



Cooperative Education Report
Finance and Accounting Procedures in Public
Company in Nepal

Written by

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Project Title : Finance and Accounting Procedures in Public Company in Nepal
Credits : 6
By : Niva Shrestha
Advisor : Dr .Nattiga Silalai and Nilima Shrestha
Degree : Bachelor of Business Administration (B.BA.)
Major : Finance and Banking
Faculty : International College
Semester / Academic year : 2/2018

We have approved this cooperative report as a partial fulfillment of the cooperative education program semester 2/2018.

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Abstract

This cooperative report entitled “Finance and Accounting Procedures in Public company in Nepal” has the goals to study how financial and accounting measures are done in non-life insurance company. Objectives of the study includes: (1) to describe roles and activities in the finance and accounting department, (2) to describe how accounting and finance doing in insurance company and (3) to describe what type of accounting is done in the insurance. With the company, I was assigned to work as a finance and accounting intern, in the department of finance and account. Main responsibilities are to record Value Added Tax (VAT) in VAT files according to the branches and surveyors, make payment vouchers and writing checks to the appropriate surveyors and insured, calculate cash and VAT bills, reconcile of bank statement, file the required journal vouchers to is associate index, record commissions payment statement of the given branches, record the payment of agents in the company accounting software, create documents in Nepali text format and responsible for management of recording the claim payments in the company software.

Upon the completion of the internship, it was found that the problem was resolved by the means of understanding the accounting policies of the company. In this matter, I was able to learn more about how the insurance company succeed in managing its customer’s data by providing good services and fulfilling their requirement according to their needs, which are very important for future career development and profession.

Keyword: Non-life Insurance, Finance and Accounting

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I would like to thank Dhabup Prasai and Maria.E.I.Sherstha, Vice Principal of Kathmandu College of Management who gave me the golden opportunity to complete my internship at Premier Insurance Co (Nepal). Ltd from 16th Jan-30th April2019. The program has helped me in doing a lot of research and also came to understand the work culture of the organization.

Also, I would like to express my gratitude to Siam University, Thailand for making me complete the cooperative education program. The program has helped me to gain practical knowledge about the real organizational environment and how they work systematically.

I would also like to take this chance to express my gratitude towards my organization supervisor Mrs. Nilima Shrestha for supervising me during the period of my internship.

