

9. If retroactive restatement of all years presented is not practicable, the financial statements presented shall be restated for as many consecutive years as practicable and the cumulative effect of applying the Statement shall be included in determining net income of the earliest year restated (not necessarily the earliest year presented). If it is not practicable to restate any prior year, the cumulative effect shall be included in net income in the year in which the Statement is first applied. (See paragraph 20 of *APB Opinion No. 20, Accounting Changes*.) The effect on income before extraordinary items, net income, and related per share amounts of applying this Statement in a year in which the cumulative effect is included in determining that year's net income shall be disclosed for that year.

OTHER SOURCES OF INFORMATION

12. Chapter 22 of the NAIC Technical Resource Group Proposed Draft Life Codification suggested the recording of a compensated absence liability under the following circumstances:

Compensated Absences

Employers pay their employees for absences due to vacations, sick time and holidays. Compensated absences must be accrued if all of the following criteria are met:

- a. the employees have rendered services which obligate the employer to pay for future absences;
- b. the employees are entitled to compensation even if employment is terminated;
- c. payment of the compensation is probable; and
- d. the amount can be reasonably estimated.

Salary advances to an employee can be used to reduce the liability for that employee's compensated absences.

RELEVANT LITERATURE

Statutory Accounting Practices and Procedures

- Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy
- *Issue Paper No. 3—Accounting Changes*
- *Issue Paper No. 4—Definition of Assets and Nonadmitted Assets*
- *Issue Paper No. 5—Definition of Liabilities, Loss Contingencies and Impairments of Assets*
- Accounting Practices and Procedures Manual for Life and Accident and Health Insurance Companies, Chapter 17

Generally Accepted Accounting Principles

- *FASB Statement No. 43, Accounting for Compensated Absences*

State Regulations

- No additional guidance obtained from state statutes or regulations.

Other Sources of Information

- NAIC Technical Resource Group Proposed Draft Life Codification, Chapter 22