

# The Accounting Model Choice for Insurance Contracts and its International Convergence

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There are long-term disputes over whether the accounting valuation of insurance contracts should use the deferral matching approach or the asset liability approach in the international society. The United States Generally Accepted Accounting Principles (US-GAAP) and the German Commercial Code (Handelsgesetzbuch, HGB) apply the deferral matching approach, while the new Chinese Accounting Systems for Business Enterprises (ASBE) as well as the International Financial Reporting Standards (IFRS) apply the asset liability approach in their standards. This article made a theoretical comparison of the deferral matching approach and the asset liability approach, followed by the analysis of the current accounting system of insurance contracts in China, including its contents, the characteristics and its impacts on the accounting quality. The article also gave an overview of the trend of accounting methods for insurance contracts proposed by the International Accounting Standards Board (IASB) in the IFRS 4 (Phase II), and in accordance with that, offered some suggestions for further development of insurance contracts accounting methods in China to meet the challenge of the international accounting convergence.



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