

Paper 5- Financial Accounting

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Full Marks:100

Time allowed: 3 hours

[This paper contains 9 questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer.]

1. Answer the following questions [5 × 1 = 5]

(a) Multiple choice questions:

- (i) (d)
- (ii) (c)
- (iii) (b)
- (iv) (c)
- (v) (a)

(b) Match the following: [5 × 1 = 5]

- 1. — C
- 2. — E
- 3. — B
- 4. — A
- 5. — D

(c) State whether the following statements are true or false [5 × 1 = 5]

- (i) False
- (ii) True
- (iii) False
- (iv) True
- (v) True

(d) Answer the following: [5 × 2 = 10]

(i) Total value of Stock before fire = 1,10,000 + 40,000 = 1,50,000
Amount of Insurance claim = $\frac{\text{Stock destroyed by fire}}{\text{Total Stock before fire}} \times \text{Amount of Policy}$

(or)

$$\Rightarrow \frac{\text{Policy Amount}}{\text{Value of Stock at the date of fire}} \times \text{Actual loss}$$
$$\Rightarrow \frac{1,10,000}{1,50,000} \times 50,000$$
$$\Rightarrow \text{` } 36337.$$

(ii) Minimum Rent = Actual Royalty – Short Workings Recovered
= 30,000 – 12,000
= ` 18,000

(iii) Computation of Value of Closing Stock

Lower of Historical cost and Net Realisable value will be considered

Items	` (In Lakhs)
A	28
B	32

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C	16
Value of closing stock	76

(iv) Let us suppose Total firm share = 1

Share given to '2' = $\frac{1}{5}$ th

Remaining Share = $1 - \frac{1}{5} = \frac{4}{5}$

X's New share = $\frac{4}{5} \times \frac{4}{5} = \frac{16}{25}$

Y's New share = $\frac{4}{5} \times \frac{1}{5} = \frac{4}{25}$

New Ratio of x, y & z is = $\frac{16}{25} : \frac{4}{25} : \frac{1}{5}$
 = 16 : 4 : 5

(v)

Particulars	`
Machine purchased on 1-1-2015 for `	1,00,000
+ Installation charges	50,000
Total cost of Machinery	1,50,000
(-) Depreciation on 31-12-2015 ($1,50,000 \times \frac{10}{100}$)	15,000
Written down value on 1-1-2016	1,35,000
(-) Depreciation on 31.12.2016 ($1,35,000 \times \frac{10}{100}$)	13,500
Value of Machine on 31-12-2016	1,21,500

Section B

Answer any five from the following.

Each question carries 15 marks [5 × 15 = 75]

2. (a)

Sundry Creditors Account

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Cash	2,24,000	By Balance b/d	46,800
To Discount received	2,400	By Credit Purchases (Bal. Fig.)	2,16,600
To Balance c/d	37,000		
	2,63,400		2,63,400

Sundry Debtors Account

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Balance b/d (Bal. Fig.)	94,000	By Cash	2,70,000
To Credit Sales (W.N. - 1)	2,48,800	By Discount allowed	2,800
		By Balance c/d	70,000
	3,42,800		3,42,800

Balance Sheet as at 30th June 2010

Liabilities		Assets	
Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
Sundry Creditors	46,800	Furniture	6,000
Capitals (Bal. Fig.)		Stock	44,000
Doll (W.N. - 2)	56,000	Debtors	94,000
Dolly (W.N. - 2)	52,000	Cash	10,800
	1,54,800		1,54,800

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Trading and profit and loss account for the year ended 30th June, 2011.

