

Model Question Paper 1

SECTION - A

I. Answer any FIVE sub-questions. Each sub-question carries 2 marks.

(5 × 2 = 10)

1. a) What do you mean by Buy-back of shares?
- b) Mention any two objectives of Buy-back of shares.
- c) What do you mean by Investments?
- d) How is Banking defined under Banking Regulation Act?
- e) What is Life Insurance?
- f) Mention different types of General Insurance.
- g) What is Reinsurance?

SECTION - B

II. Answer any FOUR of the following questions. Each question carries 5 marks

(4 × 5 = 20)

2. On 31st March 2023, the Balance Sheet of Guru Ltd., is as follows:

	Particulars	Notes	Rs.
1	Equity and Liabilities		
	Shareholders' funds		
A	Share capital	1	27,00,000
B	Reserves and Surplus	2	97,00,000
2	Current liabilities		
A	Trade Payables		14,00,000
	Total		1,38,00,000
	Assets		
1	Non-current assets		
A	Property, plant and Equipment		93,00,000
B	Non-Current Investments		30,00,000
2	Current Assets		
A	Inventories		5,00,000
B	Trade receivables		2,00,000
C	Cash and Cash equivalents		8,00,000
	Total		1,38,00,000

Notes to Accounts:

No.	Particulars	Rs.
1	Share Capital	
	Authorized, issued and subscribed capital:	
	2,50,000 Equity shares of ₹ 10 each fully paid up	25,00,000

	2,000, 10% Preference shares of ` 100 each (Issued two months back for the purpose of buy-back)		2,00,000
	Total		27,00,000
2	Reserves and Surplus		
	Capital reserve		10,00,000
	Revenue reserve		30,00,000
	Securities premium		22,00,000
	Profit and loss account		35,00,000
	Total		97,00,000

The company passed a resolution to buy-back 20% of its equity capital @ Rs.50 per share. For this purpose, it sold all of its investment for Rs. 22,00,000.

You are required to pass necessary journal entries.

- On 31st May, 2022 Mr. P purchases from Mr. Q for cash 100, 10% Debentures of Rs. 100 each in RKS Ltd., at Rs. 120 each. The purchase is cum-interest purchase. The due dates of interest are 30th September and 31st March each year. The brokerage is 1% of sale or purchase price. Show the journal entry for purchase and sale in the books of Mr. P and Mr. Q respectively.
- Following bills are discounted by SKS Bank Ltd., during the Financial Year 2022-23. You are required to find out rebate on bills discounted for the year ending 31-03-2023

Amount of Bills (Rs.)	Due Date	Rate of Interest
60,000	31-07-2023	14% p.a.
65,000	30-06-2023	12% p.a.
1,00,000	31-05-2023	15% p.a.
85,000	31-08-2023	16% p.a.

- The following relates to a life insurance corporation for the year ended 31.3.2023

Particulars	Rs.
Premium received during the year	22,66,000
Bonus in Reduction of Premium for 2022-23	14,000
Outstanding Premium on 1.4.2022	1,74,000
Outstanding Premium on 31.3.2022	2,18,000
Premium Received in advance on 1.4.2022	65,000
Premium Received in advance on 31.3.2023	53,000
Re-Insurance premium received for 2022-23	2,30,000

Calculate the amount of Premium to be shown under Schedule- 1 of Life insurance company account.

- Prepare the fire Insurance Revenue Account for the year ended 31st March 2023 from the following Details:

Particulars	Rs.
Claims Paid	4,90,000
Legal expenses regarding claims	10,000
Premiums received	13,00,000

Re-Insurance Premiums	1,00,000
Commission	3,00,000
Expenses of Management	2,00,000
Provision against Unexpired risk (1.4.2022)	5,50,000
Claims un-paid (1.4.2022)	50,000
Claims un-paid (31.3.2023)	80,000

SECTION - C

III. Answer any TWO questions. Each question carries 12 marks.

(2 X 12 = 24)

7. On 1-1-2022, 200 6% debenture of Rs. 100 each of A ltd were held as investment in B ltd. at a cost of Rs.18,200. Interest Payable on 31st December.
- On 1-4-2022 Rs. 4,000 of such debenture were purchased by Y ltd . @ Rs. 98 each cum interest.
 - On 1-9-2022 Rs. 6,000 debentures were sold at Rs. 96 ex-interest.
 - On 1-12-2022 Rs. 8,000 debentures were sold at Rs. 99 cum- interest
 - On 31-12-2022 B ltd. sold Rs. 10,000 debentures @ 95 cum interest.