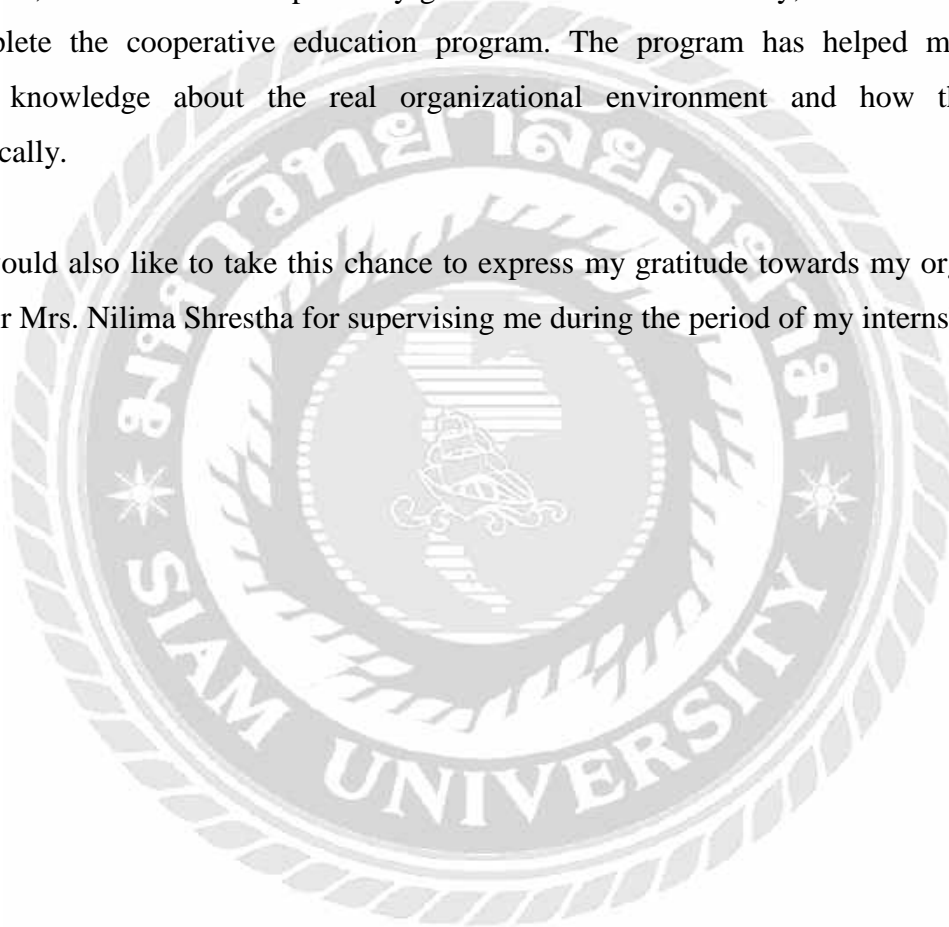


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Chapter 1: Introduction

1.1 Company Profile

Premier Insurance is a non-life insurance company which was introduced on 12th May 1994. It has grown for earning reputation in the native and international insurance and reinsurance segments as well for its professionalism and services. It aims to provide its client an efficient assistance (pre). They are also trained on developing inventive and custom-made products, better risk management solutions and quality service for maximum security to customer. Premier Insurance has the biggest strength is its people. It not only focuses on its business but the people who are working on it. Its human resources have large responsibilities on its shoulders. Also continuously trained on the latest technology, the employees provide efficient services to its customers. Premier insurance is governed by Company Act 2063, Insurance Law 2049 and other Laws, regulation and directives issued by Beema Samiti insurance Committee.

It has been providing services of fire insurance, livestock and crop insurance, household, marine and cargo, vehicle, burglary, cash in transit insurance, fidelity guarantee insurance, personal accident insurance, hospitalization / medical insurance, overseas mediclaim insurance, public liability insurance, loss of profit, engineering insurance and workmen compensation insurance. All the required documents to issue insurance are listed below, which are as follows:

All types of policy: Proposal Form

Motor insurance: Blue book photocopy

Marine insurance: Letter of Credit, Invoice, Pro-forma Invoice

Contractors All Risk: Contract Detail, bill of quantity (BOQ)

Travel medical Insurance: Passport photocopy

Other insurance: Papers required by the company.

The preparation of insurance policy will be completed within 3 hours. However, some of the high sum insurance and other policies that requires risk analysis to be conducted will take maximum of 2 days after acquiring all the required information the client for preparation. The company sends renewal notice to the insured one month before the policy expires by sending email, SMS or making a phone call to the client.

Premier insurance has 12 re-insurer, which are based on United Kingdoms, Bahrain, India, Kenya, Thailand, Bhutan and Togo. All of these re insurance companies are rated above B by A.M. Best Co. (credit rating agency based on US).

Premier Insurance also provide android based app which is called “Premier insurance Nepal” which is a very smart methodology to appliance in submitting insurance proposal to the company through mobile application. Clients can easily attach quick photo from mobile to submit insurance claim. Another interesting product the company developed is the Motor Vehicle tariff calculator which assists any users to get information on expected premium amount to be paid by the comprehensive or the third party before buying vehicle insurance. It is a very necessary tool which help individual insurance buyer, vehicle showroom users, insurance agent and any motor hire purchase officer in bank or other financial institution. (pre19).

1.1.1 Mission Statement

“To be most trustworthy insurance company and force to reckon with”

It focuses on quality policy. They are dedicated to be a ideal of excellence to their customers and employees by treating them with honesty, dignity and respect by constantly improving in their insurance products and services.

