

Form 'B'

SEE BELOW:

Third Schedule

Form of Profit and Loss Account

Profit and Loss Account for the year ended 31st March (000's omitted)

	Schedule No.	Year ended on 31.3..... (current year) Rs.	Year ended on 31.3..... (previous year) Rs.
<b>I. Income:</b>			
Interest earned	13	XXXX	
Other income	14	XXXX	
<b>Total</b>			
<b>II. Expenditure:</b>			
Interest expended	15	XXXX	
Operating expenses	16	XXXX	
Provisions and contingencies		XXXX	
<b>Total</b>			
<b>III Profit/Loss:</b>			
Net Profit/Loss (-) for the year		XXXX	
Profit/Loss (-) brought forward		XXXX	
<b>Total</b>			
<b>IV. Appropriations:</b>			
Transfer to statutory reserves		XXXX	
Transfer to other reserves		XXXX	
Transfer to Govt. /proposed dividend		XXXX	
Balance carried over to balance sheet		XXXX	
<b>Total</b>			

**Schedules to be annexed with Profit and Loss Account**  
**Schedule 13: Interest Earned**

	Year ended on 31.3.... (current year) Rs. in '000	Year ended 31.3.... (previous year) Rs. in '000
I. Interest/Discount on Advances/Bills	xxxx	
II. Income on investments	xxxx	
III. Interest on balances with RBI and other inter-bank funds	xxxx	
IV. Others	xxxx	
<b>Total</b>	_____	_____

**Schedule 14 : Other Income**

	Year ended on 31.3.... (current year) Rs. in '000	Year ended 31.3.... (previous year) Rs. in '000
I. Commission, Exchange and Brokerage	xxxx	
II. Profit on sale of investments	xxxx	
<i>Less: Loss on sale of investments</i>	xxxx	xxxx
III. Profit on revaluation of investments	xxxx	
<i>Less: Loss on revaluation of investments</i>	xxxx	xxxx
IV. Profit on sale of Land/Building and other assets	xxxx	
<i>Less: Loss on sale of Land, Building and other assets</i>	xxxx	xxxx
V. Profit on Exchange transactions	xxxx	
<i>Less: Loss on Exchange transactions</i>	xxxx	xxxx
VI. Income earned by way of dividends etc. from Subsidiaries/Companies and or Joint Venture abroad/in India		xxxx
VII. Miscellaneous Income		xxxx
<b>Total</b>	_____	_____

Note: Under items II to V, loss figure may be shown in brackets

**Schedule 15 : Interest Expended**

	Year ended on 31.3.... (current year) Rs. in '000	Year ended 31.3.... (previous year) Rs. in '000
I. Interest on Deposits	xxxx	
II. Interest on RBI/Inter-Bank Borrowings	xxxx	
III. Others	xxxx	
<b>Total</b>	_____	_____

**Schedule 16 : Operating Expenses**

	Year ended on 31.3.... (current year) Rs. in '000	Year ended 31.3.... (previous year) Rs. in '000
I. Payments to and provisions for employees	xxxx	xxxx
II. Rent, taxes and lighting	xxxx	xxxx
III. Printing and Stationery	xxxx	xxxx
IV. Advertisement and Publicity	xxxx	xxxx
V. Depreciation on bank's property	xxxx	xxxx
VI. Directors' fees, allowances and expenses	xxxx	xxxx
VII. Auditor's fees, allowances and expenses	xxxx	xxxx
VIII. Law charges	xxxx	xxxx
IX. Postage, telegrams, telephones, etc.	xxxx	xxxx
X. Repairs & Maintenance	xxxx	xxxx
XI. Insurance	xxxx	xxxx
XII. Other expenditure	xxxx	xxxx
	_____	_____
<b>Total</b>	_____	_____

**Form A**  
**Form at Balance Sheet**

(000's omitted)

**Balance Sheet of .... (here enter name of the banking company) as on 31.3. (year)**

	Schedule No.	As on 31.3.... (current year) Rs.	As on 31.3... (previous year) Rs.
<b>Capital and Liabilities:</b>			
Capital	1		
Reserves and surplus	2		
Deposits	3		
Borrowings	4		
Other liabilities and provisions	5		
<b>Total</b>		<hr/>	<hr/>
<b>Assets</b>			
Cash and balance with RBI	6		
Balance with banks and money at call and short notice	7		
Investments	8		
Advances	9		
Fixed assets	10		
Other assets	11		
<b>Total</b>		<hr/>	<hr/>
Contingent liabilities	12		
Bills for collection			

**Schedule 1 : Capital**

(000's omitted)

	As on 31.3.... (current year) Rs.	As on 31.3... (previous year) Rs.
<b>I. For Nationalised banks</b>		
Capital (fully owned by Central Govt.)		
<b>Total</b>	<hr/>	<hr/>
<b>II. For banks incorporated outside India</b>		
Capital		
(i) (The amount bought in by banks by way of start-up capital as prescribed by RBI should be shown under this head)		
(ii) Amount of deposit kept with the RBI under section 11(2) of the Banking Regulation Act. 1949		
<b>Total</b>	<hr/>	<hr/>
(iii) For other banks		
Authorised capital (shares of Rs. ... each)		
Issued capital (shares of Rs. ... each)		
Subscribed capital (shares of Rs.... each)		
Called up capital (shares of Rs. ... each)		
Less: Calls unpaid		
Add: Forfeited shares		
	<hr/>	<hr/>
	<hr/>	<hr/>

## Schedule 2 : Reserves and surplus

12.12

(000's omitted)

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
(i) Statutory Reserves		
Opening Balance		
Additions during the year		
Deductions during the year		
(ii) Capital Reserve		
Opening balance		
Additions during the year		
Deductions during the year		
(iii) Share premium		
Opening Balance		
Additions during the year		
Deductions during the year		
(iv) Revenue and other Reserves		
Opening Balance		
Additions during the year		
Deductions during the year		
(v) Balance in Profit and Loss Account		
Total (i, ii, iii, iv & v)	_____	_____

## Schedule 3 : Deposits

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
A. I. Demand Deposits		
(i) From Banks		
(ii) From others		
II. Savings bank deposits		
III. Term deposits		
(i) From banks		
(ii) From others		
Total (I, II and III)	_____	_____
B. (i) Deposits of branches in India		
(ii) Deposits of branches outside India		
Total	_____	_____

## Schedule 4 : Borrowings

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
I. Borrowing in India		
(i) Reserve Bank of India		
(ii) Other Banks		
(iii) Other institutions and agencies		
II. Borrowings outside India		
Total (I and II)	_____	_____
Secured borrowings included in I and II above – Rs.		

**Schedule 5 : Liabilities and Provisions** (000's omitted)

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
I. Bills payable		
II. Inter-office adjustments (net)		
III. Interest accrued		
IV. Others (including provisions)		
<b>Total</b>		

**Schedule 6 : Cash and Balances with Reserve Bank of India**

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
I. Cash in hand (including foreign currency notes)		
II. Balances with Reserve Bank of India		
(i) In Current account		
(ii) In other accounts		
<b>Total (I and II)</b>		

**Schedule 7 : Balances with banks and money at call and short notice**

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
I. In India		
(i) Balance with banks		
(a) In current accounts		
(b) In other deposit accounts		
(ii) Money at call and short notice		
(a) With banks		
(b) With other institutions		
<b>Total (I and II)</b>		
II. Outside India		
(i) In Current accounts		
(ii) In other deposit accounts		
(iii) Money at call and short notice		
<b>Total (I, II &amp; III)</b>		
<b>Grand total</b>		
<b>(I and II)</b>		

## Schedule 8 : Investments

12.14

(000's omitted)

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
I. Investments in India in		
(i) Government securities		
(ii) Other approved securities		
(iii) Shares		
(iv) Debentures and bonds		
(v) Subsidiaries and/or joint ventures		
(vi) Other investments (to be specified)		
Total	_____	_____
II. Investments outside India in		
(i) Government securities (including local authorities)		
(ii) Subsidiaries and/or joint venture abroad		
(iii) Other investments (to be specified)		
Total	_____	_____
Grand Total (I and II)	_____	_____

## Schedule 9 : Advances

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
A. (i) Bills purchased and discounted		
(ii) Cash credits overdrafts and loans repayable on demand		
(iii) Term loans		
Total	_____	_____
B. (i) Secured by tangible assets		
(ii) Covered by Bank/Government guarantees		
(iii) Unsecured		
Total	_____	_____
C. I. Advances in India		
(i) Priority sectors		
(ii) Public sector		
(iii) Banks		
(iv) Others		
Total	_____	_____
II. Advance outside India		
(i) Due from banks		
(ii) Due from others		
(a) Bills purchased and discounted		
(b) Syndicated loans		
(c) Others		
Total	_____	_____
Grand Total (I and II)	_____	_____

**Schedule 10 : Fixed Assets****(000's omitted)**

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
I. Premises At cost on 31st March of the preceding year Additions during the year Deductions during the year Depreciation to date		
II. Other Fixed assets (including furniture and fixtures) At cost as on 31st March at the preceding year Additions during the year Deductions during the year Depreciation to date		
Total (I and II)		

**Schedule 11 : Other Assets**

	As on 31.3... (current year) Rs.	As on 31.3... (previous year) Rs.
I. Inter-office adjustments (net)		
II. Interest accrued		
III. Tax paid in advance/ tax deducted at source		
IV. Stationery and stamps		
V. Non-banking assets acquired in satisfaction of claims		
VI. Others		
Total		

(a) In case there is any unadjusted balance of loss, the same may be shown under this item with appropriate foot note.

