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| RESEARCH ARTICLE  |  | Assessment of Algerian Insurance Companies' Compliance with Accounting Standard No. 04: An Applied Study on TRUST Company, El Oued Branch                                   |  |
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| Abstract  |  |   |  |
| This study aims to shed light on the current state of accounting practices in Algeria’s insurance sector, particularly in the context of the country’s broader efforts to align with international accounting standards. Since the implementation of the Financial Accounting System (FAS) at the beginning of 2010, Algeria has been working to harmonize its national accounting framework with global norms. The FAS was designed to be comprehensive and applicable to all types of entities, including insurance companies, which have unique operational and financial characteristics. Through an applied case study on TRUST Insurance Company, El Oued branch, the research investigates the extent to which these companies comply with Accounting Standard No. 04, which corresponds to International Financial Reporting Standard (IFRS) 4. The findings reveal that while insurance companies in Algeria tend to apply IFRS 4 for initial measurement of insurance contracts, they do not consistently adopt it for subsequent measurements. This partial implementation is largely due to the fact that financial statements are primarily prepared for tax authorities rather than for external investors or stakeholders, limiting the motivation to fully adhere to international standards. The study highlights the need for regulatory reforms and greater emphasis on transparency and comparability in financial reporting within the insurance industry. |  |   |  |
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## Introduction

Since the adoption of the Financial Accounting System (FAS) at the beginning of 2010, Algeria has sought to generalize this system across all institutions, regardless of the nature of their activities—including insurance companies, which are characterized by specific transactional features. Given the vital role that these companies play in supporting and developing economic activities, they have become a focal point in the country's accounting reform efforts through the application of the FAS.

It is important to note that the first international financial reporting standard dedicated to the insurance sector, IFRS 4 (International Financial Reporting Standard No. 4), was issued and came into effect in 2004. Based on this context, the present study formulates the following central research question to be examined and analyzed:

### • To what extent do insurance companies in Algeria rely on IFRS 4 in their accounting practices?

To fully explore the study, this main question is broken down into the following sub-questions:

- What are the measurement and disclosure methods prescribed by IFRS 4 for the insurance sector?
- What is the economic and functional importance of financial statements in insurance companies?
- What are the main accounting operations dealt with by insurance companies, and what are the primary accounts used in recording these transactions?

To answer these sub-questions, the following hypotheses are proposed:

- International accounting standards serve as a methodological framework that outlines mechanisms for collecting, classifying, and organizing financial information in accordance with recognized accounting principles, to document and analyze various economic events.
- Financial statements in insurance companies are crucial tools for assessing both financial and operational performance, aiding in effective economic and managerial decision-making.

- The accounting organization within insurance companies aligns with the specific nature of their activities, with accounting systems designed to match the types of transactions these companies handle.

#### **Research Importance:**

The significance of this research lies in examining the Financial Accounting System, which was introduced to modernize Algeria's accounting practices and bring them closer to international standards. This alignment aims to facilitate the understanding of financial statements for users of accounting information. Given the sector-specific nature of insurance companies, it is essential to highlight their accounting systems and to understand the various accounting operations within these financial institutions operating in a specialized economic environment.

#### **Research Objectives:**

- To study the Financial Accounting System adopted in Algeria and analyze its compatibility with international accounting standards, especially in the insurance sector.
- To understand the nature of accounting operations in insurance companies and how they are recorded under the Financial Accounting System.
- To assess the extent to which Algerian insurance companies apply IFRS 4 in the measurement and disclosure of financial information.
- To underscore the importance of financial statements in insurance companies as tools for evaluating financial and administrative performance.

#### **Research Axes:**

- **I-** IFRS 4 – International Financial Reporting Standard for Insurance
- **II-** The general framework of the Financial Accounting System and its application in Algerian insurance companies
- **III-** Analysis and assessment of the application of the Financial Accounting System in TRUST Company, El Oued branch

#### **I- IFRS 4 – International Financial Reporting Standard No. 4**

IFRS 4 (International Financial Reporting Standard No. 4) applies—with a few limited exceptions—to all insurance contracts, including reinsurance contracts issued and held by the entity. This standard is part of the IASB's broader insurance contract project and provides temporary exemptions from certain IFRS requirements, such as the obligation to apply IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) when selecting accounting policies related to insurance contracts.