1.2 Organizational Structure

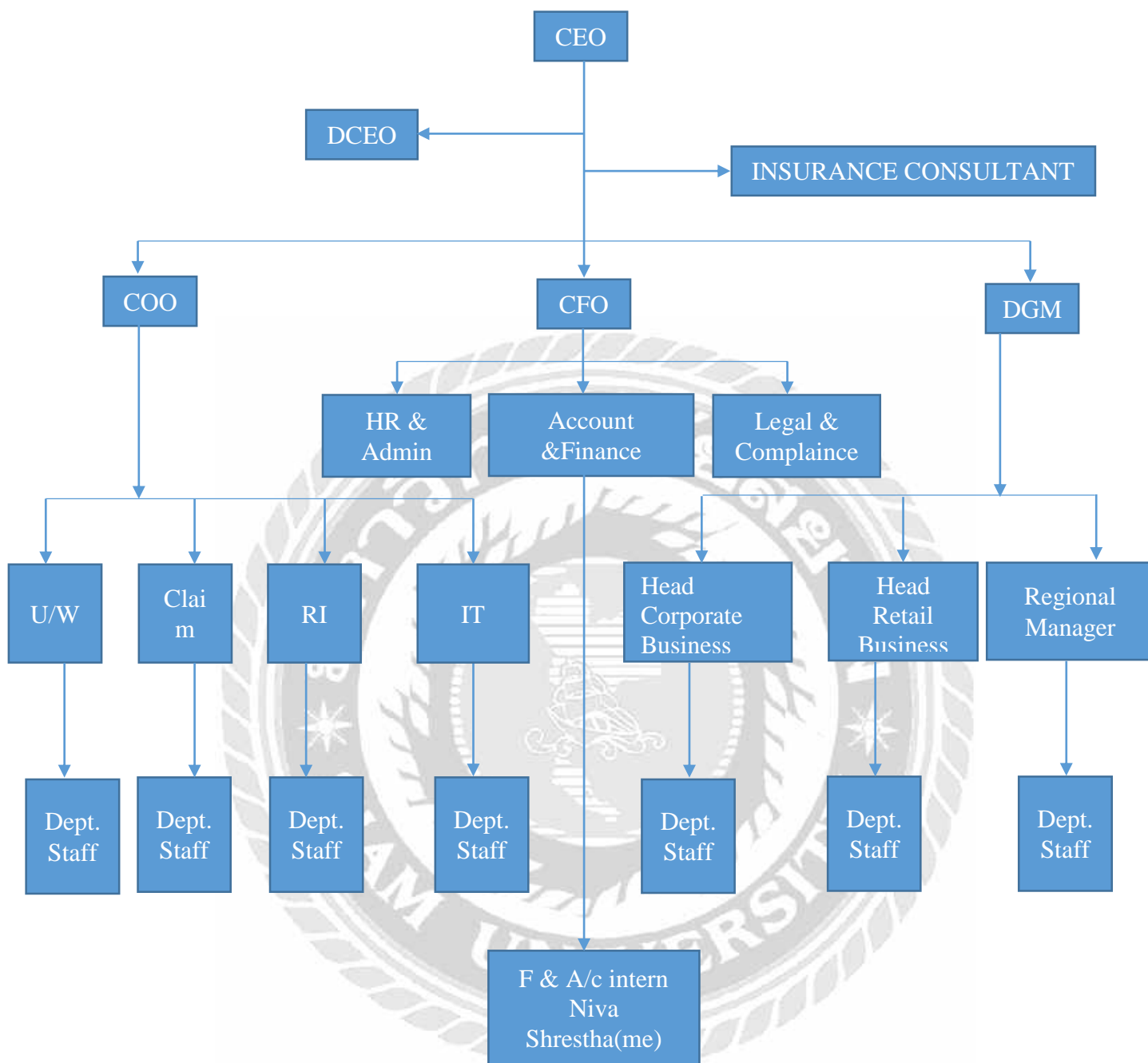


Figure 1 Organization Structure

The company is very dedicated to provide its customer with better quality services which also reflects by its associations with leading insurance and reinsurance securities of the world, highly for claim payment capabilities by reputed agencies like Standard & Poor (S&P). It has four regional offices for serving people countrywide which are Birgunj office covering southern, Narayanghat and Pokhara offices covering western while the Biratnagar office covering the eastern region of Nepal.

1.3 Statement of Report

I, Niva Shrestha, hereby declare that the report entitled “Cooperative Education Report: Finance and Accounting Procedures in Public Company in Nepal” is created uniquely and solely created by me after the completion of the Cooperative Education internship of 4 months at Premier Insurance Co.(Nepal)Ltd., however some supervision and guidance has been taken from supervisors assigned to me from Siam University, Bangkok as well as Kathmandu College of Management (KCM), Nepal.

I also confirm that, the report is only prepared for my academic requirement and not for any other purpose. It might not be used with the interest of opposite party of the corporation.

