



ଓଡ଼ିଶା ରାଜ୍ୟ ମୁକ୍ତ ବିଶ୍ୱବିଦ୍ୟାଳୟ, ସମ୍ବଲପୁର, ଓଡ଼ିଶା
Odisha State Open University, Sambalpur, Odisha
Established by an Act of Government of Odisha.

DIPLOMA IN ACCOUNTING

DIA-5
COMPANY ACCOUNTING

Block

4

Unit-I

Accounts of Banking Companies

Unit-II

Accounts of Insurance Companies



EXPERT COMMITTEE

Dr. Pradeep Kumar Panda
Rtd. Principal, Govt. College
Sambalpur, Odisha

Chairman

Dr. Prasanta Kumar Kuanr
Asst. Professor,
Rourkela Govt. College

Member

Prof. Dilip Kumar Parichha
Rtd. Principal NSCB College
Sambalpur

Member

Sri Aditya Kumar Jena
Associate Professor & HOD Commerce,
Panchayat College, Bargarh

Members

DIPLOMA IN ACCOUNTING

Course Writer

Dr. Rajesh Sain
HOD , Deptt.of IMBA
BJB (Auto) College
Bhubaneswar

Course Editor

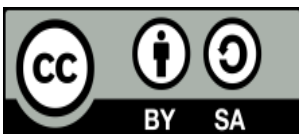
Dr. Anam Charan Raul
Assistant Professor in Commerce
M.P.C. (Auto.) College
Baripada, Mayurbhanja

Material Production

Dr. Jayanta Kar Sharma

Registrar

Odisha State Open University, Sambalpur



© OSOU, 2017. Company Accounting is made available under a
Creative Commons Attribution-Share Alike

4.0 <http://creativecommons.org/licenses/by-sa/4.0>

Printed by : Shree Mandir Publications, Sahid Nagar,
Bhubaneswar



Unit – I

Accounts of Banking Companies

Learning Objectives

After studying this lesson, you will be able to know: Meaning of bank, Different types of bank, Various types of bank account, Multiple types of bank customer, Bank pass book, Bank loan and its advantages and disadvantages, Numerous securities of bank loan, Differences among the various securities, Diverse kinds of books maintained by the bank, Relationship between banker and its customers

Structures

- 1.1 Introductions.
- 1.2 Meaning and Definitions of Bank
- 1.3 Different types of Bank
- 1.4 Various Types of Bank Account
- 1.5 A. Types of Bank deposit customers
B. Various Kinds of Services
- 1.6 Bank Pass Book
- 1.7 Bank loan
- 1.8 Securities for Loan
- 1.9 Banker-Customer Relationship
- 1.10 Accounting of Banking Companies
- 1.11 Subsidiary Books
- 1.12 Illustrations
- 1.13 Sum up
- 1.14 Keywords
- 1.15 Self Assessment Questions
- 1.16 Model Questions
- 1.17 Further Readings



1.1 Introduction

Bank is an institution that provides a great variety of financial services. At their most basic, banks hold money on behalf of customers, which is payable to the customer on demand, either by appearing at the bank for a withdrawal or by writing a check to a third party.

1.2 Meaning and Definitions of Bank

A bank is a commercial institution, licensed to accept deposits and acts as a safe custodian of the spendable funds of its customers. Banks are concerned mainly with the functions of banking, i.e., receiving, collecting, transferring, buying, lending, investing, dealing, exchanging and servicing (safe deposit, custodianship, agency, trusteeship) money and claims to money both domestically and internationally. The principal activities of a bank are operating current accounts, receiving deposits, taking in and paying out notes and coins, and making loans.

1.3 Different Types of Bank

There are various types of banks and they can be divided into some of the following categories:

Savings banks: These banks function with the intention to culminate saving habits among people, especially those who belong to low income groups or those who are salaried. The money these people deposit in the banks are invested in securities, bonds etc. These days, many commercial banks perform the dual functions of savings bank. The postal department is also in a way a saving bank.

Commercial banks: These banks function to help the entrepreneurs and businesses. They give financial services to these businessmen like debit cards, banks accounts, short term deposits, etc. with the money people deposit in such banks. They also lend money to businessmen in the form of overdrafts, credit cards, secured loans, unsecured loans and mortgage loans to businessmen.

The commercial banks can be further classified as: public sector bank, private sector banks, foreign banks and regional banks.

1. **The public sector banks** are owned and operated by the government, who has a major share in them. The major focus of these banks is to serve the people rather than earn profits. Some examples of these banks include State Bank of India, Punjab National Bank, Bank of Maharashtra, etc.

2. **The private sector banks** are owned and operated by private institutes. They are free to operate and are controlled by market forces. A greater share is held by private players and not the government. For example, Axis Bank, Kotak Mahindra Bank etc.



3. **The foreign banks** are those that are based in a foreign country but have several branches in India. Some examples of these banks include; HSBC, Standard Chartered Bank etc.

4. **The regional rural banks** were brought into operation with the objective of providing credit to the rural and agricultural regions and were brought into effect in 1975 by RRB Act. These banks are restricted to operate only in the areas specified by government of India. These banks are owned by State Government and a sponsor bank.

5. **Cooperative banks:** These banks are controlled, owned, managed and operated by cooperative societies and came into existence under the Cooperative Societies Act in 1912. these banks are located in the urban as well in the rural areas. Although these banks have the same functions as the commercial banks, they provide finance to farmers, salaried people, small scale industries, etc. and their rates of interest of interest are lower.

6. **Investment banks:** These are financial institutions that provide financial and advisory assistance to their customers. Their clients can be individuals, businesses, or government organizations. They assist their customers to raise funds when required. These banks act as the underwriters for their customers when they want to raise capital by issuing securities. In some cases, they also help their customers to issue securities.

Specialized banks: These provide unique services to their customers. Some such banks include foreign exchange banks, development banks, industrial banks, export import banks etc. These banks also provide huge financial support to businesses and various kinds projects and traders who have to import or export their goods or services.

Central bank: The central bank is also called the banker's bank in any country. In India, the Reserve Bank of India is the central bank. The Federal Reserve in USA and the Bank of England in UK function as the central bank. This bank makes various monetary policies, decides the rates of interest, controlling the other banks in the country, manages the foreign exchange rate and the gold reserves and also issues paper currency in a country.

1.4 Various Types of Bank Account

Bank Accounts are classified into four different types. They are,

- 1) Current Account:
- 2) Savings Account:
- 3) Recurring Deposit Account:
- 4) Fixed Deposit Account:

Current Account: Current account is mainly for business persons, firms, companies, public enterprises etc. and is never used for the purpose of investment or savings. These deposits are the most liquid deposits and there are no limits for number of transactions



or the amount of transactions in a day. While, there is no interest paid on amount held in the account, banks charge certain service charges, on such accounts. The current accounts do not have any fixed maturity as these are on continuous basis accounts.

Savings Account: Savings Account is meant for saving purposes. Any individual either single or jointly can open a savings account. Most of the salaried persons, pensioners and students use Savings Account. The advantage of having Savings Account is Banks pay interest for the savings. The saving account holder is allowed to withdraw money from the account as and when required.

The rate of interest ranges between 4% to 6% per annum in India. There is no restriction on the number and amount of deposits. But withdrawals are subjected to certain restrictions. Some banks recommend to maintain a minimum amount to keep it functioning.

Recurring Deposit Account: Recurring deposit account or RD account is opened by those who want to save certain amount of money regularly for a certain period of time and earn a higher interest rate. In RD account a fixed amount is deposited every month for a specified period and the total amount is repaid with interest at the end of the particular fixed period.

Fixed Deposit Account: In Fixed Deposit Account (also known as FD Account), a particular sum of money is deposited in a bank for specific period of time. Its one time deposit and one time take away (withdraw) account. The money deposited in this account cannot be withdrawn before the expiry of period. However, in case of need, the depositor can ask for closing the fixed deposit prematurely by paying a penalty. The penalty amount varies with banks. A high interest rate is paid on fixed deposits. The rate of interest paid for fixed deposit varies according to amount, period and also from bank to bank.

1.5 A. Types of Bank Deposit Customers

Banks open accounts for various types of customers like individuals, partnership firm, Trusts, companies, etc. While opening the accounts, the banker has to keep in mind the various legal aspects involved in opening and conducting those accounts, as also the practices followed in conducting those accounts. Normally, the banks have to deal with following types of deposit customers.

1. Individuals
2. Joint Hindu Families
3. Partnership Firms
4. Limited Liability Companies
5. Clubs and Associations
6. Trusts



1. Individuals:

The depositor should be properly introduced to the bank and KYC norms are to be observed. Introduction is necessary in terms of banking practice and also for the purpose of protection under section 131 of the Negotiable Instruments Act. Usually, banks accept introductions from the existing customers, employee of the bank, a locally well-known person or another bank.

A joint account may be opened by two or more persons

Non-resident individuals (NRIs)

Non-Resident Indian means, a person, being a citizen of India or a person of Indian origin residing outside India. A person is considered Indian Origin when he or his parents or any of his grand parents were Indian National.

Various Types of NRI Accounts:

- Ordinary Non-resident Rupee Accounts (NRO Accounts);
- Non-Resident (External) Rupee Accounts (NRE Accounts);
- Non-resident (Non-Repatriable) Rupee Deposits (NRNR Accounts); and
- Foreign Currency (Non-Resident) Accounts (Banks) Scheme (FCNR (B) Accounts).