IFRS 4 was issued in March 2004 and became effective for annual periods beginning on or after January 1, 2005. It has since been replaced by IFRS 17, effective as of January 1, 2021 (Source: [IAS Plus](#))

##### **1. Objective of the Standard**

The main goal of IFRS 4 is to establish guidelines for financial reporting of insurance contracts by the issuing entity (typically insurance companies). It aims to:

- Introduce limited improvements in accounting for insurance contracts;
- Ensure disclosure that explains the amounts recognized in the financial statements from insurance contracts, aiding users in understanding their nature, timing, and uncertainty of future cash flows.

##### **2. Scope of the Standard**

IFRS 4 applies to all insurance contracts issued (including reinsurance contracts) and reinsurance contracts held by the entity. It does not apply to other assets and liabilities such as financial instruments covered under IAS 39 (Financial Instruments: Recognition and Measurement). Additionally, the standard does not govern accounting by policyholders.

In 2005, the IASB expanded the scope of IAS 39 to include financial guarantee contracts. However, if an issuer had previously classified these contracts as insurance and applied insurance accounting, it may continue doing so under either IAS 39 or IFRS 4.

##### **3. Definition of an Insurance Contract**

An insurance contract is defined as:

“A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.”

##### **4. Accounting Policies**

IFRS 4 temporarily exempts insurers from some IFRS requirements (until completion of Phase II of the insurance project), including IAS 8. However, the standard:

- Prohibits provisions for potential claims under contracts not in existence at the reporting date (e.g., catastrophe or equalization provisions);
- Requires adequacy testing for recognized insurance liabilities;
- Requires impairment testing for reinsurance assets;
- Mandates the retention of insurance liabilities on the balance sheet until they are discharged, cancelled, or expire;
- Prohibits offsetting insurance liabilities with related reinsurance assets or netting reinsurance income/expenses with those from insurance contracts.

##### **5. Changes in Accounting Policies**

IFRS 4 restricts insurers from changing accounting policies for insurance contracts unless the resulting financial statements become more relevant without compromising reliability, or more reliable without reducing relevance. Prohibited practices include:

- Measuring insurance liabilities on an undiscounted basis;
- Measuring contractual rights to future investment management fees above their fair value based on current market-based fees;
- Using non-uniform accounting policies for insurance liabilities across subsidiaries.

## 6. Disclosure Requirements

IFRS 4 requires disclosure of:

### a) Information about financial statement amounts related to insurance contracts:

- Accounting policies for insurance contracts and related assets, liabilities, income, and expenses;
- Recognized amounts related to insurance contracts and any related disclosures;
- Assumptions with the most significant impact on the measurement of assets, liabilities, income, and expenses;
- Quantitative disclosures of those assumptions;
- Effects of changes in assumptions;
- Reconciliations of changes in insurance liabilities and reinsurance assets (if any);

### b) Information to assess risks from insurance contracts:

- Objectives and policies for managing risk;
- Terms and conditions of insurance contracts affecting cash flows;
- Risk information including:
  - Sensitivity to insurance risks;
  - Concentrations of insurance risk;
  - Actual claims versus previous estimates;

### c) Disclosures on financial risks:

- Credit risk, liquidity risk, and market risk as per IFRS 7, if applicable;
- Market risk exposure from embedded derivatives in the host insurance contract, unless those derivatives are measured at fair value.

## II – The General Framework of the Financial Accounting System and Its Application in Insurance Companies in Algeria

The situation in insurance institutions does not differ from that in other commercial, industrial, and financial institutions. However, the nature of their activity and the breadth and multiplicity of their transactions require the necessity of following an accounting method or tone that is characterized by analysis and detail, to help in recording, analyzing, and presenting these transactions. Among the most suitable analytical accounting methods for application in insurance institutions are the English and French methods, as each provides a set of analytical records (subsidiary ledgers) in addition to the general and summary accounts that serve the purposes of internal control and accounting accuracy, thereby assisting insurance institutions in achieving the objectives of the accounting system.

