

Systematic Studies for Professionals
(Where your quest for quality education ends)

Max Marks: 40

INSURANCE CLAIMS

Max. Time: 1.5 Hours

- Q.1** Fire occurred in the same premises of X Ltd on 10th January 1998. All stocks were destroyed except to the extent of Rs.6,200 at book value. From the following figures, **ascertain** the amount of claim to be lodged for loss suffered by the company.

	Rs.
Stock on 1 st April 1996	4,00,000
Purchases less return during 1996 – 1997	13,40,000
Sales less returns during 1996 – 1997	20,00,000
Stock on 31 st March 1997 (including stock of Rs.10,000 reduced to Rs.6,000)	1,36,000
Purchases less returns since 1 st April 1997 upto the date of fire	14,70,000
Sales less returns since 1 st April 1997 upto the date of fire (including special item for Rs.7,000)	18,69,000

In the beginning of April 1997, purchase price was increased by 5% & selling price was reduced by 2%. [10]

- Q.2** The premises of XY Limited were partially destroyed by fire on 1st March, 1992 and as a result, the business was practically disorganized up to 31st August 1992. The company is insured under a loss of profits policy for Rs.1,50,000 having an indemnity period of 6 months.

From the following information, prepare a claim under the policy:

	Rs.
(i) Actual turnover during the period of dislocation (1.3.1992 to 31.8.1992)	90,000
(ii) Turnover for the corresponding period (dislocation) in the 12 months, immediately before the fire (1.3.91 to 31.8.91)	2,30,000
(iii) Turnover for the 12 months immediately preceding the fire (1.3.91 to 28.2.92)	6,00,000
(iv) Net profit for the last financial year	80,000
(v) Insured standing charges for the last financial year	50,000
(vi) Uninsured standing charges	15,000
(vii) Turnover for the financial year	5,00,000

Due to substantial increase in trade, before and up to the time of the fire, it was agreed that an adjustment of 15% should be made in respect of the upward trend in turnover. The company incurred additional expenses amounting to Rs.9,300 immediately after the fire and but for this expenditure, the turnover during the period of dislocation would have been only Rs.62,000. There was also a saving during the indemnity period of Rs.3,500 in insured standing charge as a result of the fire. [10]

- Q.3** Mr. 'A' prepares accounts on 30th September each year, but on 31st December, 2001 fire destroyed the greater part of his stock. Following information was collected from his books:

Stock as on 1.10.2001	Rs.31,500
Purchases from 1.10.2001 to 31.12.2001	85,000
Wages from 1.10.2001 to 31.12.2001	33,000
Carriage outwards from 1.10.2001 to 31.12.2001	8,000
Sales from 1.10.2001 to 31.12.2001	1,40,000

The rate of Gross Profit is 25% on cost. Stock to the value of Rs.3,000 was salvaged. Insurance policy was for Rs.25,000 and claim was subject to average clause.

Additional information:

- Stock in the beginning was calculated at 5% less than cost.
- A Plant was installed by firm's own worker. He was paid Rs.500, which was included in his wages.
- Purchases include the purchase of the plant for Rs.5,000.
- Goods of the sales value of Rs.5,000 were taken by A for personal use. [8]

- Q.4** SSP Ltd.'s Trading and Profit and Loss Account for the year ended 31st December 2003 were as follows:

Particulars	Amount	Particulars	Amount
To Opening Stock	Rs.20,000	By Sales	Rs.10,00,000
To Purchases	6,50,000	By Closing Stock	90,000
To Manufacturing Expenses	1,70,000		
To Gross Profit	2,50,000		
	10,90,000		10,90,000
To Administrative Expenses	80,000	By Gross Profit	2,50,000
To Selling Expenses	20,000		
To Finance Charges	1,00,000		
To Net Profit	50,000		
	2,50,000		2,50,000

The company had taken out a fire policy for Rs.3,00,000 and a loss of Profits Policy for Rs.1,00,000 having an indemnity period of 6 months. A fire occurred on 1.4.04 at the premises and the entire stock were gutted with nil salvage value. The net quarter sales i.e. 1.4.04 to 30.6.04 were severely affected. The following are the other information:

Sales during the period	1.1.04 to 31.3.04	2,50,000	
Purchase during the period	1.1.04 to 31.3.04	3,00,000	
Manufacturing Expenses	1.1.04 to 31.3.04	70,000	
Sales during the period	1.4.04 to 30.6.04	87,500	
Standing charges Insured		50,000	
Actual expenses incurred after fire		60,000	

The general trend of the industry shows an increase of sales by 15% and decrease in GP by 5% due to increased costs. **Ascertain** the claim for stock and loss of Profits. [12]