

PGDM-IBM, 2017-19  
Corporate Finance & Insurance Accounting  
INS-302  
Trimester – III, End-Term Examination: March 2018

Time allowed: 2 Hrs 30 Min

Roll No: \_\_\_\_\_

Max Marks: 50

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		<b>Total Marks</b>	<b>50</b>

**Section-A**

- A1. Discuss the Internal and External methods used by insurer to meet the capital needs.
- A2. Discuss the components of the typical structure for a company
- A3. Explain the concept of Economic capital and Solvency II in detail.
- A4. What do you understand by Ratio Analysis and what are its Advantages?
- A5. Outline the process involved in arriving at the solvency margin of insurance companies according to IRDAI

**Section-B**

- B1. (a) Explain the term – Reserve for unexpired risk  
(b) Describe the management report of life insurance business as per IRDAI (Preparation of financial statements and Auditors report) regulation.
- B2. (a) What is the money measurement concept? Which one factor can make it difficult to compare the monetary value of one year with the monetary value of the other year?  
(b) Why it is important to adopt a consistent basis for the preparation of financial statement?

B3. (a)

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, 2011:

Claim intimated in the year	Claim admitted in the year	Claim paid in the year	₹
2010	2010	2011	15,000
2011	2011	2012	10,000
2009	2010	2010	5,000
2009	2010	2011	12,000
2011	2012	2012	8,000
2011	2011	2011	1,02,000

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

(b)

From the following Trial Balance of Radhe Shyam Trading and Profit and Loss A/c for the year ending 31st December, 2010 and Balance Sheet as on that date. The Closing Stock on 31st December, 2010 was valued at Rs. 2,50,000.

Debit Balances	Amount (Rs.)	Credit Balance	Amount (Rs.)
Stock (1-1-2010)	2,00,000	Sundry Creditors	1,50,000
Purchases	7,50,000	Purchases Return	30,000
Sales Return	80,000	Sales	25,00,000
Freight and Carriage	75,000	Commission	33,000
Wages	3,65,000	Capital	17,00,000
Salaries	1,20,000	Interest on Bank Deposit	20,000
Repairs	12,000	B/P	62,000
Trade Expenses	40,000		
Rent and Taxes	2,40,000		
Cash in Hand	57,000		
B/R	40,000		
	5,50,000		
Plant and Machinery	16,00,000		
Withdrawals (Drawings)	1,66,000		
Bank Deposit	2,00,000		
	44,95,000		44,95,000

### Section-C

#### **Case Study Compulsory:-**

The following is the summarised financial data related to two companies operating within the hospitality sector of the Northern Ireland economy.

Company	JDJ plc	HGH plc
Financial Year ended:	31st December 2007	31st December 2007
	£m	£m
Sales	178	8931
Profit Before Tax (Operating Profit)	32	171
Taxation	22	30
Dividends	10	141
Retained Earnings	0	0
Fixed Assets	729	2646
Current Assets		
Closing Stock	11	367
Cash	10	600
Current Liabilities	100	1150
Long Term Debt	186	19
Net Assets	464	2444
Issued Share Capital (10p shares)	14	158
Profit and Loss Reserves	450	2286
Capital Employed	464	2444

#### **Activities:**

- Explain what is meant by the term 'Ratio Analysis'.
- Explain the key types of ratios commonly used to interpret the financial statements of a business.
- Using the above summarised financial data for JDJ plc and HGH plc, calculate the relevant accounting ratios.
- Using the accounting ratios calculated using the above financial data, discuss the performance of JDJ plc and HGH plc.
- Evaluate the usefulness of ratio analysis in relation to analysing the financial performance of businesses such as JDJ plc and HGH plc.