

INSURANCE INFORMATION  
and  
SUGGESTED ACCOUNTING ENTRIES

Prepared 01/12/2018  
for

Sample Client

Executive Deferred Compensation Plan

For the Period: 01/01/2017 through 12/31/2017

Prepared  
by

The Pangburn Group  
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## PREFACE

The following reports are designed to assist Plan Administrators and other parties interested in financial recordkeeping. All reports are based on our current understanding of tax law, Generally Accepted Accounting Principles (GAAP), and information furnished by the Plan Sponsor and any applicable vendors, mutual fund wholesalers, life insurance carriers, or other professional advisors. We do not accept liability for any direct, incidental, or consequential damages or claims resulting from the use of these reports. While the information contained herein is believed to be accurate, all users of this information are encouraged to rely on their own accounting, tax, and legal professionals for exact application and interpretation.

### IMPORTANT REMINDER

#### FASB Accounting Standards Codification (ASC)

On June 29, 2009, the FASB released Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, which establishes the Codification effective for annual periods ending after September 15, 2009. This project created a single source for all U.S. Generally Accepted Accounting Principles (GAAP) and organized all existing authoritative levels of GAAP into one flat system of roughly 90 topics. All pre-Codification standards were superseded and any accounting literature not included is now considered nonauthoritative.

FASB Accounting Standards Codification (ASC) uses a topical structure in which topics, subtopics, and sections are numerically referenced. The ASC structure disregards any reference to the original standard setter or standard from which the content was derived. Additional information regarding FASB ASC can be found at <http://asc.fasb.org>.

The Codification does not change GAAP, but merely provides a new structure that is intended to reduce the amount of time and effort required to solve an accounting research issue, improve usability of the literature thereby mitigating the risk of noncompliance with standards, and provide real-time updates as new standards are released.

EMPLOYER: Sample Client  
PLAN: Executive Deferred Compensation Plan  
REPORT: Suggested General Ledger Accounting Entries  
PERIOD: 01/01/2017 through 12/31/2017

LIFE INSURANCE EXPENSE	0.00
CASH SURRENDER VALUE INCREASE	90,165.93
DUE FROM INSURED (SPLIT DOLLAR) (1)	0.00
COMPENSATION EXPENSE	0.00
INTEREST EXPENSE (POLICY LOANS) (2)	0.00
CASH	65,000.00
OTHER INCOME (INSURANCE)	25,165.93
LIFE INSURANCE POLICY LOANS (3)	0.00

NOTE: To record the insurance activity on life insurance policies owned by the employer and the associated expense or income based on the increase in the cash surrender values or the receipt of insurance policy proceeds.

- (1) A "due from account" is an Account Receivable.
- (2) To record policy loan interest accrued or paid during the current period. IMPORTANT: IRC Section 264 provides for certain restrictions on the tax deductibility of policy loan interest.
- (3) To record the accrual of life insurance policy loans and policy loan interest during the current period. If the loan is to be repaid within twelve months, it may be classified as a current liability. The obligation may be treated as a non-current liability if the loan will be liquidated by deduction from the proceeds of the policy upon maturity or cancellation (AICPA formerly ARB Number 43).

ACTION REQUIRED:

- (i) POST ENTRIES TO THE GENERAL LEDGER.
- (ii) SEE INDIVIDUAL INSURANCE POLICY SCHEDULE FOR ENTRIES FOR EACH INSURED.

[Suggested entries are based on the period identified above. Entries may include dividends, interest, or investment performance which are not guaranteed and will vary. Policy values should be confirmed by the insurance carrier on or after the end of the fiscal year.]

EMPLOYER: Sample Client

PLAN: Executive Deferred Compensation Plan

REPORT: Individual Insurance Policy Schedule

PERIOD: 01/01/2017 through 12/31/2017

	(CR)	(DR)	(DR)	(DR)	(CR)	(DR)	(CR)	(DR)
		Life	Cash	Due	Other	Comp.	Life	Interest
<u>Policy Number</u>	<u>Cash</u>	<u>Insurance</u>	<u>Surrender</u>	<u>From</u>	<u>Income</u>	<u>Expense</u>	<u>Insurance</u>	<u>Expense</u>
		<u>Expense</u>	<u>Value</u>	<u>Insured</u>	<u>(Insurance)</u>		<u>Policy</u>	<u>(Policy</u>
			<u>Increase</u>	<u>(Split \$)</u>			<u>Loans</u>	<u>Loans)</u>
Doe, Jill								
852963741	0	0	9,332	0	9,332	0	0	0
Jones, Bob								
741852963	65,000	0	80,834	0	15,834	0	0	0
<b>Total:</b>	<b>65,000</b>	<b>0</b>	<b>90,166</b>	<b>0</b>	<b>25,166</b>	<b>0</b>	<b>0</b>	<b>0</b>