Dr.			Cr.		
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock		44,000	By Sales		
To Purchase (Credit)		2,16,600	Cash	32,000	
To Profit & Loss A/c (Gross Profit Transferred)		70,200	Credit	2,48,800	2,80,800
			By Closing Stock		50,000
		3,30,800			3,30,800

Dr.			Cr.		
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Salaries		22,000	By Trading A/c (Gross profit Transferred)		70,200
To Rent		4,400	By Discount received		2,400
To Advertising		1,800			
To Discount Allowed		2,800			
To General Expenses		19,100			
To Printing	1,600				
(+) Outstanding	500	2,100			
To Depreciation on furniture		600			
To Capital A/c- Net Profit					
Doll	9,900				
Dolly	9,900	19,800			
		72,600			72,600

Balance Sheet as at 30th June 2011

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital :			Furniture	6,000	
Doll	56,000		(-) Depreciation	600	5,400
(+) Net Profit	9,900		Closing Stock		50,000
	65,900		Sundry Debtors		70,000
(-) Drawings	4,000	61,900	Cash in Hand		35,900
Dolly	52,000				
(+) Net Profit	9,900	61,900			
Sundry Creditors		37,000			
Outstanding Printing		500			
		1,61,300			1,61,300

Workings:

1. Calculation of Credit Sales

Particulars	₹
Opening Stock	44,000
Add: Purchases	2,16,600
	2,60,600
Less: Closing Stock	50,000
Cost of Goods Sold	2,10,600
Add: Gross profit @ 1/3 rd of cost	70,200
Total Sales	2,80,800

2. Capitals of Doll and Dolly

Particulars	₹
Total Capital	1,08,000
(-) Differences	4,000
	1,04,000

$$\therefore \text{Doll} - 1,04,000 \times \frac{1}{2} = 52,000 + 4,000 = 56,000.$$

$$\text{Dolly} - 1,04,000 \times \frac{1}{2} = 52,000$$

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(b) Stock Reserve on Closing Stock = ₹ 54,000 × $\frac{33.33\%}{133.33\%}$ = ₹ 13,500.

3. (a)

Journal Entries

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Realisation A/c Dr. To, Land & Building A/c To, Motor Vehicles A/c To, Stock A/c To, Debtors A/c (Being assets transferred to Realisation A/c)		2,34,300	30,000 18,300 72,800 1,13,200
	Creditors A/c Dr. Provision for Bad Debt A/c Dr. To, Realisation A/c (Being transfer of liabilities to Realisation A/c)		97,500 2,450	99,950
	Realisation A/c Dr. To, Bank A/c (Being realisation expenses paid)		1,250	1,250
	Bank A/c Dr. To, Realisation A/c (Being assets sold and amount receipt from debtors)		2,07,750	2,07,750
	Realization A/c Dr. To, Bank A/c (Being creditors paid off)		95,800	95,800
	Breeze Capital A/c Dr. To, Realisation A/c (being land & building taken over by Breeze at an agreed value of ₹ 43,500)		43,500	43,500
	Realisation A/c Dr. To, Breeze's Capital A/c To, Storm's Capital A/c (Being realisation profit transferred)		19,850	11,910 7,940
	Breeze's Capital A/c Dr. Storm's Capital A/c Dr. To, Bank A/c (Being final payment made to the partners)		53,410 70,940	1,24,350

Realisation Account

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Sundry Assets:		By Liabilities :	
Land & Buildings	30,000	Creditors	97,500
Motor Vehicles	18,300	Provision for Bad Debts	2,450
Stock	72,800	By Bank-	
Debtors	1,13,200	Motor Vehicles	16,950
To Bank (Paid to Creditors)	95,800	Stock	77,600
To Bank (Expenses)	1,250	Debtors	1,13,200
To Profit		By Breeze Capital A/c	43,500
B – 11,910		(Land & Buildings)	
S – 7,940	19,850		
	3,51,200		3,51,200

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Capital Accounts

Dr.					Cr.
Particulars	Breeze	Storm	Particulars	Breeze	Storm
To Realisation A/c	43,500		By Balance B/d	85,000	63,000
To Bank (Bal. Fig.)	53,410	70,940	By Realisation A/c	11,910	7,940
	96,910	70,940		96,910	70,940

Bank Account

Dr.			Cr.
Particulars	Amount	Particulars	Amount
To Balance b/d	13,650	By Realisation Expenses	1,250
To Realisation A/c (Sale of assets)	2,07,750	By Realisation A/c (Creditors)	95,800
		By Capital A/c	
		Breeze -	53,410
		Storm -	70,940
	2,21,400		2,21,400

