

Note : All questions are compulsory.

Question 1 (12 marks)

Form B-RA (Prescribed by IRDA)
Gemini Insurance Co. Ltd.
Revenue account for the year ended 31st March,2014
Fire and Marine Insurance Business (3 marks)

	Schedule	Fire Current Year Rs.	Marine Current Year Rs.
Premium earned (net)	1	9,65,000	3,20,000
Profit /(Loss) on sale /redemption of investments		—	—
Others (to be specified)			
Interest ,Dividends and Rent – Gross		—	—
Total (A)		<u>9,65,000</u>	<u>3,20,000</u>
Claims incurred (net)	2	1,90,000	2,03,000
Commission	3	92,000	46,000
Operating expenses related to Insurance business	4	<u>1,60,000</u>	<u>1,10,000</u>
Total (B)		<u>4,42,000</u>	<u>3,59,000</u>
Operating Profit from Fire /Marine Insurance business (A-B)		5,23,000	(39,000)

Schedules forming part of Revenue Account (2 marks)

Schedule -1		Fire Current Year Rs.	Marine Current Year Rs.
Premiums earned (net)			
Premium from direct business written		10,70,000	7,95,000
Less: Premium on reinsurance ceded		<u>60,000</u>	<u>35,000</u>
Total Premium earned		10,10,000	7,60,000
Less :Changes in provision for unexpired risk		<u>45,000</u>	<u>4,40,000</u>
		<u>9,65,0000</u>	<u>3,20,000</u>
Schedule -2			

Claims incurred (net) (W.N.1)		1,90,000	2,03,000
Schedule -3			
Commission			
Commission paid direct		92,000	46,000
Schedule -4			
Operating expenses related to Insurance business			
Expenses of Management (W.N.2)		1,60,000	1,10,000

Form B-PL

Gemini Insurance Co. Ltd.

Profit and Loss Account for the year ended 31st March,2014 (3 marks)

Particulars	Schedule	Current Year	Previous Year
		Rs.	Rs.
Operating Profit/(Loss)			
(a) Fire Insurance		5,23,000	
(b) Marine Insurance		(39,000)	
(c) Miscellaneous Insurance		-	
Income From Investments			
Interest ,Dividend & Rent Gross		<u>2,97,000</u>	
Other Income (To be specified)			
Total (A)		<u>7,81,000</u>	
Provisions (other than taxation)			
Depreciation		<u>1,00,000</u>	
Other Expenses –Director’s Fee		<u>1,84,000</u>	
Total (B)		<u>2,84,000</u>	
Profit Before Tax		4,97,000	
Provision for Taxation		<u>1,50,000</u>	
Profit After Tax		<u>3,47,000</u>	

Working Notes: (4 marks)

1.	Particulars	Fire	Marine
		Rs.	Rs.
	Claims under policies less reinsurances		
	Claims paid during the year	2,30,000	1,84,000
	Add: Outstanding on 31 st March ,2014	<u>23,000</u>	<u>34,000</u>
		2,53,000	2,18,000

	Less :Outstanding on 1 st April,2013	<u>63,000</u>	<u>15,000</u>
		<u>1,90,000</u>	<u>2,03,000</u>
2.	Expenses of management		
	Expenses paid during the year	1,40,000	1,00,000
	Add: Outstanding on 31 st March,2014	<u>20,000</u>	<u>10,000</u>
		<u>1,60,000</u>	<u>1,10,000</u>
3.	Premium less reinsurance		
	Premium received during the year	10,00,000	7,50,000
	Add: Outstanding on 31 st March,2014	<u>70,000</u>	<u>45,000</u>
		10,70,000	7,95,000
	Less :Reinsurance premium	<u>60,000</u>	<u>35,000</u>
		<u>10,10,000</u>	<u>7,60,000</u>

4. Reserve for unexpired risks is 50% of net premium for fire insurance and 100% of net premium for marine insurance Reserve for unexpired risks for fire insurance = Rs. 10,10,000 X 50% = Rs.5,05,000. Opening Balance in reserves for unexpired risk for fire insurance was RTs.4,60,000.Hence , additional transfer to reserve for fire insurance in the year will be Rs. 45,000. On similar basis of calculation , the additional transfer to reserve for marine insurance will be Rs. 4,40,000.

