Chapter 04: Accounting Policies -

Course Name: IC-46: General Insurance Accounts Preparation and Regulation of Investment

1) Accounting policies followed by life insurance business entities are same for those followed by non-life insurance business organizations.
   (a) True
   (b) False
   Correct Options: (b)

2) The important factors for selection of accounting policies are prudence, substance and __________
   (a) Materiality
   (b) Facts
   (c) Truth
   (d) Laws
   Correct Options: (a)

3) Which of the following is not the method adopted by the enterprise for determining the cost price?
   (a) Average price
   (b) Mark-up price
   (c) FILO
   (d) FIFO
   Correct Options: (b)

4) For any change of accounting policy, there must be a full, fair and adequate disclosure of such change and the impact thereof in the ‘Notes on accounts’ as per __________.
   (a) AS 1
5) **Which of the following is incorrect regarding the disclosures of accounting policies?**

(a) As per AS 1, all significant accounting policies adopted in the preparation of financial statements should be disclosed.

(b) The disclosures of the significant accounting policies, as such, form a part of the financial statements and the significant accounting policies should normally be disclosed in one place.

(c) AS 1 further provides that any change in the accounting policies, which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed.

(d) If the fundamental accounting assumption, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is required.

Correct Options: (d)

6) **Tax liability in foreign countries is accounted for on actual payment basis.**

(a) True

(b) False

Correct Options: (a)

7) **Which of the following transactions is treated as secured lending transactions and accordingly disclosed in the financial statements?**

(a) Fixed transaction

(b) Equity instruments transaction

(c) CBLO

(d) Reverse Repo

Correct Options: (d)

8) **Which of the following is stated at cost less depreciation?**

(a) Movable assets

(b) Intangible assets

(c) Fixed assets
(d) Impaired assets

Correct Options: (c)

9) _______ consist of share capital, general reserves, capital reserves and investment reserves.

(a) Policyholder’s funds
(b) Shareholder’s funds
(c) Businessman’s funds
(d) Insurer’s funds

Correct Options: (b)

10) Which standard classifies foreign branches/agencies as ‘non-integral foreign operations’?

(a) AS 1
(b) AS 11
(c) AS 5
(d) AS 19

Correct Options: (b)