

FINANCIAL STATEMENT OF INSURANCE COMPANIES

Qn. 5

Fire Insurance Revenue Account for the year ended 31st March, 2006

Particulars	Schedule	Rs
Premium earned	1	8,40,000
Total (A)		8,40,000
Claims incurred	2	8,00,000
Commission	3	50,000
Operating expenses related to Insurance business	4	3,00,000
Total (B)		11,50,000
Operating Profit (A)- (B)		(3,10,000)

Schedule 1 – Premium Earned (Net)

Particulars	Rs.	Rs
Premium received		15,00,000
Less: Re-insurance premium paid		1,00,000
Net Premium		14,00,000
Adjustment for Changes in Reserve for unexpired risk		
Unexpired risk reserve as on 31-03.2006 (14,00,000 x 40%)	5,60,000	
Less: Unexpired risk reserve as on 1.04.2005	Nil	
Amount to be transferred to reserve	5,60,000	(5,60,000)
Total Premium Earned (Net)		8,40,000

Schedule 2 – Claims Incurred

Particulars	Rs
Claims paid	7,00,000
Add : Claims outstanding at the end of the year	1,00,000
	8,00,000

Schedule 3 – Commission

Particulars	Rs
Commission paid	50,000

	50,000
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Schedule 4 – Operating Expenses

Particulars	Rs
Expenses of management	3,00,000
	3,00,000

It is assumed that expenses of the management are related directly to the business of insurance. Hence, charged to revenue A/c

Qn. 11**Form B – RA – Revenue Account of Rave Fire Insurances Ltd for the year ending 31st March**

No	Particulars	Sch.	Amount (Rs.)
1	Premium Earned (Net)	1	10,67,000
	Total - A		10,67,000
2	Claim incurred (Net)	2	2,08,000
3	Commission	3	1,58,000
4	Operating Expenses related to Insurance Business	4	3,12,000
	Total - B		6,78,000
5	Operating Profit from Fire Insurance Business = A - B		3,89,000

Form –B –PL- Profit and Loss Account for the year ending 31st March

No	Particulars	Sch.	Amount (Rs.)
1	Operating profit from Fire Insurance Business		3,89,000
2	Income from Investment		-
3	Other Income – Share transfer fee		18,000
	Total A		4,07,000
4	Expenses of Management		-
5	Other expenses – Bad Debts		11,000
	Total B		11,000
6	Profit Before Tax (A – B)		3,96,000
7	Less: Provision for taxation		-
8	Profit for the year before Appropriations		3,96,000
9	Less: Appropriation – Dividend on Equity share capital		(70,000)
10	Profit for the Year after Appropriations		3,26,000
11	Add: Balance of Profit/ Loss brought forward from last year		39,000
12	Balance carried forward to Balance sheet		3,65,000

Schedules forming part of Revenue Accounts**Schedule 1 : Premium earned (net)**

Particulars	Sch.	Amount (Rs.)
Premium received		12,45,000
Add: Outstanding Premium as on 31.3.2005	1,50,000	

Less: Outstanding Premium as on 1.4.2004	(1,40,000)	10,000
Net premium received before adjustment for Unexpired Risk Reserve and Additional Reserve		12,55,000
Adjustment for Changes in Reserve for unexpired risk		
Unexpired risk reserve as on 31-03.2005 (12,55,000 x 50%)	6,27,500	
Less: Unexpired risk reserve as on 1.04.2004	(4,70,000)	
Amount to be transferred to reserve	1,57,500	(1,57,500)
Adjustment for Changes in Additional Reserve		
Additional reserve as on 31-03.2005 (12,55,000 x 50%)	1,25,500	
Less: Opening Additional reserve as on 1.04.2004	(95,000)	
Amount to be transferred to reserve	30,500	(30,500)
Total Premium Earned (Net)		10,67,000

Schedule 2 – Claims Incurred (Net)

Particulars	Rs.
Claim Paid	90,000
Add: Claims Outstanding at the end of the year	2,20,000
Less: Claims outstanding at the beginning	(1,02,000)
Total Claims incurred	2,08,000

Schedule 3 – Commission Expenses

Particulars	Rs.
Commission Paid	2,10,000
Less: Commission Earned on Re –insurance Ceded	(52,000)
Net commission	1,58,000

