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# Illustrations of accounting for postemployment benefits : a survey of the application of FASB statement no. 112; Financial report survey, 54

Leonard Lorensen

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**AICPA**

**FINANCIAL REPORT SURVEY  
JANUARY 1995**

***Illustrations of  
Accounting for  
Postemployment  
Benefits***

*A Survey of the Application of  
FASB Statement No. 112*

*Leonard Lorensen, CPA*

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**AMERICAN**

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**INSTITUTE OF**

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**ACCOUNTANTS**

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***ACCOUNTANTS***

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## **PREFACE**

This publication is part of a series produced by the Institute's staff through use of the Institute's National Automated Accounting Research System (NAARS). The purpose of the series is to provide interested readers with examples of the application of technical pronouncements. It is believed that those who are confronted with problems in the application of pronouncements can benefit from seeing how others apply them in practice.

It is the intention to publish periodically similar compilations of information of current interest dealing with aspects of financial reporting.

The examples presented were selected from over twenty thousand annual reports stored in the NAARS computer data base.

This compilation presents only a limited number of examples and is not intended to encompass all aspects of the application of the pronouncements covered in this survey. Individuals with special application problems not illustrated in the survey may arrange for special computer searches of the NAARS data banks by contacting the Institute.

The views expressed are solely those of the staff.

Richard D. Walker  
Director, Information Technology

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# I

## SCOPE AND PURPOSE OF THE SURVEY

This survey is intended primarily to help accountants and auditors apply Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 112, *Employers' Accounting for Postemployment Benefits*, which was issued in November 1992. FASB Statement No. 112 requires postemployment benefits — benefits provided by an employer to former or inactive employees after employment but before retirement — to be accrued as a liability if the criteria in FASB Statement No. 43, *Accounting for Compensated Absences*, are met. If those criteria are not met, FASB Statement No. 112 requires postemployment benefits to be accrued as a liability if the criteria in FASB Statement No. 5, *Accounting for Contingencies*, are met. If those criteria are not met, FASB Statement No. 112 requires postemployment benefits to be accounted for on a cash basis.

Accounting for postemployment benefits in conformity with FASB Statement No. 112 requires considerable judgment. An accountant who is confronted with problems in applying the Statement can benefit from learning how other accountants are applying it in practice. Accordingly, this publication presents excerpts from recently published financial statements of fifty-three companies that illustrate the application of the Statement.

The AICPA National Automated Accounting Research System (NAARS) was used to compile the information. The examples presented in this survey were selected from companies in the 1993/94 annual report file.



# II

## COMPANIES PREVIOUSLY ON CASH-BASIS ACCOUNTING FOR POSTEMPLOYMENT BENEFITS

Most companies in NAARS that had adopted FASB Statement No. 112 by the time of this survey were on a cash basis for accounting for postemployment benefits before they adopted the Statement. Twenty-seven examples are presented below of the adoption of the Statement by such companies. All of the companies in the examples adopted the Statement by accruing a liability for postemployment benefits. No companies in NAARS were found that adopted the Statement without accruing a liability.

### AMERICAN BRANDS, INC., DECEMBER 31, 1993

*Consolidated Statement of Income  
American Brands, Inc. and Subsidiaries  
For years ended December 31  
(in millions, except per share amounts)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Income Before Cumulative Effect of Accounting Changes	668.2	883.8	806.1
Cumulative effect of accounting changes (net of income taxes of \$122.5)	<u>(198.4)</u>	<u>—</u>	<u>—</u>
Net Income	\$469.8	\$883.8	\$806.1

*Notes to Consolidated Financial Statements  
American Brands, Inc. and Subsidiaries*

Significant Accounting Policies

Accounting Changes

On January 1, 1993, the Company adopted...and FAS Statement No. 112, "Employers' Accounting for Postemployment Benefits." ... The initial effects of adopting these statements were recorded as cumulative changes in accounting principles as follows:

<i>(in millions, except per share amounts)</i>	<u>FAS Statements No.</u>			<u>Total</u>
	<u>106</u>	<u>112</u>	<u>115</u>	
Pretax charge (credit)	\$310.0	\$15.0	\$(4.1)	\$320.9
Income taxes	<u>119.0</u>	<u>5.0</u>	<u>(1.5)</u>	<u>122.5</u>
Net loss (income)	\$191.0	\$10.0	\$(2.6)	\$198.4
Earnings per Common share	\$ .94	\$ .05	\$(.01)	\$ .98

Postemployment Benefits

The Company provides certain postemployment benefits to former or inactive employees after employment but before retirement. Effective January 1, 1993, the Company adopted FAS Statement No. 112, "Employers' Accounting for Postemployment Benefits," which required a change from the cash basis to the accrual basis for these postemployment benefits. Accordingly, the cumulative effect of the accounting change as of January 1, 1993 of adopting FAS No. 112, net of \$5 million of income taxes, was a charge of \$10 million, or five cents per Common share.

**ARMCO INC., DECEMBER 31, 1993**

*Statement of Consolidated Operations  
For the years ended December 31, 1993, 1992, and 1991  
(dollars in millions, except  
per share amounts)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Loss before extraordinary losses and cumulative effect of accounting changes	(327.0)	(421.5)	(336.5)
.....			
Cumulative effect of changes in accounting for postretirement and postemployment benefits and income taxes (Notes 2 and 4)	<u>(307.5)</u>	<u>—</u>	<u>—</u>
Net loss	\$(641.8)	\$(429.9)	\$(336.5)
.....			

*Statement of Consolidated Financial Position  
December 31, 1993 and 1992  
(dollars in millions, except per share amounts)*

	<u>1993</u>	<u>1992</u>
.....		
Current liabilities		
.....		
Current employee benefit obligations (Note 2)	98.3	63.3
.....		
Total current liabilities	<u>353.0</u>	<u>388.4</u>
.....		
Long-term employee benefit obligations (Note 2)	1,270.9	541.6
.....		

*Notes to Financial Statements  
(dollar amounts in millions, except per share amounts)*

2. Pension and Other Employee Benefits

.....

Postemployment Benefits

Effective January 1, 1993, the Company adopted SFAS 112, *Employers' Accounting for Post-employment Benefits*, and recorded \$3.1, or \$.03 per share, of expense for the cumulative effect of establishing additional liabilities for certain short-term and long-term disability benefit plans.

.....

**AVERY DENNISON CORPORATION, DECEMBER 31, 1993**

*Avery Dennison Corporation  
Consolidated Statement of Income  
(dollars and shares in millions)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before cumulative effect of changes in accounting principles	83.3	80.1	63.0
Cumulative effect of changes in accounting principles	<u>1.1</u>	<u>—</u>	<u>—</u>
Net income	\$84.4	\$80.1	\$63.0

.....  
*Avery Dennison Corporation*  
*Notes to Consolidated Financial Statements*

Note 1. Summary of Significant Accounting Policies

.....

Changes in Accounting Principles

During the first quarter of 1993, the Company adopted three accounting standards issued by the Financial Accounting Standards Board which had a one-time cumulative effect on net income as follows:

<i>(in millions, except per share amounts)</i>	<u>Income (expense)</u>	
	<u>Total</u>	<u>Per Share</u>
.....		
Accounting for postemployment benefits, net of tax (SFAS No. 112)	(1.0)	(.02)
.....		
Increase in net income	<u>\$1.1</u>	<u>\$.02</u>

The effects of the new accounting standards are described in Note...8. The adoption of the accounting standards had no effect on cash flow. Prior year financial statements have not been restated.

.....

Note 8. Employee Retirement Plans Defined Benefit Plans

.....

Postemployment Benefits

The Company provides postemployment benefits to certain former and inactive employees. The Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," as of the beginning of fiscal 1993. The accounting standard requires the accrual of the cost of postemployment benefits over the employees' years of service rather than accounting for such costs on a cash basis. A one-time cumulative adjustment of \$1.5 million (\$1 million, net of tax) was recognized as of the beginning of fiscal 1993. The incremental costs of adopting this statement are insignificant on an ongoing basis.

**BECTON, DICKINSON AND COMPANY, SEPTEMBER 30, 1993**

*Becton, Dickinson and Company  
Consolidated Statements of Income  
Years ended September 30  
(thousands of dollars, except per share amounts)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income Before Cumulative Effect of Accounting Changes	212,840	200,753	189,789
Cumulative effect of accounting changes, net of taxes	(141,057)	—	—
Net Income	<u>\$71,783</u>	<u>\$200,753</u>	<u>\$189,789</u>

.....  
*Becton, Dickinson and Company  
Consolidated Balance Sheets  
Years ended September 30  
(thousands of dollars, except per share amounts)*

	<u>1993</u>	<u>1992</u>
.....		
Liabilities		
.....		
Total Current Liabilities	636,062	713,355
.....		
Long-Term Employee Benefit Obligations	294,054	48,939

.....  
*Becton, Dickinson and Company  
Notes to Consolidated Financial Statements*

**Note 1. Summary of Significant Accounting Policies**

.....  
**Accounting Changes**

In the fourth quarter of 1993, the Company adopted three Statements of Financial Accounting Standards (SFAS) retroactive to October 1, 1992. The cumulative effect on prior years and the net incremental charges attributable to the adoption of...SFAS No. 112, *Employers' Accounting for*

*Postemployment Benefits*; and...are included in the determination of net income in 1993, as follows:

	<u>Cumulative Effect</u>		
	<u>Pre-tax</u>	<u>After-tax</u>	<u>Per Share</u>
.....			
SFAS No. 112	(46,155)	(29,765)	(.38)

	<u>1993 Incremental Effect</u>		
	<u>Pre-tax</u>	<u>After-tax</u>	<u>Per Share</u>
.....			
SFAS No. 112	3,632	2,325	.03

In connection with the Accounting Changes, certain 1992 balance sheet accounts have been reclassified to conform to the 1993 presentation.

.....

Note 3. Benefit Plans

.....

In the fourth quarter of 1993, the Company also changed, retroactive to October 1, 1992, its accounting for postemployment benefits for all employees from a cash basis to an accrual basis, in compliance with SFAS No. 112, *Employers' Accounting for Postemployment Benefits*. Post-employment benefits include disability-related benefits, severance pay and continuation of health care benefits during the period after employment but before retirement. The cumulative effect of this accounting change was a charge of \$29,765 (net of \$16,390 in related income tax benefits).

**BEMIS COMPANY, INC., DECEMBER 31, 1993**

*Bemis Company, Inc. and Subsidiaries*  
*Consolidated Statement of Income*  
*Years ended December 31*  
*(in thousands of dollars, except per share amounts)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before effect of changes in accounting principles	46,077	57,286	53,018

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Cumulative effect on prior years of adoption of FAS 112 in 1993 and....in 1992	<u>(1,746)</u>	<u>(274)</u>	<u>—</u>
Net income	\$44,331	\$57,012	\$53,018

.....