Prepare the Investment Account for 6% debenture of A ltd. in the books of B Ltd.

8. From the following Trial Balance of Suman Bank Ltd., Prepare Profit and Loss A/c for the year ending 31- 3- 2023 and Balance sheet as on that date.

Particulars	Dr	Cr
Share Capital of Rs. 100 each		
Reserve fund	-	5,00,000
Loans, cash credit and overdrafts	-	2,50,000
Premises	2,85,000	
Investment in Govt. Securities	50,000	
Current deposits	4,00,000	1,00,000
Fixed Deposits	-	1,25,000
S.B.Deposits	-	50,000
Salary to staff	- 28,000	-
Directors fees	1,800	-
Rent, rates and Taxes	2,300	- 16,000
P/L a/c on (1-4-2023)	-	1,28,000
Interest and Discounts	- 27,400	-
General Expenses	8,500	-
Stationery	46,000	-
Bills purchased and discounted	-	20,000
Recurring Deposits	17,000	-
Interim Dividends Paid	50,000	-
Shares	1,93,000	-
Cash in hand and with RBI	80,000	-
Money at call and short notice		
	11,89,000	11,89,000

Adjustments:

- Endorsements made on behalf of customers Rs. 57,500
 - Unexpired Discount Rs. 190
 - Interest accrued on investment Rs. 4,000
9. Future Life Insurance Company Ltd., provides you the following trial balance and additional information as at 31-03-23. You are required to prepare Revenue A/c and Balance Sheet.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Share capital		1,00,000
Life assurance fund as on 1-4-2022		29,72,300
Bonus to policy holders	31,500	
Premium received		1,61,500
Claims paid	1,97,000	
Commission paid	9,300	
Management expenses	32,300	
Mortgage in India	4,92,200	
Interest and dividend received		1,12,700
Agents balances	9,300	
Freehold premises	40,000	
Investments	23,05,000	
Loan on company policies	1,73,600	
Cash on deposits	27,000	
Cash in hand and on current a/c	7,000	
Stamps on hand	300	
Surrenders	7,000	
Dividends paid	15,000	
	33,46,500	33,46,500

Additional information:

- a. Claims admitted but not paid Rs 9,000
- b. Management expenses due Rs 200
- c. Interest accrued Rs.19,300
- d. Premium outstanding - Rs.10,000
- e. Bonus utilized in reduction of premium Rs.2,000
- d. Claims covered under reinsurance Rs.2,300

SECTION - D

IV. Answer any ONE question. It carries 6 marks

1 x 6 = 6)

10. Prepare an Investment A/c with imaginary figures.
11. Prepare a Statement of Claims with Imaginary figures of General Insurance Company.



(in thousand ₹)

Particulars		Notes	₹
Equity and Liabilities			
1	Shareholders' funds		
a	Share capital	1	2,700
b	Reserves and Surplus	2	9,700
2	Current liabilities		
a	Trade Payables		1,400
			13,800
	Assets		
	Total		
1	Non-current assets		
a	Property, plant and Equipment		9,300
b	Non-Current Investments		3,000
2	Current assets		
a	Inventories		500
b	Trade receivables		200
c	Cash and Cash equivalents		800
	Total		13,800

Notes to accounts

No.	Particulars	₹
1	Share Capital	
	Authorized, issued and subscribed capital:	
	2,50,000 Equity shares of ₹ 10 each fully paid up	2,500
	2,000, 10% Preference shares of ₹ 100 each	200
	(Issued two months back for the purpose of buy-back)	
	Total	2,700
2	Reserves and Surplus	
	Capital reserve	1,000
	Revenue reserve	3,000
	Securities premium	2,200
	Profit and loss account	3,500
	Total	9,700

The company passed a resolution to buy-back 20% of its equity capital @ ₹ 50 per share. For this purpose, it sold all of its investment for ₹ 22,00,000.

You are required to pass necessary journal entries and prepare the Balance Sheet.

