

INSURANCE CLAIM FOR LOSS OF STOCK & PROFIT.

(i) Loss of stock:-

- find the value of stock lost by memorandum trading A/c.
- current financial year - date of fire.
- G/P ratio in trend / wtd avg.

MTA/c

Memorandum trading A/c

Statement of claim

Opⁿ stock

COST

Purchases

Carriage in

wages

actuals

To G/P:

normal

abnormal

trend

or

%

Sales:

Normal

Abnormal

actual

SP

Goods withdrawn

Goods free sample

loss by theft

COST

ST

Cl. stk.

= gross loss

XXX

Gross loss.

(-) salvage value.

Net loss / actual loss

(i) Policy amt < gross loss

under ins:- average clause (lower of 2) net loss.

Avg clause = $\frac{\text{net loss}}{\text{gross loss}} \times \text{policy amt}$

(ii) PA > G/L then 100% of net loss is

(+) fire fighting expenses.

(i) Do proper calcⁿ of G/P. (may require to open trading A/c)

(ii) overvaluation / undervaluation of stock. (bring them at cost)

(iii) sale on approval:- sale - @ SP stock @ cost.

(iv) Proper calculation of period for MTA:- months + part of months.

sometimes trading A/c - 31/3/00 but MT 1/4 - 1/9 and info from 1/3 - 1/9

∴ march month purchases and sales.

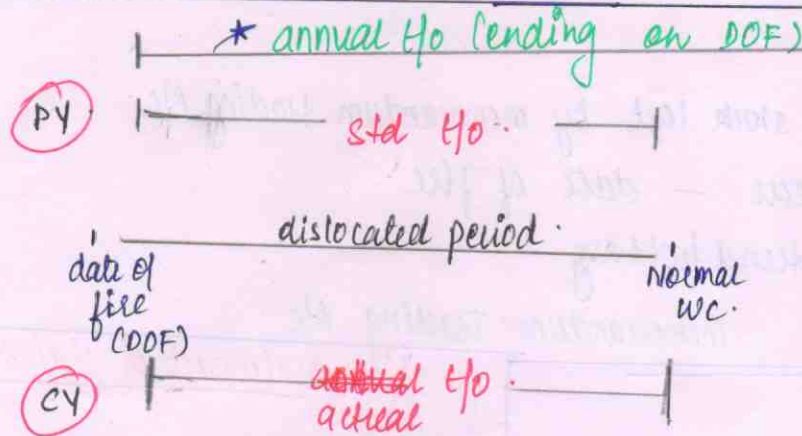
(v) effect of ↑ in price in stock. (FIFO). (additional profit on opⁿ stk)

sales < opⁿ -] diff profit diff G/P.

(vi) G/P % always on "NORMAL" sales

(vii) if no MTA then stock ledger (FIFO, wtd avg) = C/L.

Loss of profit:- consequential loss policy.



Loss of profit
 (+) additional exp
 (-) savings
 = Actual/net loss
 then compare $PA > < GP$
 on adj annual
 t/o.

(i) Profit lost

(a) standard t/o
 ± trend

adj std t/o
 (-) actual t/o
 short sales.

x GP

$$= \frac{NP + \text{insured stan}^n \text{ chgs}}{\text{sales} \pm \text{trend}} \times 100$$

$$\therefore GP\% \times \text{short sales} = \text{Profit lost.}$$

$$\text{average clause} = \frac{\text{actual loss}}{\text{GP on adj annual t/o}} \times 100$$

calculate all t/o's carefully.

• uninsured + insured = total stan chgs

• stan chgs = $\frac{\text{fixed charges}}{\text{income}}$ - fixed

(x in connection sales t/o)

$$\text{insurance cover} = NP + \text{standing chgs (insured)}$$

(ii) Additional cost of expenses:-

(lower of 3)

(a) actual Addⁿ exp.

(b) GP on reduction in t/o avoided
 (savings) = $\frac{\text{actual sales} \times GP \text{ ratio}}{\text{adj}^n \text{ in t/o}}$

(c) $\frac{GP \text{ on adj annual t/o}}{GP \text{ on } \text{---} + \text{uninsured stan}^n \text{ charges}} \times \text{additional exp.}$

annual t/o * (yr ending on dof)

± trend

adj annual t/o

x GP

$$= \text{GP on adj annual t/o} \cdot \text{VVIP}$$

(if exp all nil claim is nil.)