**Schedule 12 : Contingent Liabilities**

	Year ending As on 31.3... (current year) Rs.	Year ending As on 31.3... (previous year) Rs.
I. Claims against the bank not acknowledged as debts		
II. Liabilities for partly paid investments		
III. Liabilities on account of outstanding forward exchange contracts		
IV. Guarantees given on behalf of constituents (a) India (b) Outside India		
V. Acceptance endorsements and other obligations		
VI. Other items for which the bank is contingently liable		
Total		



## ILLUSTRATIONS

### Non – performing assets (N.P.A.) – Provision for doubtful debts

#### Illustration 1

On 31st March 1998, Bharat Commercial Bank Ltd., finds its advances classified as follows:

Standard assets	(Rs.)
Sub-standard assets	14,91,300
Doubtful assets (secured)	92,800
: doubtful for one year	25,660
: doubtful for one year to 3 years	15,640
: doubtful for more than 3 years	6,580
Loss assets	10,350

Calculate the amount of provision to be made by the bank against the above mentioned advances.

*[Madras, B.Com (ICE) (UCYD) Oct. 2008; 1st M.Com (ICE) Oct. 2008; B.Com., B.Com (CS) Nov. 2007; B.Com (ICE) Ap 2007; M.Com (ICE) Oct. 2006]  
[Thiruvalluvar, B.Com., Ap. 2007]*

#### Solution:

	Amount (Rs.)	% required as provision	Provision (Rs.)
Standard assets	14,91,300	0.25	3,728
Sub-standard assets	92,800	10	9,280
Doubtful assets: upto one year	25,660	20	5,132
one year to 3 years	15,640	30	4,692
more than 3 years	6,580	50	3,290
Loss assets	10,350	100	10,350
<b>Total provision required</b>			<b>36,472</b>

- Note:**
1. If the doubtful assets were unsecured, 100% provision has to be made.
  2. As per recent RBI guidelines, 0.25% Provision is to be made on standard assets also.

### Interest on Doubtful Debts

#### Illustration 2

While closing the books of a bank on 31st Dec. 1989, you find in the loan ledger as unsecured balance of Rs. 2 lakhs in the account of a merchant whose financial condition is reported to you as bad. Interest on the same account amounted to Rs. 20,000 during the year. During the year 1990, the bank accepted 75 paise in the rupee on account of the debt upto 31st Dec. 1989. Give journal and ledger to record these transactions under alternative accounting policies.

*[Madras, B.Com (CS) Ap. 2008; B.Com (PZ4A) Ap. 2007;  
M.Com (PCMA) Ap. 2007; I M.Com., Oct. 2002]  
[Periyar, M.Com (CA) Ap 2005]*

12.35

**Illustration 4**

The Trial Balance of the Nedungadi Bank Ltd., as on 30th June 1984 shows the following balances.

Interest and discount	Rs. 45,40,600
Rebate on bills discounted (1.7.83)	4,750
Bills discounted and purchased	3,37,400

The unexpired discount as on 30.6.84 is estimated to be Rs. 5,560. Draft necessary adjusting entries and calculate the amount of interest and discount to be credited to Profit and Loss Account.

[Periyar, B.Com., Ap 2006] [Madras, B.Com., B.Com (CS) Ap 2007; Nov. 2006; B.Com. (PZ4A) Nov. 2006; 1st M.Com., Ap. 2007; M.Com. (Sem - CA1A) Nov. 2005; April 2004; BCS (SY4B) Nov. 2005; B.Com (ICE) Oct. 2005; II M.Com., April 2002; B.Com., Oct. 2000]

**Solution:**

Books of Nedungadi Bank Ltd.

Journal (adjustment)

(a)

Date	Particulars	L.F	Dr	Cr
			Rs.	Rs.
	Rebate on bills discounted A/c <span style="float: right;">Dr</span>		4,750	
	To Discount A/c			4,750
	[Being transfer of opening unexpired discount to discount account]			
	Discount A/c <span style="float: right;">Dr</span>		5,560	
	To Rebate on bills discounted			5,560
	[Being closing unexpired discount out of the current year's discount]			

(b) Calculation of amount of interest and discount to be credited to Profit & Loss Account:

Interest and Discount given	Rs. 45,40,600
Add: Opening balance of rebate on bills discounted	4,750
	45,45,350
Less: Closing balance of rebate on bills discounted	5,560
Interest and discount to be credited to Profit and Loss A/c (schedule 13)	45,39,790

**Illustration 5**

As on 31st December 1985, the books of the Hercules bank, include among others, the following balances

	Rs.
Rebate on bills discounted (1.1.1985)	3,20,000
Discount received	46,00,000
Bills discounted and purchased	3,15,47,000

Throughout 1985, the bank's rate for discounting has been 18%.

On investigation and analysis, the average due date for the bills discounted and purchased is calculated as 14th February, 1986.

Show the calculation of the amount to be credited to the banks Profit and Loss A/c under discount earned for the year 1985. Show also the journal entries required to adjust the above mentioned accounts.

[Madras, B.Com., (ICE) (PZG) Oct. 2008]

**Solution:**

	Rs.
Unexpired discount or rebate on bills on 31.12.85	
$3,15,47,000 \times \frac{18}{100} \times \frac{45}{365}$ (i.e.,) 7,00,084	7,00,084
Amount to be credited to Profit & Loss A/c has been ascertained as follows:	
Balance in discount received A/c	46,00,000
<i>Add:</i> Balance in rebate account as of 1.1.85 transferred	3,20,000
	49,20,000
<i>Less:</i> Rebate on bills (31.12.85)	7,00,084
Amount to be transferred to Profit and Loss A/c	42,19,916

**Journal entries**

Date	Particulars	L.F	Dr	Cr
			Rs.	Rs.
1985 Dec. 31	Rebate on bills discounted A/c To Discount received A/c [Being transfer of opening balance in the rebate A/c]	Dr	3,20,000	3,20,000
Dec. 31	Discount received A/c To Rebate on bills discounted A/c [Being provision for unexpired discount as on 31.12.85]	Dr	7,00,084	7,00,084
Dec. 31	Discount Received A/c To Profit and Loss A/c [Being transfer of discount net after adjustments]	Dr	42,19,916	42,19,916

<b>III. Profit/Loss:</b>			
Net Profit for the year (I – II)			268
Profit brought forward			-
	<b>Total</b>		<u>268</u>
<b>IV. Appropriations:</b>			
Transfer to statutory reserve (25% of 268)			67
Transfer to other reserves			-
Transfer to Government/proposed dividend		-	
Balance carried over to balance sheet			201
			<u>268</u>

**Note:** Transfer to statutory reserve is now increased to 25% of Net profit from the earlier 20%.

**Working notes:**

**Schedule 13 : Interest earned**

	Rs. (in '000)
Interest on loans	260
Discount on bills discounted	200
Interest on cash credits	225
Interest on over drafts	56
<b>Total</b>	<u>741</u>

**Note:** Rebate on bills is the closing rebate and it will be shown in schedule 5 in Balance Sheet

**Schedule 14 : Other income**

Commission charged to customers	9
	<u>9</u>

**Schedule 15 : Interest expended**

Interest on fixed deposits	280
Interest on current accounts	45
Interest on savings bank accounts	70
	<u>395</u>

**Schedule 16 : Operating expenses**

Establishment expenses	56
Printing and Advertisements	3
Rent and Rates	20
Director's and Auditor's fees	4
Postage & Telegrams	2
Sundry charges	2
	<u>87</u>

**Provisions and Contingencies**

Nil

Nil

**Illustration 8**

From the following information relating to Lakshmi Bank Ltd., prepare the Profit & Loss A/c for the year ended 31st December, 1987.

	Rs.		Rs.
Rent received	72,000	Salaries and allowances	2,18,800
Exchange and commission	32,800	Postage	5,600
Interest on fixed deposits	11,00,000	Sundry charges	4,000
Interest on savings bank A/cs	2,72,000	Director's & Auditor's fees	16,800
Interest on overdrafts	2,16,000	Printing	8,000
Discount on bills discounted	7,80,000	Law charges	3,600
Interest on current accounts	1,68,000	Locker rent	1,400
Interest on cash credits	8,92,000	Transfer fees	2,800
Depreciation on bank property	20,000	Interest on loans	10,36,000

[Madras, B.Com., (AF) Nov. 2009; B.Com., (CS) (SY4B) Ap. 2007]

[Osmania, B.Com., Nov. 1988]

**Solution:**

**The Lakshmi Bank Ltd.**  
**Profit and Loss Account**  
**For the year ended 31st December 1987**

	Schedule No.	Year ended 31st Dec. 87 Rs.
<b>I. Income</b>		
Interest earned	13	29,24,000
Other income	14	1,09,000
<b>Total</b>		<u>30,33,000</u>
<b>II. Expenditure</b>		
Interest expended	15	15,40,000
Operating expenses	16	2,76,800
Provisions and contingencies		—
		<u>18,16,800</u>
<b>III. Profit/Loss</b>		
Net Profit for the year (I – II)		12,16,200
Profit brought forward		—
		<u>12,16,200</u>
<b>IV. Appropriations</b>		
Transfer to statutory reserve (25% of net profit)		3,04,050
Transfer to other reserves		—
Transfer to Government/proposed dividend		—
Balance carried over to Balance Sheet		9,12,150
		<u>12,16,200</u>

**Note:** Transfer to Statutory Reserve has been increased to 25% recently.

Working notes:

**Schedule 13 : Interest earned**

Interest on overdrafts  
Discount on bills discounted  
Interest on cash credits  
Interest on loans

Rs.  
2,16,000  
7,80,000  
8,92,000  
10,36,000  
29,24,000

**Schedule 14 : Other Income**

Locker rent  
Transfer fees  
Exchange and commission  
Rent

1,400  
2,800  
32,800  
72,000  
1,09,000

**Schedule 15 : Interest expended**

Interest on fixed deposits  
Interest on savings bank accounts  
Interest on current A/cs

Rs.  
11,00,000  
2,72,000  
1,68,000  
15,40,000

**Schedule 16 : Operating expenses**

Depreciation on bank property  
Salaries and allowances  
Postage  
Sundry charges  
Director's and Auditor's fees  
Printing  
Law charges

20,000  
2,18,800  
5,600  
4,000  
16,800  
8,000  
3,600  
2,76,800

**Illustration 9**

The following figures are extracted from the books of Bheema Bank Ltd. as on 31.12.1987.