*Notes to Consolidated Financial Statements*

**Note 2. Changes in Accounting Principles**

The Company adopted Financial Accounting Standards related to postemployment benefits (Statement 112), .... during 1993 and 1992. Accordingly, the cumulative effect of these changes in accounting have been reported in the Consolidated Statement of Income as follows:

*(in thousands of dollars, except EPS)*

	<u>1993</u>
Statement 112, Postemployment Benefits:	
Cumulative effect on prior years	\$(2,798)
Income tax benefit upon adoption of FAS 112	1,052
.....	
Cumulative net effect on prior years of adoption of FAS 112 in 1993 and ....	<u>\$(1,746)</u>
Effect on EPS of common stock of adoption of FAS 112 (\$2,798 less \$1,052 tax benefit)	\$ (.03)

.....

**BLACK & DECKER CORPORATION, DECEMBER 31, 1993**

*The Black & Decker Corporation and Subsidiaries  
Consolidated Statement of Earnings  
(millions of dollars, except per share data)*

	<u>Year Ended</u>		
	<u>Dec. 31, 1993</u>	<u>Dec. 31, 1992</u>	<u>Dec. 31, 1991</u>
.....			
Net Earnings (Loss) before extraordinary item and cumulative effects of changes in accounting principles	95.2	(73.3)	53.0

.....

*Consolidated Statement of Earnings (continued)*

	<u>Year Ended</u>		
	<u>Dec. 31, 1993</u>	<u>Dec. 31, 1992</u>	<u>Dec. 31, 1991</u>
Cumulative effect to January 1, 1993, of change in accounting principle for postemployment benefits	(29.2)	—	—
.....			
Net Earnings (Loss)	<u>\$66.0</u>	<u>\$(333.6)</u>	<u>\$53.0</u>

*The Black & Decker Corporation and Subsidiaries  
Consolidated Balance Sheet  
(millions of dollars)*

	<u>Dec. 31, 1993</u>	<u>Dec. 31, 1992</u>
.....		
Total Current Liabilities	1,508.5	1,490.1
.....		
Postemployment Benefits	319.3	297.8

*The Black & Decker Corporation and Subsidiaries  
Notes to Consolidated Financial Statements*

Note 14. Postemployment and Postretirement Benefits

.....

Effective January 1, 1993, the Corporation adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This new standard addresses the accounting for certain benefits provided to former employees prior to retirement, which, for the Corporation, primarily relate to disability and workers' compensation benefits. Prior to January 1, 1993, the Corporation recognized the cost of providing these benefits principally on the cash basis. Under the new method of accounting, the Corporation accrues benefits when it becomes probable that such benefits will be paid and when sufficient information exists to make reasonable estimates of the amounts to be paid.

The cumulative effect as of January 1, 1993, of this change in accounting was to decrease net earnings by \$29.2 million or \$.35 per common share. The current year effect of adopting SFAS No. 112 was immaterial. In accordance with SFAS No. 112, prior year financial statements have not been restated to reflect the change in accounting method.



**CENTRAL AND SOUTH WEST CORPORATION, DECEMBER 31, 1993**

*Central and South West Corporation  
Consolidated Statements of Income*

	<u>For the Years Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
	<i>(millions, except per share amounts)</i>		
.....			
Income before Cumulative Effect of Changes in Accounting Principles	281	404	401
Cumulative Effect of Changes in Accounting Principles	<u>46</u>	<u>—</u>	<u>—</u>
Net Income	327	404	401

*Central and South West Corporation  
Notes to Consolidated Financial Statements*

1. Summary of Significant Accounting Policies

.....

Accounting Changes

Effective January 1, 1993, the Corporation adopted ... and SFAS No. 112, *Employers' Accounting for Postemployment Benefits* (See Note 8, Benefit Plans)...

....The adoption of SFAS No. ... 112... are presented as cumulative effect of changes in accounting principles as shown below:

	<u>Pre-Tax Effect</u>	<u>Tax Effect</u>	<u>Net Income Effect</u>	<u>EPS Effect</u>
	<i>(millions, except EPS)</i>			
.....				
SFAS No. 112	(13)	4	(9)	(0.05)
.....				
Total	<u>\$62</u>	<u>\$(16)</u>	<u>\$46</u>	<u>\$0.24</u>

.....

8. Benefit Plans

.....

Postemployment Benefits

In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, *Employers' Accounting for Postemployment Benefits*. This statement requires the accrual method of accounting for certain types of postemployment benefits provided to former or inactive employees after employment, but before retirement. This new standard requires that the expected costs of these benefits be accrued during the period employees render service to qualify for benefits. The most significant costs for the Corporation are the continued medical and salary benefits during long-term disability. Effective January 1, 1993 the Corporation adopted SFAS No. 112 and the effect of the change on 1993 income was \$9 million (\$0.05 per share), net of taxes of \$4 million, reflected in cumulative effect of changes in accounting principles. In 1992 and 1991, while recording these expenses on a pay-as-you-go basis, the Corporation incurred expenses of \$0.7 million and \$0.9 million, respectively.

**COCA-COLA COMPANY, DECEMBER 31, 1993**

*The Coca-Cola Company and Subsidiaries*

*Consolidated Statements of Income*

*Year ended December 31,*

*(in millions, except per share data)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before Changes in Accounting Principles	2,188	1,883	1,618
Transition effects of changes in accounting principles			
Postemployment benefits	(12)	—	—
.....			
Net Income	<u>2,176</u>	<u>1,664</u>	<u>1,618</u>

*Coca-Cola Company and Subsidiaries*

*Notes to Consolidated Financial Statements*

1. Accounting Policies

.....

Changes in Accounting Principles

Statement of Financial Accounting Standards No. 112, *Employers' Accounting for Post-employment Benefits* (SFAS 112), was adopted as of January 1, 1993. SFAS 112 requires employers to accrue the costs of benefits to former or inactive employees after employment, but before retirement. The Company recorded an accumulated obligation of \$12 million, which is net of deferred taxes of \$8 million. The increase in annual pretax postemployment benefits expense in 1993 was immaterial to Company operations.

.....

**CORESTATES FINANCIAL CORP., DECEMBER 31, 1993**

*CoreStates Financial Corp. and Subsidiaries  
Consolidated Statement of Income  
(in thousands, except per share amounts)*

	<u>Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income Before Cumulative Effect of a Change in Accounting Principle	327,927	262,404	227,746
Cumulative effect of a change in accounting principle, net of income tax benefits of \$7,005 in 1993 and \$41,720 in 1992 (Note 12)	<u>(13,010)</u>	<u>(80,986)</u>	<u>—</u>
Net Income	\$314,917	\$181,418	\$227,746

*CoreStates Financial Corp. and Subsidiaries  
Notes to the Financial Statements  
(dollar amounts in thousands)*

1. Summary of Significant Accounting Policies

.....  
Changes in accounting principles

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("FAS 112"). FAS 112 established the accounting requirements for benefits provided to former or inactive employees after employment but before retirement. FAS 112 requires that employers accrue the costs associated with providing benefits, such as salary and continuation under disability plans, when payment of the benefits is probable and the amount of the obligation can be reasonably estimated. The Corporation recognized the January 1, 1993 FAS 112 transitional liability of \$20,015, \$13,010 after-tax or \$.11 per share, as the cumulative effect of a change in accounting principle.

.....  
12. Retirement and Benefit Plans

.....  
Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Post-employment Benefits" ("FAS 112") was issued in November 1992 to establish accounting for benefits provided to former or inactive employees after employment but before retirement. FAS 112 requires that employers accrue the costs associated with providing benefits, such as salary and benefit continuation under disability plans, when payment of the benefits is probable and the

amount of the obligation can be reasonably estimated. Effective January 1, 1993, the Corporation adopted FAS 112. The Corporation recognized the January 1, 1993 FAS 112 transitional liability of \$20,015, \$13,010 after-tax or \$0.11 per share, as the cumulative effect of a change in accounting principle. The impact of FAS 112 on salaries, wages and benefits expenses for the year ended December 31, 1993 was not material.

**CYPRUS AMAX MINERALS COMPANY, DECEMBER 31, 1993**

*Cyprus Amax Minerals Company and Subsidiaries  
Consolidated Statement of Operations  
Year ended December 31  
(in thousands, except per share data)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income (Loss) Before Cumulative Effect of Accounting Changes	100,169	(245,972)	42,744
Cumulative Effect of Accounting Changes for Benefits, Net of Tax of \$29,199	<u>—</u>	<u>(87,597)</u>	<u>—</u>
Net Income (Loss)	100,169	(333,569)	42,744

.....

*Cyprus Amax Minerals Company and Subsidiaries  
Consolidated Balance Sheet  
At December 31  
(in thousands, except share amounts)*

	<u>1993</u>	<u>1992</u>
.....		
Noncurrent Liabilities and Deferred Credits		
.....		
Deferred Employee and Retiree Benefits	435,249	134,772

.....

*Cyprus Amax Minerals Company and Subsidiaries  
Notes to Consolidated Financial Statements*

Note 1. Summary of Significant Accounting Policies

.....

Postemployment Benefits — In December 1992 Cyprus adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," retroactive to January 1, 1992 (see Note 12). SFAS No. 112 requires the Company to expense postemployment benefits as they are earned by the employee for services rendered, rather than as they are paid. The Amax businesses adopted SFAS No. 112 as of the merger date.

.....

Note 12. Employee Benefit Plans

.....

The Company also has a number of postemployment plans covering severance, disability income, and continuation of health and life insurance for disabled employees. In the fourth quarter of 1992, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," retroactive to January 1, 1992. The cumulative effect of adopting SFAS No. 112 was the establishment of a \$16.8 million pretax accrual for postemployment benefits. At December 31, 1993, the accumulated postemployment benefit liability consists of a current amount of \$1.8 million included in Accrued Payroll and Benefits and \$24.8 million included in Deferred Employee and Retiree Benefits. The increase in the liability is primarily attributed to \$8 million relating to the Amax plans.

**DUN & BRADSTREET CORPORATION, DECEMBER 31, 1993**

*The Dun & Bradstreet Corporation and Subsidiaries  
Consolidated Statement of Income  
Years ended December 31,  
(dollar amounts in millions,  
except per share data)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income Before Cumulative Effect of Changes in Accounting Principles	428.7	553.5	506.5
Cumulative Effect to January 1, 1993, of Changes in Accounting Principles:			
.....			
— SFAS No. 112, "Employers' Accounting for Postemployment Benefits," Net of Income Tax Benefits of \$150.0	<u>(250.0)</u>	<u>—</u>	<u>—</u>
Net Income	\$ 38.1	\$553.5	\$506.5

.....