Details of the general framework of the accounting system in insurance institutions, along with a presentation of the most important data included in each register or book, can be briefly and clearly outlined as follows:

### 1 – Books or Records Maintained by Insurance Departments

Each insurance department undertakes tasks related to the issuance of new insurance policies, the renewal of previously issued policies before the insurance period ends, modification of policy terms or their cancellation if necessary, in addition to the payment of compensations when the insured risk occurs. To record the above-mentioned operations, each insurance department maintains a set of books or records, as follows (Al-Saji, 2007, pp. 32–42):

- **Issuance Register:** Each insurance department maintains a register in which it records the issued insurance policies. This register may also be referred to as the “Policy Register,” and the source of entries in this register is the insurance policies that are drafted and issued either in the company’s head office or in one of its branches. Accordingly, there is an issuance register for the life insurance department, an endowment register, a fire insurance register, a transport register, an accident register, etc.
- **Renewal Register:** It is customary in insurance institutions to renew insurance contracts issued previously about two weeks before the end of the insurance period. This renewal is done in the form of cards arranged in chronological order based on the renewal dates of the policies. This register includes many essential data, the most important of which are: the policy number, renewal date, name of the agent or branch, and the commission on renewal premiums.
- **Modification and Cancellation Register:** An insurance policy is subject to modification or full cancellation at any time. Modifications may involve either an increase or decrease in the insured amount; they may also involve corrections in the risks covered by the insurance or changes in the insurance period. These modifications or cancellations affect the value of the premiums due on these policies either by increasing or decreasing them, in addition to affecting the amount of commission due to agents (producers). This register is similar in design to the issuance register and also serves as a subsidiary daily journal in which transactions are recorded in detail. At the end of each specific period (weekly or monthly), a total entry is posted to the general journal located in the general accounts department.
- **Compensation Register:** Each insurance department keeps a compensation register in which it records compensations due for payment to policyholders or beneficiaries, whether the compensations are due to death, end of policy term, policy redemption, or in the form of periodic payments and pensions for winning the policy in the company’s annual draw, or exemptions from paying premiums, or payment of bonuses and cash profit distributions, or when the company covers grants in the form of premium reductions.
- **Commission Register:** Commissions vary. There are commissions paid by the insurance company to others, and commissions it receives from others. Regarding the commissions paid by the company, they include the production commission paid to agents and producers, the production commission paid to other insurance and reinsurance companies for part of their business, as well

as profit commissions paid to another insurance company that reinsures part of the business. As for commissions received from other insurance companies, they represent the company's share of reinsurance profits.

- **Incoming Reinsurance Register:** As each insurance department maintains an issuance register and a renewals register, it also maintains a register or a set of registers to record accepted incoming reinsurance operations. This register contains detailed data for each insurance policy following the same pattern as the renewal register.
- **Loan Register:** The policyholder, especially in the life insurance and endowment branches, has the right to obtain a loan from the insurance company guaranteed by their insurance policy, provided the policy's current value covers the loan amount and its interest over the loan period and that there are no overdue premiums. This is considered one of the investment activities of the life insurance company.
- **Agreements Register:** This register includes treaty and facultative operations. It records all agreements the company enters into, with details such as the names and addresses of the entities involved, the date each agreement was made, its expiry date, changes that occur to it, and any other data the company considers important in relation to the agreement.
- **Allocated Funds Register:** This register is approved by the supervisory authority. It details the invested funds included within the amount that must be allocated within the country, and any modifications to the composition of these funds. The funds related to life insurance, endowment, and other insurance operations must be recorded separately.

## **2 – Books or Records Maintained by the Treasury Department:**

Due to the recurring nature of certain income and expense aspects in insurance companies and the need to record them promptly, the Treasury Department is required to maintain a set of books or records considered as subsidiary daily journals in which income and expenditure items are recorded promptly and in detail. The main sources of income are collected premiums and revenues from various investments, while compensations and commissions are among the most important expense items in insurance companies. The key books or records kept by the Treasury Department in an insurance company can be outlined as follows (Al-Saji, 2007, pp. 42-43):

- **Collected Premiums Daily Cash Journal:** Each insurance department issues policies and receipts and sends them to the Treasury Department for collection. Therefore, the Treasury Department must keep a journal or register of collected premiums for each insurance department. To achieve internal control and accounting accuracy, at the end of each periodic interval (e.g., monthly), the total of collected and uncollected premiums must match the total premiums due as recorded in the issuance register.
- **Paid Commissions Daily Journal or Register:** The Treasury Department maintains a register for each insurance department in which it records what is actually paid to agents and producers in terms of commissions and expenses related to the policies concluded with clients. This journal includes data such as the insurance policy number, client name, net premium, due commission, and the distributive analysis of the commission amount, etc.
- **Paid Compensations Daily Journal or Register:** The Treasury Department maintains a register for each insurance department in which it records the compensations that have been actually paid (i.e., settled compensations). This register includes the compensation amount, payment date, insurance policy number, name of the insured, subject of the insurance, the estimated value of the compensation, and the amount paid.

