

IC-26 (E) - Life Insurance Finance

Original Text in book

Chapter 13 Page no.590

Self-Examination Question:

Question 1

When the Asset-Value is Dependent on the Performance and Operation of the Business, and the Rate-of-Investment includes the Cash-Rate to compensate for the Additional-Risk, this is called --.

- A Concentration-Risk
- B Market-Risk
- C Realization-Risk
- D Liquidity-Risk

Question 2

--- is the Capacity of an Organization, to cover Its Liabilities, by Its Assets.

- A Liquidity
- B Solvency
- C Asset-Liability-Management
- D None of the Above.

Question 3

--- Risk means the Losses, Due to Exposure to Only a Certain Amount of Investment, where, the Insurer puts All His or Her Money in One Kind of Asset.

- A Credit
- B Capital
- C Market
- D Concentration

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Answers to Self-Examination Question:

Answer to SEQ 1

The Correct Option is A

Answer to SEQ 2

The Correct Option is B

Answer to SEQ 3

The Correct Option is C

Revised Text as below

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Answers to Self-Examination Questions:

Answer to SEQ 1

The Correct Option is C

Answer to SEQ 2

The Correct Option is B

Answer to SEQ 3

The Correct Option is D

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Test Yourself 8

Fill-In the Blanks.

- A Messrs. Comp Public Limited Company is a manufacturer of computers. During the year: 2015, the Company purchased a Machinery for ₹ 1,00,000/-. This Purchase price is a --- Expenditure.
- B Messrs. Comp Public Limited Company sold the computers for ₹ 2,00,000/-. This is a -- receipt because, it is a part of the regular income.
- C Messrs. Comp Public Limited Company sold one of its vehicles for ₹ 50,000/-. This is a --- receipt because, it is a sale of a Non-current asset.
- D Ms. Suzy is a Sole trader dealing in Furniture. A dressing table was sold by Ms. Suzy for ₹ 20,000/-. The amount received for this sale is a --- receipt. She also sold a computer used in her showroom for ₹ 5,000/-. This is a --- Receipt, because it is a sale of a Non-current-asset.

Revised Text as below

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Answer to Test Youeself 8

Fill-In the Blanks.

- A. Messrs. Comp Public Limited Company is a manufacturer of computers. During the year: 2015, the Company purchased a Machinery for ₹ 1,00,000/-. This Purchase price is a --- Expenditure.
- Messrs. Comp Public Limited Company sold the computers for ₹ 2,00,000/-. This is a --- receipt because, it is a part of the regular income.
- Messrs. Comp Public Limited Company sold one of its vehicles for ₹ 50,000/-.
- This is a --- receipt because, it is a sale of a Non-current asset.
- B. Ms. Suzy is a Sole trader dealing in Furniture. A dressing table was sold by Ms. Suzy for ₹ 20,000/-. The amount received for this sale is a --- receipt. She also sold a computer used in her showroom for ₹ 5,000/-. This is a --- Receipt, because it is a sale of a Non-current-asset.

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Test Yourself 7

Mr. Samuel purchased the Raw-Materials, from Mr. Sam, for Rupees 5,200/-.
He Debited the Purchase Account, with **Rupees 2,500/-**, and Credited Mr.
Sam's Account, with **Rupees 5,200/-**.

Has Any Error, been committed, by Mr. Samuel? If Yes, What is the Error?

Revised Text as below

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Example

Mr. Samuel purchased the Raw-Materials, from Mr. Sam, for Rupees 5,200/-.
He Debited the Purchase Account, with **Rupees 2,500/-**, and Credited
Mr. Sam's Account, with **Rupees 5,200/-**.

Has Any Error, been committed, by Mr. Samuel? If Yes, What is the Error?

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Test Yourself 2

As per the Insurance Act 1938, a maximum of how many statutory audit(s) can be conducted, by one audit firm, for a certain life-insurance-company?

- A Not More Than 1 Statutory Audit.
- B Not More Than 2 Statutory Audits.
- C Not More Than 3 Statutory Audits.
- D Not More Than 5 Statutory Audits.

Answer of the above question

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Answers to Test Yourself

Answer to TY 2

The correct answer is **B**.

As per the Insurance Act, 1938, one audit firm would not be permitted to carry-out more than two statutory audits of insurance-companies.

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Answers to Test Yourself

Answer to TY 2

The correct answer is **C**.

As per the Insurance Act, 1938, one audit firm would not be permitted to carry-out more than **three** statutory audits of insurance-companies.