

**Schedule 1 - Premium**

	₹
Premium received	50,60,000
	50,60,000

**Schedule 2 - Commission Expenses**

	₹
Commission on direct business	3,16,000
Add: Commission on reinsurance accepted	2,10,000
Less: Commission on reinsurance ceded	1,00,000
	4,26,000

**Schedule 3 - Operating Expenses**

	₹
Salaries	1,70,000
Directors fees	60,000
Audit fees	10,000
Other expenses	6,000
	2,46,000

**Schedule 4 - Benefits Paid (net)**

	₹
1. Insurance claims	
(a) Claims by death	40,00,000
(b) Claims by maturity	12,00,000
(c) Annuities	3,00,000
(d) Other benefits	-
2. Amount ceded on reinsurance	(8,70,000)
3. Amount accepted on reinsurance	2,10,000
	48,40,000

**Illustration 2:** Rajkot Insurance Co. Ltd. has the following ledger balances as on 31-3-2019.

	(₹ '000)
Claims by death	18,000
Claims by maturity	22,000
Salaries and allowances	1,600
Directors' fees	300

Other expenses		180
Premium on direct business		32,600
Premium on reinsurance accepted		6,800
Premium on reinsurance ceded		2,500
Claims on reinsurance accepted		680
Claims on reinsurance ceded		120
Annuity		1,600
Surrenders		720
Consideration for annuity		18,000
Registration fees		80
Interest, dividend, rent	2,600	
Less: Income tax	<u>200</u>	2,400
Commission on direct business		1,200
Commission on reinsurance accepted		100
Commission on reinsurance ceded		320
Interim bonus		320

Premium outstanding on 31<sup>st</sup> March, 2019 amounted to ₹ 3,00,000 and claims outstanding ₹ 2,20,000. Transfer ₹ 18,00,000 to contingency reserve. Prepare Revenue a/c.

**Solution**

**Revenue a/c for the year ended 31-3-2019**  
**Policyholder Account (Technical)**

(₹ '000)

Particulars	Schedule No.	Amount (₹)
<b>Premium earned (net)</b>	1	
(a) Premium		32,900
(b) Reinsurance ceded		(2,500)
(c) Reinsurance accepted		6,800
		<u>37,200</u>
<i>Income from investments</i>		2,600
(a) Interest, dividend & Rent (gross)		18,000
<i>Other income</i>		
Annuities granted		80
Registration fees		
<b>Total (A)</b>		<u><u>57,880</u></u>

<b>Commission</b>	2	980
Operating expenses	3	2,080
Income tax paid		200
Total (B)		3,260
<b>Benefits paid (net)</b>	4	43,100
Interim Bonus		320
Total (C)		43,420
Surplus D (A - B - C)		11,200
<b>Appropriations</b>		
Transfer to contingency reserve		1,800
Transfer to fund for future appropriation		9,400
Total (D)		11,200

**Schedule 1 - Premium**

(₹ '000)

	₹	₹
Premium received	32,600	
Add: outstanding	300	32,900
		32,900

**Schedule 2 - Commission Expenses**

	₹
Commission on direct business	1,200
Add: Commission on reinsurance accepted	100
Less: Commission on reinsurance ceded	320
	980

**Schedule 3 - Operating Expenses**

	₹
Salaries and allowances	1,600
Directors' fees	300
Other expenses	180
	2,080

**Schedule 4 - Benefits Paid (net)**

1.	Insurance claims		₹
	(a) Claims by death		
	Add outstanding	18,000	
	(b) Claims by maturity	220	18,220
	(c) Annuities		22,000
	(d) Surrenders		1,600
			720

2.	Amount ceded in reinsurance	(120)
3.	Amount accepted in reinsurance	680
		43,100

**Profit and Loss Account (Form A-PL)**

A life insurance company, after preparing revenue a/c, prepare a Profit and Loss Account to show the overall profit or loss of the life insurance business. This account starts with the balance of fund brought forward from policyholder (Technical Account). All incomes not shown in revenue a/c are added. Expenses of general nature, provisions, etc. are deducted and profit is arrived at. From this profit, provision for taxation for the company is deducted to get net profit. All appropriations are made and the profit carried forward to Balance Sheet is arrived at.

**Form of P & L a/c**

**Form A-PL**

Name of the Insurer:

Registration No. and Date of Registration with the IRDA:

**Profit & Loss Account for the year ended 31<sup>st</sup> March, 20.....**

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

(₹ '000)

Particulars	Schedule	Current Year (₹ '000)	Previous Year (₹ '000)
Balance brought forward from/transferred to the Policyholders' Account (Technical Account)			
<i>Income from investments</i>			
(a) Interest, dividend and rent (gross)			
(b) Profit on sale/redemption of investments			
(c) (Loss on sale/redemption of investments)			
<i>Other income (to be specified)</i>			
Expense other than those directly related to the insurance business			
<b>Provisions (Other than taxation)</b>			
(a) For diminution in the value of investment (net)			
(b) Others (to be specified)			
<b>Total (A)</b>			
<b>Total (B)</b>			

Profit/(Loss) before tax		
Provision for taxation		
Profit/(Loss) after tax		
<b>Appropriations</b>		
(a) Brought forward reserve/surplus from the balance sheet		
(b) Interim dividends paid during the year		
(c) Proposed final dividend		
(d) Dividend distribution tax		
(e) Transfer to reserves/other accounts (to be specified)		
Profit carried forward to the Balance Sheet		

**Illustration 3:** Prepare Profit and Loss Account for the year ended 31-3-2017.

	(₹ '000)
Surplus as per Revenue a/c	23,800
Interest on investments	3,200
Administration expenses	800
Loss on sale of investments	280
P & L a/c balance on 1-4-2016	330
Interim dividend paid	110

Transfer ₹ 20,00,000 to fund after providing for taxation @ 30%.

**Solution**

**Profit and Loss a/c for the year ended 31-3-2017  
Shareholders' Account (Non-technical account)**

Particulars		(₹ '000)
Balance brought forward from Policyholders' Account		23,800
Income from investments		3,200
Loss on sale of investments		(280)
	Total (A)	26,720
General and administration expenses		800
Provisions		-
	Total (B)	800