

**NATIONAL LAW UNIVERSITY, JODHPUR**  
**Mid Term Examination – 2023**  
**MBA Insurance IV Semester**  
**Subject: Insurance Accounting and Investments**

Marks: 50

Time: 90 Minutes

Instructions:

- i) Attempt all the questions.
- ii) Simple calculators are permitted.

Q.1) Explain the following concepts in preparation of accounts of an entity – periodicity, matching concept, conservatism, dual aspect concept and cost concept.

(25 Marks)

Q.2) From the following balances, as on 31-3-2022 prepare Schedule 1, 2, 3 and 4 the Revenue Account for the fire insurance business of Insurance Company:

	Direct Business	Re-insurance
	Rs'000	Rs '000
<b>Premium:</b>		
Received-	4600000	720000
Receivable on April 1, 2021	186000	27000
Receivable on March 31, 2022	262000	25500
Paid		460000
Payable on April 1, 2021		28500
Payable on March 31, 2022		46500
<b>Claims</b>		
Paid	2350000	300000
Payable April 1, 2021	125000	28500
Payable on March 31, 2022	156000	33000
Received		127500
Receivable on April 1, 2021		12000
Receivable on March 31, 2022		17250
<b>Commission</b>		
Direct Business	220000	
On insurance accepted		19000
On re-insurance ceded		19500

- A. Other expenses and income: Salaries Rs 240000 thousand; Rent, Rates and Taxes Rs 29000 thousand; Postage, Broadband, Stationery and Printing Expenses Rs 43000 thousand; Interest, Dividend and rent received (net) Rs 140000 thousand; Legal Expenses Rs 18000 thousand incurred for settlement of claims
- B. Balance on Fund on 1<sup>st</sup> April 2021 was Rs 3845000 thousand.

(20 Marks)

Q.3). Briefly explain the objectives of accounting.

(5 Marks)

12 MAY 2023

**NATIONAL LAW UNIVERSITY, JODHPUR**

End Term Examination 2023

MBA (Insurance) IV Semester

Subject: Insurance Accounting and Investments

Time: Three Hours

Marks: 100

*Instructions:*

- i. *Attempt any five questions.*
- ii. *Simple calculators are permitted.*
- iii. *Adhere to the examination rules.*

Q.1). Investments constitute a significant portion of total assets in insurance business which generate income by the way of dividends, interests and rentals and capital appreciation or the benefits of both policy holders and shareholders. Therefore, it is expected from the auditors to verify investments in a fair and true manner. Identify and explain the various aspects with regard to investment audit.

(Marks 20)

Q.2). Explain the following:-

- a) Money Measurement Concept
- b) Conservatism
- c) Treatment of change in fair value of investments in Financial Statements of Insurance Company
- d) Single Entity Concept

(4\*5=20 Marks)

Q.3). a) Distinguish between capital receipts and revenue receipts.

b) A company has purchased machinery worth Rs 100000 on January 1, 2019. The company purchased machinery on July 1, 2020 for Rs 50000 and incurred installation charges of Rs 5000. The company sold its first machine on October 1, 2021 for Rs 25000 and on the same date purchased another machine for Rs 120000. The company sold its second machine on October 31, 2022 for Rs 15000 and purchased another machine for Rs 55000. The company charges 20 percent per annum depreciation on written down value method. The company closes its books of accounts on December 31 every year. Prepare machinery account from 2019 till 2022 in the books of company.

(10+10=20 Marks)

Q.4). AC Ltd. company invited applications for 20000 equity shares of Rs 10 each, issued at 20 percent premium and payable as follows:

On Applications Rs 3

On Allotment Rs 5 (including premium of Rs 2)

On First Call Rs 2

On Second and Final Call Rs 2

Applications were received for 20000 equity shares and full allotment was made to all the applicants. Ms. E, holding 500 equity shares failed to pay money due on allotment, and subsequently her equity shares were forfeited. Mr. G, holding 400 equity shares failed to pay first and second call and his shares were also forfeited. Out of forfeited shares, 600 equity shares (including whole of Ms. E's shares) were reissued to Ms. Z, for Rs 11 per equity share credited as fully paid up. Pass the necessary journal entries to record the above transactions and also prepare the balance sheet.

(Marks 20)

Q.5). The following are the balances in the books of Agni Bima Ltd. as on March 31, 2023 in respect of Fire Insurance business carried on by them:

Particulars	Debit (Rs)	Particulars	Credit (Rs)
Claims less reinsurance	2062500	Premium less insurance	3750000
Commission on direct business	225000	Reserve for unexpired risks as on 1-4-2022	1500000
Commission on reinsurance accepted	75000	Claims outstanding as on 31-3-2023	562500
Bad Debts	11250	Profit and Loss Appropriation Account balance as on 1-4-2022 (Cr.)	150000
Foreign Taxes	7500	Share Capital (Equity shares of Rs 100 each)	3750000
Rent, Rates and Taxes	90000	General Reserve	750000
Establishment Charges	375000	Amount due to other persons carrying on insurance business	600000
Audit Fees	15000	Interest and Dividend Received (Net)	112500
Postage and Internet	11250	Sundry Creditors	150000
Printing and Stationery	18750	Investment Fluctuation Reserve	450000
Depreciation	30000	Commission on reinsurance ceded	150000
Policy Stamps	3750		
Amount due from other persons carrying on insurance business	3000000		
Cash on hand	19500		
Cash at bank	910500		
Directors' Fees	15000		
Remuneration of Managing Director	135000		

Sundry Debtors	375000		
Furniture, Cars	420000		
Deposits with Reserve Bank of India	1500000		
Investment in Government Securities	1875000		
Investment in shares of other companies	750000		
	11925000		23850000

**Additional Information:**

- Reserve for unexpired risks to be kept at 50% of the Premium income.
- Market value of Investments as on 31-3-2023 was Rs 21,00,000.
- Provision for taxation is required to be made of Rs 2,92,500.

You are required to prepare the Revenue Account and Schedule 6, 12, 13 and 14 as on 31-3-2023.

(Marks 20)

Q.6). On 1st April, 2022, Rajat has 50,000 equity shares of P Ltd. at a book value of Rs 15 per share (nominal value Rs 10 each). He provides you the further information:

(1) On 20th June, 2022 he purchased another 10,000 shares of P Ltd. at Rs 16 per share.

(2) On 1st August, 2022, P Ltd. issued one equity bonus share for every six shares held by the shareholders.

(3) On 31st October, 2022, the directors of P Ltd. announced a right issue which entitles the holders to subscribe three shares for every seven shares at Rs 15 per share. Shareholders can transfer their rights in full or in part.

Rajat sold 1/3rd of entitlement to Umesh for a consideration of Rs 2 per share and subscribed the rest on 5th November, 2022.

You are required to prepare Investment A/c in the books of Rajat for the year ending 31st March, 2023.

(Marks 20)