While NRO and NRE accounts can be kept in the form of current, savings bank, recurring deposit or term deposit accounts, deposits under NRNR and FCNR (B) schemes can be kept only in the form of term deposits for periods ranging from six months to three years.

2. Joint Hindu Family (JHF):

Joint Hindu Family (JHF) (also known as Hindu Undivided family) is a legal entity and is unique for Hindus. It has perpetual succession like companies; but it does not require any registration. The head of JHF is the Karta and members of the family are called co-parceners. The JHF business is managed by Karta.

3. Partnership firms:

A partnership is not a legal entity independent of partners. It is an association of persons. Registration of a partnership is not compulsory under Partnership Act. However, many banks insist on registration of a partnership. In any case, ie stamped partnership deed or Partnership letter should be taken when an account is opened for a partnership. The partnership deed will contain names of the partners, objective of the partnership, and other operational details, which should be taken note of by the bank in its dealings.

4. Joint stock companies:

A company is registered under companies Act has a legal status independent of that of the share-holders. A company is an artificial person who has perpetual existence with



limited liability and common seal. Memorandum and Articles of Association, Certificate of Incorporation, Resolution passed by the Board to open account, name and designations of persons who will operate the account with details of restriction placed on them are the essentials documents required to open an account.

5. Clubs, Societies and Associations:

The clubs, societies, association etc., may be unregistered or registered. Account may be opened only if persons of high standing and reliability are in the managing committee or governing body. Copy of certificate of registration and Copy of bye-law, certified to be the latest, by the Secretary/President are required to be obtained and also a certified copy of the resolution of the Managing Committee/Governing body to open the bank account and giving details of office bearers etc., to operate the account.

6. Trust Account:

Trusts are created by the settler by executing a Trust Deed. A trust account can be opened only after obtaining and scrutinizing the trust deed. The Trust account has to be operated by all the trustees jointly unless provided otherwise in the trust deed. A trustee cannot delegate the powers to other Trustees except as provided for in the Trust Deed. A cheque favoring the Trust shall not be credited to the personal account of the Trustee.

1.5 B. Various Kinds of Services

Banks offer many different channels to access their banking and other services:

- Automated teller machines
- A branch in a retail location
- Call centre
- Mail: most banks accept cheque deposits via mail and use mail to communicate to their customers, e.g. by sending out statements
- Mobile banking is a method of using one's mobile phone to conduct banking transactions
- Online banking is a term used for performing multiple transactions, payments etc. over the Internet
- Relationship managers, mostly for private banking or business banking, often visiting customers at their homes or businesses
- Telephone banking is a service which allows its customers to conduct transactions over the telephone with automated attendant, or when requested, with telephone operator
- Video banking is a term used for performing banking transactions or professional banking consultations via a remote video and audio connection. Video banking can be performed via purpose built banking transaction machines (similar to an Automated teller machine), or via a video conference enabled bank branch clarification



- DSA is a Direct Selling Agent, who works for the bank based on a contract. Its main job is to increase the customer base for the bank.

1.6 Bank Pass Book

Passbook or Bank Statement is a copy of the account of the customer as it appears in the bank's books. When a customer deposits money and cheques into his bank account or withdraws money, he records these transactions in the bank column of his cashbook immediately.

Correspondingly, the bank records them in the customer's account maintained in its books. Then they are copied in a passbook and given to the customer. With the computerization of banking operations, bank statements (in lieu of passbook) are issued to the customer's periodically. Thus passbook is a record of the banking transactions of a customer with a bank. All entries made by a customer in his cashbook (bank column) must be entered by the bank in the passbook.

Format of a Bank Passbook or Bank Statement:

Name of the bank _____ Address of the bank _____ Account No. _____

Customer Name: _____ Address of the customer. _____

Date	Particulars	Cheque No	withdrawal	Deposits	Balance	Initials

1.7 Bank Loan

Bank loans are the easiest source of availing finance. A bank loan is an extension of credit by a bank to a customer or business; it has to be paid along with interest.

Features of Bank Loans :

Bank loans have the following characteristics:

1. It is a short-term source of finance.
2. A bank loan may be either secured or unsecured depending upon the circumstances.
3. The interest charged by the bank on such a loan may be either fixed or variable.
4. If mortgage loan is to be obtained, the borrower has to pay a number of fees such as title searching fees, application fees, inspection fees, etc.

Advantages of Bank Loans:

A bank loan offers the following advantages :



1. They can be easily procured.
2. They can be used for short-term as well as medium-term financing.
3. Interest paid on a bank loan is a tax deductible expenditure.

Disadvantages of Bank Loans:

The disadvantages of bank loans are:

- I. Some bank loans carry prepayment penalty.
- II. Borrowing too much as a bank loan can lead to decreased cash flow.
- III. In most cases, the bank does not disburse the whole amount of loan applied for, it pays cash lower than the loan demanded.

1.8 Securities for Loan

Security in banking terms and specifically in relation to a bank loan refers to any asset on which a charge is created by a bank in its favour; where any default occurs, i.e., the borrower (loan taker) is not able to pay the loan amount back, and then this asset is the Bank's refuge! The Bank will utilize this asset on which it has a charge, in the manner(s) allowed by various laws, and recover its dues. Thus Bank's interests (the loan amount and interest on the loan) are secured by creation of a charge on some assets which belong to the borrower – hence known as a security.

If you want a loan from a bank (or any other financial institution), you generally need to provide some kind of security against the loan to the bank. There are several types of securities, against which a bank will offer you a loan -

Pledge: It is used when the bank (or, lender, known as pledge) takes actual possession of the securities, such as goods, certificates, gold, etc., which are generally movable in nature. Bank keeps the securities with it, and provide loan to you. Bank will return the securities (possession of goods) to you (borrower, known as pledger), after you repay all the debts (i.e., loan) to the bank. In case you are unable to pay back, then the bank has the right to sell the assets, and recover the loan amount (with interest). Example - Gold loans, Jewellery loans, advances against NSC (National Saving Certificates), or loans against any other assets.

Hypothecation: It is used when you (borrower) have the actual possession of the asset, for which you have taken the loan. Generally, this is charged against loans for movable assets, like car, bus, etc. (i.e., vehicle loans). Here, the assets (bus, car, etc.) remain with you, and you are hypothecated to the bank for the loan granted. In case you are unable to repay the loan amount, then the bank has the right to sell the asset (bus, car, etc.), (which is possessed by you) and recover the total amount (with interest).

Mortgage: It is used when you (borrower) have the actual possession of the assets, for which you are granted loan (e.g., house loan), or against which you are granted loan (e.g., house mortgaged). Mortgages are generally those assets, which are permanently attached with Earth surface, like house, land, factory etc.



In case you are unable to repay the loan amount, the bank has the right to seize and sell the mortgage, and recover the loan amount (with interest).

Lien: It is almost similar to Pledge, except that in case of lien, the lender can only detain the asset/goods until the borrower repays the loan, but have no right to sell the asset, unless explicitly declared in the lien contract.

Subjects	Pledge	Hypothecation	Mortgage
Definition	Pledge denotes that the person who takes the loan must provide the bank with something that is worth the same amount as the money he/she are taking from the bank	Hypothecation is the practice where the borrower pledges collateral to acquire a loan. However, the borrower owns the property or collateral until he pays off the debt	Mortgage is not a way of lending but rather the security interest in real property held by the borrower
Collateral	Yes	Yes	Yes
Ownership	Ownership of the collateral is with the lender	Ownership is with the borrower	Ownership is with the borrower
Types	Gold Loans	Car Loans	Real Estate Mortgage Loans

1.9 Banker-Customer Relationship

Banking is a trust-based relationship. There are numerous kinds of relationship between the bank and the customer. The relationship between a banker and a customer depends on the type of transaction. Thus the relationship is based on contract, and on certain terms and conditions.

These relationships confer certain rights and obligations both on the part of the banker and on the customer. However, the personal relationship between the bank and its customers is the long lasting relationship. Some banks even say that they have generation-to-generation banking relationship with their customers. The banker customer relationship is fiducially relationship. The terms and conditions governing the relationship is not be leaked by the banker to a third party.

Classification of Relationship: The relationship between a bank and its customers can be broadly categorized in to General Relationship and Special Relationship.



If we look at Sec 5(b) of Banking Regulation Act, we would notice that bank's business hovers around accepting of deposits for the purposes of lending. Thus the relationship arising out of these two main activities is known as General Relationship. In addition to these two activities banks also undertake other activities mentioned in Sec.6 of Banking Regulation Act. Relationship arising out of the activities mentioned in Sec.6 of the act is termed as special relationship.

General Relationship:

Debtor-Creditor: When a 'customer' opens an account with a bank, he fills in and signs the account opening form. By signing the form he enters into an agreement/contract with the bank. When customer deposits money in his account the bank becomes a debtor of the customer and customer a creditor. The money so deposited by customer becomes bank's property and bank has a right to use the money as it likes. The bank is not bound to inform the depositor the manner of utilization of funds deposited by him. Bank does not give any security to the depositor i.e. debtor. The bank has borrowed money and it is only when the depositor demands, banker pays. Bank's position is quite different from normal debtors.

Banker does not pay money on its own, as banker is not required to repay the debt voluntarily. The demand is to be made at the branch where the account exists and in a proper manner and during working days and working hours.

