



Chapter-2 Insurance Companies Accounts

ALL TOPICS ARE [MIMP]

😊 TOPIC 1: QUESTION BASED ON SCHEDULE

REVENUE ACCOUNT		
Particulars	Sch. no.	Amount
Income		
Premium earned	1	
Interest & dividend		
Less: tax on above		
Net income		
Expenses		
Claim paid	2	
Commission	3	
Operating expenses	4	
Total expenses		
Revenue [total income – Total Expenses]		

Schedule:1 Premium Earned	
Particulars	Amount
Premium Direct	
Add: Accepted	
Less: Ceded	
Add: Outstanding CY	
Less: Outstanding PY	
Net Premium Received	



Add: PY [UERR]	
Less: CY [UERR]	
Net Premium	

Schedule:2 Claimed Paid	
Particulars	Amount
Claim Paid Direct	
Add: Accepted	
Less: Ceded [Reinsurance Recovery]	
Add: Outstanding CY	
Less: Outstanding PY	
Expenses Related To Claim	
Net Claim Paid	

Schedule:3 Commission	
Particulars	Amount
Commission Paid Direct	
Add: Accepted	
Less: Ceded	
Add: Outstanding CY	
Less: Outstanding PY	
Net Commission Paid	

Schedule:4 operating expenses	
Particulars	Amount
All expenses except claim and commission	
TOTAL EXPENSES	



Q. 1 Prepare the Fire Insurance Revenue Account of Jwala Fire Insurance Ltd. as per IRDA regulations for the year ended 31st March, 2024 from the following details:

Claims paid	5,00,000
Legal Expenses regarding claims	10,000
Premiums received	12,50,000
Re-insurance premium paid	50,000
Commission	3,00,000
Expenses of Management	2,00,000
Provision against unexpired risk as on 1st April, 2023	5,75,000
Claims unpaid on 1st April, 2023	50,000
Claims unpaid on 31st March, 2024	80,000

Provide for unexpired risk @ 50% less reinsurance.

Question based on UERR journal entries

Particulars	Debit	Credit
Previous year		
UERR a/c dr.		
To Fire / Marine / Misc. Revenue A/c		
Current year		
Fire / Marine / Misc. Revenue A/c		
To, UERR a/c		

😊 Topic :2 Question based on valuation balance sheet, profit distribution and bonus calculation

Valuation Balance Sheet			
Particulars	Amount	Particulars	Amount
Net liability		LAF [less dividend if pending]	
Profit		Loss	



Total			
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Profit calculation

Profit from valuation balance sheet	
Add: Interim bonus if paid before	
Net profit	

Distribution of profit [surplus]

Net profit less Carry forward	
Policy holder [95%]	
Shareholder [5%]	

Any surplus brought forward from previous year will have no effect

Calculation of bonus to policy holder

1. cash bonus
2. revisionary bonus

calculation:

Business conducted by company {rs.} x bonus amount / total amount

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JOURNAL ENTRY

Cash bonus		
P&L a/c dr.		
To, Bonus payable		
Bonus payable a/c dr.		
To, cash		
Revisionary bonus		
P&L a/c Dr.		
To, LAF		



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Q.2 From the following figures of Well Life assurance Co. Ltd. prepare a Valuation Balance Sheet and Profit Distribution Statement for the year ended 31st March 2014. Also pass necessary journal entries to record the above transactions with narrations:

Particulars	` (in lakhs)
Balance of Life Assurance Fund as on 1.4.2013	167.15
Interim bonus paid in the valuation period	25.00
Balance of Revenue Account for the year ended 31.3.2014	240.00
Net Liability as per valuer's Certificates as on 31.3.2014	165.00

The company declares a revisionary bonus of `185 per `1,000 and gave the policyholders an option to take bonus in cash `105 per `1,000. Total business conducted by the company was `600 lakhs. The company issued profit policy only, 3/5 th of the policyholders in value opted for cash bonus.

