

Financial accounting module 22: Revenue and expense homework assignment

(The attached PDF file has better formatting.)

An insurer writes a two-year policy on December 31, 20X1, and expects to

- ! receive on December 31, 20X1, premium of 300
- ! incur and pay on December 31, 20X3, a claim for 260

The discount rate for this insurance contract is 5% *per annum*. For simplicity, the acquisition cash flows and the risk adjustment for non-financial risk are zero. The coverage units are the same in 20X2 and 20X3.

- A. What are the fulfilment cash flows at initial recognition?
- B. What are the fulfilment cash flows at December 31, 20X1, after the premium is received?
- C. What are the fulfilment cash flows at December 31, 20X2?
- D. What is the contractual service margin at initial recognition?
- E. What is the contractual service margin at December 31, 20X2, after the allocation to profit or loss?
- F. What is the insurance finance expense in 20X2?
- G. What is the insurance finance expense in 20X3?
- H. What is the insurance revenue in 20X2?
- I. What is the insurance revenue in 20X3?

Verify your work with the illustrations in the revenue and expense discussion forum reading.