Interest and discount received  
Commission, exchange and brokerage  
Directors' fees and allowances  
Postage and telegrams  
Stationery  
Preliminary expenses  
Interest paid on deposits

Rs.  
36,95,738  
2,00,000  
55,000  
62,313  
17,625  
15,000  
20,32,542

Bank Accounts

12.42

Rent received	55,000
Salaries and allowances	1,75,000
Rent and taxes paid	87,973
Profit on sale of investments	2,00,000
Depreciation on building	27,375
Audit fees	5,000

Additional information:

- (1) A customer to whom a sum of Rs. 10,00,000 has been advanced has become insolvent. It is expected that only 50% can be recovered from his private estate.
- (2) For the remaining debts, a provision of Rs. 1,50,000 was necessary.
- (3) Rebate on bills discounted as on 31.12.86 Rs. 12,000 and on 31.12.1987 Rs. 16,000.
- (4) Provide Rs. 6,50,000 for taxation
- (5) Write off all preliminary expenses.

Prepare Profit & Loss A/c in accordance with the law.

[Madras, 1st M.Com., (Sem - CAIA) Ap. 2008; April 2004;  
B.Com., (Old - EZK) (ICE) May 2002]

Solution:

**Bheema Bank Ltd.**

**Profit & Loss A/c for the year ended 31.12.87**

	Schedule No.	Year ended 31.12.1987 (current year) Rs.
<b>I. Income :</b>		
Interest earned	13	36,91,738
Other income	14	4,55,000
<b>Total</b>		<u>41,46,738</u>
<b>II. Expenditure:</b>		
Interest expended	15	20,32,542
Operating expenses	16	4,45,286
Provisions & Contingencies		13,00,000
<b>Total</b>		<u>37,77,828</u>
<b>III. Profit/Loss:</b>		
Net profit for the year (I - II)		3,68,910
Profit brought forward		-
<b>Total</b>		<u>3,68,910</u>
<b>IV. Appropriations:</b>		
Transfer to statutory reserves (25% of 3,68,910)		92,228
Transfer to other reserves		-
Transfer to Government/proposed dividend		-
Balance carried over to Balance Sheet		2,76,682
		<u>3,68,910</u>

Note: Transfer to Statutory Reserve is now at 25%.

12.43

Working notes:

**Schedule 13 : Interest earned**

	Rs.
	36,95,738
Add: Interest and discount received	12,000
Rebate on bills discounted on 31.12.86	37,07,738
Less: Rebate on bills discounted on 31.12.87	16,000
	36,91,738

**Schedule 14 : Other income**

	2,00,000
Commission, exchange & brokerage	55,000
Rent received	2,00,000
Profit on sale of investments	4,55,000

**Schedule 15 : Interest expended**

Interest paid on deposits	20,32,542
	20,32,542

**Schedule 16 : Operating expenses**

	Rs.
Directors' fees and allowances	55,000
Postage and telegrams	62,313
Stationery	17,625
Preliminary expenses	15,000
Salaries and allowances	1,75,000
Rent & taxes paid	87,973
Depreciation on building	27,375
Audit fees	5,000
	4,45,286

**Provisions and Contingencies**

Bad debts (10,00,000 × 50%)	5,00,000
Provision for bad debts	1,50,000
Provision for taxation	6,50,000
	13,00,000

**Illustration 10**

From the following information, prepare Profit and Loss Account of Swadesh Bank Ltd., for the year ended 31st December 1987.

	Rs. ('000)
Interest on fixed deposits	430
Interest on loans	650
Discount on bills discounted	415
Interest on over drafts	210
Interest on cash credits	410
Interest on savings bank deposits	125



**Bank Accounts**

12.44

Salaries and allowances	140
Rent, taxes, insurance and lighting	40
Locker rent	5
Repairs to bank property	2
Commission, exchange and brokerage	24
Directors's fees and allowances	25
Transfer fees	2
Provident fund contribution	12
Local committee fees and allowances	10
Audit fees	12
Printing and Stationery	4
Loss on sale of Government securities	5
Loss on sale of furniture	2
Postage and telegrams	2
Depreciation	10
Advertisement	4
Legal charges	2

**Additional information:**

- (i) Rebate on bills discounted on 31st December, 1986 Rs. 19,000
  - (ii) Rebate on bills discounted on 31st December 1987 Rs. 26,000.
  - (iii) Bad debts to be written off Rs. 40,000
  - (iv) Provide for taxation Rs. 50,000
- [Madras, B.Com., (Old) Oct. 2002; Madras, 1st M.Com., (ICE) Oct. 2009; B.Com., (Old) Oct. 2002; Osmania, B.Com., April 1989]*

**Solution:**

**Swadesh Bank Ltd.**

**Profit and Loss A/c for the year ended 31.12.1987**

	Schedule No.	Year ended 31.12.1987 Rs. (in '000)
<b>I. Income:</b>		
Interest earned	13	1,678
Other income	14	24
		<u>1,702</u>
<b>II. Expenditure :</b>		
Interest expended	15	555
Operating expenses	16	264
Provisions and contingencies		90
		<u>909</u>

12.45

III.	<i>Profit/Loss:</i> Net Profit for the year (I – II)	793
	Profit brought forward	—
		<u>793</u>
IV.	<i>Appropriations:</i> Transfer to statutory reserve (25% of 7,93,000)	198.25
	Transfer to other reserves	—
	Transfer to Government/proposed dividend	—
	Balance carried over to Balance Sheet	594.75
		<u>793.0</u>

*Note :* Statutory Reserve Transfer is now at 25%.

*Working notes:*

### Schedule 13 : Interest earned

	Rs. (in '000)
Interest on loans	650
Discount on bills discounted	415
Interest on overdrafts	210
Interest on cash credits	410
	<u>1,685</u>
<i>Add:</i> Opening rebate on bills discounted	19
	<u>1,704</u>
<i>Less:</i> Closing rebate on bills discounted	26
	<u>1,678</u>

### Schedule 14 : Other income

		Rs. (in '000)
Lockers rent		5
Commission, exchange and brokerage		24
Transfer fees		2
		<u>31</u>
<i>Less:</i> Loss on sale of Govt. securities	5,000	7
Loss on sale of furniture	2,000	<u>24</u>

### Schedule 15 : Interest expended

Interest on fixed deposits	430
Interest on savings bank deposits	125
	<u>555</u>

### Schedule 16 : Operating expenses

Salaries and allowances	140
Rent, taxes, insurance and lighting	40
Repairs to bank property	2
Director's fees and allowances	25
Provident fund contribution	12
Local committee fees and allowances	10

**Bank Accounts** **12.46**

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Audit fees	12
Printing and Stationery	4
Postage and telegrams	2
Depreciation	10
Advertisement	4
Legal charges	3
	<hr/> <b>264</b>

**Provisions and contingencies**

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Bad debts written off	40
Provision for taxation	50
	<hr/> <b>90</b>

### Illustration 13

From the following details, prepare the Profit and Loss Account of the Bharat Bank Ltd., for the year ended December 31, 1980.

	Rs.
Interest paid on deposits and borrowings	2,40,000
Interest and discount	7,48,000
Rent received	36,000
Net profit on sale of investments	2,700
Salaries, allowances, bonus and provident fund	2,10,000
Commission, exchange and brokerage	1,20,000
Legal charges	12,000
Audit fees	5,000

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Director's and local committee members fees  
 Printing and Stationery  
 Miscellaneous expenditure  
 Telephone, stamps, postage and telegrams  
 Advertising  
 Insurance and lighting  
 Bad debts  
 Rent paid

2,400  
 6,400  
 12,000  
 44,000  
 9,000  
 7,400  
 34,500  
 48,000

Opening balances on unexpired discount and reserve for bad and doubtful debts were Rs. 48,000 and Rs. 24,000 respectively. Closing balances required on these amounts are Rs. 54,000 and Rs. 36,000 respectively. Provide 60% taxation on current profits.

The Chairman and managing director has been paid a salary of Rs. 2,400 p.m. and has been provided free quarters and a motor car perquisites valued at Rs. 6,000 p.a.