*The Dun & Bradstreet Corporation and Subsidiaries*  
*Consolidated Statement of Financial Position*  
*December 31,*  
*(dollar amounts in millions, except per share data)*

	<u>1993</u>	<u>1992</u>
.....		
Current Liabilities		
.....		
Accrued and Other Current Liabilities	1,561.5	980.5
Total Current Liabilities	<u>2,044.1</u>	<u>1,644.6</u>
.....		
Postretirement and Postemployment Benefits	545.7	131.8
.....		

*The Dun & Bradstreet Corporation and Subsidiaries*  
*Notes to Consolidated Financial Statements*

Note 2. Accounting Changes

.....

During the third quarter of 1993, the Company adopted, retroactive to January 1, 1993, Statement of Financial Accounting Standards No. 112 (SFAS No. 112), "Employers' Accounting for Postemployment Benefits" and restated its first quarter results to reflect the change. SFAS No. 112 requires that employers expense the costs of postemployment benefits paid before retirement, principally severance benefits, over the service lives of employees if certain conditions are met, and must be adopted by all companies by 1994. Under the Company's previous accounting policy, the total cost of such benefits was expensed when the event occurred.

The initial effect of adopting SFAS No. 112 was a one-time, after-tax charge of \$250 million (\$1.40 per share). There was no immediate impact on cash as a result of this accounting change. As in the past, the cash impact of such postemployment benefits will occur as payments are made.

Ongoing operating expenses increased marginally as a result of adopting....and SFAS No. 112.

Note 13. Supplemental Financial Data

.....

Accrued and Other Current Liabilities:

	<u>1993</u>	<u>1992</u>
.....		

	<u>1993</u>	<u>1992</u>
Postemployment benefits	200.0	0
.....		
	\$1,561.5	\$980.5

**ENGELHARD CORPORATION, DECEMBER 31, 1993**

*Engelhard Corporation  
Consolidated Statements of Earnings  
Year ended December 31,  
(in thousands, except per  
share amounts)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Net earnings before cumulative effect of accounting changes	16,672	100,126	87,942
Cumulative effect of accounting changes	<u>(16,000)</u>	<u>(89,509)</u>	<u>—</u>
Net earnings	\$ 672	\$10,617	\$87,942

*Engelhard Corporation  
Notes to Consolidated Financial Statements*

1. Summary of significant accounting policies

Accounting changes

Effective January 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits." This standard requires the accrual method of accounting for certain benefits provided to former or inactive employees after employment but before retirement. As of January 1, 1993, the Company recognized the full actuarially calculated amount of its estimated accumulated postemployment benefit obligation. The charge to 1993 earnings was \$26.0 million (\$16.0 million after tax or \$.16 per share). The after-tax amount has been reflected in 1993 as a cumulative effect of an accounting change. In the third quarter of 1993, as a result of the Omnibus Budget Reconciliation Act of 1993, the Company's obligation was reduced by approximately \$7.4 million after tax which will be amortized over the average remaining service period of active plan participants.

**HONEYWELL INC., DECEMBER 31, 1993**

*Honeywell Inc. and Subsidiaries*

*Income Statement*

*(dollars and shares in millions, except per share amounts)*

	<u>Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before Extraordinary Item and Cumulative Effect of Accounting Changes	322.2	399.9	331.1
.....			
Cumulative Effect of Accounting Changes	—	(144.5)	—
Net Income	\$322.2	\$246.8	\$331.1

*Honeywell Inc. and Subsidiaries*

*Statement of Financial Position*

*(dollars in millions)*

	<u>December 31,</u>	
	<u>1993</u>	<u>1992</u>
.....		
Liabilities and Stockholders' Equity		
.....		
Accrued benefit costs	378.6	389.2

*Honeywell Inc. and Subsidiaries*

*Notes to Financial Statements*

*(dollars in millions, except per share amounts)*

Note 1. Accounting Policies

.....

Postemployment Benefits

In 1992, Honeywell adopted Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits." The pre-tax cumulative effect of this accounting change on January 1, 1992 was \$39.7 and resulted in a reduction in net income of



\$24.6 (\$0.18 per share). The effect of this accounting change for 1992 was a decrease in income before income taxes of \$3.8, or \$2.5 (\$0.02 per share) after income taxes.

The enactment by Congress of the Omnibus Budget Reconciliation Act of 1993, which made Medicare the primary provider of medical benefits for disabled former employees after 29 months of disability, reduced the accumulated benefit obligation for postemployment benefits by \$33.4 in the fourth quarter of 1993. This change in estimate is included in cost of sales on the income statement.

.....

**IDAHO POWER COMPANY, DECEMBER 31, 1993**

*Idaho Power Company  
Consolidated Balance Sheets  
December 31  
(thousands of dollars)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Deferred Debits:			
.....			
Regulatory assets — other	35,036	—	—
.....			
Deferred Credits:			
.....			
Other (Note 9)	58,542	55,118	48,997
.....			

*Notes to Consolidated Financial Statements*

9. Benefit Plans

.....

Postemployment Benefits

The Company provides certain benefits to former or inactive employees, their beneficiaries, and covered dependents after employment but before retirement. The Company has recognized its portion of the cost of providing these benefits as an expense during the period in which the costs were incurred.

The Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits" as of January 1, 1993. The statement requires accrual of postemployment benefits. These benefits

include salary continuation and related health care and life insurance for both long- and short-term disability plans, workmen's compensation and health care for surviving spouse and dependent plan. The adoption of SFAS 112 is a change of accounting principle; but since the Company is a regulated utility, a deferred asset was established which represents future revenue expected to be realized at the time the postemployment benefits are included in the Company's rates. The Company recorded a liability and a regulatory asset of \$3.9 million which represents the costs associated with postemployment benefits at December 31, 1993.

**IMCERA GROUP INC., JUNE 30, 1993**

*IMCERA Group Inc.*  
*Consolidated Statement of Operations*  
*(in millions, except per share amounts)*

	<u>Years Ended June 30,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Earnings (loss) before cumulative effects of accounting changes	(119.8)	127.5	88.2
Cumulative effects of accounting changes— Notes H and M	<u>(80.6)</u>	<u>—</u>	<u>—</u>
Net earnings (loss)	(200.4)	127.5	88.2

.....  
*IMCERA Group Inc.*  
*Notes to Consolidated Financial Statements*  
*(in millions, except per share amounts)*

Note M. Postretirement Health Care and Postemployment Benefits

.....  
 Also in the fourth quarter, IMCERA adopted FAS 112 "Employers' Accounting for Post-employment Benefits." This statement requires an accrual method of recording the cost of postemployment benefits such as disability related benefits. The cumulative effect of adopting FAS 112 retroactively to July 1, 1992, was a charge of \$1.1 million after taxes, or \$.02 a share. The incremental effect of this change on 1993 operations was a charge of \$1.4 million, \$.9 million after taxes, or \$.01 a share.

**INGERSOLL RAND COMPANY, DECEMBER 31, 1993**

*Consolidated Statement of Income*  
*For the years ended December 31*  
*(in thousands, except per share amounts)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Earnings before effect of accounting changes	163,524	115,594	150,589
Effect of accounting changes (net of income tax benefits):			
— Postemployment benefits	(21,000)	—	—
.....			
Net earnings (loss)	<u>\$142,524</u>	<u>\$(234,406)</u>	<u>\$150,589</u>

*Consolidated Balance Sheet*  
*December 31*  
*(in thousands, except share amounts)*

	<u>1993</u>	<u>1992</u>
.....		
Liabilities and Equity		
.....		
Postemployment liabilities	515,787	494,527

*Notes to Consolidated Financial Statements*

Note 1. Summary of Significant Accounting Policies

.....

Accounting Changes: Effective January 1, 1993, the company adopted Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires an accrual for the expected cost of benefits provided by an employer to former or inactive employees after employment but before retirement, such as the continuation of medical and life insurance benefits for employees on long-term disability. Previously, these benefits were expensed as incurred. The company elected to adopt this standard in the fourth quarter of 1993, and recognized the postemployment benefit obligation as of January 1, 1993. The effect of the adoption of SFAS No. 112 for the company totalled \$21.00 million (\$0.20 per share), net of a \$13.5 million tax benefit. Aside from the effect of the adjustment, the adoption of SFAS No. 112 was not material to the company's 1993 financial results and accordingly, the results for the first three quarters of 1993 have not been restated to reflect this adoption. Operating results for the years preceding 1993 were not restated for the adoption of SFAS No. 112.

.....

**JOHNSON & JOHNSON, DECEMBER 31, 1993**

*Consolidated Statement of Earnings  
Johnson & Johnson and Subsidiaries  
(dollars in millions, except per  
share figures) (Note 1)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Earnings before cumulative effect of accounting changes	1,787	1,625	1,461
Cumulative effect of accounting changes, net of tax (Notes...and 16)	<u>—</u>	<u>(595)</u>	<u>—</u>
Net earnings	\$1,787	\$1,030	\$1,461

.....

*Notes to Consolidated Financial Statements  
Johnson & Johnson and Subsidiaries*

**16. Other Postemployment Benefits**

The Company provides certain other postemployment benefits to qualified former or inactive employees. The Company does not fund these benefits and has the right to modify these plans in the future.

Effective December 30, 1991, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires accrual accounting for these benefits rather than the cash method of accounting. Upon adoption, the Company elected to record the accumulated obligation of \$343 million (\$220 million after-tax or \$.33 per share) as a one-time charge against earnings in the form of a cumulative effect of an accounting change.

**JOHNSON CONTROLS INC., SEPTEMBER 30, 1993**

*Johnson Controls Inc.  
Consolidated Statement of Income  
Year ended September 30  
(in millions, except per share data)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before cumulative effect of accounting changes	137.9	123.0	95.1
Cumulative effect of accounting changes, net of income taxes	<u>(122.0)</u>	<u>—</u>	<u>—</u>
Net income	\$15.9	\$123.0	\$95.1

.....

Note 8. Postemployment Benefits

Effective October 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 prescribes accrual accounting methods for employers who provide certain benefits to former or inactive employees after employment but before retirement. Previously, these costs were charged to expense as claims were paid. Adoption of this standard resulted in a one time transition charge of \$42.3 million before taxes (\$26 million or \$.64 per share on a primary basis and \$.60 per share fully diluted, after taxes). In accordance with the requirements of SFAS No. 112, the transition obligation was charged to 1993 income as the cumulative effect of an accounting change. The impact on operating income from the adoption of this accounting standard was not significant. Quarterly results for 1993 have been restated for the effect of this accounting change. Financial statements presented for years prior to 1993 have not been restated.

**MINE SAFETY APPLIANCES COMPANY, DECEMBER 31, 1993**

*Consolidated Statement of Income*  
(in thousands, except per share amounts)

	<u>Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Cumulative effect to January 1, 1992 of changes in accounting principles (Note 8)	<u>—</u>	<u>(8,964)</u>	<u>—</u>
Net income	<u>\$10,555</u>	<u>\$2,672</u>	<u>\$18,651</u>

.....