The debtor has to follow the terms and conditions of bank said to have been mentioned in the account opening form. Though the terms and conditions are not mentioned in the account opening form, but the account opening form contains a declaration that the terms and conditions have been read and understood or has been explained. In fact the terms and conditions are mentioned in the passbook, which is issued to the customer only after the account has been opened.

2. Creditor-Debtor : Lending money is the most important activities of a bank. The resources mobilized by banks are utilized for lending operations. Customer who borrows money from bank owns money to the bank. In the case of any loan/advances account, the banker is the creditor and the customer is the debtor. The relationship in the first case when a person deposit money with the bank reverses when he borrows money from the bank. Borrower executes documents and offer security to the bank before utilizing the credit facility.

In addition to opening of a deposit/loan account banks provide variety of services, which makes the relationship more wide and complex. Depending upon the type of services rendered and the nature of transaction, the banker acts as a bailee, trustee, principal, agent, lessor, custodian etc.

Special Relationship:

1. Bank as a Trustee:

As per **Sec. 3** of Indian Trust Act, 1882



(3)The price is called the premium, and

(4)The money, share, service or other thing to be so rendered is called the rent.”

Providing safe deposit lockers is as an ancillary service provided by banks to customers. While providing Safe Deposit Vault/locker facility to their customer’s bank enters into an agreement with the customer. The agreement is known as “Memorandum of letting” and attracts stamp duty.

The relationship between the bank and the customer is that of lessor and lessee. Banks lease (hire lockers to their customers) their immovable property to the customer and give them the right to enjoy such property during the specified period i.e. during the office/ banking hours and charge rentals. Bank has the right to break-open the locker in case the locker holder defaults in payment of rent. Banks do not assume any liability or responsibility in case of any damage to the contents kept in the locker. Banks do not insure the contents kept in the lockers by customers.

4. Agent and Principal:

Sec.182 of ‘The Indian Contract Act, 1872’ defines “an agent” as a person employed to do any act for another or to represent another in dealings with third persons. The person for whom such act is done or who is so represented is called “the Principal”.

Thus an agent is a person, who acts for and on behalf of the principal and under the latter’s express or implied authority and the acts done within such authority are binding on his principal and, the principal is liable to the party for the acts of the agent.

Banks collect cheques, bills, and makes payment to various authorities’ viz., rent, telephone bills, insurance premium etc., on behalf of customers. . Banks also abides by the standing instructions given by its customers. In all such cases bank acts as an agent of its customer, and charges for these services. As per Indian contract Act agent is entitled to charges. No charges are levied in collection of local cheques through clearing house. Charges are levied in only when the cheque is returned in the clearinghouse.

5. As a Custodian: A custodian is a person who acts as a caretaker of something. Banks take legal responsibility for a customer’s securities. While opening a demat account bank becomes a custodian.

6. As a Guarantor: Banks give guarantee on behalf of their customers and enter in to their shoes. Guarantee is a contingent contract. As per sec 31, of Indian contract Act guarantee is a “contingent contract “. Contingent contract is a contract to do or not to do something, if some event, collateral to such contract, does or does not happen

1.10 Accounting of Banking Companies

Banking activities undertaken by banks include personal banking (non-business customers), commercial Banking (small and medium-sized business customers) and corporate banking (large international and multinational corporations).



According to Charles J. Woelfel:

A complete banking service would comprehend a variety of functions, including any of the following:

- (1) Receive demand deposits and pay customers' cheques drawn against them, and operate automated teller machines (ATM);
- (2) Receive time and savings deposits, issue negotiable orders of withdrawal, and pay interest thereon, as well as provide automatic transfer service (A TS) for funds from serving accounts to cover cheques;
- (3) Discount notes, acceptances and bills of exchange;
- (4) Supply credit to business firms with or without security, issue letters of credit and accept bills drawn thereunder;
- (5) Transfer money at home and abroad;
- (6) Make collections and facilitate exchanges;
- (7) Issue drafts, cashier's cheques, money orders, and certify cheques;
- (8) Furnish safe deposit vault service;
- (9) Provide custodianship for securities and other valuables;
- (10) Provide personal loans, credit and services to individuals, and lend or discount customer instalment receivables of vendors;
- (11) Act in a fiduciary capacity for individuals, as well as establish common trust funds;
- (12) Provide corporate trust services (stock transfer agent, registrar, paying agent, escrow agent, and indenture trustee);
- (13) Act as factors and engage in equipment leasing;
- (14) Deal in Government securities and underwrite general obligations of state and municipal securities;
- (15) Invest in government and other debt securities;
- (16) Act as fiscal agent or depository for the Central Government, states and subdivisions of states;
- (17) Provide miscellaneous services such as place orders in securities for customers; act as insurance agent of incidental to banking transactions; serve as finder to bring buyers and sellers together; act as travel agent and issue letters of credit and traveler's cheques; provide club accounts and other special purpose accounts; act as agent for accepting service of legal process of incidental I normal banking or fiduciary transactions of the bank; act as pay role issuer; establish charitable foundations, invest in small business investment corporations and bank service corporations; deal in foreign exchange; buy and sell gold bullion under license from the Treasury Department, and foreign coin; provide domestic and international correspondent banking services, etc.



1.11 Subsidiary Books

These include the following:

(i) Personal Ledger The bank maintains separate ledgers for different types of accounts, such as,

- (a) Current Accounts Ledger,
- (b) Savings Bank Accounts Ledger,
- (c) Fixed Deposit Accounts Ledger,
- (d) Recurring Deposit Accounts Ledger, etc.

Entries are made in these ledgers directly from the vouchers.

- (ii) Investments Ledger Accounts of all investments are kept in this ledger.
- (iii) Loan Ledger Accounts of all the parties to whom loans have been granted are kept in this ledger.
- (iv) Bills Discounted and Purchased Ledger Accounts of all the parties whose bills have been dis. counted and purchase is kept in this ledger.

Memorandum Books

In addition to the subsidiary books, a bank maintains various other books to facilitate its works, which do not form a part of double entry system. Some of these are:

- (i) Receiving Cashier's Counter Cash Book
- (ii) Paying Cashier's Counter Cash Book
- (iii) Cash Balance Book.

Principal Books of Account

Cash Book and General Ledger are the principal Books of Account of any bank. Cash Book records all cash transactions and General Ledger contains Control Account of all subsidiary ledgers and different Assets and Liabilities Account. In the general ledger, accounts are arranged in such a manner that a Balance Sheet can be easily prepared.

Final Accounts

According to Section 29 of the Banking Regulation Act, 1949, every banking company is required to prepare with reference to that year a Balance Sheet and a Profit and Loss Account as on the last working day of the year in the 'Form A' and 'Form B' respectively set out in the 'Third Schedule' or as near thereto as circumstances admit.

Balance Sheet

With effect from 19th March, 1992, the Balance Sheet of a bank is to be prepared as per the new form. In the new form, assets and liabilities are shown vertically along with the



figures of year. In the top section capital and liabilities" are shown and in the bottom section, assets are shown.

THE THIRD SCHEDULE

(See Section 29)

Form 'A'

FORM OF BALANCE SHEET

Balance Sheet of.....

Balance Sheet as on 31st March.....

	Schedule No.	As on 31.3. (Current Year)	As on 31.3. (Previous Year)
Capital and liabilities			
Capital	1		
Reserves & Surplus	2		
Deposits	3		
Borrowings	4		
Other Liabilities and Provisions	5		
Total			
Assets			
Cash and balances with RBI	6		
Balances with banks and money at call and short notice	7		
	8		
Investments	9		
Advances	10		
Fixed Assets	11		
Other Assets			
Total	12		
Contingent liabilities			
Bills for collection			

('000 omitted)



**FORM OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH**

	Schedule No.	As on 31.3. (Current Year)	As on 31.3. (Previous Year)
I. Income			
Interest earned			
Other Income			
Total	13		
II. Expenditure			
Interest Expended			
Operating Expenses			
Provision and contingencies			
Total	14		
III. Profit /Loss			
Net Profit/(Loss) for the year			
Profit/(Loss) brought forward			
Total	15		
Transfer to statutory reserve			
Transfer to other reserve			
Proposed Dividend			
Balance carried forward to Balance sheet			
Total	16		

- Note: 1. The total income includes income of foreign branches at Rs _____
2. The total expenditure includes expenditure of foreign branches at Rs _____
3. Surplus / Deficit of foreign branches Rs _____

SCHEDULES: Details of all schedules are in below:

A> Capital and Liabilities

1. **Capital**
2. **Reserve and Surplus:** It includes Capital Reserve, Security Premium, Revenue and other Reserve and Profit and Loss Account balance.
3. **Deposits:** It includes Demand deposits, Savings bank deposits and term deposits.
4. **Borrowings:** It includes Borrowings from Reserve Bank of India, other banks, institutions and agencies.
5. **Other Liabilities and Provisions:** It includes Bills payable, inter-office adjustments (net), interest accrued, provision for bad debts, provision for taxation.

B> Assets

6. **Cash and Balances with Reserve Bank of India:** Cash in hand (including foreign currency notes); and balances with Reserve Bank of India are shown under this item.