1.4 Objective of the study

While working in Premier Insurance, I wanted to gain as much knowledge as possible. During internship I also got an opportunity to practice my theory knowledge into the accounting and finance field in real life working environment. The main objective of my internship is to understand the finance and accounting environment So, during the period of my internship my objective of my report are as follows:

1. To describe roles and activities in the Finance and Accounting department
2. To describe how accounting and finance doing in insurance company
3. To gain in-depth knowledge about accountancy procedure

1.5 Roles and responsibility

As Finance and Accounting intern, I was assigned multiple of roles and responsibility, which are given below:

1. Recording value added tax (VAT) in VAT files according to the branches and its surveyors.
2. Forming journal vouchers for the given branch of the company.
3. Making payment vouchers and writing checks to the appropriate surveyors and insured.
4. Petty Cash calculation.
5. Calculation of premium.
6. Calculation of VAT bills.
7. Reconciliation of bank statement.
8. Filing the appropriate journal vouchers to its associated index.

9. Recording commissions payment statement of the required branches.
10. Recording the payment of agents in the company accounting software.
11. Creating documents in Nepali text format.
12. Responsibility of management of recording the claim payments in the company's accounting software.



Chapter 2: Internship Activities

The elaborate description of all the activities I did as an intern in Finance and Accounting department of Premier Insurance Ltd is given below:

2.1 Reconciliation of different documents

During my internship, the internee needed to conduct Bank Statement Reconciliation. While conducting Bank Statement Reconciliation comparison of amounts recorded in Bank statement and Company's Bank Ledger with any discrepancies were needed to be identified and addressed. Most of the discrepancies were a result of non-presented cheque in the bank, void cheques or because of some technical error for example deduction of amount without any withdrawal.

2.2 Petty cash calculation

The intern was also given the calculation of petty cash. It can also be referred as office expenses. In this assignment I was given invoices of expenses which were considered as petty cash expenses (expenses such relating to fuel, stationary, printer toner refill, tea, electricity, water and wages) from different branches of the company. These invoices were needed to be entered into a spreadsheet on excel and an aggregated of each expense was needed to be calculated. After the fulfillment of this calculation the amount of petty cash was transferred to the respective branch.

2.3 Journalizing entries

To conduct this activity a statement of transaction of multiple branches were given to me. I was required to journalize (which is debiting asset or expense and crediting income or liabilities) these transactions and enter into the company's accounting software by following different accounting standards. The company will be able to create an accurate and complete financial statement at the month end as a result of me completing this assignment.

2.4 Vat Payable Calculation

To conduct this task, I was given VAT invoices and journal voucher relating to all the transaction which included VAT. The summation of "provision for survey fee" (a credit balance in a journal entry) times 1.5 and VAT amount in the invoice was required to be calculated. The resulting amount was considered as VAT payable which was used by senior personnel for further accounting procedures.

