000)
		77,000

Note: Interest and dividends are shown at gross value in Revenue account. It is assumed that amount of interest and dividend given in the question is before TDS

PROBLEM NO: 5

Form B-RA (Prescribed by IRDA)

Sunlife General Insurance Company

Revenue Account for the year ended 31st March, 2013

Particulars	Schedule	Amount (Rs.)
Premium earned (net)	1	66,80,000
Profit / Loss on sale / redemption of investments		
Others (to be specified)		
Interest, dividend and rent(Gross)		
Total (A)		66,80,000
Claims incurred (Net)	2	45,26,000
Commission	3	1,47,000
Operating expenses related to insurance business	4	1,50,000
Total (B)		48,23,000
Operating profit from insurance business (A-B)		18,57,000

Schedules forming part of revenue account

Schedule 1: Premium Earned (Net)

Particulars	Amount (Rs.)
Premium from direct business	65,75,000
Add: Premium on reinsurance accepted	9,50,000
Less: Premium on reinsurance ceded	(4,75,000)
Net premium	70,50,000
Adjustment for change in reserve for unexpired risks (W.N.2)	(3,70,000)
Total premium earned (net)	<u>66,80,000</u>

Schedule 2: Claims Incurred (Net)

Particulars	Amount (Rs.)
Claims paid on direct business (W.N.1)	43,30,000
Add: Re-insurance accepted (W.N.1)	4,73,000
Less: Re-insurance ceded (W.N.1)	(3,70,000)
Net claims paid	44,33,000
Add: Claims outstanding at the end of the year	7,18,000

Less Claim outstanding at the beginning of the year	(6,25,000)
Total Claim incurred	45,26,000

Schedule 3: Commission

Particulars	Amount (Rs.)
Commission paid on direct business	1,50,000
Add: Commission on reinsurance accepted	11,000
Less: Commission on reinsurance ceded	(14,000)
	1,47,000

Schedule 4: Operating Expenses related to Insurance Business

Particulars	Amount (Rs.)
Expenses of management (2,30,000 – 35,000 – 45,000)	1,50,000
	1,50,000

Working Notes:**Claims incurred**

Particulars	Direct business	Re-insurance accepted	Re-insurance ceded
Paid/received	42,50,000	5,00,000	3,25,000
Add: Outstanding at the end of the year		60,000	1,10,000
Expenses in connection with settlement of claim (35,000 + 45,000)	80,000		
Less: Outstanding at the beginning of the year		(87,000)	(65,000)
	43,30,000	4,73,000	3,70,000

Note: Commission & Claims on reinsurance ceded represent income as the business is passed on to the reinsurer.

Change in reserve for unexpired risk

Particulars	Amount (Rs.)
Opening reserve as on 31st March, 2012	24,50,000
Less: Closing reserve as on 31st March, 2013 (Rs. 70,50,000 x 40%) Additional provision required	(28,20,000)
	(3,70,000)

PROBLEM NO: 6**Form B-RA****Good luck General insurance company****Fire revenue account for the year ended 31.3.1011**

Particulars	Schedule no	Amount (Rs.)
Premium earned	1	10,23,500
Profit/Loss on sale of Investments		
Others (To be specified)		
Interest Dividend and rent (Gross)		
Total		10,23,500
Claims incurred	2	3,80,000
Commission	3	21,000
Operating expense relating to insurance business	4	2,90,000
Total B		6,91,000
Operating profit from general insurance business A-B		3,32,500
Appropriations		
Transfer to shareholder account		3,32,500

Schedule 1 Premium earned (Net)

Particulars	Amount (Rs.)	Amount (Rs.)
Premium received less reinsurance		12,10,000
Add : Opening unexpired risk reserve		6,00,000
Less : Closing unexpired risk reserve		(7,86,500)
50% of Net premium	6,05,000 (12,10,000*50%)	
Additional provision @15%	1,81,500	
Premium earned		10,23,500

Schedule 2 Claim Incurred

Particulars	Amount (Rs.)
Claim paid	2,80,000
Add: Closing claim outstanding	2,00,000
Less : Opening claim outstanding	(100,000)
	3,80,000

Schedule 3 Commission

Particulars	Amount (Rs.)
Commission paid	80,000
Less Commission on reinsurance ceded	(59,000)
	21,000

Schedule 4 Operating expenses relating to insurance business

Particulars	Amount (Rs.)
Expenses of management	2,90,000

Note: it is assumed that bad debts is not related to fire insurance business.