[Madurai, M.Com., April 1981]

[Madras, 1st M.Com. (CAIA) Ap. 2007]

**Solution:**

**Bharath Bank Ltd.**

**Profit and Loss Account for the year ended 31.12.80**

	Schedule No.	Year ended 31.12.80 Rs.
<b>I Income</b>		
Interest earned	13	7,42,000
Other income	14	1,58,700
		<u>9,00,700</u>
<b>II Expenditure</b>		
Interest expended	15	2,40,000
Operating expenses	16	3,56,200
Provisions and contingencies		2,01,300
		<u>7,97,500</u>
	Schedule No.	As on Rs.
<b>III Profit/Loss:</b>		
Net profit for the year (I - II)		1,03,200
Profit brought forward		-
		<u>1,03,200</u>
<b>IV Appropriations:</b>		
Transfer to statutory reserve (25% of 1,03,200)		25,800
Transfer to other reserves		-
Transfer to Government/proposed dividend		-
Balance carried over to balance sheet		77,400
		<u>1,03,200</u>

**Note :** Transfer to statutory reserve has been increased recently to 25% from 20%.

## Working notes:

## Schedule 13 : Interest earned

	Rs.
Interest and Discount	7,48,000
<i>Add:</i> Opening balance of unexpired discount	48,000
	<u>7,96,000</u>
<i>Less:</i> Closing balance of unexpired discount	54,000
	<u>7,42,000</u>

## Schedule 14 : Other income

Rent received	36,000
Net profit on sale of investments	2,700
Commission, exchange and brokerage	1,20,000
	<u>1,58,700</u>

## Schedule 15 : Interest expended

Interest paid on deposits and borrowings	2,40,000
	<u>2,40,000</u>

## Schedule 16 : Operating expenses

Salaries, allowances, bonus and provident fund	2,10,000
Legal charges	12,000
Audit fees	5,000
Directors and local committee member's fees	2,400
Printing and Stationery	6,400
Miscellaneous expenditure	12,000
Telephones, stamps, postage and telegrams	44,000
Advertising	9,000
Insurance and lighting	7,400
Rent paid	48,000
	<u>3,56,200</u>

**Note:** Salaries, allowances, etc. includes the Chairman and Managing Director's remuneration also.

## Provisions and contingencies

	Rs.
Bad debts	34,500
<i>Add:</i> New reserve for bad and doubtful debts	36,000
	<u>70,500</u>
<i>Less:</i> Old reserve for bad and doubtful debts	24,000
	<u>46,500</u>
Provision for taxation [60% of current profits] [9,00,700 - (5,96,200 + 46,500)] = 2,58,0000 × 60%	1,54,800
	<u>2,01,300</u>

**Preparation of Profit and Loss Account and Balance Sheet****Illustration 17**

The following is the Trial Balance extracted from the books of Town Bank Ltd.

<i>Debit balances</i>	<i>Rs.</i>	<i>Credit Balances</i>	<i>Rs.</i>
Balances with banks	46,350	Share capital	3,00,000
Investment in Government bonds	1,94,370	Security deposit of employees	15,000
Other investments	1,55,630	SB Accounts	7,420
Gold Bullion	15,130	Current accounts	97,000
Interest accrued on investments	24,620	Fixed deposits	1,13,050
Silver	2,000	Reserve fund	1,40,000
Constituent's liability for acceptances, etc.	56,500	Borrowings from banks	77,230
Building	65,000	Profit and Loss A/c	6,500
Furniture	5,000	Bills for collection	43,500
		Acceptances and endorsements	56,500
Money at call	26,000	Interest	72,000
Loans	2,00,000	Commission	25,300
Bills Discounted	12,500	Discounts	42,000
Interest	7,950	Rent	600
Bills for collection	43,500	Profit on Bullion	1,200
Audit fees	5,000	Miscellaneous income	2,700
Loss on sale of furniture	1,000	Accumulated depreciation	
Directors' fees	1,200	on building	20,000
Salaries	21,200		
Postage	50		
Managing director's remuneration	12,000		
Loss on sale of investments	30,000		
Cash in hand	25,000		
Cash with RBI	50,000		
Branch adjustment A/c	20,000		
	<u>10,20,000</u>		<u>10,20,000</u>

You are required to prepare the Profit and Loss Account and Balance Sheet after taking into consideration the following

- (i) Bad debts Rs. 500
- (ii) Rebate on bills 1,000
- (iii) Current year's depreciation on building Rs. 2,000
- (iv) Some current accounts are over drawn to the extent of Rs. 25,000 and total of credit balances is Rs. 1,22,000.

[Bangalore, B.Com., Nov. 1988 adapted]

**Solution:****Profit and Loss Account for the year ended 31.12.1982 of Town Bank Ltd.**

	Schedule No.	Year ended 31.12.82 Rs.
<b>I. Income</b>		
Interest earned	13	1,13,000
Other income	14	- 1,200
<b>Total</b>		<u>1,11,800</u>
<b>II. Expenditure :</b>		
Interest expended	15	7,950
Operating expenses	16	41,450
Provisions and Contingencies:		500
		<u>49,900</u>
<b>III. Profit/Loss</b>		
Net profit for the year (I - II)		61,900
Profit brought forward		6,500
<b>Total</b>		<u>68,400</u>
<b>IV. Appropriations:</b>		
Transfer to statutory reserve 25% of 61,900		15,475
Balance carried to Balance Sheet		52,925
<b>Total</b>		<u>68,400</u>

**Note :** Transfer to Statutory Reserve should be 25% of Net Profit.

**Working notes:****Schedule 13 : Interest earned**

Interest	72,000
Discount	42,000
	<u>1,14,000</u>
<i>Less:</i> Closing rebates on bill discounted	1,000
	<u>1,13,000</u>

**Schedule 14 : Other income**

Commission, etc.		25,300
Rent		600
Profit on Bullion		1,200
Miscellaneous income		2,700
		<u>29,800</u>
<i>Less:</i> Loss on sale of furniture	1,000	
Loss on sale of investments	30,000	
		<u>31,000</u>
		<u>- 1,200</u>

**Schedule 15 : Interest expended**

Interest	Rs.
	<u>7,950</u>



Bank Accounts

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**Schedule 16 : Operating expenses**

Salaries (including M.D's salary)	33,200
Directors fees	1,200
Postage	50
Audit fees	5,000
Depreciation on buildings	2,000
	<u>41,450</u>
<b>Provisions and contingencies</b>	
Bad debts	500
	<u>=====</u>

**Balance sheet of Town Bank Ltd., as on 31.12.1982**

	Schedule No.	As on 31.12.82 Rs.
<b>Capital &amp; Liabilities</b>		
Capital	1	3,00,000
Reserves & Surplus	2	2,08,400
Deposit & Other accounts	3	2,42,470
Borrowings	4	77,230
Other liabilities & Provisions	5	16,000
<b>Total</b>		<u>8,44,100</u>
<b>Assets:</b>		
Cash and balance with RBI	6	75,000
Balance with banks and money at call & short notice	7	72,350
Investments	8	3,65,130
Advances	9	2,37,000
Fixed assets	10	48,000
Other assets	11	46,620
<b>Total</b>		<u>8,44,100</u>
Contingent liabilities	12	56,500
Bills for collection	-	43,500

**Working notes:****Schedule 1 : Share capital**

Share capital	<u>3,00,000</u>
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**Schedule 2 : Reserves & Surplus**

Reserve fund	1,40,000
Add: Additions	15,475
Profit and Loss Account balance	52,925
<b>Total</b>	<u>2,08,400</u>

**Schedule 3 : Deposits**

Savings deposits	Rs. 7,420
Fixed deposits	1,13,050
Current deposits (97,000 + 25,000)	1,22,000
<b>Total</b>	<b>2,42,470</b>

**Schedule 4 : Borrowings**

Borrowings from bank	Rs. 77,230
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**Schedule 5 : Other liabilities:**

Security deposits of employees	15,000
Rebate on bills discounted	1,000

**Schedule 6 : Cash and balance with RBI**

Cash in hand	25,000
Cash with RBI	50,000
<b>Total</b>	<b>75,000</b>

**Schedule 7 : Balances with banks and money at call and short notice**

Balances with other banks	46,350
Money at call and short notice	26,000
<b>Total</b>	<b>72,350</b>

**Schedule 8 : Investments**

Government bonds	1,94,370
Other investments	1,55,630
Gold Bullion	15,130
<b>Total</b>	<b>3,65,130</b>

**Schedule 9 : Advances**

Loans, cash credits and overdrafts (2,00,000 + 25,000 - 500)	2,24,500
Bills discounted	12,500
<b>Total</b>	<b>2,37,000</b>

**Schedule 10 : Fixed assets**

Premises (buildings) (65,000 - 20,000 - 2,000)	43,000
Furniture	5,000
<b>Total</b>	<b>48,000</b>

**Schedule 11 : Other assets**

Branch adjustment A/c	20,000
Silver	2,000
Interest accrued on investments	24,620
<b>Total</b>	<b>46,620</b>

**Insurance Company Accounts**  
**(New Format)**

Funds'.

## FORMS FOR LIFE INSURANCE FINAL ACCOUNTS

The following are the forms prescribed by IRDA for Revenue Account, Profit and Loss Account and Balance Sheet.