Solution

In the books of Dee Limited
Journal Entries

(In thousand ₹)

	Particulars	Dr.	Cr.
(i)	Bank Account Dr. Profit and Loss Account Dr. To Investment Account (Being the investments sold at loss for the purpose of buy-back)	2,200 800	3,000
(ii)	Equity Share buy-back Account To Bank Account (Being the payment made on buy-back)	2,500	2,500
(iii)	Equity Share Capital Account Dr. Premium Payable on Buy-Back Account Dr. To Equity Shares Buy-Back Account (Being the buy-back amount allocated to equity share capital)	500 2,000	2,500
(iv)	Securities premium Account Dr. To Premium payable on buy-back Account (Being the premium payable on buy-back adjusted against securities premium account)	2,000	2,000

(v) Revenue reserve Account
 To Capital Redemption Reserve Account
 (Being the amount equal to nominal value of equity shares bought
 back out of free reserves transferred to capital
 redemption reserve account)

Dr.

300

300

On 31st May, 2022 Mr. A purchases from Mr. B for cash 100, 10% Debentures of ₹ 100 each in RKS Ltd. at ₹ 120 each. The purchase is cum-interest purchase. The due dates of interest are 30th September and 31st March each year. The brokerage is 1% of sale or purchase price. Show the journal entry for purchase and sale in the books of Mr. A and Mr. B respectively.

SOLUTION

Analysis of the problem

1. Date of purchase/sale 31st May 2022
2. Due date of interest 31st March & 30th September
3. Interest last received before purchase/sale 31st March, 2022
4. Period for which interest is included in the purchase/sale price 1st April, 2022 to 31st May 2022
= 2 months

Calculation of Real/Normal purchase price

Particulars	(₹)
Agreed purchase price (120 × 100)	12,000
Add: Brokerage at 1%	120
Actual cash outflow	12,120
Less: Interest accrued from 1st April 2022 to 31st May 2022 (100 × 100 × 10% × 2/12)	167
Real/Normal Purchase Price	11,953

Calculation of Real/Normal selling price

Particulars	(₹)
Agreed selling price (120 × 100)	12,000
Less: Brokerage at 1%	120
Actual Cash Inflow	11,880

Investment Accounts 2.7

Less: Interest accrued from 1st April 2022 to 31st May 2022 (100 × 100 × 10% × 2/12)	167
Real/Normal Selling Price	11,713

In the books of Mr. A Journal Entries

Date	Particulars	Debit	Credit
2022 May 31 st	10% Debentures in RKS Ltd., A/c (Investment 96) Dr.	11,953	
	Interest A/c Dr.	167	
	To Bank A/c		12,120

In the books of Mr. B Journal Entries

Date	Particulars	Debit	Credit
2022 May 31 st	Bank A/c Dr.	11,880	
	To 10% Debentures in RKS Ltd., A/c (Investment 96)		11,713
	To Interest A/c		167

ILLUSTRATION 7

Following bills are discounted by SKS Bank Ltd., during the Financial Year 2022-23. You are required to find out rebate on bills discounted for the year ending 31-03-2023

Amount of Bills (₹)	Due Date	Rate of Interest
60,000	31-07-2023	14% p.a.
65,000	30-06-2023	12% p.a.
1,00,000	31-05-2023	15% p.a.
85,000	31-08-2023	16% p.a.

3.10**Advanced Accounting****SOLUTION**

Statement showing rebate on bills discounted

Due date	No. of days after 31-3-2023	Working	Rebate on bills discounted (₹)
31 - 07 - 2023	$30 + 31 + 30 + 31 = 122$	$(60,000 \times 14\% \times 122/365)$	2,808
30 - 06 - 2023	$30 + 31 + 30 = 91$	$(65,000 \times 12\% \times 91/365)$	1,945
31 - 05 - 2023	$30 + 31 = 61$	$(1,00,000 \times 15\% \times 61/365)$	2,507
31 - 08 - 2022	$30 + 31 + 30 + 31 + 31 = 153$	$(85,000 \times 16\% \times 153/365)$	5,701
Total rebate on bills discounted as at 31/3/2023			12,961

The following relates to a life insurance corporation for the year ended 31.3.2023

Particulars	(₹)
Premium received during the year	22,66,000
Bonus in Reduction of Premium for 2022-23	14,000
Outstanding Premium on 1.4.2022	1,74,000
Outstanding Premium on 31.3.2022	2,18,000

Financial Statements of Life Insurance Companies

4.15

Premium Received in advance on 1.4.2022	65,000
Premium Received in advance on 31.3.2023	53,000
Re-Insurance premium received for 2022-23	2,30,000

