

NATIONAL LAW UNIVERSITY, JODHPUR

End Term Examination 2024

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). The following trial balance was extracted from the books of the Life Assurance Company Ltd. as on 31st March 2024:

	Debit	Credit
	Rs in lakhs	Rs in lakhs
Paid up capital 2 crore shares of Rs 10 each		4000
Life Assurance Fund as on 1 st April 2023		118892
Dividend paid		600
Bonus to policy holders	1260	
Premium received		6460
Claims paid	7880	
Commission paid	372	
Management Expenses	1292	
Mortgages in India	19688	
Interest and dividends received		4508
Agents' balance	572	
Freehold Premises	2000	
Investments	92400	
Loan on company's policies	6944	
Cash on deposit	1080	
Cash in hand and on current account	692	
Surrenders	280	
	134460	134460

Prepare the company's revenue account for the year ended 31st March 2024 and its balance sheet as on that date taking the following matters into consideration:

	Rs in lakhs
Claims admitted but not paid	372
Management expenses due	8
Interest accrued	772
Premiums outstanding	480

(Marks 20)

Q.2). On 03-04-2023, Ms. Siddhi purchased 2,000 equity shares of Rs 100 each in Samriddhi Ltd. @ Rs 120 each from a broker, who charged 2% brokerage. She incurred 50 paise per Rs

100 as cost of shares transfer stamps. On 31-01-2024, Samriddhi Ltd. declared bonus shares in the ratio of 1:2. On 18-03-2024, Ms. Siddhi sold bonus shares to a broker for Rs 95 per share, who charged 2% brokerage.

Show the Investment in equity shares of Samriddhi Ltd. Account in the books of Ms. Siddhi.

(Marks 20)

Q.3). Detail out the major aspects related to premium income and claim expenses to be examined by the branch auditor.

(Marks 20)

Q.4). RB Handicrafts Co. purchased a second-hand machine on 1st January 2021 for Rs 320000. Overhauling and erection charges amounted to Rs 80000. Another machine was purchased for Rs 160000 on 1st July 2021. On 1st July 22, the machined installed on 1st January 2021 was sold for Rs 200000. On the same date another machine was purchased for Rs 60000 and was installed. Under the existing practice the company provides depreciation @15% p.a. on WDV method. Prepare Machinery Account in the books of RB Handicrafts Co. from the year 2021 till 2023. The company closes its books of accounts on December 31 every year.

(Marks 20)

Q. 5). Write short notes on the following: -

- i. Capital Receipts and Revenue Receipts
- ii. Fair Value Change Account
- iii. Relevance of Conservatism Concept in Preparation of Financial Statements of General Insurance Company
- iv. Relevance of Accrual Concept in Preparation of Financial Statements of General Insurance Company

(Marks 4*5=20)

Q.6). Enlist and briefly explain the contents of an annual report of an insurance company.

(Marks 20)



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NATIONAL LAW UNIVERSITY, JODHPUR
Re Mid Term Examination – 2024
MBA Insurance IV Semester
Subject: Insurance Accounting and Investments

Time: 90 Minutes

Marks: 50

Instructions:

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

Q.1). The books of accounts of Golden General Insurance Co Ltd show the following closing balances as on 31st March 2024 in respect of Fire Department.
Premium from Direct Business Rs 98139 Lakhs, Premium on reinsurance accepted Rs 34363 Lakhs, Premium on Reinsurance Ceded Rs 43732 Lakhs, Net premium earned for 2022-23 Rs 105292 lakhs, Interest, Dividend and Rent-Gross Rs 10619 Lakhs
Claim paid direct Rs 70511 Lakhs, Claims on reinsurance ceded Rs 14435 lakhs, Claims on reinsurance accepted Rs 29228 lakhs, Outstanding claims at the end (net) Rs 80000 lakhs, Outstanding claims at the beginning (net) Rs 75558 lakhs
Commission paid Direct Rs 10721 Lakhs, Commission in reinsurance accepted Rs 6292 Lakhs, Commission on reinsurance ceded Rs 6990 lakhs
From the above closing balances, prepare Fire Revenue Account for the year ended 31st March 2024 in consideration of the management expenses for fire department for Rs 19611.
(Marks 20)

Q.2). A. Write short notes on the following: -

- i) Application of Accrual Concept in Insurance Accounting
- ii) Application of Conservatism Concept in Insurance Accounting
- iii) Dual Aspect Concept
- iv) Objectives of Accounting

B. How would you treat the purchase of a fixed asset and depreciation charged on the fixed asset and repairs and maintenance on the machine from the point of view of capital and revenue expenditure? State the reasons for the same.

C. Briefly explain the need for charging depreciation.

(Marks 20+5+5 =30)

