



F.Y.BAF / BCOM
(Sem - II)

Accounts Test - 4
Fire Insurance Claims

Marks:- 60
Time:- 1 hr.

- Q.1** Bonfire Enterprises close their accounts on 30th June every year. On 30th September 2013 a major fire destroyed most of their stock. Following information could be gathered from their books: **(15)**

Particulars	₹
Stock on 30 th June 2013	3,60,000
Purchases – 1 st July 2013 to 30 th Sept 2013	6,00,000
Wages – 1 st July 2013 to 30 th Sept 2013	2,30,000
Sales – 1 st July 2013 to 30 th Sept 2013	10,00,000
Carriage inward for the above period	10,000
Carriage outward for the above period	15,000

Average percentage of G.P. to cost is 33 $\frac{1}{3}$. Stock of the value of ₹75,000 could be salvaged. Policy was for ₹2,50,000. Claim was subject to average clause.

Following further information is available:

- (1) Stock in the beginning was calculated at 10% less than cost.
- (2) Purchases include purchase of furniture ₹25,000.
- (3) Amount spent for bringing and setting-up the furniture in the office was ₹5,000 which was included in carriage inward.

You are required to calculate the amount of claim.

- Q.2** On 13th March, 2013, a fire occurred and partly damaged the stock of goods of Mona Traders, stock having a cost of ₹2,000 being salvaged. The stocks were insured against fire to the extent of ₹15,000. **(15)**

The following particulars could be obtained from the books and records saved:

Particulars	₹
Balance as per Balance Sheet as on 31-12-2012:	
Stock at Cost	10,000
Debtors for Goods	2,500
Creditors for Goods	1,500
Transactions between 1-1-2013 to 13-3-2013:	
Cash Received from Debtors	20,000
Cash Discount allowed to Debtors	500
Goods Returned by Debtors	200
Cash Paid to Creditors	37,000
Cash Discount from Creditors	400
Goods Returned to Creditors	100
Cash Sales	21,200
Goods given to Famine Relief Fund (at cost)	500
Debtors for Goods as on 13-3-2013	5,800
Creditors for Goods as on 13-3-2013	3,000

All Sales are made at a profit of 25% on the Cost Price.

Draw up a statement of claim for Loss of Stock. Expenses of firefighting operation amounted to ₹2,000.

- Q.3.** A fire occurred in the premises of Mr. Rajendra on 15th October, 2015. From the following particulars ascertain the loss of stock and prepare a statement of claim to be lodged with insurance company. **(15)**

Particulars	₹
Stock on 31-3-2013	1,98,000
Stock on 31-3-2014	2,42,000
Purchases for 2013-14	6,40,000
Sales for 2013-14	8,00,000
Purchases from 1-4-2014 to 15-10-2015	6,00,000
Sales from 1-4-2014 to 15-10-2015	7,58,000

The stock on 31st March, 2013 was valued at 90% of Cost Price and 31st March, 2014 was valued at 10% above cost. Salvage was ₹ 35,600 the amount of policy was ₹2,00,000. The claim was subject to average clause.

- Q.4** A fire occurred in the premises of Miss Deepa on 14-10-2013. From the following particulars ascertain the loss of stock and prepare a statement of claim to be lodged with insurance company: **(15)**

Particulars	₹
Stock as on 1-1-2012	61,200
Purchases from 1-1-2012 to 31-12-2012	2,44,000
Sales from 1-1-2012 to 31-12-2012	3,60,000
Stock as on 31-12-2012	54,000
Purchases from 1-1-2013 to 14-10-2013	2,94,000
Sales from 1-1-2013 to 14-10-2013	3,00,000

The stocks were always valued at 90% of cost price. Salvage was ₹36,000. The amount of Policy was ₹1,26,000.

The claim was subject to average clause.



SHAH
EDUCATIONAL ACADEMY
Bandra West | Vile Parle West

H. O. : Shop No. 5, Hill Crest Society, 16th Road, Bandra (W),
Mum: 50. Ph: 26051635 / 9820422953

Branch : Avon Arcade, Shop No. A/121, 1st Fl., Vile Parle (W),
Mumbai: 56. Ph: 9820418533

F.Y.BAF / BCOM
(Sem - II)

Accounts Test - 4
Fire Insurance Claims (Solution)

Marks:- 60
Time:- 1 hr.

Q.1. Solution

Bonfire Enterprises

A. Compute Stock :

Dr.

Memorandum Trading Account

Cr.

(From 1-7-2013 to 30-9-2013)

Particulars	₹	Particulars	₹
To Opening Stock 3,60,000		By Sales 10,00,000	
Add : Undervalued 40,000	4,00,000	By Closing Stock 4,60,000	
(3,60,000 x 1/9)			
To Purchases 6,00,000			
Less : Furniture 25,000	5,75,000		
To Wages 2,30,000			
To Carriage Inward 10,000			
Less : For Furniture 5,000	5,000		
To Gross Profit (1/4 of 10,00,000) 2,50,000			
	14,60,000		14,60,000

Working Note : Carriage Outward is not recorded in the Trading A/c. It is debited to the Profit & Loss A/c.