## **3 – Books or Records Maintained by the General Accounts Department:**

The General Accounts Department acts as the central data processing unit in insurance companies. It records total entries from the previously mentioned subsidiary daily journals. The key books or records maintained by the General Accounts Department can be presented briefly and clearly as follows (Al-Saji, 2007, pp. 44-47):

- **General Cash Daily Journal:** Also called the Receipts and Payments Register. This journal records the totals from the sub-cash books in the Treasury Department. Additionally, it includes other various types of collections and disbursements, in an analytical manner that clarifies the different items of income and expenditure.
- **General Daily Journal (Register):** This journal includes summary entries based on totals from subsidiary daily journals and is updated periodically based on memos received by the General Accounts Department from various insurance departments. It also records non-recurring transactions that are not entered in the subsidiary journals.
- **General Ledger:** This ledger acts as a register for summary accounts (control accounts) that illustrate the relationship between the insurance company and all parties it deals with. From this ledger, the final accounts and the balance sheet of each insurance department are prepared.
- **Subsidiary Daily Journals:** The General Accounts Department maintains a set of subsidiary daily journals to record other operations (excluding those that can be confined to branch and agency operations), as well as operations received from or sent to other insurance companies, and operations related to investments in their various forms.
- **Subsidiary Ledgers:** These ledgers contain detailed accounts of the insurance company's transactions with all related parties. They provide necessary information for all natural uses and purposes. The most important of these ledgers are:
  - ✓ Subsidiary ledger for agents and producers;
  - ✓ Subsidiary ledger for reinsurance companies;
  - ✓ Subsidiary ledger for loans secured by insurance policies;
  - ✓ Subsidiary ledger for branches and agencies;
  - ✓ Subsidiary ledger for debtors and creditors;
  - ✓ Subsidiary ledger for real estate;
  - ✓ Subsidiary ledger for banks;
  - ✓ Subsidiary ledger for administrative expenses.

## **4 – Chart of Accounts for Insurance Companies According to the Financial Accounting System for Insurance**

All insurance and reinsurance companies are obligated to adhere to the chart of accounts in accordance with the Financial Accounting System. However, they may add sub-accounts that are compatible with their accounting operations. We will present a

brief overview of the insurance chart of accounts according to the Financial Accounting System: (Ministère des Finances, CNC, Avis n°89, 2011, p. 03)

### **1 – Group One: Capital Accounts**

This group includes the following accounts: (10, 11, 12, 13, 14, 15, 16, 17, 18, 19). These remain unchanged from the General Accounting Plan, except for accounts 14 and 19.

#### **1.1 Account 14 – Technical Provisions, subdivided into:**

- **Account 140:** Guarantee provisions (to form provisions to cover shortfalls in insurance and reinsurance operations);
- **Account 141:** Mandatory supplementary provisions for technical debts (used to compensate for deficiencies in technical debts);
- **Account 142:** Provisions for risks and catastrophes (these provisions are recorded to contribute to national solidarity in facing risks).

#### **1.2 Account 19 – Receivables on funds or values received from reinsurance operations representing technical commitments, subdivided into:**

- **Account 190:** Related entities;
- **Account 191:** Participating entities;
- **Account 192:** Other entities.

### **2 – Group Two: Fixed Asset Accounts**

These are the same as those in the General Accounting Plan.

### **3 – Group Three: Technical Provisions Accounts for Insurance**

#### **3.1 Account 30 – Technical provisions for direct operations “Property and Casualty Insurance,” subdivided into:**

- **Account 300:** Premium provisions;
- **Account 306:** Claims provisions.

#### **3.2 Account 31 – Technical provisions for accepted operations “Property and Casualty Insurance,” subdivided into:**

- **Account 310:** Premium provisions;
- **Account 316:** Claims provisions.

#### **3.3 Account 32 – Technical provisions for direct operations “Personal Insurance,” subdivided into:**

- **Account 320:** Premium provisions;
- **Account 326:** Claims provisions.