### FORMA-RA

Name of the insurer :

Registration no. and date of registration with the IRDA

**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 20.....**

**Policyholders' Account (Technical Account)**

<i>No.</i>	<i>Particulars</i>	<i>Schedule</i>	<i>Current Year</i> (Rs. '000)	<i>Previous Year</i> (Rs. '000)
	<b>Premiums earned – net</b>	1		
(a)	Premium			
(b)	Reinsurance ceded			
(c)	Reinsurance accepted			
	<i>Income from Investments</i>			
(a)	Interest, Dividends & Rent – Gross			
(b)	Profit on sale/redemption of investments			

(c) (Loss on sale/redemption of investments)			
(d) Transfer/Gain on revaluation/change in fair value*			
Other Income (to be specified)			
<b>Total (A)</b>			
<b>Commission</b>	2		
<b>Operating Expenses related to Insurance Business</b>	3		
Provision for doubtful debts			
Bad debts written off			
Provision for Tax			
Provisions (other than taxation)			
(a) For diminution in the value of investments (Net)			
(b) Others (to be specified)			
<b>Total (B)</b>			
<b>Benefits Paid (Net)</b>	4		
Interim Bonuses Paid			
Change in valuation of liability in respect of life policies.			
(a) Gross**			
(b) Amount ceded in Reinsurance			
(c) Amount accepted in Reinsurance			
<b>Total (C)</b>			
Surplus (Deficit) (D) = (A) – (B) – (C)			
<b>Appropriations</b>			
Transfer to Shareholders' Account			
Transfer to Other Reserves (to be specified)			
Ba'lance being Funds for Future Appropriations.			
<b>Total (D)</b>			

- The total surplus shall be disclosed separately with the following details :
- Interim Bonuses Paid ;
  - Allocation of Bonus to policyholders ;
  - Surplus shown in the Revenue Account ;
  - Total Surplus; [(a) + (b) + (c)]

See Notes appended at the end of Form A-PL

### FORMA-PL

**Name of the Insurer :**

**Registration No. and Date of Registration with the IRDA**

### PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED 31ST MARCH, 20 .....**

**Shareholders' account (Non-technical Account)**

No.	Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
	<b>Amounts transferred from/to the Policyholders Account (Technical Account).</b>			
	<b>Income From Investments</b>			
	(a) Interest, Dividends & Rent – Gross			
	(b) Profit on sale/redemption of investments.			
	(c) (Loss on sale/redemption of investments)			
	<b>Other Income (To be specified)</b>			
	<b>Total (A)</b>			
	<b>Expense other than those directly related to the insurance business.</b>			
	<b>Bad debts written off.</b>			
	<b>Provisions (Other than taxation)</b>			
	(a) For diminution in the value of investments (Net)			
	(b) Provision for doubtful debts			
	(c) Others (to be specified)			
	<b>Total (B)</b>			

<b>Profit (Loss) before tax</b>			
Provision for Taxation			
<b>Profit/Loss after tax</b>			
<b>Appropriations</b>			
(a) Balance at the beginning of the year			
(b) Interim dividends paid during the year.			
(c) Proposed final dividend			
(d) Dividend distribution tax			
(e) Transfer to reserves/other accounts (to be specified)			
<b>Profit carried to the Balance Sheet</b>			

**Notes to Form A-RA and A-PL.**

- (a) Premium income received from business concluded in and outside India shall be separately disclosed.
- (b) Reinsurance premiums whether on business ceded or accepted are to be brought into account gross (i.e., before deducting commissions) under the head reinsurance premiums.
- (c) Claims incurred shall comprise claims paid, specific claims settlement costs wherever applicable and change in the outstanding provisions for claims at the year-end.
- (d) Items of expenses and income in excess of one percent of the total premiums (less reinsurance) or Rs. 5,00,000 whichever is higher, shall be shown as a separate line item.
- (e) Fees and expenses connected with claims shall be included in claims.
- (f) Under the sub-head "Others" shall be included items like foreign exchange gains or losses and other items.
- (g) Interest, dividends and rentals receivable in connection with an investment should be stated as gross amount, the amount of income tax deducted at source being included under 'advance taxes paid and taxes deducted at source'.
- (h) Income from rent shall include only the realised rent. It shall not include any "notional rent".

Name of the Insurer :

Registration No. and Date of Registration with the IRDA

**BALANCE SHEET AS AT 31ST MARCH, 20 .....**

No.	Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
	<b>Sources of Funds</b>			
	<b>Shareholders' Funds :</b>			
	Share Capital	5		
	Reserves and Surplus	6		
	Credit/[Debit] Fair Value Change Account			
	<b>Sub-Total</b>			
	Borrowings	7		
	<b>Policyholders' Funds :</b>			
	Credit/[Debit] Fair Value Change Account			
	Policy Liabilities			
	Insurance Reserves			
	Provision for Linked Liabilities			
	<b>Sub-Total</b>			
	Funds for Future Appropriations			
	<b>Total</b>			
	<b>Application of Funds</b>			
	<b>Investments :</b>			
	Shareholders'	8		
	Policyholders'	8A		
	Assets held to Cover Linked Liabilities	8B		
	Loans	9		
	Fixed Assets	10		
	<b>Current Assets :</b>			
	Cash and Bank Balances	11		
	Advances and Other Assets	12		
	<b>Sub-Total (A)</b>			
	Current Liabilities	13		
	Provisions	14		



<b>Sub-Total (B)</b>			
<b>Net Current Assets (C) = (A-B)</b>			
Miscellaneous Expenditure (to the extent not written off or adjusted)	15		
Debit Balance in Profit & Loss Account (Shareholders' Account)			
<b>Total</b>			

**CONTINGENT LIABILITIES**

<i>No.</i>	<i>Particulars</i>	<i>Current Year</i> (Rs. '000)	<i>Previous Year</i> (Rs. '000)
1.	Partly paid-up investments		
2.	Claims, other than against policies, not acknowledged as debts by the company.		
3.	Underwriting commitments outstanding (in respect of shares and securities)		
4.	Guarantees given by or on behalf of the company.		
5.	Statutory demands/liabilities in dispute, not provided for		
6.	Reinsurance obligations to the extent not provided for in accounts.		
7.	Others (to be specified)		
	<b>Total</b>		

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS****SCHEDULE 1 - PREMIUM**

<i>No.</i>	<i>Particulars</i>	<i>Current Year</i> (Rs. '000)	<i>Previous Year</i> (Rs. '000)
1.	First year premiums		
2.	Renewal Premiums		
3.	Single Premiums		
	<b>Total Premium</b>		

**SCHEDULE 2 – COMMISSION EXPENSES**

<i>Particulars</i>	<i>Current Year</i> (Rs. '000)	<i>Previous Year</i> (Rs. '000)
Commission paid		
Direct – First year premiums		
– Renewal premium		
– Single premiums		
Add: Commission on Re-insurance Accepted		
Less: Commission on Re-insurance Ceded		
Net Commission		

Note : The profit/commission, if any, are to be combined with the Re-insurance accepted or Re-insurance ceded figures.

**SCHEDULE 3 – OPERATING EXPENSES RELATED TO INSURANCE BUSINESS**

<i>No.</i>	<i>Particulars</i>	<i>Current Year</i> (Rs. '000)	<i>Previous Year</i> (Rs. '000)
1.	Employees' remuneration & welfare benefits.		
2.	Travel, conveyance and vehicle running expenses.		
3.	Training expenses		
4.	Rents, rates & taxes		
5.	Repairs		
6.	Printing & stationery		
7.	Communication expenses		
8.	Legal & professional charges		
9.	Medical fees		
10.	Auditors' fees, expenses etc.		
	(a) as auditor		
	(b) as adviser or in any other capacity, in respect of :		
	(i) Taxation matters		
	(ii) Insurance matters		
	(iii) Management services; and		
	(c) In any other capacity		

11.	Advertisement and publicity		
12.	Interest & Bank Charges		
13.	Others (to be specified)		
14.	Depreciation		
	Total		

**Note :** Items of expenses and income in excess of one per cent of the total premiums (less reinsurance) or Rs. 5,00,000 whichever is higher, shall be shown as a separate line item.

#### SCHEDULE 4 – BENEFITS PAID [NET]

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	<b>Insurance Claims :</b> (a) Claims by Death, (b) Claims by Maturity, (c) Annuities/Pension payment, (d) Other benefits, specify.		
2.	<b>(Amount ceded in reinsurance) :</b> (a) Claims by Death, (b) Claims by Maturity, (c) Annuities/Pension payment, (d) Other benefits, specify.		
3.	<b>Amount accepted in reinsurance :</b> (a) Claims by Death, (b) Claims by Maturity, (c) Annuities/Pension payment, (d) Other benefits, specify.		
	Total		

**Note :** (a) Claims include specific claims settlement costs, wherever applicable.  
(b) Legal and other fees and expenses shall also form part of the claims cost, wherever applicable.

## SCHEDULE 5 – SHARE CAPITAL

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	Authorised Capital Equity Shares of Rs.....each		
2.	Issued Capital Equity Shares of Rs.....each		
3.	Subscribed Capital Equity Shares of Rs.....each		
4.	Called-up Capital Equity Shares of Rs.....each <i>Less</i> : Calls unpaid <i>Add</i> : Shares forfeited (Amount originally paid up) <i>Less</i> : Par value of equity shares bought back. <i>Less</i> : Preliminary Expenses Expenses including commission or brokerage on Underwriting or subscription of shares.		
	Total		

## Notes :

- (a) Particulars of the different classes of capital should be separately stated.
- (b) The amount capitalised on account of issue of bonus shares should be disclosed.
- (c) In case any part of the capital is held by a holding company, the same should be separately disclosed.

**SCHEDULE 5A – PATTERN OF SHAREHOLDING**

[As certified by the Management]

Shareholder	Current Year		Previous Year	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
* Indian				
* Foreign				
Others				
Total				

**SCHEDULE 6 – RESERVES AND SURPLUS**

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	Capital Reserve		
2.	Capital Redemption Reserve		
3.	Share Premium		
4.	Revaluation Reserve		
5.	General Reserves		
	<i>Less : Debit balance in Profit and Loss Account, if any.</i>		
	<i>Less : Amount utilized for Buy-back.</i>		
6.	Catastrophe Reserve		
7.	Other Reserves (to be specified)		
8.	Balance of profit in Profit and Loss Account.		
	Total		

**Note :** Additions to and deductions from the reserves shall be disclosed under each of specified heads.

**SCHEDULE 7 - BORROWINGS**

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	Debentures/Bonds		
2.	Banks		
3.	Financial Institutions		
4.	Others (to be specified)		
	Total		

**Note :** (a) The extent to which the borrowings are secured shall be separately disclosed stating the nature of the security under each sub-head.