PROBLEM NO: 7**Form B – RA – Revenue A/c**

Particulars	Note	Amount (Rs.)
Premium earned	1	9,15,080
Profit on sale of investment		3,500
Interest, dividend & Rent		8,000
		9,33,480
Claims incurred	2	5,11,000
Commission	3	1,96,000
Operating expenses related to insurance Business	4	3,18,600
		10,25,600
Operating profit/Loss		(92,120)
Appropriations		Nil
		(92,120)

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Schedule 1: Premium earned (net)

Particulars	Amount (Rs.)
Premium from direct business (1200000+12000)	12,12,000
Less: Premium on Re-insurance ceded	(1,20,000)
Net Premium	10,92,000
Less: Adjustment for changes in reserve for unexpired risk	(1,46,000)
Less: Adjustment for changes in additional reserve	(30,920)
	9,15,080

Note: Adjustment for changes in reserve for unexpired in computed as under.

Particulars	Amount (Rs.)
Closing balance required (1092000 x 50%)	5,46,000
Less: Opening balance available	(4,00,000)
Amount to be transferred to reserve for the years	1,46,000

Schedule 2: Claims incurred

Particulars	Amount (Rs.)
Claim paid (480000+4000+5000)	4,89,000
Less: Re-insurance ceded	(8,000)
Net claim paid	4,81,000
Add: Claims Outstanding at the end of the year	70,000
Less: Claims Outstanding at the beginning of the year	(40,000)
	5,11,000

Schedule 3 Commission

Particulars	Amount (Rs.)
Commission paid (Direct)	2,00,000
Add: Commission on Re-insurance accepted	4,000
Less: Commission on Re-insurance ceded	(8,000)
	1,96,000

Schedule 4 Operating expenses related to Insurance business

Particulars	Amount (Rs.)
Depreciation	4,600
Claims Bonus	12,000
Other expenses of management	3,02,000
	3,18,600

PROBLEM NO: 8

Form B – RA

Perfect General Insurance

Revenue Account for the year ended 31st March,2013

Fire and Marine insurance Business

Particulars	Schedule	Fire Current Year	Marine Current Year
Premiums earned (net)	1	4,27,500	1,40,000
Profit/(loss) on sale/redemption of investments		-	-
Interest Dividends and Rent-Gross			
Total (A)		4,27,500	1,40,000

Claims incurred (net)	2	82,000	88,000
Commission	3	40,000	20,000
Operating expenses related to insurance business	4	70,000	50,000
Premium Deficiency			
Total (B)		1,92,000	1,58,000
Profit from Fire/Marine insurance Business (A)-(B)		2,35,500	(18,000)

Schedules forming part of Revenue Account**Schedule – 1 Premiums earned (net)**

Particulars	Fire current Year	Marine Current Year
Premiums from direct business	4,80,000	3,50,000
Less: Premium on reinsurance ceded	25,000	15,000
Total Premium earned	4,55,000	3,35,000
Less: Change in provision for unexpired risk (WN-4)	27,500	1,95,000
	427500	140000

Schedule 2: claims incurred

Particulars	Amount (Rs.)
Claims incurred (Net)	82,000

Schedule 3: Commission

Particulates	Fire (Rs.)	Marine (Rs.)
Commission Paid	82,000	88,000

Schedule 4: Operating expenses related to insurance business

Particulars	Fire (Rs.)	Marine (Rs.)
Expenses of Management	70,000	50,000

Form B – PL
Perfect General Insurance Co.Ltd
Profit and loss A/c

Particulars	Amount
Operating profit	
Fire Insurance	2,35,500
Marine Insurance	(18,000)
Miscellaneous Insurance	-
Income from investment	
Interest, Dividend, & Rent	1,29,000
Other Income	-
Total	3,46,500
Provision other than taxation	
Depreciation	9,000
Other Expenses	
Director fee	80,000
Total	89,000
Profit Before Tax	2,57,500
Provision for Tax	99,138
Profit After Tax	1,58,362