7. **Balances with Banks and Money at Call and Short Notice:** Balances with banks; money at call and short notice are shown under this item. Money at call is refundable at 24 hour's notice and money at short notice is refundable at 7day's notice.
8. **Investments:** Investment in Government securities, other approved securities, shares, debentures and bonds, subsidiaries, gold etc., are shown under this item.
9. **Advances:** Bills purchased and discounted, cash credit, overdrafts and loans payable on demand; and term loans are shown under this item.
10. **Fixed Assets:** Premises, other fixed assets (including furniture and fixtures) are shown under this item.
11. **Other Assets:** Inter- office adjustments, interest accrued, tax paid in advance, stationery and stamps, non-banking assets acquired in satisfaction of claims are shown under this item
12. **Contingent Liabilities:** It is shown by way of a footnote. It represents liabilities not provided in the Balance Sheet.

Profit and Loss Account:

Profit and Loss Account of a banking company is also prepared in vertical form. 'Form B' of the Third Schedule of the Banking Regulation Act, 1949 is to be used for preparing Profit and Loss Account. It is divided into four sections:

- I. Income;
- II. Expenditure;
- III. Profit/Loss; and
- IV. Appropriations.

C> Income:

The schedules of Income are:

13. **Interest Earned:** It includes interest/discount on advances/bills, income on investments, interest on balances with RBI etc. It should be noted that according to the new form, bad debts and provision for bad debts, other provisions are not to be deducted from the interest earned. For greater transparency in accounts, these items are shown as separate items in the Profit and Loss Account.
14. **Other income:** It includes commission, exchange and brokerage, profit on sale of investments, profit on revaluation of investments, profit on sale of land, building and other assets, profit on exchange transaction, and income earned by way of dividends from subsidiaries, etc.

D> Expenditure

15. **Interest expended:** Interest paid on deposits, interest on RBI borrowings; interest on interbank borrowings, etc., are shown under this item.
16. **Operating expenses:** Salaries and wages of staff; rent, rates and taxes; printing and stationery; advertisement; depreciation on banks' properties; director's fees;



auditor's fees; law charges; postage; repairs; insurance; etc., are shown under this item.

Third item of this section is provisions and contingencies. Provision for bad debts, provision for taxation and other provisions are shown under this item.

III. Profit/Loss

In this section, profit/loss for the current year (difference between income and expenditure explained above) and brought forward profit/loss are shown.

IV. Appropriations

In this section, amount transferred to statutory reserve as per Section 17; amount transferred to other reserve; proposed dividend, etc., are shown. The balance is transferred to the Balance Sheet.

1.12 Illustration

Following is the Trial Balance of XYZ Bank Ltd. as on 31.03.2007

Particular	Dr.(Rs'000)	Cr. (Rs'000)
Share Capital		300,000
Cash in hand and with RBI	46,350	
Investments in Gov!. of India Bonds	194,370	
Other Investments	155,630	
Gold Bullion	15,130	
Interest accrued on Investments	24,620	
Security Deposits of Employees		15,000
Savings Account Balance		7,420
Current Ledger Control Account		97,000
fixed Deposits		23,050
Security Premium Account		90,000
Statutory Reserve		140,000
Siwer Bullion ⁵	2,000	
Constituents' Liability for acceptance and endorsements	56,500	
Buildings	65,000	
Furniture	5,000	



Borrowings from Banks		77,230
Money at Call and Short Notice	26,000	
Advances	200,000	
Profit and Loss Account Balance		
Bills Discounted and Purchased		6,500
Bills for Collection		₹₹₹
	12,500	
		43,500

Particular	Dr.(Rs'000)	Cr. (Rs'000)
Acceptances and Endorsements		56,500
Interests		72,000
Commission and Brokerage	7,950	25,300
Discounts		42,000
Bills Receivable being bills for collection		
Audit fees	43,500	
Loss on sale of Furniture	5,000	
Directors' fees	1,000	
Salaries	1,200	
Postage	21,200	
Rents	50	
Profit on Bullion		
Managing Director's Remuneration		600
Miscellaneous income		1,200
Loss on sale of investments		2,700
Deposit with other Banks		
Branch Adjustments		
Depreciation Reserve on Building	12,000	20,000
Total	1,020,000	1,020,000

You are required to prepare a Profit and Loss Account for the year ended on 31st March, 2007 and also the Balance sheet after considering the following:

- (i) Provide rebate on bills discounted: Rs 5,000,000.
- (ii) A scrutiny of the Current Account Ledger reveals that there are accounts overdrawn to the extent of Rs 25,000,000 and the total of the credit balances is Rs 1, 22,000,000.
- (iii) Claims by employees for bonus amounting to Rs 15,000,000 are pending award of arbitration.
- (iv) Depreciation on building for the year amounts to Rs 5,000,000.
- (v) Out of profit for the year, 20 per cent thereof were transferred to statutory reserve, and the Directors proposed a dividend of 8 per cent, subject to deduction of tax.



Solution

XYZ Bank Ltd

Balance Sheet as at 31st March, 1995

Capital and liabilities	Schedule No.	As on 31.3. (Current Year)	As on 31.3. (Previous Year)
Capital	1	3,00,000	
Reserves & Surplus	2	2,67,900	
Deposits	3	1,52,470	
Borrowings	4	77,230	
Other Liabilities and Provisions 5	5	44,000	
Total		8,41,600	
Assets			
Cash and balances with RBI	6	46,350	
Balances with banks and money	7	1,01,000	
Investments	8	3,65,130	
Advances	9	2,37,500	
Fixed Assets	10	45,000	
Other Assets	11	46,000	
Total		8,41,600	
Contingent liabilities	12	71,000	
Bills for collection		43,500	

XYZ Bank Ltd.

Profit & Loss Account for the year ended 31st March, 1995

Capital and liabilities	Schedule No.	As on 31.3. (Current Year)	As on 31.3. (Previous Year)
I. Income	13		
Interest earned	14	1,09,000	
Other Income		(1,200)	
Total		1,07,800	
II. Expenditure	15		
Interest Expended	16	7,950	
Operating Expenses		44,450	
Provision and contingencies			
Total		52,400	
III. Profit/Loss	55,400		
Net Profit/(Loss) for the year			
Profit/(Loss) brought forward			
Total		55,400	



Transfer to statutory reserve	11,080	
Transfer to other reserve	--	
Proposed Dividend	24,000	
Balance carried forward to Balance sheet	20,320	
Total	55,400	

SCHEDULE 1 – CAPITAL

	As on 31.3.7 (Current Year)	As on 31.3.7 (Previous Year)
Authorized Capitalshares of Rs..... each		
Issued Capitalshares of Rseach		
Subscribed Capitalshares ofRseach		
Called-up Capitalshares of Rseach	3,00,000	
Less: Calls unpaid	-	
Add: Forfeited shares	-	-
	3,00,000	-

1.13 Sum Up

A bank is a financial institution that accepts deposits from the public and creates credit.[1] Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial stability of a country, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords

1.14 Keywords

current account, savings account, fixed deposit, recurring deposit, memorandum books, contingent liabilities, borrowings, principles books of account, custodian, guarantor, Baylor-bailey, principal agent, trustee, pledge, mortgage, debtor- creditor, hypothecations, lien, NRI, JHF, Public sector bank, private sector bank.

1.15 Self Assessment Questions

1. From the following information prepare the profit and Loss A/c of Sonal Bank Ltd. For the year ended 31st march 2006



Rs.	
Interest on Loan	25,90,000
Interest on Fixed Deposits	27, 50,000
Rebate on Bills discounted	4, 90,000
Commission	82,000
Establishment Charges	5, 40,000
Discount on Bills Discounted (net)	14, 60,000
Interest on Cash Credits	22, 30,000
Interest on Current Account	4, 20,000
Rent and Rates	1, 80,000
Interest on overdraft	15, 40,000
Directors' Fees	30,000
Auditors' Fees	12,000
Interest on Saving Bank Deposits	6, 80,000
Postage and Telegram	14,000
Printing and Stationery	29,000
Sundry Charges	17,000

Bad debts to be written off amounted to Rs. 4, 00,000. Provision for taxation may be made at 55% of net profit. (Profit before Provision for tax Rs. 36, 70,000; Provision for tax Rs. 18, 53,350; Net Profit Rs. 18, 16,650]

From the following details, prepare the profit and loss account of Triveni Bank Ltd. for the Year ended 31st March, 2007 :

	Rs
Interest paid on deposits, borrowings, etc	79, 26,660
Interest and discount	183, 74,725
Rentals received	78,000
Net profit on sale of investments	2, 27,000
Salaries, allowances, bonus and provident fund (Including remuneration of the Chairman and Managing Director)	97, 79,925
Commission, brokerage and exchange	42, 00,000
Law charges	72,000



Rates and taxes	46,300
Postage and telegrams	3, 26,070
Audit fees	60,000
Directors fees	36,000
Printing and stationery	2, 92,000
Depreciation on. Bank's property	8, 20,000
Miscellaneous receipts	40,006
Miscellaneous expenditure	1, 65,406
Repairs to property	32,400
Telephones and stamps	4, 83,200
Advertisement	2, 76,000
Insurance and lighting	3,45,000
Bad debts written off	72,000
Unexpired discount (1st April, 2006)	5,70,000
Provision for bad debts (1st April, 2006)	16,10,000
Provision for taxation (1st April, 2006)	24,00,000

Other Information:

1. During the year Income Tax proceedings of the previous years were concluded and the liability on this account worked out to Rs. 22, 40,000.
2. The Bank has made an evaluation at the end of the year regarding the status of its advances and finds the following:
 - a. Unsecured advances to the extent of Rs. 60,000 would be fully irrecoverable.
 - b. Recovery of unsecured loan is doubtful to the extent of 40.% of Rs. 40,00,000
 - c. Cash credit accounts to the extent of Rs. 25,00,00.0 have been left without the margin due to fall in the value of securities and the accounts to the extent of 10% are likely to become bad
3. It is the Bank's policy to provide fully against the contingency of bad debts.
4. Provision for taxation is at 55%.
5. Unexpired discount and interest on bills discounted as on 31st March, 2007 was Rs. 7, 25,000.