*Consolidated Balance Sheet*  
(in thousands, except per share amounts)

	<u>December 31,</u>	
	<u>1993</u>	<u>1992</u>
.....		
Total current liabilities	60,410	55,125
.....		
Pensions and other employee benefits	46,856	49,128

.....

*Notes to Consolidated Financial Statements*

. . . .

Note 18. Accounting Changes

Effective January 1, 1992, the company adopted three new Statements of Financial Accounting Standards (SFAS). The after tax effect of these changes was a charge of \$8,964,000 against 1992 net income. Aside from this cumulative effect as of January 1, 1992, adoption of these Standards did not materially affect 1992 financial results.... SFAS No. 112, "Employers' Accounting for Postemployment Benefits" pertains to benefits, such as workers' compensation and other disability expenses, for inactive employees before retirement. The after tax costs recognized for implementing this Standard were \$2,440,000 (pretax \$4,000,000)....

**PHELPS DODGE CORPORATION, DECEMBER 31, 1993**

*Phelps Dodge Corporation  
Statement of Consolidated Operations  
(in thousands, except per share data)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
. . . .			
Income before cumulative effect of accounting changes	187,900	301,600	272,900
Cumulative effect of accounting changes	<u>—</u>	<u>(79,900)</u>	<u>—</u>
Net income	<u>\$187,900</u>	<u>\$221,700</u>	<u>\$272,900</u>

. . . .

*Phelps Dodge Corporation  
Notes to Consolidated Financial Statements  
(dollar amounts in tables stated in thousands, except as noted)*

Note 1. Summary of Significant Accounting Policies

*Accounting and Reporting Changes.* In 1992, the Corporation elected early adoption of Statement of Financial Accounting Standards (SFAS) No. ....112, "Employers' Accounting for Postemployment Benefits." All three standards were treated as though they were in effect since January 1, 1992. The cumulative effects of the accounting changes required by these standards were reflected in revised 1992 first quarter results. Adoption of the standards also required recognition of certain ongoing operating costs in excess of those recorded under previously used accounting methods. These costs have been allocated to each quarter of 1992 and were reflected in revised quarterly results. The adoption of these standards has had no effect on cash flow and has not affected adversely in any material respect the position of the Corporation under its debt agreements.

The combined cumulative effect of accounting changes from the adoption of these three new accounting standards was a one-time transition charge of \$111.1 million before taxes (\$79.9 million, or \$1.13 per common share, after taxes). The disclosures for these accounting changes are included in Note .... 17 for SFAS No. 112.

. . . .

*Postemployment Benefits.* The Corporation has certain postemployment benefit plans covering most of its U.S. employees and in some cases employees of international subsidiaries. The benefit plans may provide severance, disability, supplemental health care, life insurance or other welfare benefits. Effective January 1, 1992, the Corporation began accounting for these benefits on an accrual basis. The Corporation's funding policy provides that payments shall be at least equal to its cash basis obligation, plus additional amounts that may be approved by the Corporation from time to time to the extent that they are deductible for income tax purposes.

. . . .

Note 10. Other Liabilities and Deferred Credits

Other liabilities and deferred credits are as follows (*in millions*):

	<u>1993</u>	<u>1992</u>
Postretirement and postemployment benefit plans (see Notes 16 and 17)	\$127.2	\$118.8
. . . .		
	<u>\$263.3</u>	<u>\$238.2</u>

Note 17. Postemployment Benefits

As discussed in Note 1 to the Consolidated Financial Statements, the Corporation elected early adoption of SFAS No. 112, "Employers' Accounting for Postemployment Benefits," as of January 1, 1992. SFAS No. 112 prescribes accounting methods for employers who provide certain benefits to former or inactive employees after employment but before retirement. Adoption of this standard resulted in a one-time 1992 transition charge of \$5.6 million before taxes (\$3.5 million, or 5 cents per common share, after taxes).

**SPRINT CORPORATION, DECEMBER 31, 1993**

*Consolidated Statements of Income*  
*For the years ended December 31,*  
*(in millions, except per share data)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
. . . .			
Cumulative effect of changes in accounting principles, net	<u>(384.2)</u>	<u>22.7</u>	<u>—</u>
Net income	54.9	502.8	520.2

. . . .

*Consolidated Balance Sheets  
As of December 31,  
(in millions)*

	<u>1993</u>	<u>1992</u>
.....		
Total current liabilities	3,068.6	2,977.3
.....		
Postretirement and other benefit obligations	793.1	69.0
.....		

*Notes to Consolidated Financial Statements*

1. Accounting Policies

.....

Postemployment Benefits

Effective January 1, 1993, Sprint adopted SFAS No. 112, "Employers' Accounting for Post-employment Benefits." Upon adoption, Sprint recognized certain previously unrecorded obligations for benefits to be provided to former or inactive employees and their dependents, after employment but before retirement. Such postemployment benefits offered by Sprint include severance, disability and workers compensation benefits, including the continuation of other benefits such as health care and life insurance coverage.

The resulting nonrecurring, noncash charge of \$11 million (\$0.03 per share), net of related income tax benefits, is reflected in the 1993 consolidated statement of income as a cumulative effect of change in accounting principle. Adoption of SFAS No. 112 had no significant impact on operating expenses in 1993.

**TPI ENTERPRISES, INC., DECEMBER 26, 1993**

*TPI Enterprises, Inc. and Subsidiaries  
Consolidated Statements of Operations*

	<u>Fiscal Year Ended</u>		
	<u>December 26,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>1993</u>	<u>1992</u>	<u>1991</u>
	<i>(dollars in thousands)</i>		

.....

Income (loss) before  
extraordinary item and



	<u>Fiscal Year Ended</u>		
	<u>December 26,</u> <u>1993</u>	<u>December 31,</u> <u>1992</u>	<u>December 31,</u> <u>1991</u>
	<i>(dollars in thousands)</i>		
cumulative effect of accounting changes	(31,215)	662	10,667
.....			
Cumulative effect of accounting changes, net of income taxes	—	(2,838)	—
Net income (loss)	\$(31,215)	\$(14,125)	\$10,667
.....			

*TPI Enterprises, Inc. and Subsidiaries*  
*Notes to Consolidated Financial Statements*

Note 1. Significant Accounting Policies

.....

Postemployment Benefits

The Company recognizes the cost of postemployment benefits on an accrual basis in accordance with Financial Accounting Standard No. 112, "Employers' Accounting for Post-employment Benefits." The adoption of this statement during the year ended December 31, 1992 resulted in an increase of \$102,000 in 1992 income from continuing operations. The cumulative effect on years prior to January 1, 1992 of \$716,000, or \$.04 per share, is included in 1992 net income.

.....

**UNION TEXAS PETROLEUM HOLDINGS INC., DECEMBER 31, 1993**

*Union Texas Petroleum Holdings, Inc.*  
*Consolidated Statement of Operations*  
*Year ended December 31,*  
*(dollars in thousands, except per*  
*share amounts)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before extraordinary items and cumulative effect of changes in accounting principles	30,669	109,398	279,943
.....			

*Consolidated Statement of Operations (continued)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Cumulative effect of changes in accounting principles	(3,743)	(76,080)	—
Net income	26,926	13,636	332,850

.....

*Notes to Consolidated Financial Statements  
(dollars in thousands, unless otherwise indicated)*

Note 1. Organization and Summary of Significant Accounting Policies

.....

*Postemployment Benefits.* In December 1992, the FASB released Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," which concluded that the estimated cost of benefits provided by an employer to former or inactive employees after employment but before retirement represents part of the compensation provided to an employee in exchange for service. The Company currently provides certain long-term benefits to disabled employees. The Company adopted the Statement effective January 1, 1993, by recording a cumulative charge to net income of approximately \$4 million representing the estimated future obligation for those employees currently under the long-term disability program. In prior periods, the Company's cost of long-term disability was expensed as paid.

.....

**UNOCAL CORPORATION, DECEMBER 31, 1993**

*Consolidated Earnings  
Unocal Corporation  
(dollars in millions, except per share amounts)*

	<u>Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
Earnings before cumulative effect of accounting changes	343	196	73
Cumulative effect of accounting changes	(130)	24	—
Net Earnings	\$213	\$220	\$73

.....

*Notes to Consolidated Financial Statements*

.....

Note 12. Postretirement and Postemployment Benefit Plans

.....

The company also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1993. This statement requires the company to recognize its obligation to provide benefits, such as workers' compensation and disabled employees' medical care, to former or inactive employees after employment but before retirement. The charge to earnings for the cumulative effect of the company's unfunded obligation prior to 1993 was \$14 million before tax (\$9 million after tax or 4 cents per common share). The accumulated postemployment benefit obligation was \$17 million as of December 31, 1993.

**USX CORPORATION, DECEMBER 31, 1993**

*USX  
Consolidated Statement of Operations  
(dollars in millions)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Total loss before cumulative effect of changes in accounting principles	(167)	(160)	(578)
Cumulative effect of changes in accounting principles:			
Postemployment benefits (Note 1, page 40)	(86)	—	—
.....			
Net loss	<u>(259)</u>	<u>(1,826)</u>	<u>(578)</u>
.....			

*USX  
Notes to Consolidated Financial Statements*

1. Summary of Principal Accounting Policies

.....

*Postemployment Benefits.* Effective January 1, 1993, USX adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS No. 112). SFAS No. 112 requires employers to recognize the obligation to provide postemployment benefits on an accrual basis if certain conditions are met. USX is affected primarily by disability-related claims covering indemnity and medical payments. The obligation for these claims is measured using actuarial techniques and assumptions including appropriate discount rates. The cumulative effect of the change in accounting principle determined as of January 1, 1993, reduced net income \$86 million, net of \$50 million income tax effect. The effect of the change in accounting principle reduced 1993 operating income by \$23 million.

**WILMINGTON TRUST CORPORATION, DECEMBER 31, 1993**

*Wilmington Trust Corporation and Subsidiaries  
Consolidated Statements of Income  
For the year ended December 31  
(in thousands)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before cumulative effect of change in accounting principle	82,761	78,762	72,761
Cumulative effect of change in accounting principle (net of income tax benefit of \$8,296)	<u>—</u>	<u>(14,749)</u>	<u>—</u>
Net income	<u>\$82,761</u>	<u>\$64,013</u>	<u>\$72,761</u>
.....			

*Wilmington Trust Corporation and Subsidiaries  
Notes to Consolidated Financial Statements*

.....

**Note 6. Employment Benefit Plans**

.....

**Postemployment Health Care and Life Insurance Benefits**

In addition to providing pension benefits, the Corporation makes available certain health care and life insurance benefits for substantially all retired staff members. Staff members, who retire from the Corporation, will be eligible to receive up to \$7,000 each year toward the premium for medical coverage if they are under age 65 and up to \$4,000 toward the premium if they are age 65 or over. Staff members who retire are also eligible for \$7,500 of life insurance coverage.