(b) Amounts due within 12 months from the date of Balance Sheet be shown separately.

**SCHEDULE 8 - INVESTMENTS - SHAREHOLDERS**

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
	<b>Long-term Investments</b>		
1.	Government securities and Government guaranteed bonds including Treasury Bills.		
2.	Other Approved Securities		
3.	Other Investments		
	(a) Shares		
	(aa) Equity		
	(bb) Preference		
	(b) Mutual Funds		
	(c) Derivative Instruments		
	(d) Debentures/Bonds		
	(e) Other Securities (to be specified)		
	(f) Subsidiaries		
	Investment Properties-Real Estate		
	Investments in Infrastructure and Social Sector		
	Other than Approved Investments		
	Total		

<b>Short-term Investments</b>		
1.	Government securities and Government guaranteed bonds including Treasury Bills.	
2.	Other Approved Securities	
3.	Other Investments	
	(a) Shares	
	(aa) Equity	
	(bb) Preference	
	(b) Mutual Funds	
	(c) Derivative Instruments	
	(d) Debentures/Bonds	
	(e) Other Securities (to be specified)	
	(f) Subsidiaries	
	Investment Properties-Real Estate	
4.	Investments in Infrastructure and Social Sector	
5.	Other than Approved Investments	
	Total	

**Note :** See Notes appended at the end of Schedule-8B.

**SCHEDULE 8A – INVESTMENTS – POLICYHOLDERS**

<b>No.</b>	<b>Particulars</b>	<b>Current Year</b> (Rs. '000)	<b>Previous Year</b> (Rs. '000)
	<b>Long-term Investments</b>		
1.	Government securities and Government guaranteed bonds including Treasury Bills.		
2.	Other Approved Securities		
3.	(a) Shares		
	(aa) Equity		
	(bb) Preference		
	(b) Mutual Funds		
	(c) Derivative Instruments		
	(d) Debentures/Bonds		
	(e) Other Securities (to be specified)		
	(f) Subsidiaries		
	(g) Investment Properties-Real Estate		
4.	Investments in Infrastructure and Social Sector		
5.	Other than Approved Investments		

<b>Short-term Investments</b>	
1.	Government securities and Government guaranteed bonds including Treasury Bills.
2.	Other Approved Securities
3.	(a) Shares <ul style="list-style-type: none"> <li>(aa) Equity</li> <li>(bb) Preference</li> </ul>
	(b) Mutual Funds
	(c) Derivative Instruments
	(d) Debentures/Bonds
	(e) Other Securities (to be specified)
	(f) Subsidiaries
	(g) Investment Properties-Real Estate
4.	Investments in Infrastructure and Social Sector
5.	Other than Approved Investments
	Total

**Note :** See Notes appended at the end of Schedule-8B.

### **SCHEDULE 8B – ASSETS HELD TO COVER LINKED LIABILITIES**

<b>No.</b>	<b>Particulars</b>	<b>Current Year (Rs. '000)</b>	<b>Previous Year (Rs. '000)</b>
<b>Long-term Investments</b>			
1.	Government securities and Government guaranteed bonds including Treasury Bills.		
2.	Other Approved Securities		
3.	(a) Shares <ul style="list-style-type: none"> <li>(aa) Equity</li> <li>(bb) Preference</li> </ul>		
	(b) Mutual Funds		
	(c) Derivative Instruments		
	(d) Debentures/Bonds		
	(e) Other Securities (to be specified)		
	(f) Subsidiaries		
	(g) Investment Properties-Real Estate		
4.	Investments in Infrastructure and Social Sector		
5.	Other than Approved Investments		



<b>Short-term Investments</b>			
1.	Government securities and Government guaranteed bonds including Treasury Bills.		
2.	Other Approved Securities		
3.	(a) Shares		
	(aa) Equity		
	(bb) Preference		
	(b) Mutual Funds		
	(c) Derivative Instruments		
	(d) Debentures/Bonds		
	(e) Other Securities (to be specified)		
	(f) Subsidiaries		
	(g) Investment Properties-Real Estate		
4.	Investments in Infrastructure and Social Sector		
5.	Other than Approved Investments.		
	Total		

**Note :** (applicable to Schedules 8 and 8A & 8B) :

- (a) Investments in subsidiary/holding companies, joint ventures and associates shall be separately disclosed, at cost.
- (i) Holding company and subsidiary shall be construed as defined in the Companies Act. 1956.
  - (ii) Joint Venture is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control.
  - (iii) Joint control is the contractually agreed sharing of power to govern the financial and operating policies of an economic activity to obtain benefits from it.
  - (iv) Associate is an enterprise in which the company has significant influence and which is neither a subsidiary nor a joint venture of the company.
  - (v) Significant influence (for the purpose of this schedule) means participation in the financial and operating policy decisions of a company, but not control of those policies. Significant influence may be exercised in several ways, for example, by representation on the board of directors, participation in the policy making process, material inter-company transactions, interchange of managerial personnel or dependence on technical information. Significant influence may be gained by share ownership, statute or agreement. As regards share ownership, if an investor holds, directly or indirectly through subsidiaries, 20 per cent or more of the voting power of the investee, it is presumed that the investor does have significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly through subsidiaries, less than 20 percent of the

voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence is clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

- (b) Aggregate amount of company's investments other than listed equity securities and derivative instruments and also the market value thereof shall be disclosed.
- (c) Investment made out of Catastrophe reserve should be shown separately.
- (d) Debt securities will be considered as "held to maturity" securities and will be measured at historical costs subject to amortisation.
- (e) Investment Property means a property [land or building or part of a building or both] held to earn rental income or for capital appreciation or for both, rather than for use in services or for administrative purposes.
- (f) Investments maturing within twelve months from balance sheet date and investments made with the specific intention to dispose of within twelve months from balance sheet date shall be classified as short-term investments.

### SCHEDULE 9 - LOANS

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	<b>Security-wise Classification</b> <b>Secured</b> (a) On mortgage of property (aa) In India (bb) Outside India (b) On Shares, Bonds, Govt. Securities, etc. (c) Loans against policies (d) Others (to be specified) <b>Unsecured</b> <b>Total</b>		
2.	<b>Borrower-wise Classification</b> (a) Central and State Governments (b) Banks and Financial Institutions (c) Subsidiaries (d) Companies (e) Loans against policies (f) Others (to be specified) <b>Total</b>		

**3. Performance-wise Classification**

(a) Loans classified as standard

(aa) In India

(bb) Outside India

Total

**4. Maturity-wise Classification**

(a) Short Term

(b) Long Term

Total

**Notes :**

- (a) Short-term loans shall include those, which are repayable within 12 months from the date of balance sheet. Long term loans shall be the loans other than short-term loans.
- (b) Provisions against non-performing loans shall be shown separately.
- (c) The nature of the security in case of all long term secured loans shall be specified in each case. Secured loans for the purposes of this schedule, means loans secured wholly or partly against an asset of the company.
- (d) Loans considered doubtful and the amount of provisions created against such loans shall be disclosed.

voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence is clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

- (b) Aggregate amount of company's investments other than listed equity securities and derivative instruments and also the market value thereof shall be disclosed.
- (c) Investment made out of Catastrophe reserve should be shown separately.
- (d) Debt securities will be considered as "held to maturity" securities and will be measured at historical costs subject to amortisation.
- (e) Investment Property means a property [land or building or part of a building or both] held to earn rental income or for capital appreciation or for both, rather than for use in services or for administrative purposes.
- (f) Investments maturing within twelve months from balance sheet date and investments made with the specific intention to dispose of within twelve months from balance sheet date shall be classified as short-term investments.

#### SCHEDULE 9 – LOANS

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	<b>Security-wise Classification</b> <i>Secured</i> (a) On mortgage of property (aa) In India (bb) Outside India (b) On Shares, Bonds, Govt. Securities, etc. (c) Loans against policies (d) Others (to be specified) <i>Unsecured</i> Total		
2.	<b>Borrower-wise Classification</b> (a) Central and State Governments (b) Banks and Financial Institutions (c) Subsidiaries (d) Companies (e) Loans against policies (f) Others (to be specified) Total		

3.	<b>Performance-wise Classification</b>		
	(a) Loans classified as standard		
	(aa) In India		
	(bb) Outside India		
	Total		
4.	<b>Maturity-wise Classification</b>		
	(a) Short Term		
	(b) Long Term		
	Total		

Notes :

- (a) Short-term loans shall include those, which are repayable within 12 months from the date of balance sheet. Long term loans shall be the loans other than short-term loans.
- (b) Provisions against non-performing loans shall be shown separately.
- (c) The nature of the security in case of all long term secured loans shall be specified in each case. Secured loans for the purposes of this schedule, means loans secured wholly or partly against an asset of the company.
- (d) Loans considered doubtful and the amount of provisions created against such loans shall be disclosed.