😊 Topic 3: calculation of LAF

Balance of LAF	
Add: Incomes	
Premium	
Interest on securities	
Other income	
Less: Expenses	
Claim paid or outstanding	
Less: Reinsurance recovery	
Bonus in reduction of premium	
Balance of LAF	

Q.3 The Revenue Account of a life insurance company shows the life assurance fund on 31st March, 2013 at ` 62,21,310 before taking into account the following items:

- (i) Claims covered under re-insurance ` 12,000.
- (ii) Bonus utilized in reduction of life insurance premium ` 4,500
- (iii) Interest accrued on securities ` 8,260.
- (iv) Outstanding premium ` 5,410.
- (v) Claims intimated but not admitted ` 26,500.

What is the life assurance fund after taking into account the above omissions?



CH-3 Electricity Accounts

😊 **Topic :1 Calculation of Weighted average depreciation [MIMP]**

WAD = Total depreciation / [total cost – Free hold property] x100

Q.1 Total depreciation of the JIC power Ltd is 10,12,336 rs. And total capital cost of the company is rs, 2,82,66,550 including Free hold property of rs. 2,50,000. Find out WAD.

😊 **Topic :2 calculation of depreciation based on approved cost of asset by government**

Prepare table according to number of year [MIMP]

Particulars	31 st march 2011	31 st march 2012	31 st march 2013	31 st march 2014
Opening asset value				
Add: expenditure				
Closing asset				
Average asset [op asset + cl asset /2]				
Rate of depreciation				
Amount of depreciation				

Q.2 Calculate depreciation as per 2009 regulations from the following information of an Electricity generation project

Date of commercial operation i.e.1.10.2020.



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The details of actual expenditure incurred up to the date of commercial operation i.e. 1.10.2020 and projected expenditure to be incurred from the date of commercial operation up to 31.3.2024 for the assets under Transmission system. The details of apportioned approved cost as on the date of commercial operation and projected expenditure to be incurred for the above mentioned assets is summarized below:

[amount in Lakhs]

Apportioned approved cost	Actual Cost Incurred as on the date of commercial operation	Proposed Expenditure from the date of commercial operation to 31.3.2021	Proposed Expenditure for 2021-22	Total Expenditure completion cost
14,20,000	13,50,000	1,50,000	80,000	15,80,000

Average Rate of Depreciation Calculated as per rates Specified in Appendix-III	5.8	5.7	5.7	5.6
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Additional capital expenditure of 70,000 lakh has been considered out of 1,50,000 lakh for the year 2020-21 and no further additional capital expenditure has been considered as capital cost has been restricted to apportioned approved cost in the absence of revised capital expenditure.

😊 **Topic: 3 calculation of depreciation when useful life of project and accumulated depreciation is given**

Particulars	31 st march 2011	31 st march 2012	31 st march 2013	31 st march 2014
Opening asset value				
Add: expenditure				
Closing asset				
Average asset [op asset + cl asset /2]				
Less: FHP				
Average capital cost for depreciation				
Depreciable value [90%]				
Total depreciation end of last year				
Balance depreciation to be recovered				
÷ balance life				
Yearly depreciation				



Total depreciation [cy depreciation + depreciation up to last year]

Q.3

Calculate depreciation upto 2013-14 as per 2009 regulations from the following information of XYZ Power generation Project

Date of commercial operation/WorkCompletedDate

11-Jan-1996

Beginning ofCurrentyear

1-Apr-2011

Usefullife 35years

S.N.	Particulars	Amount [Crores]
1.	Capital Cost at beginning of the year 2011-12	222.00
2.	AdditionalCapltiisatonduringtheyear:2012-13	10.56
	2013-14	29.44
3.	Value of Freehold Land	12.00
4.	Depreciation recovered up to 2009-10	48.60
	Depreciation recovered in 2010-11	5.40

😊 Topic 4: advance against depreciation

Particulars	31 st march 2011	31 st march 2012	31 st march 2013	31 st march 2014
Opening asset value				
Add: expenditure				
Closing asset				
Average asset [op asset + cl asset /2]				
Rate of depreciation				
Amount of depreciation				
Add: AAD [difference of loan repayment and amount of depreciation calculated above				
Total depreciation				



