1. Fire insurance provides cover for:
   (a) Tangible assets
   (b) Intangible assets
   (c) Fictitious assets
   (d) Business employees

   **Ans. A**

2. The difference between standard turnover and actual turnover during the indemnity period is:
   (a) Short Sales
   (b) Actual Sales
   (c) Total Sales
   (d) None of the above

   **Ans. A**

3. A fire insurance policy is taken out to indemnity:
   (a) Capital losses and revenue losses of tangible assets
   (b) Revenue losses of tangible assets
(c) Capital losses of intangible assets

(d) None of the above

Ans. A

4. Sock of goods destroyed by fire is 9,00,000, Stock of goods salvaged 1,00,000, value of insurance policy 8,00,000, There is an average clause in the policy then the amount of claim is:

(a) 9,00,000

(b) 8,00,000

(c) 7,20,000

(d) 7,00,000

Ans. C

5. For the year 2008, 2009, 2010 if the rate of gross profit were 15%, 20%, and 18% respectively, then the rate of Average gross profit for the year 2011 will be:

(a) 15%

(b) 18%

(c) 17.67%

(d) 20%

Ans. C

6. Cost of machinery 60,000, Insurance Policy includes Average Clause 50,000, Goods saved 6,000, Amount of Claim will be:

(a) 45,000

(b) 60,000
7. Value of goods destroyed is 48,000, Goods saved 12,000, Amount of insurance policy was 40,000 which include average clause then amount of claim is:

(a) 32,000
(b) 40,000
(c) 48,000
(d) 12,000

Ans. A

8. If the indemnity period is six months, standard turnover is 20,000, Annual turnover is 50,000, turnover during indemnity period is 8,000, then short sales amount will be:

(a) 30,000
(b) 12,000
(c) 42,000
(d) None of above

Ans. B

9. Opening stock 13,500, Purchase 82,500, Sales 120,000 and stock salvaged 1,260, the rate of gross profit 50% on cost then the stock destroyed by fire will be:

(a) 14,740
(b) 27,740
(c) 36,000
(d) None of above

**Ans. A**

10. Sock of goods destroyed by fire is 13,60,000, Stock of goods salvaged 3,40,000, value of insurance policy 11,90,000, There is an average clause in the policy then the amount of claim is:

(a) 9,52,000

(b) 4,08,000

(c) 13,60,000

(d) 8,33,000

**Ans. A**

11. Fire insurance provides cover for ________.
A. Tangible assets.
B. Intangible assets.
C. Fictitious assets.
D. None of the above.

**ANSWER: A**

12. The average clause in a loss of profits policy protects by ________.
A. Insured
B. Insurer
C. Workers
D. None of the above

**ANSWER: A**

13. Fire insurance policy can be taken for ________.
A. loss of stock.
B. loss of profit.
C. life of a partner.
D. loss of stock or/and loss of profit.

**ANSWER: D**

14. The stock which is rescued from fir is _______.
A. scrap.
B. defectives.
C. salvaged stock.
D. . claim.

**ANSWER: C**

15. Closing stock on the date of fire is Rs. 50,000 and the stock salvaged is Rs. 23,000. The claim is _______.
A. Rs. 23,000.
B. Rs. 27,000.
C. Rs. 50,000.
D. . Rs. 73,000.

**ANSWER: B**

16. Memorandum trading a/c is prepared to know the _______.
A. . claim
B. . closing stock.
C. gross profit.
D. purchase.

**ANSWER: B**

17. Value of closing stock on the date of fire is Rs.30,000. Value of policy is Rs. 25,000 and stock salvaged is Rs. 7,500. Find out the claim.
A. Rs. 18,750.
B. Rs. 25,000.
C. Rs. 30,000.
D. Rs. 50,000

ANSWER: A

18. The period for which insurance policy is taken against the risk of fire is __________.
A. accounting period.
B. calendar period.
C. indemnity period
D. standard period.

ANSWER: C

19. The difference between standard turnover and affected period turnover is ______.
A. short sales.
B. annual turnover.
C. accounting year turnover.
D. saved turnover.