[Ans. Net Profit Rs. 9, 38,981; Bad Debts Provision Rs. 19, 82,700; Provision for Taxation Rs.9, 52,089]



1.16 Model Questions

1. What do you mean by bank? State the different types of bank.
2. Discuss the different types of bank account.
3. Describe the various kinds of bank customer in India.
4. What is pass book, what are the features of it?
5. Define bank loan highlights the advantages and disadvantages of it.
6. Classify the numerous types of bank securities
7. Distinguish between pledge hypothecation and mortgage.
8. Clarify the different types of books maintained by the bank.
9. Establish the relation between banker and customers.
10. how the accounting of banking companies are maintained.

1.17 Further Readings

1. Modern Accountancy: Hanif and Mukherjee, volume –I, Tata Mcgrewhill.
2. Higher secondary Accounting: Biswal and Sharma.
3. Financial Accounting: P.C. Tulsian, Pearson.
4. An Introduction to Accountancy: S.N. Maheshwari, S.K. Maheshwari. Vikas.



Unit-II

Accounts of Insurance Companies

Learning Objectives

Learning objectives: After studying this lesson, you will be able to know: Meaning of insurance and features of insurance, objective of insurance, different types of insurance policy, importance and benefits of insurance to the different sections of the society, advantages and disadvantages of insurance, nature of insurance, functions of insurance, difference between life and general insurance. principles of insurance, various books maintained by the insurance company.

Structure:

- 2.1 Introductions
- 2.2 Meaning & Definition of Insurance
- 2.3 Types of Insurance
- 2.4 Importance of Insurance
- 2.5 Benefits of Insurance
- 2.6 Disadvantages of Life Insurance
- 2.7 Characteristics of Insurance
- 2.8 Nature and Methods of Insurance
- 2.9 Functions of Insurance
- 2.10 Difference Between Life Insurance and General Insurance
- 2.11 principles of Insurance
- 2.12 Books Required to be Maintained by Insurance Companies
- 2.13 Illustrations
- 2.14 Sum Up
- 2.15 Keywords
- 2.16 Self Assessment Questions
- 2.17 Model Questions
- 2.18 Further Readings



2.1 Introduction

Insurance is a financial risk management tool in which the insure transfers a risk of potential financial loss to the insurance company that mitigates it in exchange for monetary compensation known as the premium

Several people exposed to a particular type of risk contribute small amounts called premiums to an insurance fund from which the unfortunates who actually suffer the risk are compensated. Insurance business is essentially a way of averaging the risks. Insurance policy is a contract entered into between the insurance companies called the 'insurer' and the person insuring his risk called the 'insured'. Policy specifies all the conditions subject to which the policy is issued. These conditions bind both the parties. The policy is in the form of a document which the insurance company issues after receiving the premium. Thus Insurance is essentially a method of averaging risks

2.2 Meaning and Definition of Insurance

A promise of compensation for specific potential future losses in exchange for a periodic payment. Insurance is designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss. Some forms of insurance are required by law, while others are optional. Agreeing to the terms of an insurance policy creates a contract between the insured and the insurer. In exchange for payments from the insured (called premiums), the insurer agrees to pay the policyholder a sum of money upon the occurrence of a specific event.

2.3 Types of Insurance

1. **Health insurance:** A health insurance policy will provide a cover to you and your family against sudden medical contingency or bodily injury. Every human being is exposed to various health hazards. Medical emergency can strike anyone without pre-warning. The reasons why health insurance is a must:

- Medicines have become quite expensive
- Private hospitals are too expensive
- Diagnostic charges are beyond common man's reach
- Specialists come at a price
- People opt for Travel Insurance which covers them against medical expenses they may incur while travelling abroad (outside country of residence)

2. Motor insurance:

Motor insurance protects you against damage caused to your vehicle or third party if you have an accident. It is a contract between you and the insurance company. You agree to pay the premium and the insurance company agrees to pay your losses as defined in your policy. Motor insurance provides property, liability and medical coverage:



1. Property coverage pays for damage to or theft of your car.
2. Liability coverage pays for your legal responsibility to others for bodily injury or property damage.

3. Home insurance: Your most important asset is your home. Fire, earthquakes, and floods are all too often a part of our life today. With natural disasters and man-made accidents not just a possibility, but an eventuality, it is essential that you secure your home from natural and man-made disasters. Home insurance policy makes sure you have a peace of mind by protecting the structure and/or the contents of your home. Home insurance provides compensation for loss of or damage to a home and its contents.

Personal accident insurance: Accidents occur unexpectedly, many individuals choose to purchase insurance coverage to help family members and loved ones deal with the associated financial instability.

Personal Accident is an insurance cover which is recommended to you and your family in the event of accidental death (which life insurance already does), but also to cover disablement, leading to loss of earning capacity.

Personal Accident Insurance is inexpensive and it is recommended that you select the highest level of cover available. Even if you already have permanent health insurance, you should also have Personal Accident insurance to provide cover in case of accidents.

Travel insurance: Travel insurance policies have been intended to insure you against certain events when you take a holiday or trip to make your trip stress-free. Before going on a trip you need to address all your travel worries. Medical treatment abroad can be costly and one never knows when one would require it. There might also be other situations, that one might face like loss of passport, flight delay, baggage and so on. Without appropriate travel insurance, you may be exposed to significant financial liability.

Commercial insurance: Large corporations or even Smaller Companies have varied needs for insurance. Most insurance companies offer a comprehensive set of products designed to protect business, assets, liabilities, vehicles, construction/engineering/marine cargo/logistics activity & employees against sudden and unforeseen loss or damage.

Fire insurance: Insurance is designed to cover your business assets against sudden and accidental loss or damage due to wide range of perils. You can also insure Consequential loss of profits following damage to your assets due to insured perils.

Engineering Insurance: it provides comprehensive insurance solutions for Construction and Erection projects as well as Operational insurance covers like Contractor's Plant and Machinery, Electronic Equipments, Machinery Breakdown Insurance.



Marine insurance: it protects your assets against loss or damage while in transit by Rail/Road/Air/Sea.

Liability insurance: it Provides complete range of business and commercial insurance liability policies, covering the legal liability of your company and your directors towards third parties and employees.

Casualty insurances: it encompasses a wide range of insurances like Money, Burglary, Fidelity Guarantee & Plate glass and Neon Sign Board.

2.4 Importance of Insurance

1. Security and Safety: It gives a sense of security and safety to the businessman. It enables him to receive compensation against actual loss. He can concentrate on his business with a secure feeling that in case of losses arising from insurable risk, his losses will be compensated.

2. Distribution of risk: Risk in insurance is spread over a number of people rather being concentrated on a single individual.

3. Normal expected profit: An insured trader can enjoy normal margin of profit all the time. He is protected from unexpected losses because of insurance.

4. Easy to get loans: A trader can get bank loans easily if his stock or property is insured, as insurance provides a sense of security to the lenders.

5. Advantages of Specialization: Businessmen can concentrate on their business activities without spending more time on safeguarding their property. The insurance companies, on the other hand, can provide specialized insurance services.

6. Development of Social Sectors: Insurance funds are available for economic development particularly for the development of social sectors. Especially for a developing country like India, insurance funds are an important source for investing in infrastructure projects (roads, power, water supply, telecom etc).

7. Social cooperation: The burden of loss is shouldered by so many persons. Thus, insurance provides a form of social cooperation.

2.5 Benefits of Insurance

Insurance is important because both human life and business environment are characterized by risk and uncertainty. Insurance plays a key role in mitigation of risks. The benefits of insurance are discussed below:

Benefits of Insurance to insure:

1. Insurance provides security against risk and uncertainty.
2. It enables the insured to concentrate on his work without fear of loss due to risk and uncertainty.
3. It inculcates regular savings habit, as in the case of life insurance.



4. The insurance policy can be mortgaged and funds raised in case of financial requirements.
5. Insurance policies, especially pension plans provide for income security during old age.
6. The insured gets tax benefits for the amount of premium paid.
7. Insurance of goods may be a mandatory requirement in certain contracts.

Benefits of Insurance to society

1. Insurance is an important risk mitigation device.
2. Insurance companies provide the required funds for infrastructure development.
3. It provides a sense of security.
4. Insurance provides security to the insured during his life and to his dependents.
5. It provides employment opportunities. With the entry of private insurers employment opportunities have increased greatly.
6. Insurance provides a sense of livelihood to those who might otherwise not have an income source — housewives, retired people, students etc can work as agents and earn commission.
7. Insurance works on the principle of pooling of risks and distributes risks over many people.
8. Insurance is an invaluable aid to trade.

Benefits of Insurance to the Nation

1. Insurance provides funds to the government for providing basic facilities and to develop infrastructure.
2. It has enabled the country to get foreign exchange (49% FDI is permitted in the insurance sector in India).
3. Insurance relieves the government of the burden of supporting a family, in case of the untimely demise of the breadwinner.
4. Insurance promotes trade and industry by providing risk cover.
5. Insurance companies pay taxes out of profits earned. This is an important revenue source to the government.
6. Insurance companies are permitted to invest 5% of the funds in the capital market. LIC alone has invested around Rs.28, 000 crore in the Indian capital markets. Such investments develop the capital market.

