

FA Module 24: IFRS 17: Reconciliations of the insurance contract liability – homework assignment

(The attached PDF file has better formatting.)

An insurer issues a two-year contract on January 1, 20X1.

- On January 1, 20X1, premium of 200 is received and acquisition cash flows of 30 are paid.
 - A claim is expected to occur and to be paid for 150 on December 31, 20X2.
 - The discount rate is 5% *per annum*.
 - The risk adjustment for non-financial risk is 15, and it does not accrete interest.
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- A. What is the present value of future cash flows at initial recognition?
 - B. What are the fulfilment cash flows at initial recognition?
 - C. What is the contractual service margin at initial recognition?
 - D. What is the insurance contract liability at initial recognition?
 - E. What is the present value of future cash flows after the premium is received and the acquisition cash flows are paid?
 - F. What are the fulfilment cash flows after the premium is received and the acquisition cash flows are paid?
 - G. What are the amortized and allocated acquisition expenses in 20X1?
 - H. What is the insurance finance expense on the fulfilment cash flows in 20X1?
 - I. What is the accretion of interest on the contractual service margin in 20X1?
 - J. What is the total insurance finance expense in 20X1?
 - K. What is the contractual service margin before the allocation to profit or loss at the end of 20X1?
 - L. What is the allocation of the contractual service margin to profit or loss in 20X1?
 - M. What is the contractual service margin after the allocation to profit or loss at the end of 20X1?
 - N. What is the insurance revenue in 20X1?
 - O. What are the fulfilment cash flows at the end of 20X1?
 - P. What is the insurance contract liability at the end of 20X1?
 - Q. What are the amortized and allocated acquisition expenses in 20X2?
 - R. What is the insurance finance expense on the fulfilment cash flows in 20X2?
 - S. What is the accretion of interest on the contractual service margin in 20X2?
 - T. What is the contractual service margin before the allocation to profit or loss at the end of 20X2?
 - U. What is the allocation of the contractual service margin to profit or loss in 20X2?
 - V. What are the insurance service expenses in 20X2?
 - W. What is the insurance revenue in 20X2?
 - X. What is the insurance service result in 20X2?