Calculate the amount of Premium to be shown under Schedule- 1 of Life insurance company account.
(BU B.Com Nov. 2015)

SOLUTION

Calculation of The premium to be credited to Revenue Account

Particulars	(₹)
Premium received during the year	22,66,000
Add: Outstanding premium on 31.3.2023	2,18,000
Add: Premium received in advance on 1.4.2022	65,000
Add: Bonus in reduction of premium for 2022-23	14,000
Add: Re-Insurance Premium Received	2,30,000
	27,93,000
Less: Outstanding premium on 1.4.2022	1,74,000
Less: Premium received in advance on 31.3.2023	53,000
Net Premium	25,66,000

Prepare the fire Insurance Revenue Account as per IRDA regulation for the year ended 31st March 2023 from the following Details:

Particulars	₹
Claims Paid	4,90,000
Legal expenses regarding claims	10,000
Premiums received	13,00,000
Re-Insurance Premiums	1,00,000
Commission	3,00,000
Expenses of Management	2,00,000
Provision against Unexpired risk (1.4.2022)	5,50,000
Claim unpaid (1.4.2022)	50,000
Claims un paid (31.3.2023)	80,000

SOLUTION

Revenue account for the year ended March 31, 2023

Particulars	Schedule	Fire
Premium earned	1	11,50,000
Total (A)		11,50,000
Claims incurred	2	5,30,000
Commission paid	3	3,00,000
Operating expenses	4	2,00,000
Total (B)		10,30,000
Operating Profit/Loss (A - B)		1,20,000
Total		1,20,000

Financial Statements of General Insurance Companies

5.21

Working Note for Schedules

Schedule 1 : Premium Earned

Particulars	Fire
Premium received	13,00,000
Less: Re- Insurance premiums	1,00,000
Less: Provision against unexpired risk (1-4-2022)	12,00,000
(12,00,000 × 50% = 6,00,000) 6,00,000 - 5,50,000	50,000
Total	11,50,000

Schedule 2 : Claims Incurred

Particulars	Fire
Claims paid	4,90,000
Add: outstanding claims at (31.03.2023)	80,000
	5,70,000
Less: outstanding claims (01.04.2022)	50,000
	5,20,000
Add: Legal Expenses regarding Claims	10,000
Total	5,30,000

Schedule 3 : Commission

Particulars	Fire
Commission Paid	3,00,000
Total	3,00,000

Schedule 4: Operating Expenses

Particulars	Fire
Expenses of Management	2,00,000
Total	2,00,000

On 1.1.2013, 200 6% Debentures of ₹ 100 each of Z Ltd were 'held' as investments in Y Ltd at a cost of ₹ 18,200. Interest is payable on 31st December.

1. On 1.4.2013: ₹ 4,000 of such Debentures were purchased by Y Ltd @ ₹ 98 each cum-interest.
2. On 1.9.2013: ₹ 6,000 Debentures were sold @ ₹ 96 ex-interest.
3. On 1.2.2013: ₹ 8,000 Debentures were sold @ ₹ 99 cum-interest
4. On 31.12.2013: Y Ltd sold ₹ 10,000 Debentures @ ₹ 95 cum-interest.

Prepare the investment account for 6% Debentures of Z Ltd in the books of Y Ltd. Ignore income tax.

(B.com (hon) Delhi - Adopted)

Solution:

Working

I. On 1.4.2013 Cost on purchase of Debentures - Cum-interest

Calculation of Cost

Particulars	₹	₹
Purchase price 40 x 98 (Cum-interest)	3,920	
Less: Accrued Interest	60	
Purchase price-Ex-interest		3,860

Note 1: Calculation of Period1st Jan 2001 to 31st March 2001 = **3 months****Note 2: Calculation of Accrued Interest**

$$\frac{6}{100} \times 4,000 \times \frac{3}{12} = \text{₹ 60}$$

II. 1.9.2013 debentures are sold - Ex-interest**Calculation of Cost of Debenture Sold**

Particulars	₹	₹
Sale Price 60 x 96		5,760

Working Note: Calculation of Period1st Jan 2001 to 30th Aug. 2001 = **8 months****Working Note: Calculation of Accrued Interest**

$$\frac{6}{100} \times 6,000 \times \frac{8}{12} = \text{₹ 240}$$

III. 1.2.2013 debentures are sold - cum-interest**Calculation Cost of debentures sold**

Particulars	₹	₹
Sale price: 80 x 99 (cum-interest)	7,920	
Less: Accrued Interest	440	
Sale price - Ex-interest		7,480

