# *Q1 and Q2 2012 Out of Period Adjustments*

**Purpose**

The purpose of this Learn Once, Globally is to outline some of the lessons learned as a result of out of period adjustments identified. A selection of out of period adjustments identified in the first half of 2012 are summarized briefly below and accompanied by a lesson learned as a result of the adjustment.

**Q1 and Q2 2012 Out of Period Adjustments**

1. Understated forfeitures in Defined Contribution Plan – A Brink's subsidiary has a defined contribution plan for eligible participating employees and makes periodic matching employer contributions. As plan participants leave the company, any unvested employer match amounts are forfeited by the participants. These forfeited amounts can then be used by the subsidiary to offset future employer contributions or to make severance payments. The subsidiary did not record an asset with a corresponding reduction to expense for the forfeited amounts in the trust.

   Lesson Learned – Subsidiaries with defined contribution plan trusts need to track the amounts of unvested forfeitures when employees are terminated (voluntarily or involuntarily). Forfeited amounts that can then be used to offset future contributions should be recorded as an asset and a reduction to expense. The subsidiary has a future economic benefit relating to these forfeited amounts that can be used to offset future contribution requirements.

2. Unsupported adjustment to Theft Loss Claims Payable – During the reconciliation of the claims payable account, a Brink's subsidiary identified liabilities that were recorded in 2006 that had been carried forward without support. After further research, it was determined that this liability was no longer valid, so an adjusting entry was recorded to reduce this liability.

   Lesson Learned – It is important to reconcile balance sheet accounts in accordance with the *Balance Sheet Account Reconciliation* policy. If this account had been reconciled appropriately, this liability would have been adjusted in the correct accounting period.

3. Loss on Cargo Seizure – Customs authorities seized banknotes from a Brink's subsidiary's cargo flight because the content of the pouches did not match the documentation. As a result of miscommunication between the Accounting department and the Risk Management office at BCO, a receivable was recorded in the previous year for an amount believed to be probable of recovery from 3rd party insurance. It was discovered in the current year that the 3rd party insurance does not cover this loss. As such, the receivable

recorded was overstated and a loss was reported in the current year (should have been recorded in the previous year when the loss was incurred).

Lesson Learned –When a loss is incurred, it is important to evaluate the facts, communicate with the Risk Management group and have a complete and accurate understanding of the applicable insurance coverage. You should not record a receivable for a loss unless it is **probable** that you will recover this loss from an insurance company.