

**POLITEKNIK**  
Jabatan Pengajian Politeknik

EXAMINATION AND EVALUATION DIVISION  
DEPARTMENT OF POLYTECHNIC EDUCATION  
(MINISTRY OF HIGHER EDUCATION)

COMMERCE DEPARTMENT

FINAL EXAMINATION  
JUNE 2012 SESSION

**P4311 : ACCOUNTING FOR INSURANCE**

**DATE : 18 NOVEMBER 2012 (SUNDAY)**  
**DURATION : 2 HOURS (2.30 PM – 4.30 PM)**

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This paper consists of **SEVEN (7)** pages including the front page.  
Structures (4 questions – answer **ALL** questions)

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**DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED**  
**BY THE CHIEF INVIGILATOR**

- b) Acquisition cost for 2012 was RM580,000. 15% of the total acquisition costs were unrecoverable. Around the year, several policies have been terminated and 20% of the recoverable amounts have been obtained. Assume that the cost incurred evenly over the year. Determine the acquisition cost to be deferred if Unearned Premium Reserves for the year was RM515,000 and Loss Reserve RM410,000, RM448,000 and RM525,000.

(10 marks)

**QUESTION 2**

- a) According to paragraph 55 MASB 17, the investment of a general insurer consists of investments in properties and investments in financial assets. Briefly categorized the investments in financial assets.

(4 marks)

- b) An insurance company has three investments in properties. The costs and revaluation amounts for the properties are as follows:

<u>Properties</u>	<u>Costs</u>	<u>Revaluation on December 31</u>		
		<u>2006</u>	<u>2009</u>	<u>2012</u>
Building A	500,000	450,000	470,000	520,000
Building B	670,000	690,000	650,000	700,000
Building C	720,000	600,000	680,000	750,000

You are required to prepare the journal entries to show the increase and decrease in value of the above properties.

(21 marks)

**STRUCTURED (100 marks)****INSTRUCTION:**

This section consists of **FOUR (4)** structured questions. Answer **ALL** questions.

**QUESTION 1**

- a) Calculate and prepare the journal entries to record the following transactions for an insurer.

- i) MZA Insurance Berhad received premium RM1,500 by cheque.

(2 marks)

- ii) Pn.Munirah has paid premium RM1,800 for the month of April to June and paid on 1<sup>st</sup> April.

(3 marks)

- iii) The cheque received from En. Ahmad amounting RM6,000 is not honored.

(2 marks)

- iv) Kenari Insurance Berhad was received premium RM50,000 on 30 July 2012. At the end of the year, RM15,000 was unearned.

(3 marks)

- v) Mentari Insurance Berhad purchased 3000 units of shares in Mega Corporation amounting RM60,000.

(2 marks)

- vi) Mentari Insurance Berhad sold of 2000 units of shares in Mega Corporation for RM25.50 per share.

(3 marks)

- b) The information below was received from WWW Life Insurance Berhad for the financial year ended 31 December 2011. Surplus as at 1 January 2011 is RM250,000. You are required to determine the value of surplus as at 31 December 2011.

<u>Item</u>	<u>RM</u>
Extraordinary expenses	55,000
Disposal of furniture and fittings	30,000
Net capital gain	50,000
Excess of stocks purchased price over its par value	85,000
Gain from insurance operations	450,000
Special surplus fund	35,000
Total liabilities	1,000,000
Net annual premium	1,500,000

(12 marks)

## QUESTION 3

- a) The following information was received from HP Life Insurance for the financial year ended December 31, 2011.

<u>Item</u>	<u>RM</u>
Outstanding premiums and agents' balances	30,500,000
Provision for outstanding claims	12,500,000
Receivables	42,000,000
Payables	45,000,000
Investment in properties	13,500,000
Cash and bank balances	40,000,000
Capital	101,000,000
Properties and equipments	15,500,000

Calculate the value of surplus or deficiency on December 31, 2011.

(13 marks)

- b) LESTARI Insurance Berhad is a general insurance company. The following information is related to the company's year ended 30 June 2011.

<u>Item</u>	<u>RM</u>
Premium basis solvency margin	4,000,000
Claims basis solvency margin	3,500,000
Total admitted assets	8,500,000
Insurance regulation on solvency margin	5,500,000
Payables	2,500,000
Provision for outstanding claims	2,500,000
Provision for retirement benefit	1,750,000
Policyholders fund	2,500,000

You are required to:

- i. Calculate the required solvency margin for LESTARI Insurance Berhad.  
(5 marks)
- ii. Calculate the excess of assets over liabilities.  
(4 marks)
- iii. Determine whether the above company has a surplus or deficiency in solvency margin.  
(3 marks)

## QUESTION 4

- a) The following information is regarding AMC Life Insurance transactions for the year ended 31 December 2011.

<u>Item</u>	<u>RM</u>
Sum at risk (policies with original term 2 years or less)	1,500,000
Annual premium	12,000,000
Valuation liabilities	5,000,000
Total liabilities	15,000,000
Insurance Regulation on Solvency Margin	3,500,000
Sum at risk (policies with original term more than 2 years)	5,500,000
Receivables	4,500,000
Investments in properties	5,500,000
Cash and bank balances	2,000,000
Investment in financial assets	1,500,000
Outstanding premiums and agents' balances	5,500,000

You are required to:

- i. Calculate the required solvency margin for AMC Life Insurance.  
(8 marks)
- ii. Determine whether the above company has a surplus or deficiency in solvency margin.  
(5 marks)