2.6 Disadvantages of Life Insurance

1. Policyholders forego some current expenditure to pay policy premiums. Moreover, life insurance is typically purchased for the benefit of others and usually only indirectly for the insured person.
2. Cash surrender values are usually less than the premiums paid in the first several policy years and
3. Sometimes a policy owner may not recover the premiums paid if the policy is surrendered.



4. The life insurance purchase decision and the positioning of the life insurance can be complex especially if the insurance is for estate planning, business situations or complex family situations.
5. The life insurance acquisition process can be annoying and perplexing.

Disadvantages of commercial insurance:

Commercial insurance, like all forms of insurance, comes with limitations and exclusions. If your business is exposed to greater-than-average risks, any insurance you buy will include a list of exclusions. Sometimes these exclusions rule out the very things you wanted insurance for in the first place. There may also be an annual dollar cap on paid losses, effectively cutting off your coverage at a certain threshold. In the event of a massive disaster or a huge lawsuit, your insurance policy might cover only a portion of your losses. If you have a claim, you must also be careful to comply with reporting requirements. Some insurance companies are notoriously slow to respond to claims, citing incorrect reporting as the reason.

2.7 Characteristics of Insurance

- It is a contract for compensating losses.
- Premium is charged for Insurance Contract.
- The payment of Insured as per terms of agreement in the event of loss.
- It is a contract of good faith.
- It is a contract for mutual benefit.
- It is a future contract for compensating losses.
- It is an instrument of distributing the loss of few among many.
- The occurrence of the loss must be accidental.
- Insurance must be consistent with public policy.

2.8 Nature and Methods of Insurance

Sharing of Risks

- Co-operative Device
- Valuation of Risk
- Payment made on contingency
- Amount of Payment
- Large Number of Insured Persons
- Insurance is not gambling

Insurance is not charity

Methods of insurance:

In accordance with study books of The Chartered Insurance Institute, there are the following types of insurance:

1. Co-insurance – risks shared between insurers



2. Dual insurance – risks having two or more policies with same coverage (Both the individual policies would not pay separately- a concept named contribution, and would contribute together to make up the policyholder's losses. However, in case of contingency insurances like Life insurance, dual payment is allowed)
3. Self-insurance – situations where risk is not transferred to insurance companies and solely retained by the entities or individuals themselves
4. Reinsurance – situations when Insurer passes some part of or all risks to another Insurer called Reinsurer

2.9 Functions of Insurance

Primary Function

- Provision of certainty of payment at the time of loss
- Provision of protection Risk sharing

Secondary Function

- Prevention of loss
- Provision of Capital
- Improvement of efficiency
- Ensuring welfare of the Society...

2.10 Difference Between Life Insurance and General Insurance

Life insurance:

1. There is certainty as to the happening of event i.e. death
2. Life insurance is a type of investment. It is not a contract of indemnity
3. In life insurance the insurable interest must be present at the time of contract.
4. Life insurance contract is for the whole life of the insured or for the assured attaining a specified age-whichever is earlier.
5. Principle of subrogation does not apply to life insurance.
6. Principle of contribution does not apply to life insurance. In case of double insurance, the insured can claim full value of policies from all insurance companies.
7. There is a surrender value of policy, in life insurance

General Insurance (Fire and Marine):

1. The event insured against may or may not happen.
2. The contracts of fire and marine insurances are contracts of indemnity. The insured can claim only the actual amount of loss-subject to a maximum of sum assured.
3. In fire insurance, insurable interest must be present at both- time of contract and time of loss.
4. In marine insurance insurable interest must be present, at the time of loss.



5. A contract of fire insurance is for one year. A contract of marine insurance is for a particular period (not more than one year) or for a particular voyage or for both.
6. This principle applies to fire and marine insurances.
7. This principle applies to fire and marine insurance. In case of double insurance, if one insurance company pays full amount of loss to the insured; it can claim retable contribution from other insurance companies.
8. The provision of surrender value does not exist, in fire and marine insurance.

2.11 Principles of Insurance

There are several principles governing insurance business, the important of which are discussed below.

Principle of indemnity: Insurance is a contract of indemnity. The insurer is called indemnifier and the insured is the indemnified. In a contract of indemnity, only those who suffer loss are compensated to the extent of actual loss suffered by them. One cannot make profit by insuring his risks.

Insurable interest: All and sundry cannot enter into contracts of insurance. For example, X cannot insure the life of Y who is a total stranger. But if Y happens to be his wife or his debtor or business manager, X has insurable interest and therefore he can insure the life of Y. For every type of policy insurable interest is insisted upon. In the absence of such interest the contract will amount to a wagering contract.

Principle of utmost good faith: Under ordinary law of contract there is no positive duty to tell the whole truth in relation to the subject-matter of the contract. There is only the negative obligation to tell nothing but the truth. In a contract of insurance, however there is an implied condition that each party must disclose every material fact known to him. This is because all contracts of insurance are contracts of utmost good faith. This is because the assessment of the risk and the determination of the premium by the insurer depend on the full and frank disclosure of all material facts in the proposal form.

2.12 Books Required to be Maintained by Insurance Companies

Under the Insurance Act, 1938 it is obligatory on the part of all insurance companies including the general insurance companies to maintain the following books which may be called 'statutory books'.

1. The registrar of policies. This book contains the following particulars in respect of each policy issued:
 - (a) The name and address of the policyholder-,
 - (b) The date when the policy was effected-, and
 - (c) A record of any assignment of the policy-.



2. The register of claims. This book should contain the following particulars in respect of each claim :
 - (a) The date of claim-,
 - (b) The name and address of the claimant-,
 - (c) The date on which the claim was discharged-, and
 - (d) In the case of a claim which is rejected, the date of rejection and the ground for rejection.
3. The register of licensed insurance agents. This book should contain the following particulars in respect of each agent:
 - (a) Name and address of every insurance agent appointed-,
 - (b) The date of appointment, and
 - (c) The date on which appointment ceased, if any.

In addition to the statutory books mentioned above, insurance companies also maintain the following subsidiary books for recording the transactions:

- (i) Proposal register
- (ii) New premium cash book
- (iii) Renewal premium cash book
- (iv) Agency and branch cash book
- (v) Petty cash book
- (vi) Claims cash book
- (vii) General cash book
- (viii) Agency credit journal
- (ix) Agency debit journal
- (x) Lapsed and cancelled policies book
- (xi) Chief journal
- (xii) Commission book
- (xiii) Agency ledger
- (xiv) Policy loan ledger
- (xv) General loan ledger
- (xvi) Investment ledger



2.13 Illustration

From the following, you are required to calculate the loss on account of claim to be shown in the revenue account for the year ending 31st December, 1990:

Intimated in	Admitted in	Paid in	Rs.
1989	1989	1990	15,000
1990	1990	1991	10,000
1988	1989	1989	5,000
1988	1989	1990	12,000
1990	1991	1991	8,000
1990	1990	1990	1,02,000

Claim on account of Re-insurance was Rs. 25,000.

Solution

Total claim paid in 1990: Rs. (1, 02,000 + 12,000 + 15,000)

1, 29,000

Less Outstanding in the beginning, i.e., intimated in 1989 or earlier whether accepted in 1989 or accepted in 1990

(Rs. 15,000 + Rs. 12,000)

27,000

1, 02,000

Add: Outstanding at the end, i.e., intimated in 1990

Whether accepted in 1990 or in 101Rs (10,000 + 8,000)

18,000

1, 20,000

Less Re-insurance claim 25,000

Claims to be shown in revenue account 95,000

Illustration: Indian Insurance Co. Ltd. furnishes you with the following information:

- (i) On 31.12.1996 it had reserve for unexpired risks to the tune of Rs. 40 cores. It comprised of Rs. 15 cores in respect of marine insurance business; Rs. 20 cores in respect of fire insurance business and Rs. 5 cores in respect of miscellaneous insurance business.
- (ii) It is the practice of Indian Insurance Co. Ltd. to create reserves at 100% of net premium income in respect of marine insurance policies and at 50% of net premium income in respect of fire and miscellaneous income policies.



(iii) During 1997, the following business was conducted:

	<i>Mar ine</i>	<i>Rs. in crore</i>	
		<i>Fire</i>	<i>Miscellaneous</i>
Premium collected from:			
(a) Insured in respect of policies issued	18 7	435	124
(b) Other insurance companies in respect of risks undertaken			
Premium paid/payable to other insurance companies on business ceded	6.7	4.3	7

(a) Pass journal entries relating to "Unexpired risks reserve".

Solution:

Journal of Indian insurance Co. Ltd.

		Dr.Rs.	Cr.Rs.
1997 dec.31	Marine Revenue A/ c Dr. To Unexpired Risks Reserve A/c (Reserve for unexpired risk equal to 100% of net premium earned during the year)	18.30	18.30
	Fire Revenue A/ c Dr. To Unexpired Risks Reserve A/c (Reserve for unexpired risk equal to 50% of the net premium earned during the year)	21.85	21.85
	Miscellaneous Revenue A/ c Dr. To Unexpired Reserve A/c (Reserve for unexpired risk equal to 50% of the net premium earned during the year)	4.5	4.5

(V) ACCOUNTS OF LIFE INSURANCE BUSINESS

Nationalization of Life Insurance Business: In 1956 life insurance business was nationalized by transferring all such business to the Life Insurance Corporation established for the purpose. The main objects of nationalization were:

- (1) To ensure absolute security to the policy holder in the matter of life insurance protection.
- (2) To spread insurance much more widely and in particular to the rural areas, an



- (3) As a further step in the direction of more effective mobilization of public savings.