WORKING NOTE: 1

Particulars	Fire (Rs.)	Marine (Rs.)
Claims under Policies Less insurance	1,00,000	80,000
Add: Outstanding on 31-Mar-2013	10,000	15,000
Less: Outstanding on 1-April-2012	(28,000)	(7,000)
	82,000	88,000

Working Note-2: Expenses of Management

Particulars	Fire (Rs.)	Marine (Rs.)
Expenses paid during the year	60,000	45,000
Add: Outstanding on 31-Mar-2013	10,000	5,000
	70,000	50,000

Working Note-3: Premium Less re-insurance

Particulars	Fire (Rs.)	Marine (Rs.)
Premium received during the year	4,50,000	3,30,000
Add: Outstanding on 31 st Mar 2013	30,000	20,000
	4,80,000	3,50,000
Less: Re-insurance Premium	(25,000)	(15,000)
	4,55,000	3,35,000

WORKING NOTE: 4 Reserve for unexpired risk is 50% of Net Premium for Fire insurance and 100% Net Premium for Marine insurance

Reserve for unexpired risk for Fire insurance = 455000 x 50% = 227500

Opening Balance in reserve for unexpired risk for fire insurance was 200000 Hence Additional transfer to reserve for fire insurance in the year will be 27500

On similar basis of calculation the additional transfer to reserve in Marine insurance will be 195000

WORKING NOTE:**Provision for taxation A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Bank (Taxes Paid)	60,000	By balance c/d	85,000
To balance c/d	1,24,138	By P&L A/c (Bal. Fig.)	99,138
	1,84,138		1,84,138

PROBLEM NO: 9**Form B – RA Revenue A/c for the year 31-3-2012**

Particulars	Schedule	Amount (Rs.)
Premium Earned	1	7,60,000
Total		7,60,000
Claim incurred	2	12,00,000
Commission	3	62,400
Operating Expenses	4	2,43,000
		15,05,400
Operating profit/Loss		(7,45,400)

Form B – PL Profit and Loss A/c for the year 31st Mar 2012

Particulars	Amount (Rs.)
Operating profit/Loss	(7,45,400)
Income from investment	2,40,000
Other Income	600
Total	(5,04,800)
Provisions (Other than taxation)	-
Other Expenses	-
	(5,04,800)
Appropriations	
Balance of profit and Loss	2,40,000
Balance Carried to Balance sheet	2,64,800

Form-B Balance sheet as at 31st March 2012

Particulars	Schedule	Amount (Rs.)
Sources of Fund		
Share Capital	5	15,00,000
Reserves & Surplus	6	-
Fair Value Change A/c	7	-
		15,00,000
Application of Funds		
Investment	8	23,40,000
Fixed Assets	10	6,300
Current Assets		
Cash & Bank balance	11	94,400
Advances and Other Assets	12	2,49,500
Total		3,43,900
Current Liabilities		2,15,000
Provisions		12,40,000
Total		14,55,000
Net Current Assets		(11,11,100)
Miscellaneous Expenses	15	-
Debit balance in Profit and Loss A/c		2,64,800
		15,00,000

Schedule 10

Particulars	Gross Block				Accumulated Dep				Net Block	
	opening	Addn	Ded	Closing	Opening	For the year	Adj	Closing	Closing	Opening
Furniture & fitting	12,600	-	-	12,600	4,200	2,100	-	6,300	8,400	6,300

Schedule – 11

Particulars	Amount (Rs.)
Cash & Bank balance	94,400

Schedule – 12 Advances and Other Assets

Particulars	Amount (Rs.)
Advances	62,000
Other Assets	
Interest accrued but not due	8,200
Agent balances	1,46,400
Outstanding premium	21,200
Sundry debtors	9,200
Stock of stationery	2,500
	2,49,500

Schedule – 13 Current Liability

Particulars	Amount (Rs.)
Sundry creditors	12,600
Claim Outstanding	1,40,000
Unclaimed dividend	2,400
Due to Re-insurers	60,000
	2,15,000

Schedule – 14

Particulars	Amount (Rs.)
Reserve for unexpired risk for Marine insurance	12,40,000
	12,40,000

Schedule – 4 Operating Expenses related to insurance business

Particulars	Amount (Rs.)
Rent, Rates and taxes	12,300
Other Donation paid	8,600
Other Operating Expenses	2,20,000
Depreciation on furniture	2,100
	2,43,000