5. Provision for taxation account

	Rs.		Rs.
31.3.2014 To Bank		1.4.2013 By Balance b/d	1,95,000
(taxes paid)	1,40,000	31.3.2014 By P &L A/c (Bal Fig)	1,50,000
31.3.2014 To Balance c/d	2,05,000		
	3,45,000		3,45,000

Question 2 (6 marks)

Journal entry in the books of Head Office (2 marks)

Date	Particulars	Dr.	Cr.
		Rs.	Rs.
30.4.2014	W.B. Branch Account	Dr. 45,0000	
	To A.P. Branch Account		5,000
	To M.P. Branch Account		10,000
	To U.P. Branch Account		30,000
	(being adjustment entry passed by head office in respect of inter-branch transactions for the month)		

Working Note:**Inter- Branch transactions (4 marks)**

		A.P.	M.P.	W.B.	U.P
		Rs.	Rs.	Rs.	Rs.
A. A.P. Branch					
(1) Received goods		55,000(Dr.)	30,000(Cr.)		25,000(Cr.)
(2) Sent goods		50,000(Cr.)		20,000(Dr.)	30,000(Cr.)
(3) Received Bills receivable		10,000(Dr.)		10,000(Dr.)	
(4) Sent acceptance		30,000(Cr.)	10,000(Dr.)		20,000(Dr.)
B. M.P. Branch					
(5) Received goods		10,000(Cr.)	30,000(Dr.)		20,000(Cr.)
(6) Sent goods		20,000(Dr.)	30,000(Cr.)		10,000(Dr.)
C W.B. Branch					
(7) Received goods				40,000(Dr.)	40,000(Cr.)
(8) Sent cash and acceptances				25,000(Cr.)	25,000(Dr.)
D. U.P. Branch					
(9) Sent cash			10,000(Dr.)	20,000(Dr.)	30,000(Cr.)
		<u>5,0000(Cr.)</u>	<u>10,000(Cr.)</u>	<u>45,000(Dr.)</u>	<u>30,000(Cr.)</u>

Question 3 (12 marks)

ABC Limited
Balance Sheet as on June 30,2014 (5 marks)

Particulars	Note No	Figures as at the end of current reporting period
		Rs.
I. Equity and Liability		
1. Shareholder's Funds		
a. Share Capital	1	90,00,000
b. Reserves and Surplus	2	1,92,50,000
2. Non Current Liabilities		

a.	Long –term borrowings	70,00,000
3.	Current Liabilities	
a.	Short –term provisions	<u>1,80,00,000</u>
	Total	<u>5,32,50,000</u>
II.	Assets	
1.	Non- current assets	
a.	Fixed assets	2,50,00,000
2.	Current assets	
a.	Cash and cash equivalents	<u>12,50,000</u>
b.	Other current assets	<u>2,70,00,000</u>
	Total	<u>5,32,50,000</u>

Notes to Accounts (2 marks)

			Rs.
1.	Share Capital		
	9,00,000 Equity Shares of Rs.10each		<u>90,00,000</u>
2.	Reserves and Surplus		
	General Reserve	1,10,00,000	
	Add: Debenture Redemption Reserve transfer	<u>70,00,000</u>	
		1,80,00,000	
	Add: Profit on sale of investments	<u>10,00,000</u>	
		1,90,00,000	
	Less :Premium on redemption of debentures	<u>(15,00,000)</u>	1,75,00,000
	Securities Premium Account		17,50,000
			<u>1,92,50,000</u>

Working Notes : (5 marks)

(i) Calculation of number of shares to be allotted :

Total number of debentures	1,50,000
Less :Number of debentures not opting for conversion	<u>(50,000)</u>
	1,00,000
25% of 1,00,000	25,000
Redemption value of 25,000 debentures@110	Rs.27,50,000
Number of Equity Shares to be allotted	
=27,50,000/27.50=1,00,000 shares of Rs.10 each.	

(ii) Calculation of Cash to be paid:

	Rs.
Total number of debentures	1,50,000
Less :Number of debentures to be converted into equity shares	<u>(25,000)</u>
	<u>1,25,000</u>
Redemption value of 1,25,000 debentures @110	Rs.1,37,50,000

(iii) Cash and Bank Balance:

Balance before redemption	80,00,000
Add: Proceeds of investments sold	<u>70,00,000</u>
	1,50,00,000

Less : Cash paid to debenture holders

(1,37,50,000)

12,50,000

Note :The premium on redemption of debentures can also be adjusted against Securities Premium Account .