(b)

Provision for Bad Debts Account

Dr.					Cr.
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31-12-12	To Bad Debts	3,800	1-1-12	By Balance b/d	5,000
31-12-12	To Balance c/d		31-12-12	By Profit & Loss A/c	2,720
	10% on 39,200 (40,000 – 800)	3,920		(Further provision required)	
		7,720			7,720

4. (a) Correct Trial Balance as on 31-03-2013

Debit Balances	Amount	Credit Balances	Amount
Wages	2,680	Bank Overdraft	470
Purchases	12,490	Capital	10,000
Salaries	520	Discount received	120
Carriage	50	Sundry creditors	800
Building	12,010	Sales	31,080
Cash in hand	60		
Sundry Debtors	1,490		
Rent paid	500		
Lighting charges	160		
Opening stock	9,260		
Furniture	3,250		
	42,470		42,470

(b)

In the books of Mr. Mrinal Journal Entries

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1	Sales A/c To Suspense A/c (Being under casting of sales day book, now rectified)	Dr.	400	400
2	Mr. Y A/c To Suspense A/c (Being wrong amount pasted to 'y' A/c now rectified)	Dr.	495	495
3	Purchase returns A/c To Suspense A/c (Being wrong carry forward in purchases returns book now rectified)	Dr.	109	109
4	Suspense A/c	Dr.	1,000	

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	To Sales A/c (Being cash sale wrong amount posted to sales A/c now rectified)			1,000
5	Suspense A/c To Salaries A/c (Being over casting of salaries now rectified)	Dr.	300	300

Suspense A/c

Dr.		Cr.	
Debit Balances	Amount	Credit Balances	Amount
To Sales	1,000	By difference as for Trial Balance	296
To Salaries	300	By Sales	400
		By Mr. 'y'	495
		By purchase returns	109
	1,300		1,300

5. (a)

Income & Expenditure Account of Sports club

Dr.			Cr.		
Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Depreciation on			By Subscriptions	15,000	
Land	500		(+) Outstanding	5,000	20,000
Building	2,000		By Durations (50,000 × ½)		25,000
Furniture	500		By Legacies (10,000 × ½)		5,000
Sports material	500	3,500	By Entrance fee (5,000 × ½)		2,500
To Sports expenditure		6,000	By Life membership fee (3,000 × ½)		1,500
To General expenses		1,000	By Sports Income		17,000
To Magazines		1,500	By Sunries		5,000
To Ground expenses		4,000	By Sale of old papers		500
To Surplus		60,500			
(Excess of Income over expenditure)					
		76,500			76,500

Balance Sheet of Sports Club as on

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital fund:			Land	10,000	
Donations	25,000		(-) Depreciation	500	9,500
Legacies	5,000		Buildings	40,000	
Entrance Fees	2,500		(-) Depreciation	2,000	38,000
Life Membership fees	1,500		Furniture	10,000	
	34,000		(-) Depreciation	500	9,500
(+) Surplus	60,500	94,500	Sports Material	5,000	
			(-) Depreciation	500	4,500
			Outstanding Subscription		5,000
			Cash		28,000
		94,500			94,500

(b)

Trading Account of Mr. Sen & Co. for the year ended 31-12-2011

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Opening Stock	40,000	By Sales	1,20,000
To Purchases	80,000	By Closing Stock	60,000
To Gross profit	60,000		
	1,80,000		1,80,000

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$$\text{G.P. Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100 = \frac{60,000}{1,20,000} \times 100 = 50\%$$

Memorandum Trading Account

Particulars	CY	LY	Particulars	CY	LY
To Opening Stock	60,000	60,000	By Sales	2,10,000	2,00,000
To Purchases	1,76,000	1,60,000	By Closing Stock	1,32,000	1,20,000
To Gross profit	1,06,000	1,00,000			(b/f)
	3,42,000	3,20,000		3,42,000	3,20,000

Statement of Claim:

Particulars	Amount (₹)
Closing stock on the date of fire	1,32,000
Less: Salvaged stock	4,000
Value of Stock lost at fire	1,28,000

6. (a)

Form – B

Form of Profit and Loss Account for the year ended 31.03.2001.