Schedule 4 – Operating Expenses related to Insurance Business

Particulars	Rs.
Expenses of Management	3,12,000
Total	3,12,000

Qn. 12**Form B – RA – Revenue Account of Lanka Insurances Ltd for the year ending 31st March**

No	Particulars	Sch.	Rs.
1	Premium Earned (Net)	1	5,06,800
	Total - A		5,06,800
2	Claims Incurred (Net)	2	30,376
3	Commission	3	38,000
4	Operating Expenses related to Insurance Business	4	78,000
	Total – B		1,46,376
5	Operating profit/ (Loss) from Fire Insurance Business = A – B		3,60,424

Form B – PL – Profit and Loss Account Ltd for the year ending 31st March

No	Particulars	Sch.	Rs.
1	Operating Profit from Fire Insurance Business		3,60,424
2	Income from Investments		NIL
3	Other Income – Share transfer fee		5,000
	Total A		3,65,424
4	Provisions (other than taxation)		NIL
5	Other Expenses – Bad Debts Written Off		2,500
	Total B		2,500
6	Profit Before Tax		3,62,924
7	Less: Provision for taxation		NIL
8	Profit for the year before Appropriations		3,62,924
9	Appropriation – Dividend on Equity Share Capital		18,500
10	Profit for the Year after Appropriations		3,44,424
11	Add: Balance of Profit /Loss Brought forward from last year		10,000
12	Balance carried forward to Balance Sheet		3,54,424

Schedules forming part of Revenue Accounts**Schedule 1 – Premium Received**

Particulars	Rs.	Rs
Premium received		5,52,000
Add: Outstanding Premium as on 31 st March		40,000

Net premium received before adjustment for Unexpired Risk Reserve and Additional Reserve		5,92,000
Adjustment for Changes in Reserve for unexpired risk		
Unexpired risk reserve as on 31 st March (5,92,000 x 50%)	2,96,000	
Less: Opening Unexpired risk reserve	2,30,000	
Amount to be transferred to reserve	66,000	(66,000)
Adjustment for Changes in Additional Reserve		
Additional reserve as on 31 st March (5,92,000 x 10%)	59,200	
Less: Opening Additional reserve	40,000	
Amount to be transferred to reserve	19,200	(19,200)
Total Premium Earned (Net)		5,06,800

Schedule 2 – Claims Incurred (Net)

Particulars	Rs.
Claims Paid	15,000
Add: Claims Outstanding at the end of the year	42,376
Less: Claims outstanding at the beginning	(27,000)
Total Claims incurred	30,376

Schedule 3 – Commission Expenses

Particulars	Rs.
Commission Paid	50,000
Less: Commission Earned on Re-insurance Ceded	(12,000)
Total Claims incurred	38,000

Schedule 4 – Operating Expenses related to Insurance Business

Particulars	Rs.
Expenses of Management	78,000
Total	78,000

Qn. 13**Form B – RA – Revenue Account for the year ending 31st March 2011**

Particulars	Sch.	Rs.
Premium Earned (Net)	1	10,23,500
Total A		10,23,500
Claims Incurred (Net)	2	3,80,000
Commission	3	21,000
Operating Expenses related to Insurance Business	4	2,90,000
Total B		6,91,000
Operating Profit from Fire Insurance Business [A – B]		3,32,500

Schedules forming part of Revenue Account Statement**Schedule 1 – Premium Earned (Net)**

Particulars	Rs.	Rs.
Net Premium received Less Reinsurance		12,10,000
Adjustment for Changes in Reserve for unexpired risk		
Unexpired risk reserve as on 31.03.2011 (12,10,000 x 50%)	6,05,000	
Less: Opening Unexpired risk reserve	(5,00,000)	
Amount to be transferred to reserve	1,05,000	(1,05,000)
Adjustment for Changes in Additional Reserve		
Additional reserve as on 31.03.2011 (12,10,000 x 15%)	1,81,500	
Less: Opening Additional reserve	(1,00,000)	
Amount to be transferred to reserve	81,500	(81,500)
Total Premium Earned (Net)		10,23,500

Schedule 2 – Claims Incurred (Net)

Particulars	Rs.
Net Claims Paid	2,80,000
Add: Claims Outstanding at the end of the year 31.03.2011	2,00,000
Less: Claims outstanding at the beginning 31.03.2010	(1,00,000)
Total Claims Incurred	3,80,000