Schedule – 5 Share Capital

Particulars	Amount (Rs.)
Authorized share capital	
Issue, subscribed, called up & Paid up capital	15,00,000
	15,00,000

Schedule – 8 Investment

Particulars	Amount (Rs.)
Long term investments	
Govt securities	17,00,000
Other investment	3,60,000
Debentures	1,80,000
	23,40,000

Schedule 1 Premium Earned

Particulars	Amount (Rs.)
Net Premium received	12,40,000
Less: Adjustment for unexpired risk reserve	(4,80,000)
Premium earned	7,60,000

Note: Amount transferred to unexpired risk reserve

= Closing balance required = 100% Net premium

1240000 Less opening balance 760000 = 480000

Schedule – 2 Claims incurred

Particulars	Amount (Rs.)
Claim paid Less Re-insurance	10,60,000
Less: Claim outstanding at the end of the year	1,40,000
Total claims incurred	12,00,000

PROBLEM NO: 10

Form B – RA

Revenue Account for the year ended 31-3-2013 Marine insurance business

Particulars	Schedule	Amount (Rs.)
Premium earned	1	25,21,750
Profit/Loss on sale/Redemption of investment		
Others (to be specified)		
Interest, dividends and Rent		1,40,000
Total		26,61,750
Claims	2	17,81,000

Commission	3	1,47,000
Operating expenses related to insurance business	4	3,41,000
Total (B)		22,69,000
Operating profit from Marine insurance business		3,92,750

Schedule 1 Premium earned

Particulars	Amount (Rs.)
Total premium earned (WN-1) (24,60,000 + 3,67,000)	28,27,000
Less: Premium on re-insurance ceded	(2,62,000)
Total Premium earned	25,65,000
Change in provision for unexpired risk (required provision – Existing reserve)	(43,250)
Net Premium	25,21,750

Schedule – 2 Claims Incurred

Particulars	Amount (Rs.)
Claims Paid (WN-2)	16,95,000
Add: Claims outstanding as on 31/03/2013 (WN-3)	1,85,000
Less: claims outstanding as on 01/04/2012 (WN-4)	(99,000)
	17,81,000

Schedule – 3 Commission

Particulars	Amount (Rs.)
Commission paid (Direct)	1,50,000
Add: Re-insurance accepted	11,000
Less: Re-insurance ceded	(14,000)
	1,47,000

Schedule – 4 Operating expenses related to Insurance

Particulars	Amount (Rs.)
Employees remuneration and welfare benefits	2,60,000
Rent, Rates and taxes	18,000
Printing and stationary	23,000
Legal and professional charges	40,000
	3,41,000

WORKING NOTE: 1

Particulars	Direct (Rs.)	Re-insurance (Rs.)
Received	24,00,000	3,60,000
Add: Receivable on 31-3-2013	1,80,000	28,000
	25,80,000	3,88,000
Less: Receivable on 1 st April 2012	(1,20,000)	(21,000)
	24,60,000	3,67,000

Premium Expenses on Re-insurance

Particulars	Amount (Rs.)
Premium paid during the year	2,40,000
Add: Payable on 31 st March 2013	42,000
Less: Payable on 1 st Apr 2012	(20,000)
	2,62,000

WORKING NOTE – 2: Claims paid

Particulars	Amount (Rs.)
Direct business	16,50,000
Re-insurance	1,25,000
Legal Expenses	20,000
Less: Re-insurance claims Received	(1,00,000)
	16,95,000

Claims Outstanding as on 31st Mar 2013

Particulars	Amount (Rs.)
Direct	1,75,000
Re-insurance	22,000
	1,97,000
Less: Receivable from Re-insurance	(12,000)
	1,85,000

Claims Outstanding as on 1st April 2012

Particulars	Amount (Rs.)
Direct	95,000
Re-insurance	13,000
	1,08,000
Less: Recoverable from Re-insurance	(9,000)
	99,000

Expenses of Management

Particulars	Amount (Rs.)
Salaries	2,60,000
Rent, Rates and taxes	18,000
Printing & Stationary	23,000
Legal Expenses	40,000
	3,41,000

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THE END