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EMPLOYER: Sample Client

REPORT: Plan Design Assumptions

PERIOD: 01/01/2017 through 12/31/2017

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Address: 12345 Company Square  
XYZ, LA 70760

Phone: 555-555-5555

Business Type: Regular 'C' Corporation

Plan Name: Executive Deferred Compensation Plan

Effective Date: January 01, 2003

Fiscal Year End: December 31

Employer Tax Rate: 40.00%

Accounting Methodology: Conventional (Formerly FASB Technical Bulletin Number 85-4; see preface regarding FASB Accounting Standards Codification)

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EMPLOYER: Sample Client

PLAN: Executive Deferred Compensation Plan

REPORT: Policy Inventory

PERIOD: 01/01/2017 through 12/31/2017

<u>Carrier Name</u>	<u>Policy Number</u>	<u>Policy Issue Date</u>	<u>Gross Death Benefit</u>	<u>Gross Cash Surrender Value</u>	<u>Outstanding Policy Loan</u>	<u>Net Cash Surrender Value</u>	<u>Current Period Premium</u>
Insured: Doe, Jill							
1 ABC Life	852963741	01/01/2009	354,383.81	170,088.23	0.00	170,088.23	0.00
Insured: Jones, Bob							
2 ABC Life	741852963	01/01/2007	2,337,749.00	693,924.65	0.00	693,924.65	65,000.00
Total:			2,692,132.81	864,012.88	0.00	864,012.88	65,000.00

EMPLOYER: Sample Client  
PLAN: Executive Deferred Compensation Plan  
REPORT: Policy Premium Payments  
PERIOD: 01/01/2017 through 12/31/2017

<u>Insured Name</u>	<u>Policy Number</u>	<u>Current Period Premium Paid</u>	<u>Aggregate Premium Paid</u>
Doe, Jill	852963741	0.00	158,544.00
Jones, Bob	741852963	65,000.00	715,000.00
Total:		65,000.00	873,544.00

NOTE: Aggregate Premium Paid represents the aggregate premium paid by the policyholder received by the Insurance Carrier and/or a prior Insurance Carrier if the policy was 1035 exchanged. Aggregate Premium Paid amounts do not include amounts paid to a prior Insurance Carrier if the current policy was the result of a multi-policy exchange. Aggregate Premium Paid amounts are based on The Pangburn Group records. It is the policyholders responsibility to maintain accurate records of policy premium.



EMPLOYER: Sample Client

PLAN: Executive Deferred Compensation Plan

REPORT: Net Effect on Earnings

<u>Period</u>		(1)	(2)	(3)	(4)	(5)
<u>From</u>	<u>To</u>	Other Income <u>(Insurance)</u>	Life Insurance <u>Expense</u>	After-Tax Compensation <u>Expense</u>	After-Tax Interest Expense <u>(Policy Loans)</u>	Net Effect On <u>Earnings</u>
01/01/2007	12/31/2007	0	39,348	0	0	(39,348)
01/01/2008	12/31/2008	0	44,247	0	0	(44,247)
01/01/2009	12/31/2009	307	19,879	0	0	(19,572)
01/01/2010	12/31/2010	0	2,643	0	0	(2,643)
01/01/2011	12/31/2011	881	0	0	0	881
01/01/2012	12/31/2012	6,346	0	0	0	6,346
01/01/2013	12/31/2013	8,664	0	0	0	8,664
01/01/2014	12/31/2014	10,675	0	0	0	10,675
01/01/2015	12/31/2015	14,253	0	0	0	14,253
01/01/2016	12/31/2016	19,251	0	0	0	19,251
01/01/2017	12/31/2017	25,166	0	0	0	25,166
Total @ 12/31/17:		85,543	106,117	0	0	(20,574)

