



# Advance Accountancy

T.E.J.	
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Unit Test No:- 2

## Loss of Profit Policy

3. From the following information calculate the Amt. of claim under loss of profit Policy.

Date of fire - 1st April 2010.

Period of indemnity 4 months.

Policy Amt ₹ : 300,000

Sales from 1st Jan 2009 to 31st Dec 2009 ₹ 18,00,000.

Sales from 1st April 2009 to 31st March 2010 ₹ 20,00,000.

Net Profit for the year ended 31st Dec 2009 ₹ 200,000

and standing charges ₹ 200,000 (out of which ₹ 40,000 were uninsured)

sale during dislocation period 200,000 and during the corresponding period ₹ 600,000.

sale for the preceding previous year. 6,00,000

less:- indemnity period of sale. 200,000

short sale. 400,000

GIP Rate =  $\frac{\text{Net Profit} + \text{insured standing charges}}{\text{Annual sale}} \times 100$

$$= \frac{200,000 + 200,000}{20,00,000} \times 100$$

$$= \frac{400,000}{20,00,000} \times 100$$

GIP Rate. : 20%



3] Indemnity Ratio =  $\frac{\text{Amt. of Policy}}{\text{Annual sale for 12 months}} \times 100$

$\frac{300,000}{20,00,000} \times 100$

4] GIP on Annual sales =  $\frac{\text{Loss of Profit}}{\text{Annual sale}} \times 100$

$\frac{400,000}{20,00,000} \times 100$

5) Loss of Profit =  $\text{Short sales} \times \text{GIP Rate}$

$200,000 \times 20\%$

6) Avg. Clause =  $\frac{\text{Amt. Policy}}{\text{GIP on annual sale}} \times \text{Loss of Profit}$

$\frac{300,000}{80,000} \times 400,000$

Avg. Clause =  $60,000$

OR.

Amt. Claim =  $\text{Short Sale} \times \text{Lower of two Ratio}$

$2,000,000 \times 15\%$

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$300,000 + 60,000$

### Loss of Profit Policy.

From the following information calculate the amt of claim under loss of profit policy.

Date of fire 1-4-2010

period of indemnity 4 months

amt of policy 300000

sales from 1-1-2009 to 31-12-2009 1800000

sales from 1-4-2009 to 31-4-2010 2000000

NIP for year ended 31-12-2009 200000

standing charges 200000

out of which ₹ 40000 were uninsured

sales during this location period 200000

& during the corresponding

period in last year 600000

short sales

standard sales 600000.

less: Actual sales 200000

short sales = 400000.

Gross profit ratio =

$$\frac{\text{NIP} + \text{insured standing charges}}{\text{sales for previous year}} \times 100$$

$$= \frac{200000 + 160000}{1800000} \times 100$$

GIP ratio = 20%



Indemnity Ratio =

$$\frac{\text{Amt of policy} \times 100}{\text{Annual sales}}$$

$$= \frac{300000 \times 100}{2000000}$$

~~15%~~

Loss GIP on Annual sales

$$20\% \text{ on } 2000000$$

$$= 400000$$

Loss of Profit =

$$\text{short sales} \times \text{GIP rate}$$

$$= 400000 \times 20\%$$

$$= 80000$$

Average clause =

$$\frac{\text{Amt of policy} \times \text{loss of prod}}{\text{GIP on annual sales}}$$

$$= \frac{300000 \times 80000}{400000}$$

Aug clause = ~~60000~~

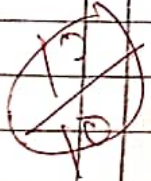
Amt of claim =

short sales  $\times$  lower than above

two ratios

$$= 400000 \times 15\%$$

~~Amt of claim = 60000~~



TEST No. 2.

Loss of profit Policy (9)

Q.1- From the following info, calculate the Amt. of claim under loss of profit policy. Date of fire - 1-4-2010.

Period of indemnity - 24 Months.