B. Compute Loss :

Particulars	₹
Closing Stock 4,60,000	
Less : Salvaged Stock 75,000	
Loss of Stock 3,85,000	

C. Compute Claim :

$$\text{Claim} = \frac{\text{Policy}}{\text{Stock}} \times \text{Loss} = \frac{2,50,000}{4,60,000} \times 3,85,000 = \text{₹ } 2,09,239$$

Q.2. Solution.

MONA TRADERS

A. Compute Stock :

Dr.

Memorandum Trading Account

Cr.

(From 1-1-2013 to 13-3-2013)

Particulars	₹	Particulars	₹
To Opening Stock	10,000	By Sales	
To Purchases (WN 2) 39,000		- Cash 21,200	
Less : Returns 100	38,900	- Credit (WN 1) 24,000	
To Gross Profit (1/5 of 45,000) 9,000		45,200	
		Less : Returns 200	45,000
		By Goods to Famine Relief Fund 500	
		By Closing Stock (Bal. Fig.) 12,400	
	57,900		57,900

B. Compute Loss / Claim :

Particulars	₹
Stock on 13-3-2013	12,400
Less : Salvaged Stock	2,000
	10,400
Add : Expenses of fire fighting operation	2,000
Claim Amount	12,400

C. Since the insurance policy (₹ 15,000), is more than the value of stock on date of fire (₹ 12,400), full claim can be made.

Working Notes :

(1) Ascertaining Sales :

Dr.

Debtors Account

Cr.

Particulars	₹	Particulars	₹
To Balance b/d	2,500	By Cash	20,000
To Sales (Bal. Fig.) 24,000		By Discount Allowed 500	
		By Sales Returns 200	
		By Balance c/d 5,800	
	26,500		26,500

(2) Ascertaining Purchases :

Dr.

Creditors Account

Cr.

Particulars	₹	Particulars	₹
To Cash	37,000	By Balance b/d	1,500
To Discount 400		By Purchases (Bal. Fig.) 39,000	
To Purchase Returns 100			
To Balance c/d 3,000			
	40,500		40,500

Q.3. Solution

A. Computing Gross Profit Ratio

In the Books of Mr. Rajendra

Dr. Trading A/c for the year ended 31st March, 2014		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock (1,98,000 ÷ 90%)	2,20,000	By Sales	8,00,000
To Purchases	6,40,000	By Closing Stock (2,42,000 ÷ 110%)	2,20,000
To Gross Profit c/d	1,60,000		
	<u>10,20,000</u>		<u>10,20,000</u>

$$\begin{aligned}\text{Gross Profit Ratio} &= \frac{\text{Gross Profit}}{\text{Sales}} \times 100 \\ &= \frac{1,60,000}{8,00,000} \times 100 = 20\%\end{aligned}$$

B. Computing Stock

Dr. Memorandum Trading A/c for the period from 1-4-14 to 15-10-15		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock (2,42,000 ÷ 110%)	2,20,000	By Sales	7,58,000
To Purchases	6,00,000	By Closing Stock (Bal. Fig.)	2,13,600
To Gross Profit (20%)	1,51,600		
	<u>9,71,600</u>		<u>9,71,600</u>

C. Computing Loss and Claim

1. Loss = Closing Stock – Salvage

$$= 2,13,600 - 35,600 = ₹ 1,78,000$$

2. Claim = $\frac{\text{Policy}}{\text{Closing Stock}} \times \text{Loss} = \frac{2,00,000}{2,13,600} \times 1,78,000$

$$\text{Claim} = ₹ 1,66,667$$

Q.4. Solution

MS. DEEPA

A. Compute GPR :

Dr. Trading Account for the year ended 31-12-2012

Particulars	₹	Particulars	₹
To Opening Stock (61,200 x 100/90)	68,000	By Sales	3,60,000
To Purchases	2,44,000	By Closing Stock (54,000 x 100/90)	60,000
To Gross Profit	1,08,000		
	<u>4,20,000</u>		<u>4,20,000</u>

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Sale}} \times 100 = \frac{1,08,000}{3,60,000} \times 100 = 30\%$$

B. Compute Stock :**Dr.****Memorandum Trading Account****Cr.****(From 1-1-2013 to 14-10-2013)**

Particulars	₹	Particulars	₹
To Opening Stock	60,000	By Sales	3,00,000
To Purchases	2,94,000	By Closing Stock (Bal. Fig.)	1,44,000
To Gross Profit (30%)	90,000		
	<u>4,44,000</u>		<u>4,44,000</u>

C. Compute Loss :

Particulars	₹
Stock as on 14-10-2013	1,44,000
Less : Salvaged Stock	<u>36,000</u>
Loss of Stock	1,08,000

D. Compute Claim :

$$\text{Claim} = \frac{\text{Policy}}{\text{Stock}} \times \text{Loss} = \frac{1,26,000}{1,44,000} \times 1,08,000 = \text{₹ } 94,500.$$