2.5 Recording claim payments

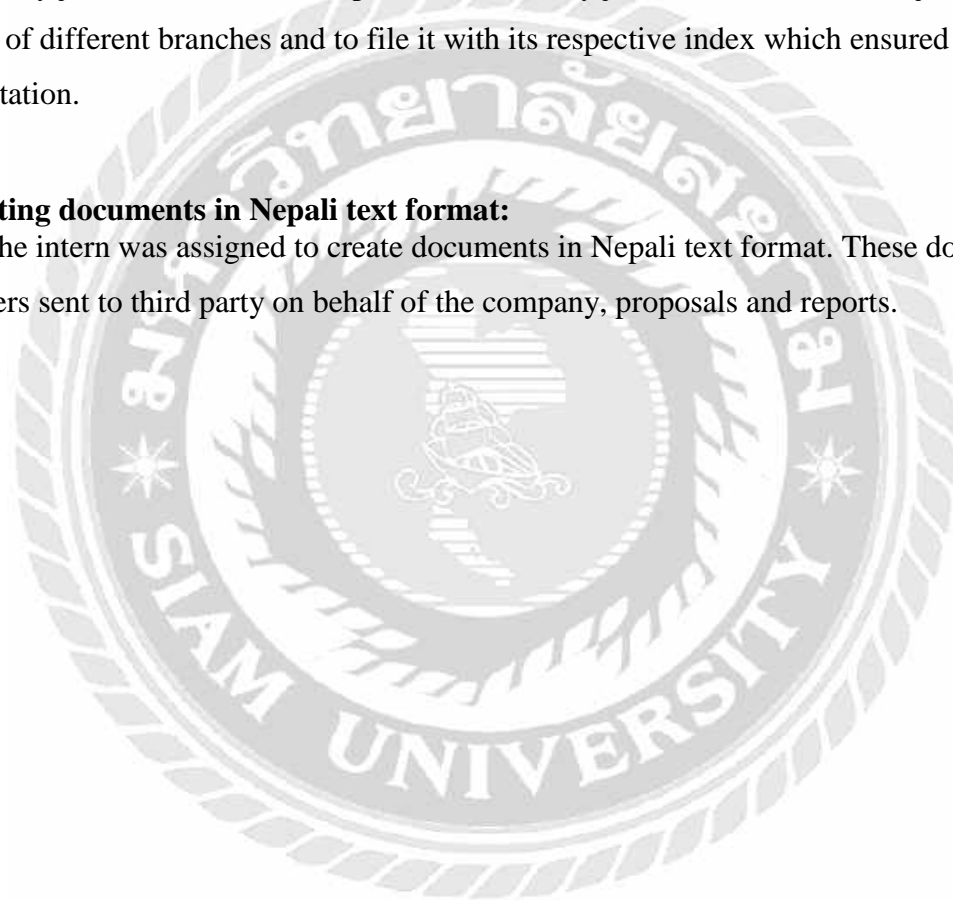
Various claim payments were made every day at Premier Insurance. A list of approved claim payments which all the relating details (such as the name of the insured claiming, amount to be recovered, etc.) was sent to me. By using the information available in this list, I was required to enter accounting entries in the company's accounting software which would make sure that all the expenses and liabilities relating to claims are recorded accurately in proper amount and proper time period (cut off period).

2.6 Filing journal vouchers with respect to their appropriate index

Many journal vouchers were printed. One of my job was to match all the journal vouchers of different branches and to file it with its respective index which ensured proper documentation.

2.7 Creating documents in Nepali text format:

The intern was assigned to create documents in Nepali text format. These documents were letters sent to third party on behalf of the company, proposals and reports.



Chapter 3: Identification of the problems encountered during the internship

3.1 Indicate how you successfully solved the problem

In my internship, I was the only intern in finance and accounting department. I had to face a lot of challenges which has taught me as well as developed me in many ways. My main problem during my internship was that I was not able to use the software program that my company used. I had to first have knowledge and skills to use the software provided for the recording and data management. The knowledge of how it works and produce result after all the required data such as payments made to the surveyors and the amounts that is to be made equal with the manual ledger to operate efficiently are input in the system to get accurate output. As a beginner and only intern at my department, I had to learn from first to every inch of the software to understand the process and how it works to provide accurate result. After a few weeks of practice, I was able to use it properly. By knowing to use this software program, I was able to help and coordinate well with my seniors which help my department to reduce the workload and work more efficiently than before. The other problems that I encountered during my internship was unable to find the reasons behind inconsistencies while conducting reconciliation.

3.2 Examples of problem solved

My seniors used to work over time a lot due to many works. After knowing how to use the software it has help my seniors to share their workload. So now they tend to spend less than usual in office. Another problem that occurred during my internship was unable to find sources for updating seniors KYC (Know Your Customer). For this I got suggestion and awareness of different websites where we can find the necessary documents or simply contacting the bank for the documents.

Chapter 4: Contribution and Learning Progress

4.1. Contribution during the internship

My contribution as intern to the company was, I contributed in the company's daily accounting works. My work included recording and maintaining many payments and due amounts on excel sheet which was helpful for the company while making the payment receipt to the following clients. Maintaining the Vat bills record was one of the main important activity for the department during the final months. The data recorded in the register should matched with the ledger printed out from the software system. I also showed interest in learning new things. During my first week I did the job of filing and learning about the software the company used to work and provide data accurately. I was also assigned to do verification of journal voucher which I did filing of in order to make sure that right amount has been recorded and being paid to the clients.

During the second week, I was also made to do Nepali typing of some documents which was required by the banks for opening the accounts of my CEO, COO and Managers. I did the work of checking and maintaining bank reconciliation properly in a file. The bank statement was all forwarded by all the given banks to the company so as to do each required branch reconciliation. Bank reconciliation was conducted by looking at the discrepancies between company's accounting system ledger and bank statement provided by the bank. Since, then I calculated the expenses (petty cash) of the given branches which I was asked to do and calculate the premium as well as VAT.