Name of the Bank : Global Finance Bank Ltd.

Particulars	Schedule No.	('000) (CY)	('000) (PY)
I. Income			
Interest & Discount earned	13	2,38,405	
Other income	14	15,105	
Total		2,53,510	
II. Expenditure			
Interest expended	15	1,73,830	
Operating expenses	16	19,095	
Provisions & Contingencies	---	31,353	
Total		2,24,278	
III. Profit or Loss			
Current year profit (I – II)		29,232	
Last year profit		7,620	
Total		36,852	
IV. Appropriations			
(a) Transfer to Statutory reserve @ 25%		7308	
(b) Transfer to Revenue Reserve @ 5%		1402	
(c) Proposed dividend		1000	
(d) Balance to Balance Sheet (b/f)		27,082	
Total		36,852	

Working Note:

Particulars	Sch. No.	('000) (CY)	('000) (PY)
Interest & Discount earned (Sch. – 13)			
Interest & Discount on Bills		1,58,140	
Income from investments		59,050	
Interest on Balance with RBI		21,215	
Total		2,38,405	
Other Income (Schedule No. 14)			
Commission, Exchange, Brokerage		14,535	
Profit on sale of investments		570	
Total		15,105	
Interest expended (Schedule No. 15)			
Interest on Deposits		1,57,020	
Interest on Borrowings R.B.I.		16,810	

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Total		1,73,830	
Operating Expenses (Schedule No. 16)			
Rent, Taxes & Lighting		4,775	
Printing & Stationery		1,065	
Advertisement & Publicity		435	
Depreciation on Bank property		1,460	
Directors fees		35	
Auditors fees		205	
Law charges		110	
Postage & Telephone		1560	
Repairs & Maintenance		455	
Insurance		4,575	
Other Expenditure		4,420	
Total		19,095	
Provisions & Contingencies			
(a) Provision for tax		31,353	
Total		31,353	

Calculation of Provision for Tax

	('000)
Income	
Schedule No. – 13	2,38,405
Schedule No. – 14	15,105
Total (A)	2,53,510
Expenditure	
Schedule No. – 15	1,73,830
Schedule No. – 16	19,095
Total (B)	1,92,925
Profit before Tax (A – B)	

Provision for Tax @ 51.75% = 60,585 × 51.75 = ` 31,353.

- (b) Value of unsold stock = Total Value of Goods sent × $\frac{\text{Unsold quantity}}{\text{Quantity available for sale}}$
- => Total Value of Goods sent = Value of goods sent on consignment + Consignor expenses + Non-recurring expenses of consignee
- => $\frac{3,30,000 + 13,000 + 7,000}{(1500\text{Kg} - 100\text{Kg})} \times 400\text{ Kg}$
- => $\frac{3,50,000}{1400\text{Kg}} \times 400\text{ Kg}$
- => ` 1,00,000.

7. (a)

Analysis Statement (WN)

	Particulars	Cash Price	Interest @ 10%	Installment	Depreciation @ 15%
	2,80,000				
Down Payment	91,000 <u>1,89,000</u>	57,100	18,900	76,000	42,000
(-) 1 st Installment	57,100 <u>1,31,900</u>	62,810	13,190	76,000	35,700
(-) 2 nd Installment	62,810 <u>69,090</u>	69,090	6,910	76,000	30,345
(-) 3 rd Installment	69,090 <u>Nil</u>				

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Ledger Accounts in the Books of 'X' Vendor Account

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Bank ((D.P.))	91,000	By Truck A/c	2,80,000
To Bank (1 st Installment)	76,000	By Interest A/c	18,900
To Balance c/d	1,31,900		
	2,98,900		2,98,900
To Truck A/c	1,45,090	By Balance b/d	1,31,900
		By Installment A/c	13,190
	1,45,090		1,45,090