Schedule 3 – Commission Expenses

Particulars	Rs.
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Commission paid on Direct Business	80,000
Less : Commission earned on Reinsurance Business	(59,000)
Net Commission	21,000

Schedule 4 – Operating Expenses related to Insurance Business

Particulars	Rs.
Expenses of Management	2,90,000
Total	2,90,000

Qn. 14**Modern Insurance Company (Abstract showing the amount of claims) Net Claims incurred**

Particulars		Rs.
<u>Claims paid on direct business</u>		
Claims paid during the year	35,30,000	
Add : Surveyor's Fees	38,000	
Add : Legal Expenses	42,000	36,10,000
<u>Add Claims paid on Reinsurance business</u>		
Claims paid during the year	8,20,000	
Add: Outstanding as on 31.03.2011	87,000	
Less: Outstanding as on 01.04.2010	(58,000)	8,49,000
		44,59,000
		44,59,000
Less Claims Received		
Claims received from re-insurance	3,20,000	
Outstanding as on 31.03.2011	1,42,000	
Outstanding as on 01.04.2010	(85,000)	(3,77,000)
		40,82,000
Add: Outstanding direct claims at the end of the year		8,75,000
Less: Outstanding claims at the beginning of the year		(8,23,000)
Net claims incurred		41,34,000

Qn. 15**Form B – RA – Revenue Account for the year ending 31st March**

No.	Particulars	Sch.	Rs.
1	Premium Earned (Net)	1	8,08,410
	Total A		8,08,410
2	Claims Incurred (Net)	2	1,57,996
3	Commission	3	40,422
4	Operating Expenses related to Insurance Business	4	4,71,000
	Total B		6,69,418
5	Operating Profit from Fire Insurance Business [A – B]		1,38,992

Form –B –PL- Profit and Loss Account for the year ending 31st March

No	Particulars	Sch.	Rs.
1	Operating profit from Fire Insurance Business		1,38,992
2	Income from Investment		-
3	Other Income – Share transfer fee		-
	Total A		1,38,992
4	Other expenses – Bad Debts		2,206
5	Other expenses – Loss on Sale of Motor Car		12,074
	Total B		14,280
6	Profit Before Tax (A – B)		1,24,712
7	Less: Provision for taxation		-
8	Profit for the year before Appropriations		1,24,712
9	Less: Appropriation – Dividend on Equity share capital		-
10	Profit for the Year after Appropriations		1,24,712
11	Add: Balance of Profit/ Loss brought forward from last year		-
12	Balance carried forward to Balance sheet		1,24,712

Schedules forming part of Revenue Account Statement**Schedule 1 – Premium Earned (Net)**

Particulars	Rs.	Rs
Net Premium received Less Reinsurance		9,89,980
Adjustment for Changes in Reserve for unexpired risk		

Unexpired risk reserve as on 31 st March (9,89,980 x 50%)	4,94,990	
Less: Opening Unexpired risk reserve	(3,66,594)	
Amount to be transferred to reserve	1,28,396	(1,28,396)
Adjustment for Changes in Additional Reserve		
Additional reserve as on 31st March (9,89,980 x 10%)	98,998	
Less: Opening Additional reserve	(45,824)	
Amount to be transferred to reserve	53,174	(53,174)
Total Premium Earned (Net)		8,08,410

Schedule 2 – Claims Incurred (Net)

Particulars	Rs.
Net Claims Paid	1,52,930
Add : Claims Outstanding at the end of the year	6,264
Less : Claims outstanding at the beginning	(1,198)
Total Claims Incurred	1,57,996

Schedule 3 – Commission Expenses

Particulars	Rs.
Commission paid on Direct Business	1,95,172
Add : Commission on Reinsurance Accepted	1,86,458
Less : Commission on Reinsurance Ceded	(3,41,208)
Net Commission	40,422

Schedule 4 – Operating Expenses related to Insurance Business

Particulars	Rs.
Depreciation	
- On Furniture	650
- On Library	148
- On Motors Cars	6,240
General Manager Salary	24,000
Telephone	5,100
Postage and Telegrams	5,150
Rents, Rates and Taxes	62,500

