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1) ~~a~~ a

2) d

3) c

4) a

5)
(a) Realisation Concept:-
It says that income is only recognised when it is earned, ~~b~~ not when recieved. It simplifies things as it ~~seperates~~ avoids fluctuations that arise due to cash based accounting.

Accruals Concept:-
Similar to realisation concept, expenses are recognised when they are incurred, not when paid.

(b) In Insurance Companies,

$$\text{Net Earned Premium} = \frac{\text{Net Written Premium}}{\text{Total tenure}} \times \text{No. of } \cancel{\text{mo}}\text{months earned}$$

in other words, it is only a part of total premium that is earned, which is a realisation concept.

Similarly, incurred claims is only a part of total claims as it is only for one year, which is ~~accruals~~ accruals concept.

7)

(i) No change

(ii) No Change

(iii)

(iv) decrease

(v)

9)

(i) Cost Concept:-

It says that non-current assets should be valued at original cost less depreciation.

Going Concern Concept :-

It is assumed That a business will continue indefinitely in its present form.

(ii) a) Directors should apply a method that ~~follows~~ is not against any accounting ~~po~~ concepts.

b) They might use the standards that are applicable to similar natured events

c)

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~~9)~~
(iii) Optimistic accounting policies tend to decrease the expected liability and increase the expected incomes which inflates the ~~a~~ annual accounts of the company giving a "false hope" for its stakeholders. If this were to continue in the long run, the ~~sh~~ shareholders will be dissatisfied of these inflated accounts and thus leading to decrease in the company's stock price.

10)

a) Investment Banks :-

The role of investment bank is to advise businesses and governments on how to meet their financial challenges.

Their finances are sourced by shareholder's funds or equity and commissions ~~recd~~ recieved from consultancies.

Their funds are mainly applied in investing and maintainance of personnel.

b) Pension Scheme :-

The role of pension ~~sch~~ scheme is to invest the contributions as per the regulations of the regulator.

Their ~~finances~~ funds are sourced from the contributions recieved from the scheme holders.

Their funds are invested in stocks, bonds etc as per regulatory guidelines.

c) Life Insurance Company:-

Its role is to pay a specified amount (s) to fulfill its contractual obligation per ~~the~~ the premium recieved from its insured.

Its funds are sourced by policy holders, shareholders, creditors etc.

Its funds are applied in the areas of investment, administration, reserving, commissions etc.

2) (i) The preparation of insurance company accounts is more complicated than the normal ones because;

(a) The underlying contracts fall due outside the accounting period and are uncertain in size

(b) Premature transfer of profit to shareholders may endanger the financial stability of the company and the ability to meet the future liabilities.

(ii) Components of technical account:-

a) Earned premiums:-

It is a total of premiums recieved / used until a particular point less the reinsurance commission ceded.

b) Investment Income :- income from a

~~Inc~~ It is a part of earned premium used for investing activities.

c) Realised capital gains:-

The amount recieved for selling of investments made from earned premium.

d) Claims Incurred:-

It is the amount of claims payable less of reinsurance amount recieved.

e) Net - Operating Expenses:-

It ~~of~~ refers to the operating expenses of an insurance company including investment expenses