#### **3.4 Account 33 – Technical provisions for accepted operations “Personal Insurance,” subdivided into:**

- **Account 330:** Premium provisions;
- **Account 336:** Claims provisions.

#### **3.5 Account 38 – Ceded co-insurance share of technical provisions, subdivided into:**

- **Account 380:** On direct operations “Property and Casualty Insurance”;
- **Account 382:** On direct operations “Personal Insurance.”

#### **3.6 Account 39 – Ceded reinsurance share of technical provisions, subdivided into:**

- **Account 390:** On direct operations “Property and Casualty Insurance”;
- **Account 391:** On retroceded operations “Property and Casualty Insurance”;
- **Account 392:** On direct operations “Personal Insurance”;
- **Account 393:** On retroceded operations “Personal Insurance.”

### **4 – Group Four: Third-party Accounts**

#### **4.1 Account 40 – Liabilities arising from reinsurance and co-insurance, subdivided into:**

- **Account 401:** Current accounts of ceding and retroceding insurers;
- **Account 402:** Current accounts of reinsurers;
- **Account 403:** Current accounts of reinsurance brokers;
- **Account 404:** Current accounts for co-insurance.

#### **4.2 Account 41 – Liabilities arising from direct insurance operations, subdivided into:**

- **Account 411:** Insured clients;
- **Account 412:** Insurance intermediaries;
- **Account 413:** Insured – and collection documents;
- **Account 416:** Doubtful insured;
- **Account 417:** Doubtful intermediaries;
- **Account 418:** Insured – accrued premiums pending issuance;
- **Account 419:** Creditor insured – received advances, discounts to be granted.

#### **4.3 Accounts (42, 43, 44, 45, 46, 47, 48, 49): These are the same as in the General Accounting Plan and remain unchanged.**

### **5 – Group Five: Financial Accounts**

These are the same as those in the General Accounting Plan and remain unchanged.

## 6 – Group Six: Expense Accounts

### 6.1 Account 60 – Benefits on disasters and catastrophes, subdivided into:

- **Account 600:** Payments and compensations on direct operations “Property and Casualty Insurance”;
- **Account 601:** Payments on accepted operations “Property and Casualty Insurance”;
- **Account 602:** Payments and expenses on direct operations “Personal Insurance”;
- **Account 603:** Payments on accepted reinsurance “Personal Insurance”;
- **Account 608:** Ceded co-insurance shares in benefits;
- **Account 609:** Ceded reinsurance shares in benefits.

6.2 Accounts (61, 62, 63, 64, 65, 66, 67, 68, 69): These are the same as those in the General Accounting Plan and remain unchanged.

## 7 – Group Seven: Revenue Accounts

### 7.1 Account 70 – Premiums, subdivided into:

- **Account 700:** Issued premiums on direct operations “Property and Casualty Insurance”;
- **Account 701:** Accepted premiums “Property and Casualty Insurance”;
- **Account 702:** Issued premiums on direct operations “Personal Insurance”;
- **Account 703:** Accepted premiums “Personal Insurance”;
- **Account 708:** Ceded co-insurance shares from premiums;
- **Account 709:** Ceded reinsurance shares from premiums.

### 7.2 Account 71 – Deferred premiums, subdivided into:

- **Account 710:** Deferred premiums from previous years;
- **Account 715:** Premiums for deferral.

### 7.3 Account 72 – Reinsurance commissions, subdivided into:

- **Account 721:** Commissions received on reinsurance;
- **Account 729:** Commissions paid on reinsurance.

7.4 Accounts (73, 74, 75, 76, 77, 78, 79): These are the same as those in the General Accounting Plan and remain unchanged.

Here is the **literal translation** of the Arabic text into English, with formatting and values preserved exactly:

## III – Analysis and Study of the Application of the Financial Accounting System in TRUST Company – El Oued Branch

Among the tasks of **TRUST Insurance Company** is to offer guarantees to the customer against the risks that may affect him in his social or professional life. It organizes insurance activities based on the potential needs and desires of customers.

TRUST Insurance Company was initially established to provide insurance services related to transportation in all its forms: maritime, land, or air. However, with the abolition of the specialization principle in the insurance sector, its direct goal became to engage in various types of insurance.

The tasks assigned to it at its establishment can be clarified as follows:

- Maritime and river insurance operations;
- Air insurance operations;
- Land insurance operations.