On December 17, 1992, the Corporation announced the adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits," retroactive to January 1, 1992.

Prior to the adoption of SFAS No. 106 and No. 112, the Corporation recognized the cost of providing those benefits by expensing the annual insurance premiums, which was \$7,179,856 for 1991. The cost of those benefits for retirees was not separable from the cost of providing benefits for the actively participating staff members.

With the 1992 adoption of SFAS No. 106 and No. 112, the cost of providing those benefits is being recognized on an accrual basis. The transition obligation — the amount that would have been recorded in years prior to 1992 under the accrual basis approach — was \$23,044,721 and was taken as a one-time charge to earnings in the first quarter of 1992.

The components of the net periodic postemployment benefit costs for the years ended December 31, were as follows:

(in thousands)

	<u>1993</u>	<u>1992</u>
Service cost	\$ 482	\$ 418
Interest cost	2,095	1,894
Net postemployment benefit cost	<u>\$2,577</u>	<u>\$2,312</u>

A table of the plan's funded status and amounts recognized in the consolidated statement of condition, at December 31, is as follows:

(in thousands)

	<u>1993</u>	<u>1992</u>
Accumulated postemployment benefit obligation:		
Retirees	\$(17,034)	\$(16,629)
Active employees	(11,200)	(7,653)
	<u>(28,234)</u>	<u>(24,282)</u>
Plan assets at fair value	—	—
Funded status	<u>(28,234)</u>	<u>(24,282)</u>
Unrecognized prior service cost	—	—
Unrecognized net loss	2,887	—
Unrecognized transition obligation	—	—
Accrued postemployment benefit obligation	<u>\$(25,347)</u>	<u>\$(24,282)</u>

The following assumptions were utilized in the calculation of the accumulated postemployment benefit obligation. These assumptions are applicable to current retirees and those employees electing to retire by December 31, 1993. Beginning in 1994, the Corporation will cap the amount of premiums that it will contribute to this plan. Premium costs in excess of these caps will be borne by the plan participant.

	<u>1993</u>		<u>1992</u>	
	<u>Claims ≤ Age 65</u>	<u>Claims &gt; Age 65</u>	<u>Claims ≤ Age 65</u>	<u>Claims &gt; Age 65</u>
Significant actuarial assumptions used for other postemployment benefits are as follows:				
Discount rate	7.25%	7.25%	8.5%	8.5%
Health care cost trend rate, current year	12.0	10.0	12.0	10.0
Health care cost trend rate, ultimate year	4.0	4.0	5.0	5.0
Trend rate decreases to the ultimate rate in the year	1999	1999	2003	2003

Notes to Consolidated Financial Statements (continued)

	1993		1992	
	Claims ≤ Age 65	Claims > Age 65	Claims ≤ Age 65	Claims > Age 65
Effect of a 1% increase in the trend rate (in thousands):				
Increase in accumulated postemployment benefit obligation	\$1,355		\$1,178	
Increase in net periodic postemployment benefit cost	95		102	

**WOODWARD GOVERNOR COMPANY, SEPTEMBER 30, 1993**

Woodward Governor Company and Subsidiaries  
Statements of Consolidated Earnings (Loss)  
Year ended September 30  
(in thousands of dollars, except per share amounts)

	1993	1992	1991
.....			
Earnings before cumulative effect of accounting changes	13,389	20,212	24,293
Cumulative effect of accounting changes, net of tax benefit of \$11,360	(17,417)	—	—
Net earnings (loss)	\$(4,028)	\$20,212	\$24,293
.....			

Woodward Governor Company and Subsidiaries  
Notes to Consolidated Financial Statements  
(in thousands of dollars, except per share amounts)

.....

G. Retirement and benefit plans:

.....

The company also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The statement requires the accrual method of accounting for benefits to former or inactive members after membership but before retirement. The company's postemployment benefits consist principally of disability medical benefits. This resulted in a one-time charge of \$427 (after reduction for income tax of \$273). The charge is related to prior service cost and was a non-cash transaction recognized as a cumulative effect of accounting change as of October 1, 1992, decreasing net earnings by \$.15 per share.

# III

## COMPANIES PREVIOUSLY ON ACCRUAL-BASIS ACCOUNTING FOR POSTEMPLOYMENT BENEFITS

Some companies in NAARS that had adopted FASB Statement No. 112 by the time of this survey were on an accrual basis for accounting for postemployment benefits before they adopted the Statement. Twenty-six examples are presented below of the adoption of the Statement by such companies, all of which continued with an accrual basis after adoption. No companies were found that changed from an accrual to a cash basis after adoption.

### ALLIED-SIGNAL INC., DECEMBER 31, 1993

*Allied Signal Inc.*  
*Consolidated Statement of Income*  
*(dollars in millions, except per share amounts)*

	<u>Years Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income (loss) before cumulative effect of changes in accounting principles	656	535	(273)
Cumulative effect of changes in accounting principles:			
.....			
Accounting for postemployment benefits, net of income taxes	(245)	—	—

*Consolidated Statement of Income (continued)*

	<u>Years Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Net income (loss)	\$411	\$(712)	\$(273)

.....

*Allied Signal Inc.*

*Notes to Financial Statements*

*(dollars in millions, except per share amounts)*

**Note 1. Summary of Significant Accounting Policies**

.....

Postemployment benefits for former or inactive employees, excluding retirement benefits, are accounted for under the provisions of Financial Accounting Standards Board (FASB) Statement No. 112, "Employers' Accounting for Postemployment Benefits" (FASB No. 112), effective January 1, 1993. FASB No. 112 requires the Company to accrue the cost of certain benefits, including severance, workers' compensation, and health care coverage, over an employee's service life. A one-time charge for the adoption of FASB No. 112 of \$396 million (after-tax \$245 million, or \$0.86 a share) was recognized as the cumulative effect of a change in accounting principle in 1993. The 1993 ongoing expense was \$18 million (after-tax \$11 million, or \$0.04 a share). The Company uses the services of an enrolled actuary to calculate the expense. The Company previously expensed the cost of such benefits on a pay-as-you-go basis or recognized the impact at the time of a specific event.

.....

**AMERICAN MAIZE PRODUCTS COMPANY, DECEMBER 31, 1993**

*American Maize Products Company*

*Consolidated Balance Sheets*

*(dollars in thousands, except per share amounts)*

	<u>At December 31,</u>	
	<u>1993</u>	<u>1992</u>
.....		
Total current liabilities	51,395	51,419
.....		
Accrued postretirement and postemployment benefits	50,027	—

.....



*American Maize Products Company*  
*Consolidated Statements of Operations and Retained Earnings*  
*(dollars in thousands, except per share amounts)*

	<u>For the Years Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before extraordinary losses and cumulative effect of accounting changes	214	9,995	11,287
.....			
Cumulative effect of change in accounting for postemployment benefits	(27,200)	—	—
.....			
Net income (loss)	<u>(31,168)</u>	<u>13,011</u>	<u>11,287</u>

*American Maize Products Company*  
*Notes to Consolidated Financial Statements*  
*(dollars in thousands, except per share amounts)*

.....

8. Postemployment Benefits to Other Than Retirees

The Company provides certain postemployment benefits to former or inactive employees after employment but before retirement. Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" which requires that these benefits be recorded on an accrual basis. The Company had previously recorded a portion of these costs on an accrual basis; however, the adoption of this statement created a transition obligation for previously unrecognized prior years' costs. As a result of the adoption of the statement, the Company recorded a charge of \$1,130 (\$634 net of tax,) or \$.07 per share, as a cumulative effect of an accounting change.

**AMERICAN TELEPHONE & TELEGRAPH COMPANY, DECEMBER 31, 1993**

*AT&T and Subsidiaries*  
*Consolidated Statement of Income*  
*Years ended December 31*  
*(dollars in millions, except per share amounts)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			

*Consolidated Statement of Income (continued)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Income before cumulative effects of accounting changes	3,974	3,807	522
Cumulative effects on prior years of changes in accounting for:			
. . . . .			
Postemployment benefits (net of income tax benefit of \$681)	(1,128)	—	—
. . . . .			
Cumulative effects of accounting changes	<u>(7,768)</u>	<u>—</u>	<u>—</u>
Net Income (Loss)	\$(3,794)	\$3,807	\$522
. . . . .			

*AT&T and Subsidiaries  
Consolidated Balance Sheets  
At December 31  
(dollars in millions, except per share amount)*

	<u>1993</u>	<u>1992</u>
. . . . .		
Liabilities and Deferred Credits		
. . . . .		
Postretirement and postemployment benefit liabilities	1,301	—
. . . . .		
Total current liabilities	25,334	21,386
. . . . .		
Postretirement and postemployment benefit liabilities	9,082	—
. . . . .		

*American Telephone and Telegraph Company (AT&T) and Subsidiaries  
Notes to Consolidated Financial Statements*

1. Summary of Significant Accounting Policies

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Changes in Accounting Principles

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Postemployment Benefits

We also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1993. Analogous to SFAS No. 106, this standard requires us to accrue for estimated future postemployment benefits, including separation payments, during the years employees are working and accumulating these benefits, and for disability payments when the disabilities occur. Before this change in accounting, we recognized costs for separations when they were identified and disability benefits when they were paid.

When we adopted the new standard, we had an accumulated liability for payments to employees who were then disabled and for benefits related to the past service of active employees. We recorded a one-time pretax charge of \$1,809 million to record the unprovided portion of these liabilities. That charge reflects \$2,221 million of liabilities less \$412 million of reserves for business restructuring activities that were established before 1993 and reclassified to post-employment liabilities as part of this accounting change. After taxes, that charge was \$1,128 million (\$0.83 per share). The change in accounting reduced operating income by \$301 million, and net income by \$171 million (\$0.13 per share) in 1993. This change does not affect cash flows.

.....

**BLOUNT, INC., FEBRUARY 28, 1993**

*Blount, Inc. and Subsidiaries*  
*Notes to Consolidated Financial Statements*

Note 1. Summary of Significant Accounting Policies

.....

Postemployment benefits:

In fiscal 1994, the Company adopted SFAS No. 112, "Employers' Accounting for Post-employment Benefits," which requires the accrual of the cost of benefits to former or inactive employees after employment but before retirement. The Company's prior accounting practices for postemployment benefits do not differ materially from those required by SFAS No. 112.

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**CARTER HAWLEY HALE STORES INC., JANUARY 29, 1994**

*Financial Review*  
*Summary of Significant Accounting Policies*

.....

Changes in Accounting Policies

During 1993, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS No. 112"). This statement

establishes standards of financial accounting and reporting for the estimated costs of benefits provided to former or inactive employees after employment, but before retirement, and provides for the costs of such benefits to be accounted for on an accrual basis rather than as expenditures are made. The Company's practice has been to accrue its obligation for such benefits of a material nature when circumstances indicate a liability has been incurred and the amount or range of amounts are reasonably estimable. As a result, the adoption of SFAS 112 had no impact on the Company's financial position or results of operations.