ANSWER: A

20. Memorandum trading a/c is prepared for period from __________.
A. 1st Jan. to 31st Dec.
B. 1st Apr. to 31st Mar.
C. opening date of accounting period to date of fire.
D. opening date of accounting period to closing date of accounting

ANSWER: C

21. For calculation of loss of profit, GP ratio is calculated by ______.
A. Gross profit = -------------------------- X 100. Accounting period turnover
B. . Gross profit = -------------------------- X 100. Standard turnover
C. Net profit + insured standing charges = -------------------------- X 100.
Accounting
period turnover
D. Net profit + insured standing charges = ---------------------------------- X 100. Standard turnover

**ANSWER: D**

22. Average clause cannot be applied in the following case
A. Total claim is more than the gross profit of annual turnover.
B. Total claim is less than the gross profit of annual turnover.
C. Total claim is more than the policy amount
D. Total claim is less than the policy amount

**ANSWER: A**

23. In order to calculate value of closing stock, which a/c is to be prepared
A. P&L a/c.
B. P&L appropriation a/c. C. Memorandum trading a/c.
D. Memorandum P&L a/c.

**ANSWER: C**

24. Stock on the date of valuation is Rs. 2,70,000. It had been undervalued by 10%. Actual value is

_______
A. Rs. 2,77,000.
B. Rs. 2,97,000.
C. Rs. 3,00,000
D. Rs. 3,07,000.

**ANSWER: C**

25. Stock on the date of valuation is Rs 88,000 but it had been overvalued by 10%. Actual value is

_______
A. Rs. 80,000.
B. Rs. 84,000.
Do as directed:

1. The average clause in a loss of profit policy protects the **Insurer**

2. A fire insurance policy is taken up to indemnify Capital losses to **tangible assets**.

3. The difference between standard turnover and actual turnover during the indemnity period is **Short Sales**.

4. Consequential loss policy indemnifies **Revenue** losses.

5. The average clause in a policy discourage **Under Insurance**.

6. Fire insurance provides cover for **Tangible assets**.

7. For the preparation of claim for loss of stock the difference between the value of stock on the date of fire and **Stock Saved** is considered.

8. When insurance is taken against loss of profit first we need to find out **Short Sales**.

9. When only goods or stock is insured it is compulsory to find out cost of **stock** on the date of fire.

10. In order that the businessman does not under insure the property, the **Average Clause** is generally included in the fire policy

**Calculations:**

1. When the opening stock is Rs. 13,500, purchase Rs. 82,500, sales Rs. 1,20,000 and stock salvaged is Rs. 1,260 the rate of gross profit being 50% on cost, the stock destroyed in fire will be:

   **Ans. 14,740**
2. If indemnity period is six months, standard turnover rs. 20,000 annual turnover rs 50,000 turnover during indemnity period rs. 8,000 than short sales will amount to:
   Ans. 12,000

3. If indemnity period is six months for which sales were rs 20,000 while during the last year for the same period sales were rs. 1,00,000, Last year the rate of gross profit was 15% on sales and percentage of profit on basis of sum insured was 18% then the amount of claim is :
   Ans. 12,000

4. Opening stock Rs. 27,000, Purchase Rs. 1,65,000. Sales Rs.2,40,000, Goods saved Rs. 2,250 and Gross Profit is Rs. 50 % on cost, then the cost of goods burnt by fire is:
   Ans. 29,750

5. Stock of goods destroyed by fire- 8,00,000 Stock of goods salvaged 2,00,000 value of insurance policy 7,00,000 There is an average clause in the policy. Then the amount of claim is :
   Ans. 5,60,000

6. Date of fire is 25th Feb 2008, Stock as on 1-1-2008 is 70,000, purchase and sales from 1- 1-08 to till the date of fire is 1,20,000 and 2,00,000 respectively, Rate of G/P on sales is 25% then the value of goods destroyed by fire is:
   Ans. 40,000

   1) The clause through which the insurance claim due to loss of stock is reduced to the proportion that the policy value is ...............................
      a. Total clause
      b. minimum clause
      c. maximum clause
      d. Average clause

