Costs accrued over productive life not on "cash" basis
**PACE OF FINANCING**

Financing for a liability of 100 in 10 years

<table>
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<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
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<td>0</td>
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<td>etc.</td>
<td>* including interest</td>
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**LOCAL PRACTICE**

Depends upon:

- Taxation incentives
- Actuarial methods
- Accounting principles
ACCOUNTING FOR PENSIONS

- Profit and loss account
- Balance sheet items
- Disclosures

ACCOUNTING STANDARDS

- IAS 19 (revised 1998)
- SSAP 24 (to be revised "FRED" 20)
- FAS 87 etc
- CICA 3460
- Others
PROFIT AND LOSS ACCOUNT

- Cost of benefit accrued in the year (service cost or normal cost)

  plus

- recognition of "gains and losses"

CONTENTIOUS ISSUES

- Assumptions - market related or long term?
- Gains and loss - immediate or deferred recognition?
BALANCE SHEET ITEMS

Provision at beginning of year
  + Pension Charge
  - Company Contributions
= Provision at end of year

BALANCE SHEET

Assets Liabilities
Cash 10,000 Shareholders Funds 10,000
ACCOUNTING PROCESS

Suppose P&L charge is 200 and
(a) cash contribution is 200
(b) cash contribution is 100
(c) cash contribution is 300

ACCOUNTING PROCESS

Balance Sheet

(a) No pension item
(b) Accrual of 100 on Liability side
(c) Prepayment of 100 on Asset side
CONTENTIOUS ISSUES

- Should prepayment be limited?
- What about deferred tax?

FAS 87 DISCLOSURE

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>PBO</td>
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<tr>
<td>Assets (market-related value)</td>
<td>800</td>
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<tr>
<td>Funded status</td>
<td>(200)</td>
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<tr>
<td>Unrecognised transition liability</td>
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<tr>
<td>Unrecognised prior service cost</td>
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<tr>
<td>Unrecognised gain</td>
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<tr>
<td>Accrual (pre-payment)</td>
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NON-ROUTINE MATTERS

- Acquisitions
- Disposals
- Redundancies

PRACTICAL MATTERS

- Analysis of Financial Statements
- Mergers, Acquisitions and Disposals
M & A

- Negotiating positions
- Arbitration