. . . .

**CHRYSLER CORPORATION, DECEMBER 31, 1993**

*Chrysler Corporation and Consolidated Subsidiaries  
Consolidated Statement of Earnings  
Year ended December 31  
(in millions of dollars)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
. . . .			
Earnings (Loss) Before Cumulative Effect of Changes in Accounting Principles	2,415	505	(538)
Cumulative effect of changes in accounting principles (Notes 1, 7 and 12)	<u>(4,966)</u>	<u>218</u>	<u>(257)</u>
Net Earnings (Loss)	\$(2,551)	\$723	\$(795)

. . . .

*Chrysler Corporation and Consolidated Subsidiaries  
Consolidated Balance Sheet  
The years ended December 31  
(in millions of dollars)*

	<u>1993</u>	<u>1992</u>
. . . .		
Liabilities:		
. . . .		
Accrued noncurrent employee benefits (Notes 1, 11 and 12)	10,613	4,187

. . . .

*Chrysler Corporation and Consolidated Subsidiaries  
Notes to Consolidated Financial Statements*

Note 1. Summary of Significant Accounting Policies

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Postemployment Benefits

Effective January 1, 1993, Chrysler adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This new accounting standard requires the accrual of benefits provided to former or inactive employees after employment but prior to retirement. Prior to 1993, Chrysler accrued for certain of these benefits at the time an employee's active service ended and expensed certain other benefits on the basis of cash expenditures. Adoption of this accounting standard resulted in the recognition of an after-tax charge of \$283 million, \$0.82 per common share, for the cumulative effect of this change in accounting principle. Adoption of SFAS No. 112 resulted in a nominal increase in the annual expense recognized for these benefits and no cash impact.

.....

**CHRYSLER FINANCIAL CORPORATION, DECEMBER 31, 1993**

*Chrysler Financial Corporation  
Consolidated Statement of Net Earnings  
(in millions of dollars)*

	<u>Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Earnings before cumulative effect of changes in accounting principles	159	180	276
Cumulative effect of changes in accounting principles (Notes...and 12)	<u>(30)</u>	<u>51</u>	<u>—</u>
Net Earnings	<u>\$129</u>	<u>\$231</u>	<u>\$276</u>

.....

*Chrysler Financial Corporation  
Notes to Consolidated Financial Statements*

.....

Note 12. Employee Benefit Plans

.....

Effective January 1, 1993, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This statement requires the accrual of benefits provided to former or inactive employees after employment but prior to retirement. Prior to 1993, the Company accrued for certain of these benefits at the time an employee's active service ended or expensed the benefit on the basis of cash expenditures. Adoption of this accounting standard resulted in the recognition of an after-tax charge of \$1 million for the cumulative effect of this change in accounting principle. Adoption of SFAS No. 112 is not expected to materially increase annual expense recognized for these benefits, and there will be no cash impact.

**CIGNA CORPORATION**

*CIGNA Corporation*  
*Consolidated Statements of Income and Retained Earnings*  
*(in millions, except per share amounts)*

	<u>For the Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
. . . .			
Income Before Extraordinary Item and Cumulative Effect of Accounting Changes	234	337	453
. . . .			
Cumulative effect of accounting changes for postemployment and postretirement benefits other than pensions, net of taxes	<u>—</u>	<u>(530)</u>	<u>—</u>
Net Income	234	311	449

*CIGNA Corporation*  
*Notes to Financial Statements*

Note 1. Summary of Significant Accounting Policies

. . . .

B) Recent Accounting Pronouncements:

. . . .

SFAS No. 112 requires employers to recognize the costs and obligations of severance, disability, and related life insurance and health care benefits to be paid to inactive or former employees. If these benefits accumulate or vest as a result of employee service and future payments are probable and estimable, the obligation must be recognized over the service period of the employees. If these benefits do not accumulate or vest, the estimated cost of such benefits is accrued when determined to be probable and estimable. Prior to adoption, CIGNA had recognized expense for the cost of these benefits either on an accrual or a paid basis, depending on the plan. The cumulative effect of implementing SFAS No. 112 as of January 1, 1992 was a non-cash after-tax charge to net income of \$13 million. There was no incremental effect on 1992 net income from adopting SFAS No. 112. See Note 9 for additional information.

. . . .

Note 9. Pension and Other Postretirement and Postemployment Benefits Plans

. . . .

C) Other Postemployment Benefits: CIGNA and certain of its subsidiaries provide certain salary continuation (severance and disability), health care and life insurance benefits to inactive and

former employees, spouses and other eligible dependents through various employee benefit plans. Those plans are unfunded and noncontributory, except for the life insurance and health care plans.

Although severance benefits accumulate with additional service, CIGNA recognizes severance expense when severance is probable and the costs can be reasonably estimated. Postemployment benefits other than severance generally do not vest or accumulate; therefore, the estimated cost of benefits is accrued when determined to be probable and estimable, generally upon disability or termination. See Note 1 for additional information regarding implementation of SFAS No. 112.

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**COOPER INDUSTRIES INC., DECEMBER 31, 1993**

*Cooper Industries, Inc.*  
*Consolidated Results of Operations*  
*(in millions, except per-share data)*

	<u>Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before cumulative effect of changes in accounting principles	367.1	361.3	393.2
Cumulative effect on prior years of changes in accounting principles	<u>—</u>	<u>(590.0)</u>	<u>—</u>
Net Income (Loss)	<u>\$367.1</u>	<u>\$(228.7)</u>	<u>\$393.2</u>

.....

*Cooper Industries, Inc.*  
*Notes to Consolidated Financial Statements*

**Note 1. Summary of Major Accounting Policies**

.....

**Postemployment Benefits**

Beginning with the year 1992, the Company accounted for the benefits payable to employees when they leave the Company other than by reason of retirement in accordance with the provisions of SFAS No. 112 (Employers' Accounting for Postemployment Benefits). Except for an actuarial determination of the termination benefits payable to domestic salaried employees, the Company's accounting in years prior to 1992 was the same as that required by SFAS No. 112.

.....

**Note 3. Changes in Accounting Principles**

During the fourth quarter of 1992, the Company elected to adopt effective for all of 1992 and future years the accounting provisions of .... and SFAS No. 112 (*Employers' Accounting for Post-employment Benefits*). Earnings for 1992 included the cumulative effect (\$590 million, net of tax, or \$5.19 per fully diluted share) as of January 1, 1992, necessary to adjust the Company's net

assets for compliance with the new standards. The results of operations for 1993 have also been determined in accordance with the new standards. Each of these changes is discussed in greater detail below.

. . . .

*SFAS No. 112, Employers' Accounting for Postemployment Benefits*

This standard, which was not required to be adopted by the Company until January 1, 1994, provides that the Company follow an accrual method of accounting for the benefits payable to employees when they leave the Company other than by reason of retirement. Because most of these benefits were already accounted for by the Company on an accrual method, this new standard had a relatively small cumulative effect — \$25.6 million (\$15.6 million, net of tax, or \$.13 per fully diluted share) — and a negligible effect on 1992's earnings.

**CROWN CORK & SEAL COMPANY, INC., DECEMBER 31, 1993**

*Crown Cork & Seal Company, Inc. and Subsidiaries  
Consolidated Statements of Income  
(in millions, except per share amounts)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
. . . .			
Net income before cumulative effect of accounting changes	180.9	155.4	128.1
Cumulative effect of accounting changes for:			
. . . .			
Postemployment benefits, net of \$8.5 tax benefit			
Note B	<u>(16.1)</u>	<u>—</u>	<u>—</u>
Net income	\$ 99.1	\$155.4	\$128.1

. . . .

*Crown Cork & Seal Company, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(in millions, except per share, employee, shareholder and statistical data)  
(Share data for years prior to 1992 have been restated for the 3 for 1 common stock split declared in 1992)*

**B. Accounting Changes**

. . . .



SFAS No. 112 requires employers to accrue the costs and obligations of postemployment benefits (severance, disability, and related life insurance and health care benefits) to be paid to inactive or former employees. Prior to adoption, the Company had recognized expense for the cost of these benefits either on an accrual or on an "as paid" basis, depending on the plan. The cumulative effect of implementing SFAS No. 112 resulted in a non-cash after-tax charge to net income of \$16.1 or \$.18 per share as of January 1, 1993.

.....

**DANA CORPORATION, DECEMBER 31, 1993**

*Dana Corporation  
Statement of Income  
(in millions, except per share amounts)*

	<u>Year Ended December 31,</u>		
	<u>1991</u>	<u>1992</u>	<u>1993</u>
.....			
Income before effects of changes in accounting principles	13.5	43.1	128.5
Effect on prior years of the change in accounting for:			
.....			
Postemployment benefits	<u>—</u>	<u>—</u>	<u>(48.9)</u>
Net income (loss)	<u>\$13.5</u>	<u>\$(382.0)</u>	<u>\$79.6</u>

.....

*Comments on Financial Statements  
(in millions, except share and per share amounts)*

**Medical Care and Other Benefits**

.....

In the fourth quarter of 1993, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1993. This statement requires companies to recognize the cost of benefits provided to former or inactive employees after employment but before retirement when it is probable that a benefit will be provided and the amount is reasonably determinable. Such benefits include disability, supplemental unemployment and workers' compensation benefits. Dana formerly charged the cost of providing certain of these benefits against operations as claims were incurred. The effect of adopting SFAS No. 112 in 1993 resulted in a \$48.9 after-tax charge to income (\$1.06 per share).

**JOHN DEERE CAPITAL CORPORATION, OCTOBER 31, 1993**

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Accounting Changes

.....

In the fourth quarter of 1993, the Company adopted FASB Statement No. 112, Employers' Accounting for Postemployment Benefits, effective November 1, 1992. This Statement requires the accrual of certain benefits provided to former or inactive employees after employment but before retirement during employees' years of active service. The Company previously accrued certain disability related benefits when the disability occurred. Results for the first quarter of 1993 were restated for the cumulative pretax charge resulting from this change in accounting as of November 1, 1992 which totaled \$.3 million (\$.2 million net of deferred income taxes). The adoption of FASB Statement No. 112 had an immaterial effect on 1993 expenses.

.....

**DEERE & COMPANY, OCTOBER 31, 1993**

*Deere & Company and Consolidated Subsidiaries  
Statement of Consolidated Income  
(in millions of dollars, except per share amounts)*

	Consolidated Year Ended October 31,		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income (Loss) before			
Changes in Accounting	184.4	37.4	(20.2)
Changes in accounting	<u>(1,105.3)</u>	<u>—</u>	<u>—</u>
Net Income (Loss)	\$(920.9)	\$37.4	\$(20.2)

.....

*Deere & Company and Consolidated Subsidiaries  
Consolidated Balance Sheet  
(in millions of dollars, except per share amounts)*

	Consolidated October 31,	
	<u>1993</u>	<u>1992</u>
.....		
Liabilities		
.....		
Retirement benefit accruals and other liabilities	2,362.1	716.2

.....