   2) than the value of stock it is called under insurance?
      a. Endowment
      b. Life policy
      c. Accident policy
      d. Insurance policy

   3) Insurance claim is a claim ............................. by the insurance company
      a. Lodged
      b. Longed
c. Lounged

d. laughed

4) Consequential loss policy is also known as .........................
   a. Loss of cost policy
   b. loss of profit policy
   c. loss of Operation cost policy
   d. loss of operating expenses policy

5) ......................... is prepared to find out the stock as on the date of fire
   a. Trading account
   b. Profit and loss account
   c. manufacturing account
   d. memorandum trading account

6) .......................... is the difference between standard sales and actual sales of dislocated period
   a. short sales
   b. Total sales
   c. gross sales
   d. Net sales

7) The turnover during that period in the twelve month immediately before the date of damage which
corresponds with the indemnity period is called .................................
   a. Annual turnover
   b. standard turnover
   c. total turnover
   d. Net turnover

8) The claim lodged by the business to insurance company on happening the event
   a. Claim
   b. Loss of claim
   c. discharge
   d. insurance claim

9) The account prepared to find out the stock as on the date of fire ..... 
   a. Trading a/c
   b. Stock a/c
   c. Memorandum trading a/c
   d. loss of stock a/c

10) The insurance claim due to loss of stock is reduced to the proportion that the policy value bears to
    the value of stock
    a. Average clause
    b. Minimum clause
c. Maximum clause  
d. loss of profit clause  

11) The insurance policy is less than the value of stock  
a. Double insurance  
b. re –insurance  
c. under insurance  
d. over insurance  

12) The insurance indemnifies the insured any loss of profit arising from interruption of the normal activity  
a. Loss of profit insurance  
b. full insurance  
c. total insurance  
d. fire insurance  

13) The claim lodged by the business to the insurance company on happening the event of loss is called ………………..  
a. Insurance policy  
b. Insurance claim  
c. Insurance premium  
d. None of these  

14) When a fixed asset is destroyed ,the loss of such asset on the date of fire can be ascertained from  
a. records  
b. accountant  
c. books of accounts  
d. None of these  

15) When stock is destroyed the ………………… of loss is difficult  
a. computation  
b. reduction  
c. deduction  
d. allocation  

16) Business concern often suffer …………… due to different reasons such as fire, theft, flood, strike, etc  
a. Normal losses  
b. abnormal losses  
c. natural losses  
d. None of these  

17) A set of …………… is to be followed to file a claim with the insurance company  
a. rules  
b. policies
c. procedure

d. None of these

18) Salvage value of stock to be .......... from book value of stock
a. added
b. deducted
c. corrected
d. none of these

19) Average clause is a .......... in the insurance company
a. reserve
b. fund
c. provision
d. none of these

20) Fire insurance policies contain an “.........” to discharge under insurance
a. Total clause
b. net clause
c. Gross clause
d. average clause

21) Fire insurance policies contain an “average clause” to discourage ................................
a. Over insurance
b. fire insurance
c. under insurance
d. None of these

22) Net claim on under insurance is equal to Loss of stock x value of stock On the date of fire
a. Policy value
b. Total value
c. total sales
d. none of these

23) Gross profit on short sales are calculated as
a. Gross profit x operating ratio
b. short sales x gross profit ratio
c. Short sales x net profit ratio
d. short sales x operating ratio

24) Short sales is the difference between ............... and actual sales of dislocated period
a. net sales
b. gross sales
c. standard sales
d. total sales
25) The amount of insurance ........... to be paid at regular intervals
   a. policy
   b. claim
   c. commission
   d. premium

26) At the time of calculating insurance claim, the average clause is ................. If the value of stock at the date of fire was more than the policy value.
   a. applicable
   b. obtainable
   c. receivable
   d. payables

1) d  2) d  3) a  4) b  5) d  6) a  7) a  8) d  9) c  10) a  11) c  22) a  13) b  14) c  15) a  16) b  17) c  18) b  19) c  20) d  21) c  22) a  23) b  24) c  25) d  26) a
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