Truck Account

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Vendor	2,80,000	By Depreciation A/c	42,000
		By Balance c/d	2,38,000
	2,80,000		2,80,000
To Balance b/d	2,38,000	By Depreciation A/c	35,700
		By Vendor A/c	1,45,090
		By Profit & Loss A/c (b/f)	57,210
	2,38,000		2,38,000

(b)

Analytical Table

Years	Output tons	Royalty @ 2 per ton	Minimum Rent	Short Workings	Surplus	Short Workings recouped	Short workings not recouped	Amount paid to land lord	
2011	10,000	20,000	25,000	5,000	---	---	---	25,000	(MR)
2012	12,000	24,000	25,000	1,000	---	---	---	25,000	(MR)
2013	16,000	32,000	25,000	---	7,000	6,000	---	26,000	(Roy.Swr)
2014	20,000	40,000	25,000	---	15,000	---	---	40,000	(Roy)

Journal Entries in the books of ABC Mining Co.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
31.12.11	Royalties A/c Shortworkings A/c To Landlord A/c (Being royalties @ ` 2 per ton on 10,000 tons & Short workings ` 5,000 due credited to land lord account to makeup minimum rent ` 25,000)	Dr. Dr.	20,000 5,000	25,000
31.12.11	Landlord A/c To Bank A/c (Being minimum rent paid to landlord)	Dr.	25,000	25,000
31.12.11	Production A/c To Royalties A/c (Being actual royalties transferred to production account)	Dr.	20,000	20,000
31.12.12	Royalties A/c Short workings A/c To Landlord A/c (Being royalties @ ` 2 per ton on 12,000 tons and	Dr. Dr.	24,000 1,000	25,000

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	short workings ` 1000 due credited to land lord account to make up minimum rent of ` 25,000)			
31.12.12	Landlord A/c To Bank A/c (Being Minimum Rent paid to landlord)	Dr.	25,000	25,000
31.12.12	Production A/c To Royalties A/c (Being actual royalties transferred to production A/c)	Dr.	24,000	24,000
31.12.13	Royalties A/c To Landlord A/c (Being royalties @ 2 per ton on 16,000 tons payable to landlord)	Dr.	32,000	32,000
31.12.13	Landlord A/c To Short workings A/c To Bank A/c (Being royalty amount paid after recovery of short working)	Dr.	32,000	6,000 26,000
31.12.13	Production A/c To Royalties A/c (Being actual royalties transferred to production account)	Dr.	32,000	32,000
31.12.14	Royalties A/c To Landlord A/c (Being royalties @ 2 per ton on 20,000 tons payable to landlord)	Dr.	40,000	40,000
31.12.14	Landlord A/c To Bank A/c (Being actual royalties paid to landlord)	Dr.	40,000	40,000
31.12.14	Production A/c To Royalties A/c (Being actual royalties transferred to production account)	Dr.	40,000	40,000

8. (a)

In the books of Head office
Shillong Branch Account

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
01-01-2013		By Stock Reserve	4,000
To balance b/d		(Load on opening stock)	
Stock		By Bank (Remittance):	
H.O. Goods 24,000		Cash Sales 45,000	
Purchased goods 16,000		Collection from Debtors <u>1,25,000</u>	1,70,000
Debtors 25,000		By Goods sent to Branch (load)	10,000
Imprest Cash <u>2,000</u>	67,000	Balance c/d:	
To Bank (Payment for direct purchase)	45,000	Stock	
To Goods sent to Branch	60,000	H.O. Goods 18,000	
To Bank :		Purchase Goods 12,000	
Petty cash 2,500		Debtors 24,000	
For expenses <u>3,000</u>	5,500	Imprest cash <u>1,850</u>	55,850
To, Stock Reserve (Load on closing stock)	3,000		
To Profit & Loss A/c (b/f)	59,350		
	2,39,850		2,39,850

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Working Note: Closing balance of debtors has been ascertained by preparing memorandum debtors a/c.

