

Distribution of Profit in LIC

Net Surplus.	410000
+ Interim Bonus	40000
<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Total Surplus	450000
<div style="display: flex; justify-content: space-around; align-items: center;"> ← → </div>	
5% dividend 22500	95% Policyholders 427500 (→) <u>Interim Bonus 40000</u> Available for bonus 387500.

AS-12
A/c of Government Grant

Not deal with

- * Govt Assistance: Tax holiday, Tax exemption
- * Govt Participation: Govt purchasing shares of certain companies.

Recognition Criteria

- * It is recognised in the books of a/c if it is reasonable certain to receive the grant → Grant is recurring feature
- * If Grant is to received first time
↳ Grant must be virtually certain.

Accounting of Grant

① If Grant is like a promoter contribution.

e.g.: → Grant for proposed Jute factory in Narkhand ... Zila.

Bank Dr	10L
to Capital Reserve	10L

A/c of Refund.

Refund on violation of terms & conditions

CR Dr	7L
to Bank	7L

Accounting of Grant

② If Grant is for some loss

e.g: Earthquake, terrorist attack,
Accident .

Bank Dr

to P&L ← virtually
certain

A/c of Refund .

P&L Dr
to Bank

Accounting of Grant

A/c of Refund.

③ If Grant is against a nondepreciable asset

Eg → Land

I Bank Dr
to Land

B/S	
Land	10 Cr
- grant	4 Cr
	<u>6 Cr</u>

II Bank Dr
to cap Res

B/S	
CR	4 Cr
Land	10 Cr

B/S	
Land	6 Cr
+ 4 Cr	
	<u>10 Cr</u>

Land Dr 4
to Bank 4

Capital Res Dr 4
to Bank 4

Accounting of Grant

A/c of Refund.

If full Grant is received.

B/S		
Land	10 Cr	
- Grant	10 Cr	
+ Exp	21	21

then show at Nominal Value

Accounting of Grant

4) If Asset purchased is a depreciable asset eg: factory, P&M

(i) Reduce from asset

Pur → P&M Dr
to Bank

Grant → Bank Dr
to P&M

B/S	
P&M	20L
- Grant	5L
	15L
-(1)	3L
	12L
-(2)	2.4L
	9.6
-(3)	1.92
	7.68

A/c of Refund.

After 4 years, Refund of 3L is there

P&M Dr 3L
to Bank 3L

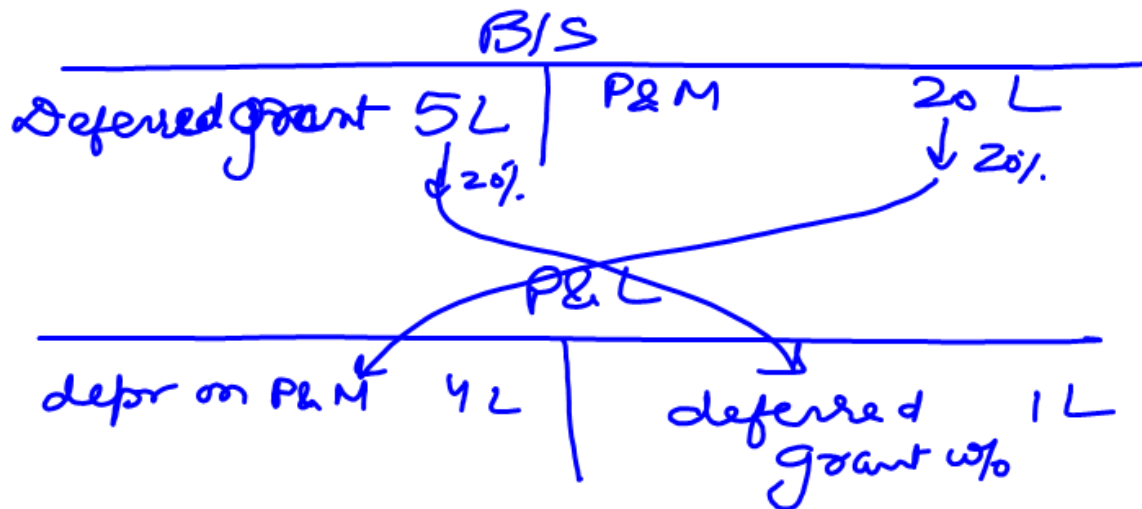
So now P&M BV will be 10.68L & depn for next yr will be on this year.

Accounting of Grant

(2) Show Grant as deferred Income

Pm → P&M Dr
to Bank

Grant → Bank Dr
to Deferred Income



A/c of Refund.

B/S	
deferred Grant	P&M 20
5L	(1) 4
-(1) 1L	16
4L	-(2) 3.2
-(2) 0.8	12.8
3.2	-(3) 2.56
-(3) 0.64	10.24
2.56	

Deferred Grant Dr 2.56
P&L Dr 0.44
to Bank 3

Accounting of Grant

A/c of Refund.

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A/c of Refund.

Valuation Balance Sheet

Actuarial Liability	2880000	bal of life ass fund Net Profit.	3400000
Net Surplus	410000		
Bal Ud	110000		

Q14 .