Some of the important provisions of the act which are worth noting are stated below:

Illustration: The life insurance fund of Naresh Life Insurance Co. Ltd. was Rs. 34,00,000 on

31st March, 2007. Its actuarial valuation on 31st March, 2007 disclosed a net liability of Rs. 28,80,000. An interim bonus of Rs. 40,000 was paid to the policyholders during the previous two years. It is now proposed to carry forward Rs. 1,10,000 and to divide the balance between the policyholders and the shareholders. Show (a) the valuation balance sheet, (b) the net profit for the two-year period, and (c) the distribution of the profits.

Solution:

In the Book of Naresh Life Insurance Co. Ltd.

Valuation Balance sheet as on 31st March, 2007

	Rs.		Rs.
To Net Liability	28,00,000	By Life Assurance Fund	34,00,000
To Net Profit	5,20,000		
	34,00,000		34,00,000

Net profit for the two-year period

Profit as per Valuation Balance Sheet	5,20,000
Add: Interim Bonus paid during the previous two years	40,000
Net Profit	5,60,000

Distribution of the profits

Net Profit	5,60,000
Less: Amount proposed to be carried forward	<u>1,10,000</u>
Balance	<u>4,50,000</u>
Share of policyholders (95% of Rs. 4,50,000)	4,27,500
Less: Interim bonus paid	<u>40,000</u>
Amount due to policyholders	<u>3,87,500</u>
Share of Shareholders (5% of Rs. 4,50,000)	22,500



Illustration: (Life assurance fund). The revenue account of a life insurance company shows the life assurance fund on 31st March, 2002 at Rs. 62, 21,310 before taking into account the following items:

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

What is the life assurance fund after taking into account the above omissions? Statement showing Life Assurance Fund

Solution.

Particulars	Dr (Rs)	Cr (Rs)	Rs
			62,21,310
Balance of Fund as on 31st March, 2002		4,500	
Add: Bonus utilized in reduction on premium		8,260	
		5,410	
Interest on securities			18,170
Premium outstanding			62,39,480
Less: Claim outstanding	26,500		
Less: Covered under Re-insurance	<u>12,000</u>	14,500	
Bonus in reduction of premium		<u>4,500</u>	
Balance of (correct) Life Assurance Fund			19,000
			62,20,480

Illustration: The following trial balance was extracted from the books of the New India Life Assurance Company Ltd. as on 31-03-2006.

Particulars	Dr (Rs)	Cr (Rs)
Paid-up Capital:		
10,000 shares of Rs. 10 each		100,000
Life fund balance as on 1-4-2001		2,972,300
Dividends Paid	15,000	
Bonus in reduction of premium	31,500	
Premium less re-assurance premium (Commission thereon Rs. 5,000)		161,500
Claims paid	197,000	
Outstanding claims (1-4-2001)		7,000
Commission	9,300	
Management expenses	32,300	
Mortgages in India	492,200	
Interest, dividend and rents		112,700



Agents' balances	9,300	
Freehold premises	40,000	
Investments	2,305,000	
Loans on Policies	173,600	
Cash on deposit	27,000	
Cash on current account	7,300	
Surrenders	7,000	
Medical Stores	7,000	
Consideration for annuities granted	10,000	
Annuity		10,000
	33,63,500	33,63,500

Prepare the revenue account for the year ended 31-3-2006 and a balance sheet of the company as at that date after taking the following into consideration:

	Rs.
(a) Claims outstanding	10,000
(b) Further bonus in reduction of premium	5,000
(c) Premium outstanding	5,000
(d) Claims covered under re-insurance	80,000
(e) Management expenses due	30,000

Solution.

New India Life Assurance Co. Ltd,

Revenue Account

for the year ended 31st

	Rs	Rs	Rs	Rs	
To Claims less re-assurances			By Life assurance fund at the		.
Claims paid	197,000		at the beginning of the year	161500	2,972,300
Add: Claims outstanding at the end of the year	10,000		By Premium less re-insurance	5000	
Less: Claims outstanding at the beginning of the year	7,000		Add: Accrued Premium	5000	171,500
	80,000	120,000	Add: Bonus in reduction		10,000
		7,000			



Less: Claims covered under re-insurance		10,000	of premium		5,000
To Surrenders paid	32,300	-	By Consideration for		112,700
To Annuities paid and due	30,000	36,500	annuities granted		
Bonus paid in cash			By Commission on		
To Bonus in reduction of premium (31,500 + 5,000)		62,300	re-insurance ceded		
To Expenses of management paid			By Interest, dividends and interests received on		
Add: Outstanding			Investments		
			By Fines for getting lapsed policies revised		
To Commission paid		9,300	By Other items, if any		3,271,500
To Income-tax on profits		-			
To Dividends paid to shareholders		15,000			
To Other items, if any, medical fees		7,000			
To Life assurance fund at the close of the year transferred		3,004,400			
To Balance sheet		3,271,500			3,271,500

Vi) Accounts of General Insurance Business

Just as Form D is prescribed for revenue account of life insurance business, Form F is the relevant format for preparing the revenue account of general insurance business. However the same form is used to prepare the revenue account separately in respect of fire insurance, marine insurance and miscellaneous insurance.

**Form F**

**Form of Revenue Account Applicable to Fire Insurance Business
Marine Insurance Business*, Miscellaneous Insurance Business**

Revenue Account of for the year ended..20 in respect of Business

	<i>Rs</i>		<i>Rs</i>
Claims under policies, less re-insurances (a) (d):		Balance of account at beginning of the year:	
Paid during the year		Reserve for unexpired risks	
Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated		Additional reserve (if any)	
Less-Outstanding at end of previous year (b)		*Premiums less re-insurance	
*Commission		(d) Interest, dividends and rents	
Commission on direct business		Less-Income tax thereon	
Commission on Re-insurance accepted		Commission on re-insurance ceded	
*Expenses of management (e)		*Other income (to be specified) (a)	
Bad debts		Loss transferred to Profit and Loss A/c	
United Kingdom, Indian Dominion and		Transferred from Appropriation A/ c	
Foreign Taxes			
Other expenditure (to be specified)			
Profit transferred to Profit and Loss A/c			
Balance of account at the end of the year as shown in the balance sheet			
Reserve for unexpired risks, being per cent of premium income of year			
Additional reserve (if any)			

**Form B****Form of Profit and Loss Account**

Profit and Loss Account of for the year ended 20...

	Rs.		Rs.
Indian (Central) taxes on the Insurer's Profit (not applicable to any particular fund or account)		Interest, dividends and rent (not applicable to any particular: und or account)	
Expenses of management (not applicable to any particular fund or account)'		Less: Income Tax thereon	
Loss on realization of Investments (not charged to reserves or any particular fund or account) Depreciation of investment (not charged to reserves or any Particular fund or account)		Profit on realization of investment (not credited to reserves or any particular fund or account) Appreciation of investments (not credited to reserves or any particular fund or account)	
Loss transferred from revenue accounts (details to be given)		Profit transferred from revenue accounts (details to be given) Transfer fees	
Other expenditure (to be specified)		Other income (to be specified)	
Balance for the year carried to appropriation account		Balance being loss for the year carried to appropriation account	

Form C**Form of Profit and Loss Appropriation Account**

Profit and Loss Appropriation Account of for the year ended 20...

	Rs		Rs
Balance being loss brought forward from last year		Balance brought forward from last year	
Balance being loss for the year brought from profit and loss account (as in Form B)		Less: Dividends since paid in respect of last year (to be specified and if "free of tax" to be so stated)	
Dividends paid during the year on account of the current year (to be specified and if free of tax to be		Balance of the year brought from profit and loss account	



stated)		(as in Form B)	
Transfers to any particular funds or accounts (details to be given)		Balance being loss at end of the year as shown in the balance sheet	
Balance at end of the year as shown in the balance sheet			

Illustration:

From the following balances of All Care General Insurance Co. Ltd. as on 31st March, 2006, prepare

(i) Fire Revenue Account;

(ii) Marine Revenue Account; and

(iii) Profit and Loss Account:

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
Survey expenses (fire)	10,000	Commission earned on re-insurance ceded (marine)	60,000
Additional reserve opening (fire)	50,000	Commission earned on re-insurance ceded (fire)	30,000
Commission paid (marine)	1,08,000	Management expenses (fire)	1,45,000
Commission paid (fire)	90,000	Management expenses (marine)	4,00,000
Claims paid and outstanding (marine)	3,80,000	Marine premium	10,80,000
Claims paid and outstanding (fire)	1,80,000	Less: Re-insurances	
Fire fund-opening	2,50,000	Fire premium	6,00,000
Marine fund-opening	8,20,000	Less: Re-insurance	
Bad debts recovered	1,200	Profit on sale of land	5,00,000
Share transfer fee	800	Miscellaneous receipts	300
Directors' fees	5,000	Differences in exchange (Cr.)	14,000
Auditors' fees	1,200	Interest, dividends, etc. received	35,000
Bad debts (marine)	12,000	Depreciation	
Bad debts (fire)	5,000		



Solution:

All Care General Insurance Co.Ltd.
Revenue Account (Fire Business)
for the year ended on 31st March, 2006

Dr.

