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.

Memorandum trading A/c.

MTA/c

Opn stock	COST	Sales:	
Purchases	actuals	Normal	actual SP
Carriage inw	actuals	Abnormal	actual SP
wages	actuals	goods withdrawn	COST
		Goods free sample	COST
To G/P:		loss by theft.	COST
normal	trend or %		
abnormal	trend or %	Cl. stk. = gross loss.	XXX

Statement of claim

Gross loss.
(-) salvage value.

Net loss/actual loss

(i) Policy amt < gross loss
under ins:- average claim (lower of 2) / net loss.

$$\text{Avg clause (claim)} = \frac{\text{net loss}}{\text{gross loss}} \times \text{policy amt.}$$

(ii) PA > GL then 100% of net loss is IC.
(+) fire fighting expenses.

(i) Do proper calⁿ of GP. (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 —, CY —] diff profit diff GP.
(vi) GP % always on "NORMAL" sales
(vii) if no MTA then stock ledger (FIFO, wtd avg) = GL.

Loss of profit :- Consequential loss policy.

* annual t/o (ending on DOF)

PY — std t/o.

dislocated period.

date of fire (DOF) — Normal WC.

CY — ~~actual~~ t/o actual

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.

× GP

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

∴ GP% × short sales = Profit lost.

average clause = $\dfrac{\text{actual loss}}{\text{GP on adj annual t/o}}$ × PA ★★

• calculate all t/o's carefully.

• uninsured + insured = total stan chgs

• stan chgs = fixed charges − fixed income.

(x in connection sales t/o)

insurance cover = NP + standing chgs (insured)

(ii) Additional cost of expenses :-

(lower of 3)

(a) actual Add^n exp.

(b) GP on reduction in t/o avoided
(savings) = ~~actual sales~~ red^n in t/o × GP ratio

(c) $\dfrac{\text{GP on adj annual t/o}}{\text{GP} \text{ — '' — } + \text{uninsured stan charges}}$ × additional exp. ★★

annual t/o ★ (yr ending on dof)
± trend
adj annual t/o
× GP
= GP on adj annual t/o. VVIP.

(if exp are nil claim is nil.