## SCHEDULE 11 - CASH AND BANK BALANCES

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	Cash (including cheques, drafts and stamps)		
2.	Bank Balances		
	(a) Deposit Accounts		
	(aa) Short-term (due within 12 months of the date of Balance Sheet)		
	(bb) Others		
	(b) Current Accounts		
	(c) Others (to be specified)		
3.	Money at Call and Short Notice		
	(a) With Banks		
	(b) With other Institutions		
4.	Others (to be specified)		
	TOTAL		
	Balances with non-scheduled banks in		
	2 and 3 above.		
	<b>CASH &amp; BANK BALANCES</b>		
1.	In India		
2.	Outside India		
	Total		

Note : Bank balance may include remittances in transit. If so, the nature and amount shall be separately stated.

### SCHEDULE 12 – ADVANCES AND OTHER ASSETS

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
	<b>Advances</b>		
1.	Reserve deposits with ceding companies		
2.	Application money for investments		
3.	Prepayments		
4.	Advances to Directors/Officers		
5.	Advance tax paid and taxes deducted at source (Net of provision for taxation)		
6.	Others (to be specified)		
	<b>Total (A)</b>		
	<b>Other Assets</b>		
1.	Income accrued on investments		
2.	Outstanding Premiums		
3.	Agents' Balances		
4.	Foreign Agencies Balances		
5.	Due from other entities carrying on insurance business (including reinsures).		
6.	Due from subsidiaries/holding company		
7.	Deposit with Reserve Bank of India [Pursuant to section 7 of Insurance Act, 1938]		
8.	Others (to be specified)		
	<b>Total (B)</b>		
	<b>Total (A + B)</b>		

**Notes :**

- (a) The items under the above heads shall not be shown net of provisions for doubtful amounts. The amount of provision against each head should be shown separately.
- (b) The term 'officer' should conform to the definition of that term as given under the Companies Act 1956.
- (c) Sundry debtors will be shown under item 8 (Others).

**SCHEDULE 13 – CURRENT LIABILITIES**

<i>No.</i>	<i>Particulars</i>	<i>Current Year</i> (Rs. '000)	<i>Previous Year</i> (Rs. '000)
1.	Agents' Balances		
2.	Balances due to other insurance companies		
3.	Deposits held on re-insurance ceded		
4.	Premiums received in advance		
5.	Unallocated premium		
6.	Sundry creditors		
7.	Due to subsidiaries/holding company		
8.	Claims Outstanding		
9.	Annuities Due		
10.	Due to Officers/Directors		
11.	Others (to be specified)		
	Total		

**SCHEDULE 14 – PROVISIONS**

<i>No.</i>	<i>Particulars</i>	<i>Current Year</i> (Rs. '000)	<i>Previous Year</i> (Rs. '000)
1.	For taxation (less payments and taxes deducted at source)		
2.	For proposed dividends		
3.	For divided distribution tax		
4.	Others (to be specified)		
	Total		

**SCHEDULE 15 – MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

<i>No.</i>	<i>Particulars</i>	<i>Current Year</i> (Rs. '000)	<i>Previous Year</i> (Rs. '000)
1.	Discount allowed in issue of shares/debentures		
2.	Others (to be specified)		
	Total		



**Illustration 8**

5,93,500

-

Prepare from the following a Life Insurance revenue A/c and Balance Sheet as on 31.3.2006.

	<i>Rs.</i>		<i>Rs.</i>
Claims by death	16,890	Outstanding interest on	
Agent's salaries & Allowances	6,420	Advances (31.3.2006)	1,944
Surrender values paid	2,810	Bonus paid with claims	2,700
Actuarial expenses	1,520	Endowment assurance	
Premiums	94,836	matured	24,415
Commission to Agents	8,900	Annuities paid	1,350
Salaries	13,500	Interest revenue	19,060
Medical fees	1,200	Rent, Rates & Taxes	5,475
Travelling expenses	1,800	General charges	1,860
Director's fees	900	Fees received	172
Agents balances	750	Bonus paid in cash	2,825
Claim expenses	1,432	Advertisement	726
Premium outstanding (1.4.2005)	2,134	Consideration for	
Premium outstanding (31.3.2006)	3,143	annuities	12,853
Investments	1,46,700	Printing & Stationery	650
Share capital	2,00,000	Claims O/S (1.4.05)	2,376
Sundry creditors	9,200	Claims O/S (31.3.06)	3,735
Life Assurance Fund (1.4.05)	3,53,672	Loans on policies	38,300

Reserve fund 1,46,000

Loans on mortgages

Freehold premises

Furniture &amp; fittings

Cash on hand &amp; deposits

2,90,560

1,22,600

64,100

76,300

[Madras, B.Com (PZAA) Ap 2008; 1st M.Com (Sem - CAIA) Nov. 2004; B.Com., (ICE) Oct. 2002]

Solution :

## Revenue Account for the ended 31-3-2006

Particulars	Schedule No.	Current Year	Previous Year
		(Rs. '000)	(Rs. '000)
Premiums earned – Net :	1	92,702	-
Interest revenue		19,060	-
Other Incomes (To be specified) :			
Consideration for annuities granted		12,853	-
Fees received		172	-
Total (A)		1,24,787	-
Commission	2	8,900	-
Operating expenses related to Insurance Business	3	34,051	-
Total (B)		42,951	-
Benefits paid (Net) :	4	50,046	-
Total (C)			50,046
Surplus (D) = (A) – (B) – (C)		31,790	-
Appropriations :			
Transfer to shareholders account		-	-
Transfer to other reserves		-	-
Balance being funds for future Appropriations		31,790	-
Total (D)		31,790	-

## Balance Sheet as on 31-3-2006

Particulars	Schedule No.	Current Year	Previous Year
		(Rs. '000)	(Rs. '000)
Sources of Funds :			
Share Capital	5	2,00,000	-
Reserves and surplus	6	5,31,462	-
Borrowings	7	-	-
Total		7,31,462	-

<b>Application of Funds :</b>			
Investments	8	1,46,700	-
Loans	9	3,28,860	-
Fixed Assets	10	1,86,700	-
		<b>Total</b>	<b>6,62,260</b>
<b>Current Assets :</b>			
Cash and Bank Balances	11	76,300	-
Advances and Other Assets	12	5,837	-
		<b>Sub-Total (A)</b>	<b>82,137</b>
<b>Current Liabilities</b>			
Provisions	13	12,935	-
	14	-	-
		<b>Sub-Total (B)</b>	<b>12,935</b>
		<b>Net current assets (A - B)</b>	<b>69,202</b>
		<b>Total</b>	<b>7,31,462</b>
<b>(Total of Schedules 8, 9, 10 and Net current assets)</b>			

**Schedules forming part of Financial statements**

**Schedule 1 - Premiums**

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
	Premiums received	94,836	-
	Less : Outstanding premiums on 1-4-2005	2,134	-
		<b>92,702</b>	

Note : Premiums outstanding on 31-3-2006 will appear in schedule 12 as an asset.

**Schedule 2 - Commission expenses**

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
	Commission to agents	8,900	-
		<b>8,900</b>	

**Schedule 3 - Operating expenses related to Insurance business**

No.	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
	Agents' salaries and allowances	6,420	-
	Actuarial expenses	1,520	-
	Salaries	13,500	-

Medical fees	1,200
Travelling expenses	1,800
Directors fees	900
Rent rates and taxes	5,475
General charges	1,860
Advertisement	726
Printing & Stationery	650
	34,051

**Schedule 4 – Benefits paid (Ne)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Claims paid :		
By Death	16,890	
By Maturity (Endowment Assurance matured)	24,415	
<i>Add:</i> Claim expenses	41,305	
	1,432	
<i>Less:</i> Outstanding claims on 1-4-2005	42,737	
Net claims	2,376	
Annuities	40,361	
Surrenders	1,350	
Bonus paid in cash	2,810	
Bonus paid with claims	2,825	
	2,700	
	50,046	

**Note:** Claims outstanding on 31-3-2006 will appear in Schedule 13 as liability:

**Schedule 5 – Share Capital**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Share Capital	2,00,000	—
	2,00,000	—

## Schedule 6 – Reserves &amp; Surplus

<i>Particulars</i>		<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Reserve fund		1,46,000	-
Life Assurance Fund on 1-4-05	3,53,672		
Add: Surplus transferred to Funds for future appropriations	31,790		
		3,25,462	-
		5,31,462	-

## Schedule 7 – Borrowings

## Schedule 8 – Investments

<i>Particulars</i>		<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Reserve fund Investments		1,46,700	-
		1,46,700	-

## Schedule 9 – Loans

<i>Particulars</i>		<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Loans on Mortgages		2,90,560	
Loans on Policies		38,300	
		3,28,860	

## Schedule 10 – Fixed Assets

<i>Particulars</i>		<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Freehold premises		1,22,600	
Furniture and Fittings		64,100	
		1,86,700	

## Schedule 11 – Cash and Bank Balances

<i>Particulars</i>		<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Cash on hand and deposits		76,300	-
		76,300	-

## Schedule 12 – Advances and Other Assets

<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Advances	-	-
Other Assets:		
Outstanding premiums	3,143	-
Outstanding Interest and Dividend	1,944	-
Agents' Balances	750	-
	5,837	-

## Schedule 13 – Current Liabilities

<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Sundry Creditors	9,200	-
Outstanding Claims	3,735	-
	12,935	-

Schedule 14 – Provisions – Nil

Schedule 15 – Miscellaneous Expenditure – Nil

**Illustration 24**

300

824

The following balances are extracted from the books of United Insurance Co. Ltd. as on 31.3.2006.