Q.4

From the following information Calculate Depreciation and Advance against Depreciation as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

- Date of Commercial Operation of COD = 1st April 2010
- Approved opening Capital cost as on 1st April 2010 = 1,50,000
- Weighted Average Rate of Depreciation: 3.5%

Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of Interest on Loan is as follows:

	1 st year	2nd year	3rd year	4th year
Additional Capital Expenditure (Allowed)	10,000	3,000	2,000	2,000
Repayment of Loan	8,000	10,000	10,000	11,000
Weighted Average Rate of Interest on Loan	7.4	7.5	7.6	7.5



Topic : 5 calculation ROE

If nothing is given regarding to rate of ROE then take 14% [MIMP]

Particulars	31 st march 2011	31 st march 2012	31 st march 2013	31 st march 2014
Opening equity [30%]				
Add: expenditure [30%]				
Closing equity				
Average equity				
ROE %				
ROE Amount				

Note: if in question directly equity portion is given then no need to do 30% of Capital expenditure



Q.5 From the following information Calculate Return on Equity as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004:

1. Date of Commercial Operation of COD = 1st April 2010
2. Approved Opening Capital Cost as on 1st April 2010 = ₹15,00,000

Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of Interest on Loan is as Follows

	1st year	2nd year	3rd year	4th year
Additional Capital Expenditure(Allowed	1,00,000	30,000	20,000	10,000

😊 Topic :5 interest on working capital

Working capital shall cover: [MIMP]

1.	Cost of fuel	
2.	Cost of secondary fuel	
3.	Fuel cost	
4.	Liquid fuel	
5.	O & M expenses	
6.	Spare maintenance	
7.	Receivables	
	Total working capital	
	X rate of interest [bank rate on 1st April]	
	Amount of working capital	

Q.5 Consider the following estimated information provided by XYZ Power Supply Company Ltd. (₹ in lakhs) for the next 5 years:

Cost of coal: ₹2,000 per year

Cost of secondary fuel oil: ₹200 per year for first 2 years and ₹300 per year for 3-5 years

O and M expenses: ₹250 per year for first 2 years and ₹350 per year for 3-5 years

Maintenance spares: ₹100 per years

Receivables: ₹1,800 per year

Rate of interest: 12%

Calculate the interest on working capital.

😊 Topic 6: calculation operation and maintenance expenses[MIMP]



Particulars	1	2	3	4	5
Normative O & M expenses					
Add: water charges					
Add: security expenses					
Total O & M expenses					

Q.6 Consider the following estimated information provided by XYZ Power Supply Company Ltd. (₹ in lakhs) for the next 5 years:

Normative O & M expenses: ₹2500 for Year 1 and this will increase @10% per year.

Water Charges: ₹500 for year 1 and 2 and it will increase @20% per year thereafter.

Security expenses: ₹750 per year up to year 4 and ₹800 for 5th year.

Calculate total O & M expenses for five years.



TOPIC 7 : FINAL ACCOUNT OF ELECTRICITY COMPANIES

Companies act 2013



Topic 8: security deposit charges [MIMP]

Particulars	Debit	Credit
1. bank a/c dr.		
To, SD		
2. interest exp a/c dr.		
To, O/S interest exp. On SD		
3. O/S interest exp. On SD		
To, sales turnover		

Q.7 . Consider the following information provided by ABC Power Supply Company Ltd.

Security deposit received from a customer on 01.10.2021 for ₹2,00,000. Interest rate applicable was 8% for 2021-22 and 9% for 2022-23. The accrued interest for the year is adjusted against the bill for the immediate next quarter. Journalize the above transaction for 2021-22 and 2022-23.



😊 **Topic 9 ; capital service line distribution charges [MIMP]**

Particulars	Debit	Credit
1. bank a/c dr.		
To, Capital service line contribution a/c		
2. Capital service line contribution a/c dr.		
To, P&L a/c		

Q.8 Company received 2,00,000 as security deposit and out of that 80% is considered as capital service line distribution charges on 1st April 2024. Life of project is estimated to be 8 year. Pas journal entries for 1 year.



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