Cr.

Particulars	Rs.	Particulars	Rs.
Claims less re-insurance paid	190,000	Balance of Account as on	250,000
Commission	90,000	on	50,000
Expenses on Management	145,000	1.4.90:	
Bad debts	5,000	Fire Fund	30,000
Profit transferred to Profit & Loss Account	120,000	Add: Reserve	
Balance of Account as on 31-3-1991:		Premium less re-insurance	
Reserve for Unexpired Risks	380,000	Commission on re Insurance ceded	
50% of net premium	930,000		
Additional Reserve			930,000

All Care General Insurance Co. Ltd.
Revenue Account (Marine Business)
for the year ended on 31st March, 2006

Particulars	Rs.	Particulars	Rs.
Claims less re-insurance paid	3,80,000	Balance of Account as on	8,20,000
Commission	1,08,000	1.4.90:	10,80,000
Expenses of Management	4,00,000	Marine Fund	60,000



Bad Debts	12,000	Premium less re-insurance	
Balance of Account as on 31.3.91		Commission on reinsurance ceded	20,000
Reserve for Unexpired Risks 100% of Net Premium	10,80,000	Loss transferred to Profit &	
	19,80,000	Loss Account	19,80,000

Particulars	Rs.	Particulars	Rs.
Expenses of Management:	6,200	Interest, Dividends and Rents, etc., received	14,000
Auditors' fees 1,200	35,000	Profit on Sale of land	60,000
Directors' fees 5,000	20,000	Profit transferred from Fire	1,20,000
Depreciation		Revenue A/c	800
Loss transferred from Marine Revenue A/c	1,40,100	Transfer fees	1,200
Balance for the year carried to Appropriation A/c		Bad Debts recovered	5,000
		Misc. Receipts	300
		Difference in exchange	
	2,01,300		2,01,300

2.14 Sum Up

Insurance is a means of protection from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. An entity which provides insurance is known as an insurer, insurance company, or insurance carrier. A person or entity who buys insurance is known as an insured or policyholder. The insurance transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate the insured in the event of a covered loss. The loss may or may not be financial, but it must be reducible to financial terms, and must involve something in which the insured has an insurable interest established by ownership, possession, or pre-



existing relationship. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated..

2.15 Keywords

insurable interest, contract of indemnity, utmost good faith, burglary, fidelity, nonlife insurance, life insurance, commercial insurance.

2.16 Self Assessment Questions

Problem1: from the following balances as at 31st march 2012 in the books of the MetLife insurance company limited, prepare the revenue account and balance sheet.

	Rs
Life Assurance fund as on	
1st April, 2005	3,000,000
Annuities paid	20,000
Surrenders	69,000
Reserve fund	665,000
Deposit with Reserve Bank of India	300,000
Government Securities:	
Indian Government securities	3,250,000
Foreign Government securities	187,000
Loans on company's policies	670,000
Leasehold ground rent	58,000
Due from re-insurers	39,000
Due to re-insurers	49,000
Agents' balances	20,000
Interest outstanding	15,000
Sundry creditors	4,000
Premium less re-insurance	700,000
Bonus to policyholders	30,000
Commission	60,000



Claims less re-insurances— on death	400,000
Claims less re-insurances— on Maturity	500,000
Consideration for annuities granted	40,000
Securities on which interest is guaranteed	
Life Assurance fund as on by the Government	1,350,000
Share Capital	5,000,000
Mortgage in India	1,636,000
Cash in current Account	30,000
Cash in deposited a/c with bank	16,000
Cash in hand	105,000
State Government securities	888,000
Furniture	40,000
Outstanding Premium	68,000
Salaries	50,000
Directors' fees	6,000
Audition Fees	8,000
Law Charges	2,000
Rent Paid	4,000
Other expenses of management	1,500
Interest and rent less taxes Rs 60,000	300,000
Interest accrued but not due	30,000

[Ans: Balance of life Assurance fund at the end of the year Rs 28, 89,500. Balance sheet total Rs 86, 07,500]

- The life assurance fund of Suraksha Life Assurance Company Limited showed a balance of Rs. 50, 25,000 at the end of March 2007. The dividend payable to shareholders for the year amounted to Rs. 75,000. The actuary's valuation placed the net liability at Rs. 45, 50,000. An interim bonus of Rs. 1, 00,000 has been paid to the policyholders.

Prepare a statement showing the amount now available as bonus to policyholders. (Surplus available to policyholders Rs. 4, 75,000)

- From the figures set out below, prepare the balance sheet of a Life Insurance Company as on 31st March 2006 in form (as far as circumstances permit)



prescribed by Insurance Act, 1938 as governed by Life Insurance Corporation Act, 1956.

The company's deposit with Controller General in 3.5 % G.P. Notes are of the face value of Rs. 10,00,000 and it also holds the following investments, besides loans of Rs. 3,00,000 on the security of the company's policies. 4% Port Trust bonds of the face value of Rs. 12, 00,000. 5.5% war Bonds of the face value of Rs.25, 00,000 gents collection of premium during the current year amounted to Rs. 20,00,000 out of which after deducting Rs. 2,00,000 for commission due to them, they remitted to the company in the year ended 31.3.2006 Rs. 14,00,000 and the balance after 1-4-2006.

Other assets and liabilities were: Furniture Rs. 80,000, cash in hand Rs. 20,000, cash at bank Rs. 1, 00,000. Outstanding premium Rs.4,00,000. Interest accrued Rs. 1, 00,000 out of which Rs. 30,000 was due. Share capital consists of 4,000 shares of Rs. 1,000 each, Rs. 500 paid-up. Commission due but not paid Rs. 2, 00,000. Estimated liability regarding claims unpaid Rs. 6, 00,000. The balance consists of Life Insurance Fund 75% and investments reserve fund 25%.

(Balance sheet total Rs. 61, 00,000; Life Insurance fund Rs. 24, 75,000)

4. The following balances appeared in the books of the Hindustan Fire and General Insurance Company Limited on 31st March, 2007 :

Re-insurance premiums paid	50,000	Commission	1,52,000
Reserves for unexpired risk		Claims paid	1,52,000
as on 1-4-2006	8,24,800	Loss on exchange	9,000
Expenses of Management	1,25,600	Claims outstanding	
Premium received	7,89,000	1-4-2006	2,81,000

You are required to prepare revenue account for the year ended 31st March, 2007, after taking the following information into consideration: (i) Provide for unexpired risks at 50% of the premiums; (ii) Create additional reserve of Rs. 75,000; [iii] Premiums out-standing at the end of the year were Rs. 1, 50,000; (iv) On 31st March, 2007, the claims outstanding were Rs. 3, 37,000.

(Profit Rs. 6, 39,700; Balance of fund Rs. 5, 19,500)

5. From the following balances of Prudential General Insurance Co., prepare-(I) Fire revenue account: (ii) Marine revenue account; and (iii) Profit and loss account for the year ending on 31 st March 2006:



	Rs
Claims paid and outstanding (Fire)	3,60,000
Claims paid and outstanding (Marine)	7,60,000
Additional reserve on 1.4.2005 (Fire)	1,00,000
Sundry expenses (Fire)	20,000
Bad debts (Fire)	10,000
Bad debts (Marine)	24,000
Auditors' fees	2,400
Directors' fees	10,000
Share transfer fees	1,600
Bad debts recovered	2,400
Fire fund on 1.4.2005	5,00,000
Marine fund on 1.4.2005	16,40,000
Commission earned on re-insurance ceded (Fire)	20,000
Commission earned on re-insurance ceded (Marine)	40,000
Depreciation	70,000
Interest, Dividends, etc., received	28,000
Difference in exchange (Cr.)	600
Miscellaneous receipts	10,000
Profit on sale of land	1,20,000
Fire insurance premium less re-insurance	12,00,000
Marine premium re-insurance	21,60,000
Management Expenses (Fire)	2,90,000
Management Expenses (Marine)	8,00,000

Additional reserve in case of fire insurance is to be raised by 5% of net premiums in addition to usual reserves. Re-insurance premium received amounted to Rs. 3, 00,000 for the business and Rs. 6, 40,000 for marine business. Management expenses are exclusive of commission. The net income of fire business in 2004-05 was Rs. 10, 00,000.

(Fire Rs. 3, 00,000; Marine Loss 52,000; Net Profit 3,28,2001)



2.17 Model Questions

1. Define insurance what are the benefits of it?
2. Discuss the different types of insurance policy available in India.
3. State the importance of life and nonlife insurance.
4. Distinguish between life and nonlife insurance.
5. Highlights the nature and characteristics of insurance.
6. Enlighten the various functions of insurance.
7. Mention the numerous kinds of books maintained by the insurance company.
8. Describe the principles of insurance.
9. Write in detail the problems associated with insurance.
10. Indicate the different components of nonlife insurance in india.

2.18 Further Readings

1. Modern Accountancy: Hanif and Mukherjee, volume –I, Tata Mcgrewhill.
2. Higher secondary Accounting: Biswal and Sharma.
3. Financial Accounting: P.C. Tulsian, Pearson.
4. An Introduction to Accountancy: S.N. Maheshwari, S.K. Maheshwari. Vikas.