		(Rs. '000)			(Rs. '000)
Commission on Reinsurance ceded :			Claims paid:		
	Fire	13,000	Fire	1,00,000	
Commission:	Fire	62,000	Marine	87,000	
	Marine	51,000	Premium less reinsurance received during the year:		
Expenses of management:	Fire	86,000	Fire	3,74,000	
	Marine	68,000	Marine	2,97,000	
Depreciation of assets		36,000	Audit fees	13,000	
Loss on revaluation of investments		28,000	Director's remuneration	36,000	
Difference in exchange (Cr)		300	Interest, dividends (Cr)	63,000	
Recovery of bad debts		1,200	Reserve for unexpired risks (1.4.05):		
Miscellaneous receipts		5,800	Fire	2,10,000	
P & LA/c (Cr)		60,000	Marine	2,40,000	
Claims outstanding (1.4.05):	Fire	24,000	Additional reserve:		
	Marine	11,000	(1.4.05) Fire	60,000	
			Marine	10,000	
			Premium outstanding:		
			(1.4.05) Fire	26,000	
			Marine	17,000	

Further information is also given:

(i) Premium outstanding as on 31.3.06

Fire - Rs. ('000) 33,000

Marine - Rs. ('000) 15,000

(ii) Claims outstanding as on 31.3.06

Fire - Rs. ('000) 46,000

Marine - Rs. ('000) 17,000

Out of the above, a fire claim amounting to Rs. ('000) 11,000 was covered by reinsurance.

(iii) Interest accrued on investments Rs. ('000) 10,700

- (iv) Transfer Rs. ('000) 80,000 to general reserve  
 (v) Directors recommend Rs. ('000) 1,00,000 dividend for current year  
 (vi) Reserve for unexpired risks is to be maintained at 50% of premium less reinsurance for fire and 100% of premium less reinsurance for marine.  
 (vii) Additional reserve for fire is to be maintained at 20% of net premium.

Prepare revenue accounts and P & L A/c, for the year ended 31st March 2006.

[Madras, B.Com (AF) Nov. 2008]

**Solution :**

**United Insurance Co., Ltd.**

**Revenue Account for the year ended 31-3-2006**

No.	Particulars	Schedule No.	Fire (Rs. '000)	Marine (Rs. '000)
1.	Premiums earned (Net)	1	3,84,300	2,50,000
	Total (A)		3,84,300	2,50,000
1.	Claims incurred (Net)	2	1,11,000	93,000
2.	Commission	3	49,000	51,000
3.	Operating Expenses related to Insurance business.	4	86,000	68,000
	Total (B)		2,46,000	2,12,000
	Operating profit (C) = (A) – (B)		1,38,300	38,000

**Profit and Loss Account**

**For the year ended 31st March 2006**

No.	Particulars	(Rs. '000)
1.	Operating Profit / Loss :	
	(a) Operating Profit from Fire business	1,38,300
	(b) Operating Profit from Marine business	38,000
	Total operating profit	1,76,300
2.	Income from Investments :	
	(a) Interest dividends and rents	63,000
	Interest accrued on investments	10,700
	Interest dividends and Rents (gross)	73,700
3.	Other Incomes :	
	Difference in exchange	300
	Miscellaneous receipts	5,800
	Recovery of bad debts	1,200
	Total (A)	2,57,300



4. Provisions (other than taxation) :		13,134
For Diminution in the value of investments :		
Loss on revaluation of investments		28,000
5. Other expenses :		
Expenses other than those related to Insurance business :		
Directors' Remuneration		36,000
Audit fees		13,000
Depreciation on Assets		36,000
	Total (B)	1,13,000
Profit before tax (A – B)		1,44,300
Provision for taxation		—
	Profit after Tax	1,44,300
Appropriations :		
Proposed dividend	1,00,000	
Dividend distribution tax (1,00,000 × 10%)	10,000	
Transfer to General Reserve	80,000	
		1,90,000
		– 45,700
Balance of profit brought forward from Last year		60,000
Balance of Profit carried forward to Balance sheet		14,300

Note : Dividend distribution tax at 10% has to be provided, after 1998. Surcharge varies from year to year and may be ignored.

## Schedules Forming Part of Financial Statements

### Schedule 1 – Premiums earned (Net)

Particulars	Fire (Rs. '000)	Marine (Rs. '000)
Premium received	3,74,000	2,97,000
Add : Premiums outstanding (31-3-06)	33,000	15,000
	4,07,000	3,12,000
Less : Premium outstanding (1-4-05)	26,000	17,000
	3,81,000	2,95,000
Net premiums received		
Adjustment for change in reserve for unexpired risk :		
Add : Reserve for unexpired risk on 1-4-05	2,10,000	2,40,000
Add : Additional reserve on 1-4-05	60,000	10,000
	6,51,000	5,45,000

13.135

Corporate Accounting

Less : Reserve for unexpired risk on 31-3-06  
(3,81,000 × 50%) (2,95,000 × 100%)

Less : Additional Reserve on 31-3-06  
(3,81,00 × 20%)

Total Premiums earned

1,90,500	2,95,000
4,60,500	2,50,000
76,200	-
3,84,300	2,50,000

**Note :** Additional reserve for Fire Business alone is asked to be maintained. So, there is no need to maintain any additional Reserve for Marine business.

### Schedule 2 – Claims incurred (Net)

Particulars	Fire (Rs. '000)	Marine (Rs. '000)
Claims paid	1,00,000	87,000
Add : Claims outstanding as on 31-3-06	35,000	17,000
	1,35,000	1,04,000
Less : Claims outstanding as on 1-4-05	24,000	11,000
Claims incurred Net	1,11,000	93,000

### Schedule 3 – Commission

Particulars	Fire (Rs. '000)	Marine (Rs. '000)
Commission on direct business	62,000	51,000
Less : Commission on reinsurance ceded	13,000	-
Net Commission	49,000	51,000

### Schedule 4 – Operating expenses related to Insurance business

Particulars	Fire (Rs. '000)	Marine (Rs. '000)
Expenses of Management	86,000	68,000
Total	86,000	68,000

### Illustration 19

From the following particulars relating to 'Z' Insurance Co. Ltd., prepare Fire Revenue A/c for the year ending 31.3.2005:

	(Rs. in '000)		(Rs. in '000)
Claim paid	4,80,000	Premium received	12,00,000
Claims outstanding on 1.4.04	40,000	Reinsurance premium	
Claims intimated but not accepted & paid on 31.3.05	10,000	paid	1,20,000
Claims intimated and accepted but not paid on 31.3.05	60,000	Commission	2,00,000
Commission on reinsurance accepted	5,000	Commission on reinsurance ceded	10,000
Expenses of management	3,05,000	Provision for un expired risk on 1.4.04	4,00,000
Bonus in reduction of premium	12,000	Additional provision for unexpired risk on 1.4.04	20,000

You are required to provide for additional reserve for unexpired risk at 1% of the net premium in addition to the opening balance.

**Solution :**

Form B-RA (Prescribed by IRDA)

Policyholders Account (Technical Account)

Z Insurance Co., Ltd.

Revenue Account for the year ended 31st March 2005

In respect of Fire Business

No.	Particulars	Schedule No.	Current Year (Rs. '000)	Previous Year (Rs. '000)
1.	Premiums earned (Net)	1	9,29,200	-
2.	Profit on sale / Redemption of Investments		-	-
3.	Other Incomes :		-	-
4.	Interest, dividends and Rents (gross)		-	-
	Total (A)		9,29,200	-
1.	Claims incurred (Net)	2	5,10,000	-
2.	Commission	3	1,95,000	-
3.	Operating expenses related to Insurance business :	4	3,17,000	-
	Total (B)		10,22,000	-
	Operating Loss from Fire Business (C) = (A) - (B)		92,800	-

**Schedules Forming Part of Revenue Account****Schedule 1 - Premiums earned (Net)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Premiums received	12,00,000	-
Less : Reinsurance premiums paid	1,20,000	-
Net premium	10,80,000	
Adjustment for change in Reserve for unexpired risk :		
Reserve for unexpired risk (31-3-2005)	5,40,000	
50% of 10,80,000	30,800	
Additional Reserve $(10,80,000 \times 1\%) + 20,000$	5,70,800	

Less : Reserve for unexpired risk (1-4-2004)	4,00,000	
Additional Reserve (1-4-2004)	20,000	
		4,20,000
Change in reserve for unexpired risk		1,50,800
Total premiums earned (Net)		9,29,200

- Note: 1. Any increase in Reserve for unexpired risk and additional reserve should be reduced from premium. Similarly decrease there in should be added to premium.
2. As per IRDA format for Revenue Account (Form B-RA), adjustment for change in reserve for unexpired risk is to be done in schedule 1. So, net premiums after making the adjustment are to be shown in the Revenue Account.

### Schedule 2 – Claims incurred (Net)

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Claims paid	4,80,000	-
Add: Claims intimated and accepted but not paid on 31-3-05	60,000	-
Claims intimated but not accepted and paid on 31-3-05	10,000	-
	5,50,000	-
Less: Claims outstanding on 1-4-2004	40,000	-
Total claims incurred (Net)	5,10,000	-

### Schedule 3 – Commission

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Commission on direct business	2,00,000	-
Add: Commission on reinsurance accepted	5,000	-
	2,05,000	-
Less: Commission on reinsurance ceded	10,000	-
Net Commission	1,95,000	-

## Schedule 4 – Operating expenses related to Insurance business

<i>Particulars</i>	<i>Current Year (Rs. '000)</i>	<i>Previous Year (Rs. '000)</i>
Expenses of Managment	3,05,000	–
Bonus in reduction of premium	12,000	–
Total	3,17,000	

Note: Since bonus in reduction of premium is a ledger balance, it should have been already credited to premiums account. So. it is shown only in shcedule 4 as an operating expense.