With the reforms affecting the insurance sector starting from 1989, where the specialization principle in the insurance sector was abolished, TRUST, like other insurance institutions, decided—through its shareholders—to engage in other insurance activities. Consequently, its tasks expanded to fulfill all customer demands.

### 1 – Processing Some Accounting Operations Performed by the Company

The activities of the accounting department in insurance companies are varied, and it is observed that it works diligently to maintain accounting that meets the regulatory conditions, laws, and applicable customs. Among the activities carried out by the accounting department are:

- Recording accounting operations in the information system.
- Keeping accounting and financial records.
- Preparing periodic accounting and financial reports.
- Settling operating expenses and claims payments.
- Monitoring the financial status of current accounts.
- Preparing the bank reconciliation table periodically.
- Following up on customer debt collection.

### ✓ □ Case Study of Production Department Operations

#### First: Issuance of Insurance Contracts

##### Practical Example:

A customer approached the Algerian Insurance Company TRUST to insure his car. The premium was 120,000.00 DZD, stamp duty (DT) 40.00 DZD, contract-related fees 160.00 DZD, FGA 120.00 DZD, tax stamps (TF) 70.00 DZD.

The contract duration: **One year**, from 01/02/2013 to 31/01/2014.

### 2 – Accounting Entry According to SCF:

We record the following entry:

| Account Number | Description of the Operation | Amounts |
|----------------|------------------------------|---------|
|----------------|------------------------------|---------|

| Debit | Credit |   | Debit     | Credit   |
|-------|--------|---|-----------|----------|
| 4110  |        | From A/C: Policyholder                          | 140817.20 |          |
|       | 7001   | To A/C:   |           | 120000   |
|       | 7003   | Issued Premiums (Property Insurance)            |           | 160      |
|       | 4450   | Contract-related Expenses Value-Added Tax (VAT) |           | 20427.20 |
|       | 44271  | DTD   |           | 40       |
|       | 44272  | DTG   |           | 70       |
|       | 44311  | Automobile Guarantee Fund Fee (FGA)             |           | 120      |
|       |        |   |           |          |
|       |        |   |           |          |

**Case of Cancellation:**

| Account Number |        | Description of the Operation            | Amounts   |        |
|----------------|--------|---|-----------|--------|
| Debit          | Credit |   | Debit     | Credit |
| 7009           |        | From A/C: Canceled Premiums             | 140817.20 |        |
| 4450           |        | Value-Added Tax (VAT)                   | 6827.20   |        |
|                | 44271  | To A/C:                                 |           | 40     |
|                | 7003   | DTD                                     |           | 160    |
|                | 41951  | Contract-related Expenses               |           | 40000  |
|                |        | Granted Discounts and Refunded Premiums |           |        |

**Upon Collecting Premiums**

When issuing contracts, the customer pays the insurance premium amount to the cashier either in cash or by check payable to the agency, in the case of immediate payment. In the case of deferred payment, a debt acknowledgment is issued, along with a commitment to pay within a period of 3 months signed by the insured. These operations are summarized at the end of each day in the following deposit books:

- Deposit book for premiums collected in cash;
- Deposit book for premiums collected by check;
- Deposit book for deferred payment premiums.

| Account Number |        | Description of the Operation  | Amounts   |           |
|----------------|--------|---|-----------|-----------|
| Debit          | Credit |   | Debit     | Credit    |
| 5112           | 411000 | From A/C: Cheques under collection<br>To A/C: Policyholder<br>Payment status: by cheque | 140817.20 | 140817.20 |
| 41114          | 411000 | From A/C: Debtors – payment on term<br>To A/C: Policyholder<br>Payment status: on term  | 140817.20 | 140817.20 |

**Upon Transferring Money from Cash to Bank**

The cashier, coordinating with the agency manager, deposits all amounts in the cash box into the agency's bank account, where the bank issues a deposit receipt forwarded to the accounting department to perform the necessary entries:

| Account Number |        | Description of the Operation                                   | Amounts   |           |
|----------------|--------|--|-----------|-----------|
| Debit          | Credit |  | Debit     | Credit    |
| 53             | 411000 | From A/C: Cheques under collection<br><br>To A/C: Policyholder | 140817.20 | 140817.20 |