*Notes to Consolidated Financial Statements  
Summary of Significant Accounting Policies*

.....

In the fourth quarter of 1993, the company adopted FASB Statement No. 112, "Employers' Accounting for Postemployment Benefits," effective November 1, 1992. This Statement requires the accrual of certain benefits provided to former or inactive employees after employment but before retirement during employees' years of active service. The company previously accrued certain disability related benefits when the disability occurred. Results for the first quarter of 1993 were restated for the cumulative pretax charge resulting from this change in accounting as of November 1, 1992 which totaled \$16 million (\$10 million or \$.13 per share net of deferred income taxes). The adoption of FASB Statement No. 112 resulted in incremental 1993 pretax expense of \$2 million (\$1 million or \$.01 per share net of deferred income taxes) compared with expense determined under the previous accounting principle. This increase in the current year expense is in addition to the previously mentioned one-time cumulative charge. The adoption of FASB Statement No. 112 had an immaterial effect on the Financial Services subsidiaries.

.....

**FIRST FIDELITY BANCORPORATION, DECEMBER 31, 1993**

*First Fidelity Bancorporation (and Subsidiaries)  
Consolidated Statements of Income*

	Year Ended December 31,		
	1993	1992	1991

*(thousands, except per share amounts)*

.....

Income before cumulative effect of changes in accounting principles	396,459	313,737	221,241
Cumulative effect of changes in accounting principles, net of tax	<u>2,373</u>	<u>—</u>	<u>—</u>
Net Income	<u>398,832</u>	<u>313,737</u>	<u>221,241</u>

.....

*First Fidelity Bancorporation (and Subsidiaries)  
Notes to Consolidated Financial Statements*

.....

**Note 2. Changes in Accounting Principles**

.....

During 1993, First Fidelity changed its method of accounting for: .... (c) postemployment benefits, as prescribed in SFAS 112, "Employers' Accounting for Postemployment Benefits" and ....

The cumulative effect of changes in accounting principles, net of tax effect, in the Company's 1993 Consolidated Statement of Income consists of the following:

	<u>Increase (Decrease)</u>
.....	
Postemployment benefits	(7.4)
.....	
Total cumulative effect of changes in accounting principles	\$2.4
.....	

In addition, as of January 1, 1993, the Company adopted SFAS 112, which requires employers to recognize any obligation to provide postemployment (as differentiated from postretirement) benefits (salary continuation, outplacement services, etc.) by accruing the estimated liability through a charge to expense. Upon adoption of SFAS 112, the Company's accumulated postemployment benefit obligation at January 1, 1993 of \$11.3 million was recognized by one-time cumulative effect adjustment of \$7.4 million, net of tax effect, during 1993.

.....  
**Note 13. Benefit Plans**

.....  
**Postemployment Benefits**

The Company's accumulated postemployment benefit obligation under SFAS 112 of \$11.3 million was recognized in the first quarter of 1993 by a one-time cumulative effect adjustment of \$7.4 million, net of tax effect. Exclusive of this one-time adjustment, the Company's annual post-employment benefit expense on an accrual basis was approximately \$900 thousand for 1993, as compared to approximately \$2 million in 1992 under the previous method. No funding is provided for postemployment benefits.

**FREYMILLER TRUCKING INC., DECEMBER 31, 1993**

*Frey Miller Trucking Inc.*  
*Statements of Operations*

	<u>Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
	<i>(in thousands, except per share amounts)</i>		
.....			
Net loss before cumulative effect of accounting changes	(4,961)	(1,563)	(1,776)
Cumulative effect of accounting changes, net (Notes 5 and 9)	<u>(542)</u>	<u>—</u>	<u>—</u>
Net loss	\$(5,503)	\$(1,563)	\$(1,776)

*Freymler Trucking Inc.*  
*Notes to Financial Statements*

.....

9. Accounting for Postemployment Benefits

Effective January 1, 1993, the Company elected early adoption of the requirements of FAS No. 112, "Employers' Accounting for Postemployment Benefits" on the immediate recognition basis. This statement requires that the cost of postemployment benefits, which are primarily workers' compensation related, be recognized in the financial statements during the employees' active working careers. The Company changed its method of measuring the estimated liability for workers' compensation to employ actuarial assumptions to discount to present value the estimated future payments for these claims, using a rate of 4%. Previously reported 1993 interim results have been restated as a result of the adoption. The Company recorded a charge of \$542,000 (\$.22 per share), net of \$362,000 income tax benefits, as of January 1, 1993 to reflect the cumulative effect of this change in accounting principle. In addition to the cumulative effect, the Company's 1993 costs increased, for financial reporting purposes, by \$957,000 as a result of adopting the new standard.

**GENERAL ELECTRIC COMPANY, DECEMBER 31, 1993**

*General Electric Company and Consolidated Affiliates*  
*Statement of Earnings*  
*For the years ended December 31*  
*(in millions)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Earnings before accounting changes	5,177	4,725	4,435
Cumulative effects of accounting changes (notes 6 and 22)	<u>(862)</u>	<u>—</u>	<u>(1,799)</u>
Net earnings	\$4,315	\$4,725	\$2,636

.....

*General Electric Company and Consolidated Affiliates*  
*Statement of Financial Position*  
*At December 31*  
*(in millions)*

	<u>1993</u>	<u>1992</u>
Liabilities and equity		
.....		
All other liabilities (note 22)	12,009	9,734

.....

*Notes to Consolidated Financial Statements*

Note 1. Summary of Significant Accounting Policies

.....

Note 22. GE All Other Liabilities (including postemployment benefits)

This account includes noncurrent compensation and benefit accruals at year-end 1993 and 1992 of \$4,507 million and \$3,743 million, respectively....

The Company adopted SFAS No. 112, Employers' Accounting for Postemployment Benefits, effective as of January 1, 1993. This Statement requires that employers recognize over the service lives of employees the costs of postemployment benefits if certain conditions are met. The principal effect for GE was to change the method of accounting for severance benefits. Under the previous accounting policy, the total cost of severance benefits was expensed when the severance event occurred.

The cumulative effect of the accounting change as of January 1, 1993, amounted to \$1,306 million before taxes (\$862 million, or \$1.01 per share, after taxes). Aside from the one-time effect of the adjustment, adoption of SFAS No. 112 was not material to 1993 earnings, and there was no 1993 cash flow impact.

**GENERAL SIGNAL CORPORATION, DECEMBER 31, 1993**

*Statement of Earnings  
General Signal Corporation and Consolidated Subsidiaries  
Year ended December 31  
(in thousands, except per-share data)*

	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Earnings before extraordinary charges and cumulative effect of accounting changes	66,596	12,465	54,157
.....			
Cumulative effect of accounting changes	<u>(25,300)</u>	<u>(92,400)</u>	<u>—</u>
Net earnings (loss)	\$34,720	\$(80,265)	\$54,157

.....

*Balance Sheet  
General Signal Corporation and Consolidated Subsidiaries  
December 31  
(in thousands)*

	<u>1993</u>	<u>1992</u>
.....		
Total current liabilities	325,848	345,842
.....		
Accrued postretirement and postemployment obligations	173,693	152,500
.....		

*Notes to the Financial Statements*  
*(dollars in thousands, except per-share data)*

Accounting Policies

.....

For periods after December 31, 1992, the company accounted for the cost of certain post-employment benefits, primarily severance and disability, on the accrual basis in accordance with the provisions of SFAS No. 112, "Employers' Accounting for Postemployment Benefits." For periods before January 1, 1993, these benefits were accounted for on the pay-as-you-go method, except for certain severance costs, which were accounted for as the severance events occurred.

.....

Employee Benefit Plans

.....

Nonpension Postemployment Benefits: The cumulative effect at January 1, 1993 of adopting SFAS 112 reduced net income by \$25,300, net of \$12,700 of income tax benefits. The effect of this change on 1993 operations was to reduce net income by \$1,700. During 1993, the company paid \$8,200 for severance which was charged to the SFAS 112 reserve.

**HERCULES INCORPORATED, DECEMBER 31, 1993**

*Consolidated Statement of Income*  
*(dollars in thousands, except per share)*

	<u>Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Income before extraordinary item and effect of changes in accounting principles	208,420	167,897	94,885

*Consolidated Statement of Income (continued)*

	<u>Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
.....			
Effect of changes in accounting principles (Notes 14 and ...)	(238,218)	—	—
Net income (loss)	\$(33,376)	\$167,897	\$94,885

.....

*Consolidated Balance Sheet  
(dollars in thousands)*

	<u>December 31,</u>	
	<u>1993</u>	<u>1992</u>
.....		
Total Current Liabilities	884,211	756,744

.....

Other postretirement benefits (Note 14)	272,955	—
---	---------	---

.....

*Notes to Financial Statements  
(dollars in thousands, except per share)*

.....

**14. Other Postretirement and Postemployment Benefits**

.....

Hercules provides certain disability and workers' compensation benefits, including medical benefits, to former or inactive employees. Effective January 1, 1993, Hercules adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This statement requires recognition of these benefit costs on an accrual basis. Prior to January 1, 1993, disability benefits and workers' compensation benefits were expensed as claims were reported. The effect of adopting SFAS No. 112 has been recognized immediately as the effect of a change in accounting principle and has resulted in a charge of \$12,400 (net of a tax benefit of \$7,600) or \$.29 per share against 1993 net income. Adoption of this standard did not materially affect 1993 results of operations.

**HERMAN MILLER INC., MAY 28, 1994**

*Herman Miller, Inc.  
Notes to Consolidated Financial Statements*

**Employee Benefit Plans**



. . . .

*Postemployment Benefits.* The company provides certain postemployment benefits to former or inactive employees and their dependents during the time period following employment but before retirement. In May 1994, the company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS No. 112). Prior to 1994, certain postemployment benefit expenses were recognized as they were paid. This statement requires recognition of these liabilities if they are attributable to employees' service already rendered. The cumulative net effect of adopting SFAS No. 112 was not material to the 1994 results of operations, since the company was, prior to 1994, accounting for substantially all of these costs in accordance with the statement.

**INDEPENDENT INSURANCE GROUP INC., DECEMBER 31, 1993**

*Independent Insurance Group, Inc.*  
*Notes to Consolidated Financial Statements*

1. Summary of Significant Accounting Policies

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Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits," requires entities to use accrual accounting to value the cost of benefits provided to former or inactive employees who have not yet retired. As the Company had previously reserved \$7,200,000 for these compensated absences, the Standard was adopted with no impact on profit.

. . . .

9. Employee Benefit Plans

. . . .