4.2 Details of the related learning process and new knowledge student has received

It has been a really good experience for me by doing internship in premier insurance. I have gained a lot of knowledge about the non-life insurance and its type. It not only focuses on bringing in the business but also focuses on the enhancement of the employees. Insurance can be referred as the measures of protection form financial loss. People usually do insurance to hedge the uncertain loss. It is a contract, characterized by a policy, in which an individual or entity obtains financial protection from insurance company. (Placeholder1) There are many policies and rules regarding insurance.

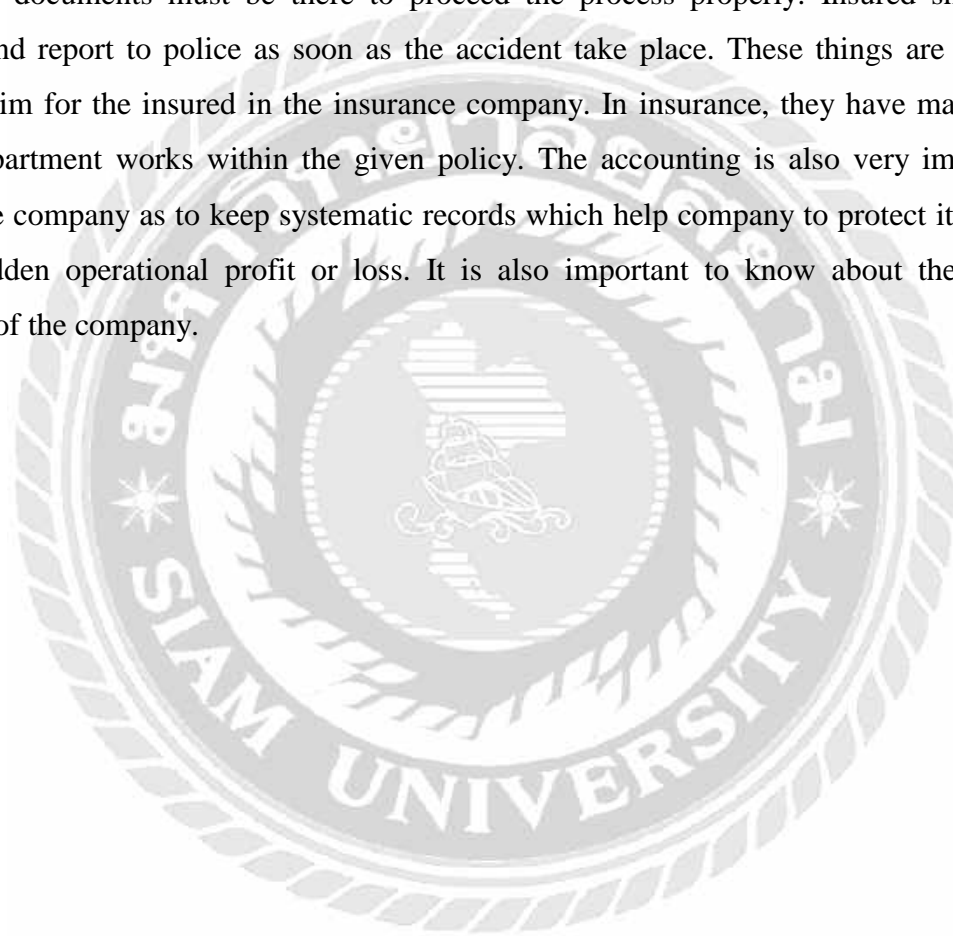
The intern was also received the knowledge about why should we need insurance. Some of the reasons why we need insurance are as follows (Josetti):

- i. For business to assess, manage and decrease risks
- ii. Advancement of harmless practices to reduce risk premium.
- iii. Long duration investment in the economy

- iv. Turn large, sudden costs into convenient smaller payments.
- v. Credit support for Banks.
- vi. Lender required insurance

The intern learnt about the various type of non-life insurance, which are provided to the clients which are as follows:

Fire insurance, medical insurance, marine insurance, cattle insurance, cash in transit insurance, burglary insurance, fidelity guarantee insurance, aviation insurance, agro insurance and motor insurance. There are many policy and procedure for the processes of insurance. Required documents must be there to proceed the process properly. Insured should take photos and report to police as soon as the accident take place. These things are needed to make claim for the insured in the insurance company. In insurance, they have many policy. Each department works within the given policy. The accounting is also very important in insurance company as to keep systematic records which help company to protect its business from sudden operational profit or loss. It is also important to know about the financial position of the company.