### For Checks Under Collection

When the bank collects the checks, it issues a document called "**Notice of Debt Status**" ("AVIS DE CREDIT") proving the collection of the check amount. This document is sent to the accounting department to perform the following entries:

| Account Number |        | Description of the Operation                              | Amounts |        |
|----------------|--------|---|---------|--------|
| Debit          | Credit |   | Debit   | Credit |
| 581            | 85     | From A/C: Money Transfers<br>To A/C: Cashbox              | 10000   | 10000  |
| 512            | 581    | From A/C: Bank Current Account<br>To A/C: Money Transfers | 10000   | 10000  |

### Special Case: Checks Presented for Collection with No Funds

The bank notifies the agency to perform the necessary accounting entries and take legal measures to settle the status of these checks:

| Account Number |  | Transaction Description         | Amounts    |
|----------------|--|---------------------------------|------------|
|                |  |                                 | Debit      |
| 512            |  | From A/c: Bank current account  | 140,817.20 |
| 5112           |  | To A/c: Checks under collection |            |

**Special case:** Cheques submitted for collection may be without funds, in which case the bank notifies the agency to make the necessary accounting entries and take legal action to resolve the status of these cheques.

| Account Number |        | Description of the Operation                                       | Amounts   |           |
|----------------|--------|--|-----------|-----------|
| Debit          | Credit |  | Debit     | Credit    |
| 512            | 5112   | From A/C: Bank Current Account<br>To A/C: Cheques Under Collection | 140817.20 | 140817.20 |

### Regarding Insured Parties with Deferred Payment Contracts

Upon maturity, they settle the insurance premium by one of the following methods:

- They come to the agency and pay their due amount in cash;
- They come to the agency and pay by check;
- They go to the bank and perform a bank transfer to the agency's bank account.

According to the payment method used, the accounting department performs the following entries:

| Account Number |        | Description of the Operation  | Amounts   |           |
|----------------|--------|---|-----------|-----------|
| Debit          | Credit |   | Debit     | Credit    |
| 416            | 5112   | From A/C: Written-off Policyholders<br>To A/C: Cheques Under Collection | 140817.20 | 140817.20 |

| Account Number |        | Description of the Operation  | Amounts   |           |
|----------------|--------|---|-----------|-----------|
| Debit          | Credit |   | Debit     | Credit    |
| 53             |        | From A/C: Cashbox   | 140817.20 |           |
| 512            | 5112   | or A/C: Bank  | 140817.20 | 140817.20 |
| 5112           |        | or A/C: Cheques Under Collection<br>To A/C: Debtors - Payment on Term | 140817.20 |           |

### Conclusion

The importance of accounting has increased in light of the demands of economic and financial market globalization, as accounting is considered the language of business and investments, and the primary tool for translating economic events.



Accounting aims to process and organize financial and economic information at the local, regional, and international levels. These developments have led to a growing need to bridge the gap between the standards used in preparing financial reports both locally and internationally, with the goal of enhancing global transparency. In this context, an international accounting body was established, now known as the International Accounting Standards Board (IASB), to oversee and regulate the accounting profession globally, ensuring convergence and reducing existing discrepancies between different accounting standards.

#### Research Hypotheses Testing:

- The adoption of international accounting standards by insurance companies is one of the positive factors that enhance disclosure and transparency requirements and contributes to improving the quality of information produced by the accounting system in accordance with these standards. One of the most prominent of these standards is International Financial Reporting Standard No. 4 (IFRS 4), which supports the validity of the first hypothesis of the study.
- The financial accounting system is based on a set of fundamental principles that ensure its ability to achieve the intended objectives of measuring and recording economic and financial events, as well as presenting and organizing them in financial statements and reports aimed at delivering information to its users to assist them in making appropriate decisions. This supports the validity of the second hypothesis.
- The accounting system in insurance companies differs from those in other companies in that it relies on a set of specific accounting documents and records. Understanding the nature of this system requires a precise knowledge of the insurance activity due to the unique characteristics that distinguish it. Therefore, this feature refutes the validity of the third hypothesis.

#### Study Findings:

- The overall financial accounting system has been adapted based on the principles and rules outlined in international accounting standards;
- The accounting system used in insurance companies is based on the general financial accounting system, with the addition of specific accounts that meet the requirements and particularities of the insurance company system;
- The framework of any accounting system consists of specific elements, most notably the chart of accounts, which includes all the company's accounts, categorized according to the nature of the company's activity to ensure alignment with accounting work requirements.

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