In November, 1992, the FASB issued SFAS 112 "Employers' Accounting for Postemployment Benefits." The new statement requires that the projected cost of providing future benefits, principally salary continuation and disability related benefits, to former or inactive employees after employment but before retirement, be recognized as an expense currently instead of when paid, if the obligation is attributable to employees' services already rendered. The Statement was adopted in 1993 with no impact on profit, as \$7,200,000 of compensated absences had previously been reserved by the Company.

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**ORYX ENERGY COMPANY, DECEMBER 31, 1993**

*Oryx Energy Company*  
*Notes to Consolidated Financial Statements*

1. Summary of Significant Accounting Policies

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Pension and Other Postretirement and Postemployment Benefits

.....

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees and certain insurance and other postemployment benefits for individuals whose employment is terminated by the Company prior to their normal retirement. Substantially all of the Company's employees may become eligible for postretirement benefits if they reach normal retirement age while working for the Company. Historically, the cost of retiree health care and life insurance benefits and certain postemployment benefits have been recognized as expenses as such claims or costs were paid...

In November 1992, SFAS No. 112, "Employers' Accounting for Postemployment Benefits," was issued. It requires companies to recognize the costs of postemployment benefits on an accrual basis. The Company adopted SFAS No. 112 on January 1, 1993, and began accruing the costs of postemployment benefits. Since the Company had previously recognized certain costs as required by this standard, the effect of adoption was insignificant.

.....

**PPG INDUSTRIES INC., DECEMBER 31, 1993**

*PPG Industries Inc.  
Statement of Income*

	<u>For the Year</u>		
	<u>1993</u>	<u>1992</u> <i>(millions)</i>	<u>1991</u>
.....			
Income before cumulative effect of accounting changes	295.0	319.4	201.4
Cumulative effect of accounting changes (See Note 2)			
Other postretirement and postemployment benefits, net of income taxes of \$231.9 million	(363.2)	—	—
.....			
Net income	<u>\$22.2</u>	<u>\$319.4</u>	<u>\$276.2</u>

.....

*PPG Industries Inc.  
Balance Sheet*

	<u>December 31,</u>	
	<u>1993</u>	<u>1992</u> <i>(millions)</i>

.....

	<u>December 31,</u>	
	<u>1993</u>	<u>1992</u>
	<i>(millions)</i>	
Total current liabilities	1,281.0	1,253.0
.....		
Other postretirement and postemployment benefits (See Note 9)	530.6	—

*Notes*

2. Changes in Methods of Accounting

.....

Effective Jan. 1, 1993, the Company adopted the provisions of SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This standard requires an accrual method of recognizing the cost of postemployment benefits, such as disability, severance and workers' compensation benefits. Since the Company previously accounted for most of these benefits on an accrual basis, the cumulative after-tax charge as of Jan. 1, 1993, of the accounting change was only \$6.1 million. The incremental after-tax impact of accruing the cost of these benefits for 1993 was not material.

**READER'S DIGEST ASSOCIATION, INC., JUNE 30, 1994**

*The Reader's Digest Association, Inc. and Subsidiaries*  
*Consolidated Statements of Income*  
*(amounts in thousands, except*  
*per share data)*

	<u>Year Ended June 30,</u>		
	<u>1994</u>	<u>1993</u>	<u>1992</u>
.....			
Income before cumulative effect of changes in accounting principles	272,117	258,250	234,383
Cumulative effect of changes in accounting principles for: Postemployment benefits (net of tax benefit of \$16,170)	(25,830)	—	—
.....			
Net income	<u>\$246,287</u>	<u>\$207,312</u>	<u>\$234,383</u>

.....  
*The Reader's Digest Association, Inc. and Subsidiaries*  
*Consolidated Balance Sheets*  
*(amounts in thousands)*

	<u>June 30,</u>	
	<u>1994</u>	<u>1993</u>
.....		
Total current liabilities	1,039,922	881,326
.....		
Postretirement and postemployment benefits other than pensions	122,125	89,884
.....		

*The Reader's Digest Association, Inc. and Subsidiaries*  
*Notes to Consolidated Financial Statements*  
*(dollars in thousands, except per share data)*

1. Summary of Significant Accounting Policies

.....

Changes in Accounting Principles

On July 1, 1993, the company adopted Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of the change was a pre-tax charge of \$42,000 offset by tax benefits of \$16,170 for a non-cash, after-tax charge of \$25,830, or \$.23 per share. The additional pre-tax operating expense recorded in 1994 for SFAS 112 was \$3,560. In accordance with the provisions of SFAS 112, prior years' financial statements have not been restated for this change.

.....

9. Postretirement and Postemployment Benefits

.....

During the first quarter of 1994, the company adopted SFAS 112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of the change was a pre-tax charge of \$42,000 offset by tax benefits of \$16,170 for a non-cash, after-tax charge of \$25,830, or \$.23 per share. SFAS 112 requires the accrual of benefits such as disability, severance and health insurance provided to former or inactive employees prior to retirement over an employee's period of service. Prior to adoption, the company generally accrued for these benefits on the date of incident. The incremental pre-tax operating expense in 1994 associated with the adoption of this new standard was \$3,560.

**SCOTSMAN INDUSTRIES, INC., DECEMBER 31, 1993**

*Scotsman Industries, Inc.  
Consolidated Statement of Income  
(amounts in thousands, except per share data)*

	<u>For the Fiscal Years Ended</u>		
	<u>Jan. 2, 1994</u>	<u>Jan. 3, 1993</u>	<u>Dec. 29, 1991</u>
.....			
Income (loss) before cumulative effect of accounting changes	7,382	6,392	(1,674)
Cumulative effect of accounting changes	<u>29</u>	<u>—</u>	<u>—</u>
Net income (loss)	<u>\$7,411</u>	<u>\$6,392</u>	<u>\$(1,674)</u>

*Scotsman Industries, Inc.  
Notes to Consolidated Financial Statements*

.....

2. Cumulative Effect of Accounting Changes

In the first quarter of 1993, the Company implemented changes in accounting principles for... post-employment expenses and.... The cumulative effect of these accounting changes was as follows:

.....

Unfavorable cumulative effect of accounting change due to other post-employment benefits (*in thousands*) of \$(508) pre-tax and \$(243) after-tax. See Note 10 of Notes to Consolidated Financial Statements.

.....

10. Employee Benefit Plans

.....

Effective January 4, 1993, the Company also adopted the Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). The statement requires accrual accounting for benefits provided to former or inactive employees after employment but before retirement. The Company previously accounted for a certain portion of these postemployment benefits on a pay-as-you-go basis. The impact of the change to SFAS 112, is an unfavorable pre-tax amount of \$508,000 (\$243,000, net of tax or \$.03 per share). Other than the effect of the cumulative catch-up, the impact on pre-tax income of this accounting change for the year was not material. Financial statements for the prior years have not been restated to reflect the adoption of SFAS 112.

**WEIRTON STEEL CORPORATION, DECEMBER 31, 1993**

*Weirton Steel Corporation  
Statements of Income  
Year ended December 31  
(dollars in thousands, except per share data)*

	<u>1993</u>	<u>1992</u> <i>(consolidated)</i>	<u>1991</u>
.....			
Loss Before Cumulative Effect of Accounting Changes	(49,439)	(36,113)	(74,715)
Cumulative effect on prior years of accounting changes	<u>(179,803)</u>	<u>4,356</u>	<u>—</u>
Net Loss	<u>\$(229,242)</u>	<u>\$(31,757)</u>	<u>\$(74,715)</u>

*Weirton Steel Corporation  
Notes to Financial Statements  
(in thousands of dollars, except  
per share amounts, or in millions of  
dollars where indicated)*

.....  
Note 3. Significant Accounting Policies

.....  
Postemployment Benefits

Effective January 1, 1993, the Company adopted the provisions of SFAS No. 112, "Employers' Accounting for Postemployment Benefits." Under the Company's previous method of accounting, certain employee benefits covered by this new standard were accounted for on the cash method, while certain other benefits were accounted for on an accrual method. Effective with the adoption of the new standard, the value of all such benefits is actuarially determined and recognized on an accrual method.

.....  
Note 8. Postemployment Benefits

Effective January 1, 1993, the Company adopted the provisions of SFAS No. 112. This new standard requires the Company to recognize on its balance sheet the present value of its obligation to provide certain benefits to former or inactive employees who are not yet eligible for retirement. Liabilities associated with (i) workers' compensation, (ii) severance programs which include medical coverage continuation and (iii) sickness and accident protection, which includes medical and life insurance benefits, are the major items comprising the Company's obligation for post-employment benefits.

For purposes of actuarially measuring the Company's postemployment obligation as of January 1, 1993, an interest rate of 8½% was used to discount the obligation to its present value. Consistent with the basis that was used to measure the Company's accumulated obligations for

pensions and retiree health care and life insurance benefits, the interest rate used to discount the accumulated postemployment obligation to present value as of December 31, 1993, was adjusted downward to 7.5%. Other actuarial assumptions and demographic data used to value this obligation as of December 31, 1993, and at transition were consistent with those used to value pension or other postretirement benefits as the case may be.

Upon determination as of January 1, 1993, of the accumulated postemployment transition obligation, and after considering amounts already accrued, the Company was required to recognize a cumulative accounting charge of \$4.0 million to fully recognize its postemployment obligation as of January 1, 1993.

## ZENITH ELECTRONICS CORPORATION, DECEMBER 31, 1993

### *Notes to Consolidated Financial Statements*

. . . .

#### Note 13. Retirement Plans and Employee Benefits:

. . . .

In the fourth quarter of 1993, the company elected early adoption of Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." This statement requires that the company follow an accrual method of accounting for the benefits payable to employees when they leave the company other than by reason of retirement. Since most of these benefits were already accounted for by the company by the accrual method, adoption of SFAS No. 112 did not have a material effect on the financial statements of the company, nor is it expected to have a material effect on future results of operations.

. . . .

## FINANCIAL REPORT SURVEYS\*

- 38 Illustrations of Cash-Flow Financial Statements (1989)  
*A survey of the application of FASB Statement No. 95*
- 45 Illustrations of Management's Discussion and Analysis of Financial Condition and Results of Operations (1991)  
*A survey of the application of Item 303 of Regulation S-K and Section 501 of the Codification of Financial Reporting Policies of the Securities and Exchange Commission, as modified by Financial Reporting Release No. 36, issued May 18, 1989*
- 51 Illustrations of Accounting for Postretirement Benefits Other Than Pensions (1993)  
*A survey of the application of FASB Statement No. 106*
- 52 Illustrations of Financial Reporting by Entities in Reorganization Under the Bankruptcy Code (1994)  
*A survey of the application of AICPA SOP 90-7*
- 53 Illustrations of Disclosures About Fair Value of Financial Investments (1994)  
*A survey of the application of FASB Statement No. 107*
- 54 Illustrations of Accounting for Postemployment Benefits (1995)  
*A survey of the application of FASB Statement No. 112*

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\*FRS Nos. 1-37, 39-44, and 46-50 are no longer in print.



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