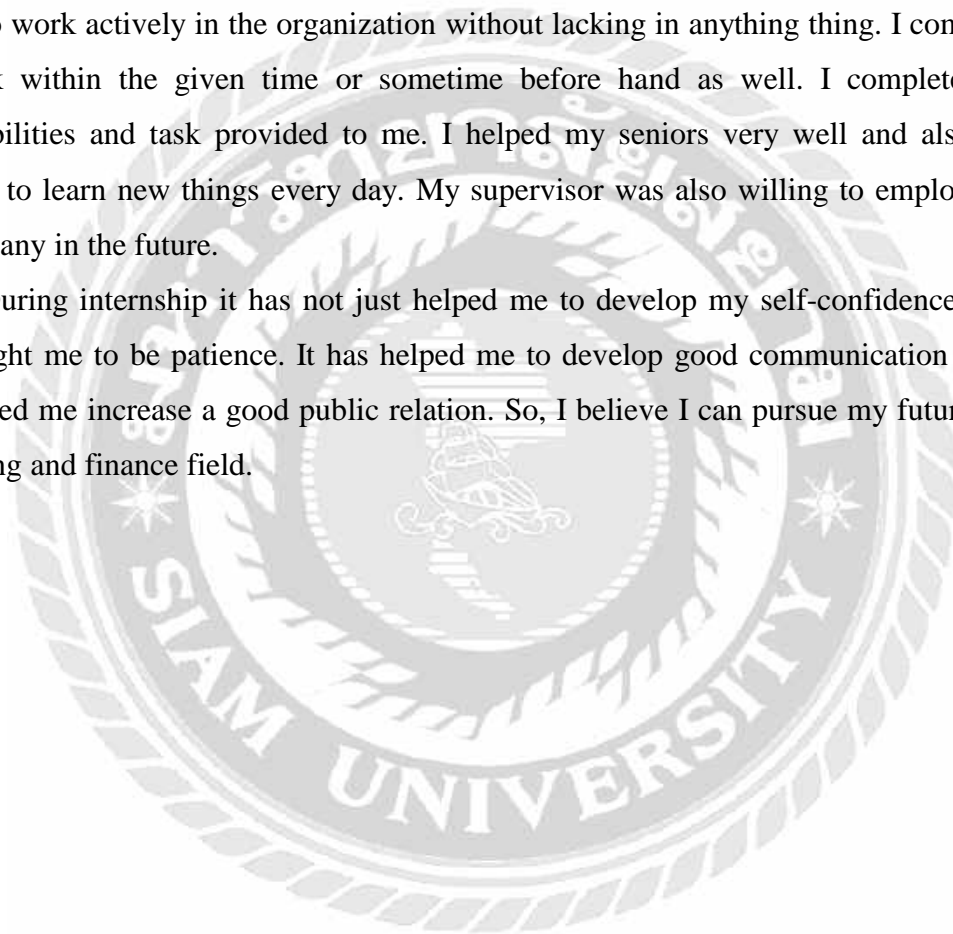
Chapter 5: Conclusion

5.1 Self-assessment as a professional

As a student getting to do internship and getting to step in the corporate world is a very big opportunity. It is important step toward our future. Being a finance and banking major, I did my internship in non-life insurance company where I used my finance and accounting knowledge which I gained from my academic courses. It helped me a lot. By having the basic knowledge about this field it has been easy for me to come up with the day to day accounting operations in the company.

I believe that I was able to contribute to the organization in fully manner. I dedicated myself to work actively in the organization without lacking in anything thing. I completed all the work within the given time or sometime before hand as well. I completed all the responsibilities and task provided to me. I helped my seniors very well and also showed initiative to learn new things every day. My supervisor was also willing to employ me in the company in the future.

During internship it has not just helped me to develop my self-confidences but also have taught me to be patience. It has helped me to develop good communication skills and also helped me increase a good public relation. So, I believe I can pursue my future towards accounting and finance field.



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Appendix

Appendix 1: Pictures of Workplace



Figure 2 Finance and Accounting department

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Figure 3 My supervisor Miss Nilima Shrestha



Figure 4 Reception