EMPLOYER: Sample Client

PLAN: Executive Deferred Compensation Plan

REPORT: Historical Accounting Entries by Policy

Period		(CR)	(DR)	(DR)	(DR)	(CR)	(DR)	(CR)	(DR)
<u>From</u>	<u>To</u>	<u>Cash</u>	<u>Life Insurance Expense</u>	<u>Cash Surrender Value Increase</u>	<u>Due From Insured (Split \$)</u>	<u>Other Income (Insurance)</u>	<u>Comp. Expense</u>	<u>Life Insurance Policy Loans</u>	<u>Interest Expense (Policy Loans)</u>
Insured: Doe, Jill									
Policy Number: 852963741									
01/01/2009	12/31/2009	48,884	13,214	35,670	0	0	0	0	0
01/01/2010	12/31/2010	15,854	827	15,027	0	0	0	0	0
01/01/2011	12/31/2011	15,854	0	15,886	0	32	0	0	0
01/01/2012	12/31/2012	15,854	0	16,588	0	733	0	0	0
01/01/2013	12/31/2013	15,854	0	17,684	0	1,829	0	0	0
01/01/2014	12/31/2014	15,854	0	18,918	0	3,063	0	0	0
01/01/2015	12/31/2015	15,854	0	20,440	0	4,586	0	0	0
01/01/2016	12/31/2016	14,533	0	20,542	0	6,009	0	0	0
Total for insured:		158,544	14,041	160,756	0	16,253	0	0	0
Insured: Johnson, Matt									
Policy Number: 963852741									
01/01/2007	12/31/2007	25,000	846	24,154	0	0	0	0	0
01/01/2008	12/31/2008	25,000	5,612	19,388	0	0	0	0	0
01/01/2009	12/31/2009	5,000	4,891	109	0	0	0	0	0
Surrender		(43,957)	0	(43,650)	0	307	0	0	0
Surrendered - 02/25/2009.									
Total for insured:		11,043	11,350	0	0	307	0	0	0
Insured: Jones, Bob									
Policy Number: 741852963									
01/01/2007	12/31/2007	65,000	38,502	26,498	0	0	0	0	0
01/01/2008	12/31/2008	65,000	38,635	26,365	0	0	0	0	0
01/01/2009	12/31/2009	65,000	1,773	63,227	0	0	0	0	0
01/01/2010	12/31/2010	65,000	1,816	63,184	0	0	0	0	0
01/01/2011	12/31/2011	65,000	0	65,849	0	849	0	0	0
01/01/2012	12/31/2012	65,000	0	70,613	0	5,613	0	0	0
01/01/2013	12/31/2013	65,000	0	71,835	0	6,835	0	0	0
01/01/2014	12/31/2014	65,000	0	72,611	0	7,611	0	0	0
01/01/2015	12/31/2015	65,000	0	74,667	0	9,667	0	0	0
01/01/2016	12/31/2016	65,000	0	78,241	0	13,241	0	0	0
Total for insured:		650,000	80,726	613,091	0	43,816	0	0	0
Total @ 12/31/2016:		819,587	106,117	773,847	0	60,377	0	0	0

EMPLOYER: Sample Client

PLAN: Executive Deferred Compensation Plan

REPORT: Historical Accounting Entries

Period From	To	(CR) Cash	(DR) Life Insurance Expense	(DR) Cash Surrender Value Increase	(DR) Due From Insured (Split \$)	(CR) Other Income (Insurance)	(DR) Comp. Expense	(CR) Life Insurance Policy Loans	(DR) Interest Expense (Policy Loans)
01/01/2007	12/31/2007	90,000	39,348	50,652	0	0	0	0	0
01/01/2008	12/31/2008	90,000	44,247	45,753	0	0	0	0	0
01/01/2009	12/31/2009	74,927	19,879	55,355	0	307	0	0	0
01/01/2010	12/31/2010	80,854	2,643	78,211	0	0	0	0	0
01/01/2011	12/31/2011	80,854	0	81,736	0	881	0	0	0
01/01/2012	12/31/2012	80,854	0	87,201	0	6,346	0	0	0
01/01/2013	12/31/2013	80,854	0	89,519	0	8,664	0	0	0
01/01/2014	12/31/2014	80,854	0	91,529	0	10,675	0	0	0
01/01/2015	12/31/2015	80,854	0	95,107	0	14,253	0	0	0
01/01/2016	12/31/2016	79,533	0	98,784	0	19,251	0	0	0
Total @ 12/31/2016:		819,587	106,117	773,847	0	60,377	0	0	0