Working Note 1: Calculation of Period1st Jan 2001 to 30th Nov. 2001 = **11 months****Working Note 2: Calculation of Accrued - Interest**

$$\frac{6}{100} \times 8,000 \times \frac{11}{12} = \text{₹ 440}$$

IV. 31.12.2013 debentures are sold - cum-interest**Calculation of Sale Price**

Particulars	₹	₹
Sale price 100 x 95 (CIP)	9,500	
Less: Accrued Interest	600	
		8,900

Working Note 1: Calculation of period1st Jan 2001 to 31st Dec. 2001 = **12 months****Working Note 2: Calculation of Accrued Interest**

$$\frac{6}{100} \times 10,000 \times \frac{12}{12} = \text{₹ 600}$$

In the Books of Z Ltd
6% Debentures in Y Ltd Account (Interest payable 31st December)

Date	Particulars	Nominal Value ₹	Interest ₹	Cost ₹	Date	Particulars	Nominal Value ₹	Interest ₹	Cost ₹
1.1.13	To Balance b/d	20,000	-	18,200	1.9.13	By Bank A/c (sale)	6,000	240	5,760
1.4.13	To Bank A/c	4,000	60	3,860	1.12.13	By Bank A/c (sale)	8,000	440	7,480
31.12.13	To P & L A/c (Bal. fig.)	-	1,220	80	1.12.13	By Bank A/c (sale)	10,000	600	8,900
		24,000	1,280	22,140			24,000	1,280	22,140

Note: There is no closing stock of securities, since all the debentures are sold.

ILLUSTRATION 30

From the following Trial Balance of Pavan Bank Ltd., Prepare Profit and Loss A/c for the year ending 31-3-2023 and Balance sheet as on that date.

Particulars	Dr	Cr
Share Capital of ₹ 100 each	-	5,00,000
Reserve fund		2,50,000
Loans, cash credit and overdrafts	2,85,000	
Premises	50,000	
Investment in Govt. Securities	4,00,000	
Current deposits	-	1,00,000
Fixed Deposits	-	1,25,000
S.B. Deposits	-	50,000
Salary to staff	28,000	-
Directors fees	1,800	-
Rent, rates and Taxes	2,300	-
P/L a/c on (1-4-2023)	-	16,000

Interest and Discounts	-	1,28,000
General Expenses	27,400	-
Stationery	8,500	-
Bills purchased and discounted	46,000	-
Recurring deposits	-	20,000
Interim dividend paid	17,000	-
Shares	50,000	-
Cash in hand with RBI	1,93,000	-
Money at call and Short Notice	80,000	-
Total	11,89,000	11,89,000

Adjustments:

- Endorsements made on behalf of customers ₹ 57,500
- Unexpired Discount ₹ 190
- Interest accrued on investment ₹ 4,000

(BU B.Com 2016)

Form of Balance Sheet**Balance sheet of Sri Ranganna Bank Ltd as on 31st March 2014**

Particulars	Schedule No	₹
I Capital and Liabilities:		
Capital	1	5,00,000
Reserve and Surplus	2	3,12,810
Deposits	3	2,95,000
Borrowings	4	-
Other Liabilities and Provisions	5	190
Total Capital and Liabilities		11,08,000
II Assets		
Cash in hand and with RBI	6	1,93,000
Cash with Other Banks and Money at Call and Short Notice	7	80,000
Investment	8	4,50,000
Advances	9	3,31,000
Fixed Assets	10	50,000
Other Assets	11	4,000
Total Assets		11,08,000
Contingent Liabilities	12	57,500
Bills for collection		-

Profit and Loss account for the Year Ended 31st March 2023

Particulars	Schedule No.	₹
I Income		
Interest Earned	13	1,31,810
Other Income	14	-
Total Income (A)		1,31,810

II Expenditure		
Interest Expended	15	-
Operating Expenses	16	68,000
Provision and Contingencies		-
Total Expenditure (B)		68,000
III Profit/Loss		
Net Profit/Loss for the Year (A - B)		
(1,31,810 - 68,000)		63,810
Profit/Loss Brought Forward		16,000
Total Profit/Loss		79,810
IV Appropriations		
Transfer to Statutory Reserves		15,953
Interim Dividend		17,000
Profit transferred to Balance Sheet		46,857
Total		79,810

