



1.0 PURPOSE

This policy establishes standards and procedures for identifying and recording prepaid expenses.

2.0 POLICY

Cash disbursements to vendors made in advance of the related goods or services being received by Brink's should be recorded as a current prepaid expense/asset and generally be amortized ratably over the period in which the service, good, or benefit is received or used by Brink's. Prepayment of expenses below \$25,000 (per invoice) may be expensed as incurred to reduce administrative burden, as determined by Country or Regional Management. Countries should consider any local GAAP, IFRS, statutory requirements before determining amounts to expense below the threshold.

2.1 Objectives

Prepaid expenses recorded in the general ledger must be properly measured based on the underlying event in accordance with U.S. GAAP. All transactions related to prepaid expenses occurring during the reporting period and current balances must be completely reflected in the general ledger. Only prepaid expenses for which Brink's has the rights of ownership for should be recorded in the general ledger. Transactions related to prepaid expenses should be recorded only when they exist as supported by an underlying event. All prepaid expense amounts should be classified and disclosed to allow for accurate presentation of financial information. Management should ensure that all transactions and adjustments to prepaid accounts are appropriately authorized for recording in the general ledger.

3.0 PROCEDURE

3.1 Recording a Prepaid Expense

Prepaid expenses must be recorded during the accounting period in which payment for the goods or services are actually disbursed to the vendor. Management must determine the period over which the benefit from the prepaid asset will be received by Brink's. The appropriate HFM account in the 1400_20 series of accounts should be utilized if the asset is to be amortized for 12 months or less.

Prepaid items providing benefits for a period greater than 1 year contain a noncurrent component for the benefits expected to be received after 12 months. Noncurrent amounts exceeding \$1 million in total for the reporting country should be classified as a long term asset in HFM account 1820_70 Long Term Deposits / Other. Amounts below this threshold can remain in the appropriate current account.



During each accounting period, an accounting entry is recorded to recognize an expense for the portion of the prepaid asset that has been utilized as a result of the benefit received. Amortization may be recognized ratably over the benefit period or through any other reasonable method which attributes the expense to the period that the benefit from the payment is derived. Generally, prepaid expenses should be amortized on a straight-line basis.

Prepaid expenses should generally only be recorded when the cash is disbursed. However, in order to assist with tracking invoices, country level business units can record a prepaid expense for invoices that have not yet been paid only if the aggregate of such prepaid expenses do not exceed \$100,000 (at the country level) at the end of the reporting period. The corresponding credit to this entry would be to the appropriate accounts payable or accrued liabilities account. Prepaid expenses should only be accrued when expected to be paid within the next three months. Countries wanting to exceed the \$100,000 threshold require a policy exception (see separate Policy Exception policy for procedure to follow).

3.2 Examples/Types of Prepaid Expense

Examples of payments for goods or services in advance of when the benefit may be received by Brink's may include pre-payments for insurance or rent for future periods. Additionally, supplies may be purchased in bulk to achieve favorable pricing and be amortized over the period for which benefit is received.

Another example would be if vehicle insurance premiums are paid at the beginning of the year which covers an annual period, the total amount of the premiums paid is recorded as a prepaid expense. Each month, 1/12th of the amount paid would be recognized as an expense so that by year-end when the asset has been fully utilized, the asset has a zero balance to reflect the insurance coverage received throughout the year.

3.3 Amortization/Support

Prepaid expense amounts should be supported by amortization schedules and vendor invoices or statements, contracts, or other support. The *Balance Sheet Account Reconciliation* policy covers reconciliation and review procedures.

4.0 DOCUMENTATION

Documentation supporting prepaid expenses and the recognition of amortization must be maintained at the local business unit level.



5.0 EFFECTIVE DATE AND TRANSITION GUIDANCE

The revisions within this guidance are effective January 1, 2012. Changes made to accounting for prepaid assets as a result of this policy are to be made prospectively. Retrospective application is not permitted. Significant changes from the previous policy are summarized as follows:

Policy Effective Through 12/31/11	Policy Effective as of 1/1/12
<ul style="list-style-type: none"> • Prepayment of expenses below \$10,000 per invoice may be expensed as incurred. 	<ul style="list-style-type: none"> • Prepayment of expenses below \$25,000 per invoice may be expensed as incurred.
<ul style="list-style-type: none"> • Did not address long-term prepaid expenses. 	<ul style="list-style-type: none"> • Prepaid expenses benefiting a period greater than 1 year should be reclassified to noncurrent account 1820_70 for amounts greater than \$1 million.
<ul style="list-style-type: none"> • Did not address accrual of prepaid expenses. 	<ul style="list-style-type: none"> • Allows for the accrual of prepaid expenses as long as amounts to not exceed \$100,000 at the country level. Policy exception is needed in order to exceed this threshold.