Memorandum Branch Debtors Account

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Balance b/d	25,000	By Bank (Collection)	1,25,000
To credit sales	1,30,000	By Returns inward	3,000
		By Bad Debts	1,000
		By Discounts	2,000
		By balance c/d	24,000
	1,55,000		1,55,000

(b)

Particulars	Amount
Total amount received (200 × 95)	19,000
Add: Interest (from 01.10.2012 to 01.11.2012) $(20,000 \times \frac{12}{100} \times \frac{1}{12})$	200
Actual amount to be received	19,200

9. Write short notes on any three of the following

[3 × 5 = 15]

(a) Accommodation Bills

Usually a bill of exchange is drawn to settle a trade debt owing to the drawer by the drawee because the last words in the body of a bill of exchange are "for value received". Such types of bills are known as trade bills. But sometimes a bill of exchange can be accepted without consideration just to oblige a friend who is temporarily in need of money. Such a bill is discounted at the bank and cash is utilized by the friend in need of money (i.e., drawer) for the period of the bill and he (i.e., drawer) will give the amount of the bill on the due date to the acceptor to enable him to meet the bill on the due date. Such a bill is an accommodation bill because the object of this bill is to accommodate a certain person with financial assistance for the period of the bill. Thus an accommodation bill may be defined as, "a bill which is drawn, accepted or endorsed without consideration but simply to oblige a friend and help to raise money by discounting or negotiating it. Such bills are also known as "kite bills". The Drawer cannot file a suit against the drawee on dishonor of such bills. This is of three types.

- (i) When it is drawn for the accommodation of drawer only.
- (ii) When the bill is drawn for the accommodation of the drawer and the drawee.
- (iii) When two persons draw on each other for equal amounts for their own accommodation.

(b) Differences between Receipts and Payments A/c and Income and Expenditure A/c

	Receipts & Payments A/c		Income and Expenditure A/c
(i)	There can be opening balance which represents cash in hand or at bank.	(i)	There is no opening balance
(ii)	All items whether of capital or revenue nature are shown in this account.	(ii)	Only revenue items are taken into consideration while preparing this account.
(iii)	All receipts and payments whether relating to the current period,	(iii)	Only current periods income and expenses are taken into

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	succeeding or preceding periods are taken into consideration.		consideration while preparing this account
(iv)	It is prepared on cash basis of accountancy	(iv)	It is prepared on accrual basis of accountancy
(v)	It is prepared in non-profit organizations in lieu of cash book.	(v)	It is prepared in non-profit organization in lieu of profit and loss account.
(vi)	Receipts are shown on the debit side and payments on the Credit side	(vi)	Incomes are shown on the credit side and expenditure on the debit side
(vii)	It is a real account	(vii)	It is a nominal account

(c) Reserve for Unexpired Risks

General Insurance policies issued for a short period only and their duration is commonly restricted to one year. These policies are issued at different dates in the year with the result that, many of them remain unexpired at the close of the year. Since these policies have still to run for the same months in the next year, the whole of the premium received on them cannot be taken to have been earned during the accounting year. A reasonable proportion of such premium should be carried forward to the next year to cover the unexpired risks. The amount thus carried forward to the next year to meet the unexpired risks is known as "Reserve for unexpired risks".

The executive committee of the General insurance council has laid down that in that in case of marine Insurance the reserve against unexpired risk should be 100% of net premium and in case of other business the reserve should be 50% of net premium. Some insurance companies maintain reserves much above these levels, the excess being termed as Additional Reserve.

(d) Causes of Depreciation

1. Physical Wear and Tear: It is caused mainly from wear and tear when the asset is in use and from erosion, rust, rot and decay from being exposed to wind, rain, sun and other elements of nature.
2. Economic Factors: These may be said to be those that cause the asset to be put out of use even though it is in good physical condition. These arise due to obsolescence and inadequacy.
3. Time factors: There are certain assets with a fixed period of legal life such as lease, patents and copy rights. Provision for the consumption of these assets is called amortization rather than depreciation.
4. Depletion: Some assets are of a wasting character perhaps due to the extraction of raw materials from them. Natural resources such as mines, quarries and oil wells come under this heading.
5. Accident: An asset may reduce in value because of meeting of an accident.