Working note for Schedules**Schedule 1: Capital**

Particulars	₹
Share capital	5,00,000
1,00,000 equity shares of 10 each	
Total Capital	5,00,000

Schedule 2: Reserves and Surplus

Particulars	₹
Statutory Reserve	15,953
Reserve fund	2,50,000
Profit and Loss Account	46,857
Total Reserve and Surplus	3,12,810

Schedule 3: Deposits

Particulars	₹
Fixed Deposit Saving	1,25,000
Bank Deposit	50,000
Current Deposit	1,00,000
Recurring deposits	20,000
Total Deposits	2,95,000

Schedule 5: Other Liabilities and Provisions

Particulars	₹
Unexpired Discount	190
Total other Liabilities and Provisions	190

Schedule 6: Cash in Hand and with RBI

Particulars	₹
Cash in Hand and with RBI	1,93,000
Total	1,93,000

Schedule 7: Cash with other Bank and Money at Call and Short Notice

Particulars	₹
Money at Call and Short Notice	80,000
Cash with other Bank	-
Total	80,000

Schedule 8: Investment

Particulars	₹
Investment in Government Bonds	4,00,000
Shares	50,000
Total	4,50,000

Schedule 9: Advances

Particulars	₹
Loans and cash credits	2,85,000
Bills Purchased	41,000
Total	3,26,000

Schedule 10: Fixed Assets

Particulars	₹
Furniture	-
Premises	50,000
Total	50,000

Schedule 11: Other Assets

Particulars	₹
Interest accrued on investments	4,000
Total	4,000

Schedule 12: Contingent Liabilities

Particulars	₹
Endorsement on behalf of customers	57,500
Total	57,500

Schedule 13: Interest and Discount

Particulars	₹
Interest and discount	1,28,000
Add: Interest accrued on investments	4,000
Total	1,32,000
Less: unexpired discount	190
Total	1,31,810

Schedule 16: Operating Expenses

Particulars	
Salaries to staff	28,000
Rent, rates and Taxes	1,800
Directors fees	2,300
General Expenses	27,400
Stationery	8,500
Total	68,000

Fortune Life Insurance Company Ltd., provides you the following trial balance and additional information as at 31-03-23. You are required to prepare Revenue A/c and Balance Sheet.

Particulars	Dr. (₹)	Cr. (₹)
Share capital		1,00,000
Life assurance fund as on 1-4-2022		29,72,300

4.28

Advanced Accounting

Bonus to policy holders	31,500	
Premium received	1,97,000	1,61,500
Claims paid	9,300	
Commission paid	32,300	
Management expenses	4,92,200	
Mortgage in India		
Interest and dividend received	9,300	1,12,700
Agents balances	40,000	
Freehold premises	23,05,000	
Investments	1,73,600	
Loan on company policies	27,000	
Cash on deposits	7,000	
Cash in hand and on current a/c	300	
Stamps on hand	7,000	
Surrenders	15,000	
Dividends paid		
Total	33,46,500	33,46,500

Additional information:

- Claims admitted but not paid ₹ 9,000
- Management expenses due ₹ 200
- Interest accrued ₹ 19,300
- Premium outstanding – ₹ 10,000
- Bonus utilized in reduction of premium ₹ 2,000
- Claims covered under reinsurance ₹ 2,300

SOLUTION

Hint:

- Dividend paid ₹ 15,000 shall be shown as an appropriation in the P & L A/c and the amount equivalent to it shall be considered as the amount transferred from Revenue A/c to Shareholders A/c.
- Stamps on hand should be shown under the head Cash & Bank balances in schedule no 11.

Revenue Account for the year ending 31st March, 2023

Policyholders' Account (Technical Account)

Particulars	Schedule No.	As at 31 st March 2023
Premium Earned (net)		
Premium	1	1,73,500
Reinsurance ceded		-
Reinsurance accepted Income from investments (gross):		
Interest, dividend & rent Interest accrued		1,12,700
Other incomes:		19,300
Total (A)		3,05,500

Commission	2	9,300
Operating expenses related to insurance	3	32,500
Provision for Doubtful Debts		-
Bad Debts written off (Reassurances irrecoverable)		-
Income tax/Provision for Taxation		-
Other provisions		-
Total (B)		41,800
Benefits paid (net)	4	2,44,200
Interim bonus paid		-
Change in valuation of net liability (closing net liability - opening net liability)		-
Total (C)		2,44,200
Surplus (D) i.e., A - (B+C)		19,500
Appropriations:		
Transfer to shareholders (Dividend paid)		15,000
Transfer to other reserves		-
Balance being funds for future appropriations		4,500
Total (D)		19,500

