

20. (2.5 points)

The following tables represent an insurance company's entire bond portfolio as of December 31, 2018. Assume each amount represents one bond (all figures are in thousands of dollars):

Original Cost

	NAIC Class 1	NAIC Class 3	NAIC Class 6
Available for Sale	115	82	86
Held to Maturity	81	36	63
Held for Trading	18	42	22

Amortized Cost

	NAIC Class 1	NAIC Class 3	NAIC Class 6
Available for Sale	100	75	80
Held to Maturity	85	30	60
Held for Trading	20	47	32

Fair Value

	NAIC Class 1	NAIC Class 3	NAIC Class 6
Available for Sale	90	62	78
Held to Maturity	95	23	45
Held for Trading	15	40	27

a. (0.75 point)

Calculate the value of the bond portfolio under SAP.

b. (0.75 point)

Calculate the value of the bond portfolio under U.S. GAAP.

c. (0.5 point)

Contrast the purpose of U.S. GAAP and SAP accounting.

d. (0.5 point)

Describe how the accounting treatment of bonds under SAP may conflict with its primary purpose.