Question 4 (12 marks)

TOP Bank Limited
Profit and Loss Account for the year ended 31st March,2014 (6 marks)

		Schedule	Year ended 31.02.2014
			(Rs. in '000s)
I.	Income		
	Interest earned	13	5923.18
	Other income	14	<u>728.00</u>
	Total		<u>6,651.18</u>
II.	Expenditure		
	Interest expended	15	3259.92
	Operating expenses	16	768.46
	Provisions and contingencies (960+210+900)		<u>2,070.00</u>
	Total		<u>6,098.38</u>
III.	Profits/Losses		
	Net profit for the year		552.80
	Profit brought forward		<u>nil</u>
			<u>552.80</u>
IV.	Appropriations		
	Transfer to statutory reserve (25%)		138.20
	Balance carried over to balance sheet		<u>414.60</u>
			<u>552.80</u>

		Year ended 31.3.2014
		(Rs. in '000s)
Schedule 13-Interest Earned (1 mark)		
I.	Interest /discount on advances/bills(Refer W.N)	<u>5923.18</u>
		<u>5923.18</u>
Schedule 14-Other Income(1 mark)		
I.	Commission, exchange and brokerage	304
II.	Profit on sale of investments	320

III.	Rent received	<u>104</u>
		<u>728</u>
Schedule 15 – Interest Expended(1 mark)		
I.	Interest paid on deposits	<u>3259.92</u>
Schedule 16-Operating Expenses(2 marks)		
I.	Payment to and provisions for employees	320
II.	Rent, taxes and lighting	144
III.	Depreciation on bank's properties	48
IV.	Director's fee, allowances and expenses	48
V.	Auditors 'fee	28
VI.	Law (statutory) charges	44
VII.	Postage and telegrams	96.46
VIII.	Preliminary expenses	<u>40</u>
		<u>768.46</u>

Working Note: (1 mark)

	(Rs. in '000s)
Interest /discount	5,929.18
Add: Rebate on bills discounted on 31.3.2013	19.00
Less : Rebate on bills discounted on 31.3.2014	<u>25.00</u>
	<u>5,923.18</u>

Question 5 (8 marks)

**In the books of Vridhi Insurance Co. Ltd.
Journal Entries (6 marks)**

Date	Particulars	(Rs. in crores)	
		Dr.	Cr.
1.1.2015	Unexpired Risk Reserve (Fire) A/c	Dr. 20.00	
	Unexpired Risk Reserve (Marine) A/c	Dr. 15.00	
	Unexpired Risk Reserve (Miscellaneous) A/c	Dr. 5.00	
	To Fire Revenue Account		20.00
	To Marine Revenue Account		15.00
	To Miscellaneous Revenue Account		5.00
	(Being unexpired risk reserve brought forward from last year)		
31.12.2015	Marine Revenue A/c	Dr. 18.30	

	To Unexpired Risk Reserve A/c (Being closing reserve for unexpired risk created at 100% of net premium income amounting to Rs 18.3 crores i.e. 18+7-6.70)		18.30
	Fire Revenue A/c	Dr.	21.85
	To Unexpired Risk Reserve A/c (Being closing reserve for unexpired risk created at 50% of net premium income of Rs. 43.7 crores i.e. 43+5-4.30)		21.85
	Miscellaneous Revenue A/c	Dr.	4.50
	To Unexpired Risk Reserve A/c (Being closing reserve for unexpired risk created at 50% net premium income of Rs. 9 crores i.e. 12+4-7)		4.50

Unexpired Risk Reserve Account (2 marks)

Date	Particulars	Marine (Rs.)	Fire (Rs.)	Misc. (Rs.)	Date	Particulars	Marine (Rs.)	Fire (Rs.)	Misc. (Rs.)
1.1.15	To Revenue A/c	15.00	20.00	5.00	1.1.15	By Balance b/d	15.00	20.00	5.00
31.12.15	To Balance c/d	<u>18.30</u>	<u>21.85</u>	<u>4.50</u>	31.12.15	By Revenue A/c	<u>18.30</u>	<u>21.85</u>	<u>4.50</u>
		<u>33.30</u>	<u>41.85</u>	<u>9.50</u>			<u>33.30</u>	<u>41.85</u>	<u>9.50</u>