Travelling Expenses	45,600
Motor Car Expenses	45,500
Miscellaneous Expenses	2,875
Establishment	1,45,500
Bonus	24,000
Stationary	35,550
News paper and periodicals	14,062
Legal Expenses	23,400
Electricity Charges	16,100
Provident fund Contribution	11,875
Auditor's fees, and Expenses etc.	2,500
Professional Tax	250
Total	4,71,000

Qn. 16**Form –B –PL- Profit and Loss Account for the year ending 31st March 2005**

No	Particulars	Sch.	Amount (Rs.)
1	Operating profit from Marine Insurance Business		(7,36,800)
2	Income from Investment		2,40,000
3	Other Income – Share transfer fee		600
	Total A		(4,96,200)
4	Other expenses – Donation Paid		8,600
	Total B		8,600
5	Profit Before Tax (A – B)		(5,04,800)
6	Less: Provision for taxation		-
7	Profit for the year before Appropriations		(5,04,800)
8	Less: Appropriation – Dividend on Equity share capital		Nil
9	Profit for the Year after Appropriations		(5,04,800)
10	Add: Balance of Profit/ Loss brought forward from last year		2,40,000
11	Balance carried forward to Balance sheet		(2,64,800)

Form B – RA – Revenue Account of Moonshine Insurances Ltd. for the year ending 31st March 2005

No.	Particulars	Sch.	Rs
1	Premiums earned - net	1	7,60,000
	Total (A)		7,60,000
2	Claims Incurred (Net)	2	12,00,000
3	Commission	3	62,400
4	Operating Expenses related to Insurance Business	4	2,34,400
	Total (B)		14,96,800
5	Operating Loss from Marine Insurance Business (A - B)		(7,36,800)

Form B – BS –Balance Sheet as at 31.3.2005

	Particulars	Sch.	(Rs.)	(Rs.)
I	Sources of Funds			
1	Share Capital	5		15,00,000
2	Reserve and Surplus	6		-

3	Fair Value Change Account			-
4	Borrowings	7		-
	Total Sources of Funds			15,00,000
II	Application of Funds			
5	Investments	8		23,40,000
6	Loans	9		-
7	Fixed Assets	10		6,300
8	Current Assets			
a)	- Cash and Bank Balances	11	94,400	
b)	-Advances and Other Assets	12	2,49,500	
	Sub Total – A		3,43,900	
9	Current Liabilities			
a)	Current Liabilities	13	2,15,000	
b)	Provisions	14	12,40,000	
	Sub Total – B		14,55,000	
	Net Current Assets C = A – B			(11,11,100)
10	Miscellaneous Expenditure (to the extent not written off or adjusted)	15		-
11	Debit balance in Profit and Loss Account			2,64,800
	Total Application of Funds			15,00,000

Schedules forming part of Revenue Accounts

Schedule – 1 Premium Received

Particulars	Rs.	Rs
Net Premium Received before Adjustment for Unexpired Risk Reserve		12,40,000
Adjustment for Changes in Reserve for unexpired risk		
Unexpired risk reserve as on 31.03.2005 (12,40,000 x 100%)	12,40,000	
Less: Unexpired risk reserve as on 1.04.2004	(7,60,000)	
Amount to be transferred to reserve	4,80,000	(4,80,000)
Total Premium Earned (Net)		7,60,000

	Block									
Particulars	Opg	Add	Dedn	Clg	Opg	For the Year	Sales/ Adj.	Clg	Clg	Opg
Furniture & Fittings	12,600	-	-	12,600	4,200	2,100	-	6,300	8,400	6,300
Total	12,600	-	-	12,600	4,200	2,100		6,300	8,400	6,300

Schedule 11 – Cash and Bank Balances

Particulars	Amount (Rs.)
Cash and Bank Balances	94,400
Total	94,400

Schedule 12 – Advances and Other Assets

Particulars	Amount (Rs.)
Agent's Balance	1,46,400
Interest Accrued but not Due	8,200
Stock of Stationary	2,500
Advance Income tax paid	62,000
Sundry Debtors	9,200
Outstanding Premiums	21,200
Total	2,49,500

Schedule 13– Current Liabilities

Particulars	Amount (Rs.)
Unclaimed Dividends	2,400
Sundry Creditors	12,600
Due to Reinsurance	60,000
Claims Outstanding	1,40,000
Total	2,15,000

Schedule 14 – Provisions

Particulars	Amount (Rs.)
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Reserve for Unexpired Risk for Fire Insurance	12,40,000
Total	12,40,000