Policy amt ₹ 300000/-

Sales from 1-1-2009 to 31-12-2009 1800000

Sales from 1-4-2009 to 31-3-2010 (1) 2000000

Net profit for the year ended =

31-12-2009 - 200000 = 200000

standing charges - 200000

(out of which ₹ 40000 were uninsured) (2)

Sales during dislocation period - 200000

during the corresponding period in the last year - 600000

Indemnity = 200000 (3)

① Short sales :-

Sales for previous corresponding year to the indemnity period. 600000

less - Sales for indemnity period (1-4-2010 to 31-7-2010) 200000

Short sales = 400000

② GIP Rate :-

$$= \frac{\text{NIP} + \text{Insured standing charges}}{\text{Sales for previous year}} \times 100$$

$$= \frac{200000 + 160000}{1800000} \times 100$$

$$= \frac{360000}{1800000}$$

$$= 20\%$$



③ Indemnity Ratio

$$= \frac{\text{Amt. of Policy}}{\text{Sales for 12 Months preceding the Def}} \times 100$$

$$= \frac{300000}{2000000} \times 100$$

$$= 15\%$$

④ GP on Annual Sales

$$= 20\% \times 2000000$$

$$= 400000$$

⑤ Loss of profit = short sales x GP Ratio

$$= 400000 \times 20\%$$

$$= 80000$$

⑥ Average clause =  $\frac{\text{Amt. of policy}}{\text{GP on Annual Sales}} \times \text{Loss}$

$$= \frac{300000}{400000} \times 80000$$

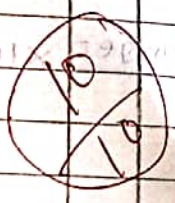
$$= 60000$$

OR without considering average clause:

⑦ Amt. of claim = short sales x lower of above two (Ratio)

$$= 400000 \times 15\%$$

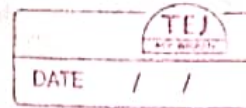
$$= 60000$$



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Roll NO - 8536

Date - 11/10/2019



From the following information calculate the amt claim under loss of profit policy

Date of fire 1 Apr 2010

period of indemnity 4 months

policy Amt of 3,00,000

Sales from 1<sup>st</sup> Jan 2009 to 31 Dec 2009 ₹ 18,00,000

Sales from 1 Apr 2009 to 31 March 2010 ₹ 20,00,000

Net profit for the year ended 31 Dec 2009 ₹ 2,00,000

Standing charges ₹ (2,00,000) (out of 4,00,000 is uninsured)

Sales during dislocation period 2,00,000 and during the corresponding <sup>period</sup> last year 6,00,000

Actual sales = 2,00,000

Estimated sales = 6,00,000

last 12 months sales = 20,00,000

last trading year sales = 18,00,000

policy Amt = 3,00,000

Short sales = Estimated sales - Actual sales

= 6,00,000 - 2,00,000

Short sales = 4,00,000

G.P Ratio =  $\frac{N.P + \text{Standing Charges}}{\text{last trading year sales}} \times 100$

=  $\frac{2,00,000 + 2,00,000}{18,00,000} \times 100$

G.P Ratio = 20%



~~Indemnity Ratio =  $\frac{\text{Sum insured}}{\text{Last 12 months sales}} \times 100$~~   
~~=  $\frac{3,00,000}{20,00,000} \times 100$~~

~~Indemnity Ratio = 15%~~

~~Amount of claim =  $\text{Short sales} \times \text{Indemnity Ratio}$~~   
~~=  $40,000 \times 15\%$~~

~~Amount of claim = 60,000~~

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~~Short sales =  $\text{Estimated sales} - \text{Actual sales}$~~   
~~Short sales =  $20,00,000 - 18,00,000$~~   
~~Short sales = 2,00,000~~

~~G.P. Ratio =  $\frac{\text{M.P.} + \text{Standing charges}}{\text{Last trading year sales}} \times 100$~~   
~~G.P. Ratio =  $\frac{20,000 + 10,000}{18,00,000} \times 100$~~   
~~G.P. Ratio = 1.66%~~