Schedules to the Revenue Account**Schedule 1 - Premium earned**

Premium received	1,61,500
Premium outstanding	10,000
Bonus utilized in reduction of premium	2,000
Total	1,73,500

Schedule 2 - Commission

Commission paid	9,300
Total	9,300

Schedule 3 - Operating Expenses

Management expenses	32,300
Management expenses due	200
Total	32,500

Schedule 4 - Benefits paid

Bonus to policy holders	31,500
Claims paid	1,97,000
Surrenders	7,000
Claims admitted but not paid	9,000
Bonus utilized in reduction of premium	2,000
(-) Claims covered under reinsurance	2,300
Total	2,44,200

Profit and Loss Account for the year ending 31st March, 2023
Shareholders' Account (Non-Technical Account)

Particulars	₹
Amounts transferred from/to the Policyholders Account (Technical Account)	15,000
Income from investments	-
Other incomes	-
Total (A)	15,000
Expenses other than those directly related to the insurance business	-
Bad debts written off	-
Provisions (other than taxation)	-
Total (B)	-
Profit/Loss before tax	15,000
Provision for taxation	-
Profit/Loss after tax	15,000
Appropriations	-
Balance at the beginning of the year	-
Interim dividends paid during the year	-
Proposed final dividend	15,000
Dividend distribution tax	-
Transfer to reserves and other accounts	-
Profit carried to balance sheet	-
Total	15,000

Balance Sheet as at 31st March, 2023

Particulars	Schedule No.	₹
Sources of funds		
Shareholders Funds		
Share Capital	5	1,00,000
Reserves and Surplus	6	29,72,300
Fair value change A/c	-	-
Sub-total		30,72,300
Borrowings (debentures, fixed deposits accepted, bank loans, etc.)	7	-
Sub-total		-
Policyholders Funds		
Fair value change A/c		-
Policy liabilities		-
Insurance reserves		-
Provision for linked liabilities		-
Sub-total		-
Funds for future appropriations		4,500
Total		30,76,800

Application of funds		
Investments	8	
Shareholders		23,05,000
Policyholders	8A	-
Assets held to cover linked liabilities	8B	-
Loans	9	6,65,800
Fixed Assets	10	40,000
Current Assets:		
Cash and Bank balances	11	34,300
Advances and other assets	12	40,900
Sub-total (11+12) = (A)		75,200
Current Liabilities:	13	9,200
Provisions	14	-
Sub-total (13+14) = (B)		9,200
Net current assets (C) = (A-B)		66,000
Miscellaneous Expenditure	15	-
Profit & Loss A/c (Debit balance in shareholders account)		-
Total		30,76,800

Contingent Liabilities

2.10 Six Marks Questions (Skill Development Question)

Prepare an investment A/c with imaginary figures.

In the books of

Investment Account

Date	Particulars	Number	Interest Income	Amount	Date	Particulars	Number	Interest Income	Amount
2022 May 1	To bank A/c	24,000	24,000	19,92,000	2022 Sept 30	By bank (interest)	-	1,44,000	
2023 March 31	To P & L A/c	-	-	1,05,000	2023 Mar 1	By Bank A/c	15,000	75,000	13,50,000
	To P & L A/c		2,49,000		Mar 31	By Bank (interest)	-	54,000	
						By Balance c/d	9,000	-	7,47,000
	Total	24,000	2,73,000	20,97,000		Total	24,000	2,73,000	20,97,000

5.3 Six Marks Questions (Skill Development Questions)

1. Prepare Statement claims with imaginary figures of General Insurance Company.

Statement of Claims

Particulars	₹
Claims	10,00,000
Add: Claims outstanding at the end of the year 31.3.2023	70,000
Add: Medical Expenses regarding Claims	5,000
Add: Legal Expenses Regarding Claims	4,000
Add: Bonus in reduction of premium	10,000
Total	10,89,000
Less: Claims covered by Reinsurance	8,000
Less: Claims Outstanding at the beginning of the year on 1.4.2022	40,000
Net Claim	10,41,000

Opening
closing.

→ Deducted *

(+) Accepted