

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.
-
- 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?

Check your solutions with the practice problems on the discussion forum, which use different data but the same procedures. The reconciliations of the insurance contract liability are not tested on the final exam.