

Cash basis or IAS 19 basis?

How you account for EOSB changes both your balance sheet and your earnings profile.

2026

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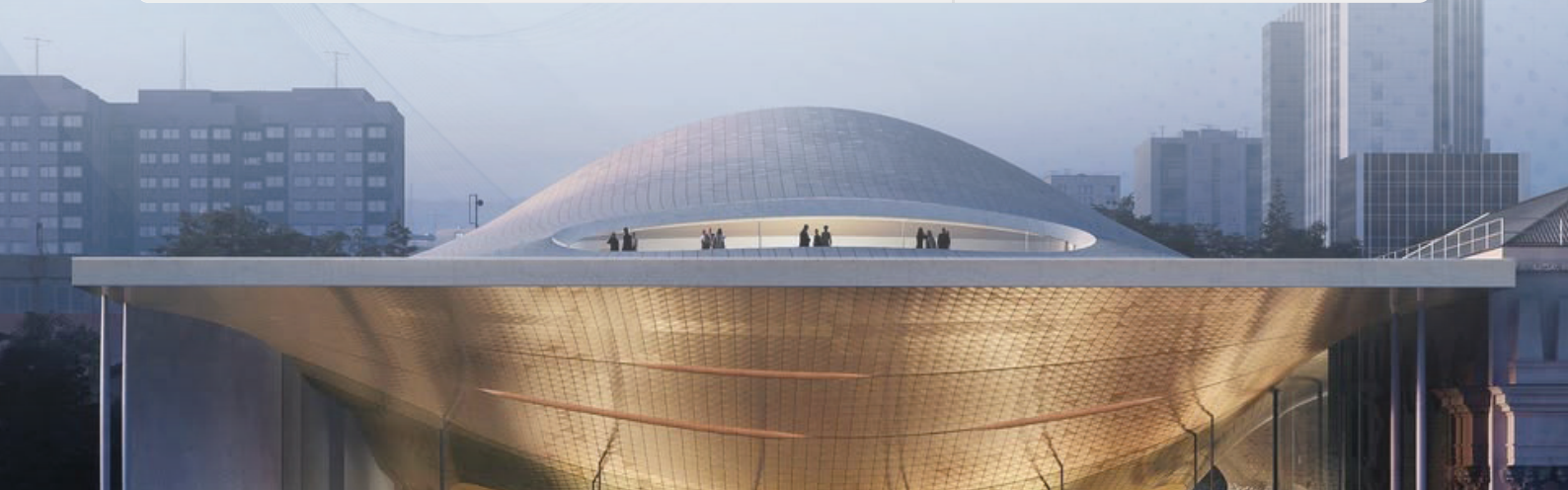
A common practice is to book EOSB when it is paid: calculate the entitlement on exit, pay it, expense it. It is simple, and it is not IAS 19.

IAS 19 treats EOSB as compensation for service already rendered. The cost belongs to the period in which the employee works, and the obligation sits on the balance sheet until it is settled. The two approaches can present very different pictures of the same workforce.

Consider two companies with identical employees and identical benefit terms. Company A expenses on payment. Company B measures the obligation. When several long-serving employees leave in the same year, Company A reports a sharp one-off charge and a liability that was never visible before. Company B reports a steady annual cost and has carried the liability throughout. The economic obligation is the same; only one set of accounts reflects it.

Side by side

Comparison	Cash basis	Accrual basis (IAS 19)
Recognition	Expense recorded when EOSB is paid on exit.	Cost recognised as employees render service.
Balance sheet	No accrued EOSB obligation is shown before exit.	The present value of the EOSB obligation is recognised.
Profit or loss	Expense changes with the timing and volume of exits.	Service cost and interest cost are recognised over the years of service.
Disclosure	Limited disclosure of the EOSB expense paid.	Disclose key assumptions, obligation reconciliation and sensitivity analysis.



Why it matters in practice

01 Opening balances

Moving from a cash basis to a valuation basis affects opening balances, and planning it with your auditors avoids a late surprise.

02 Ratios and covenants

A recognised liability can change leverage and equity metrics, so the effect should be known before lenders see it.

03 Earnings volatility

On a cash basis a handful of exits can swing the annual charge; the IAS 19 charge is steady and explainable.

04 Budgeting and forecasts

Cash-basis costs depend on when employees leave; accrual accounting estimates the cost being earned and the obligation building up, supporting better year-end forecasts.

05 Cash flow versus expense

On the cash basis, payment and expense occur together; on the accrual basis, payments reduce an already-recognised liability, while annual expense is recorded separately.

06 Workforce and salary changes

A cash basis does not show growing EOSB obligations before exit; an accrual valuation captures the effects of service, workforce movements and expected salary growth.

07 Impact of assumptions

Cash-basis accounting generally does not reflect discount-rate or salary-growth changes before payment; IAS 19 measurements show how changes in assumptions affect the obligation.

08 Year-end reporting and audit

Cash accounting mainly relies on settlement records; accrual reporting also requires accurate employee data, an updated valuation and a reconciliation that auditors can review.

09 Visibility for management

Cash-basis accounts can hide benefits already earned but unpaid; accrual reporting makes these commitments visible earlier to finance teams, boards and other stakeholders.

10 Settlement planning

Cash-basis reporting highlights costs only as exits happen; accrual reporting shows the accumulated obligation in advance, helping teams anticipate settlements without confusing it with cash funding.



Questions to every finance professional and our solutions to them.

Are you still booking EOSB when it is paid?

We value the obligation under IAS 19 and give you the figures for each line of the accounts.

Can your accounts explain a year with heavy exits?

Our report separates service cost, interest and remeasurement, so unusual movements can be explained.

How will lenders read the new liability?

We prepare the disclosures they look for: assumptions, sensitivity and maturity profile.

What will the move do to your opening balance and equity?

We quantify the effect at the transition date so your finance team and auditors can agree the treatment in advance.

Still accounting for EOSB on a cash basis?

Our actuarial team delivers IAS 19 valuations and the supporting reports, and helps your finance team plan the transition with your auditors. Contact us to discuss your year-end EOSB valuation.



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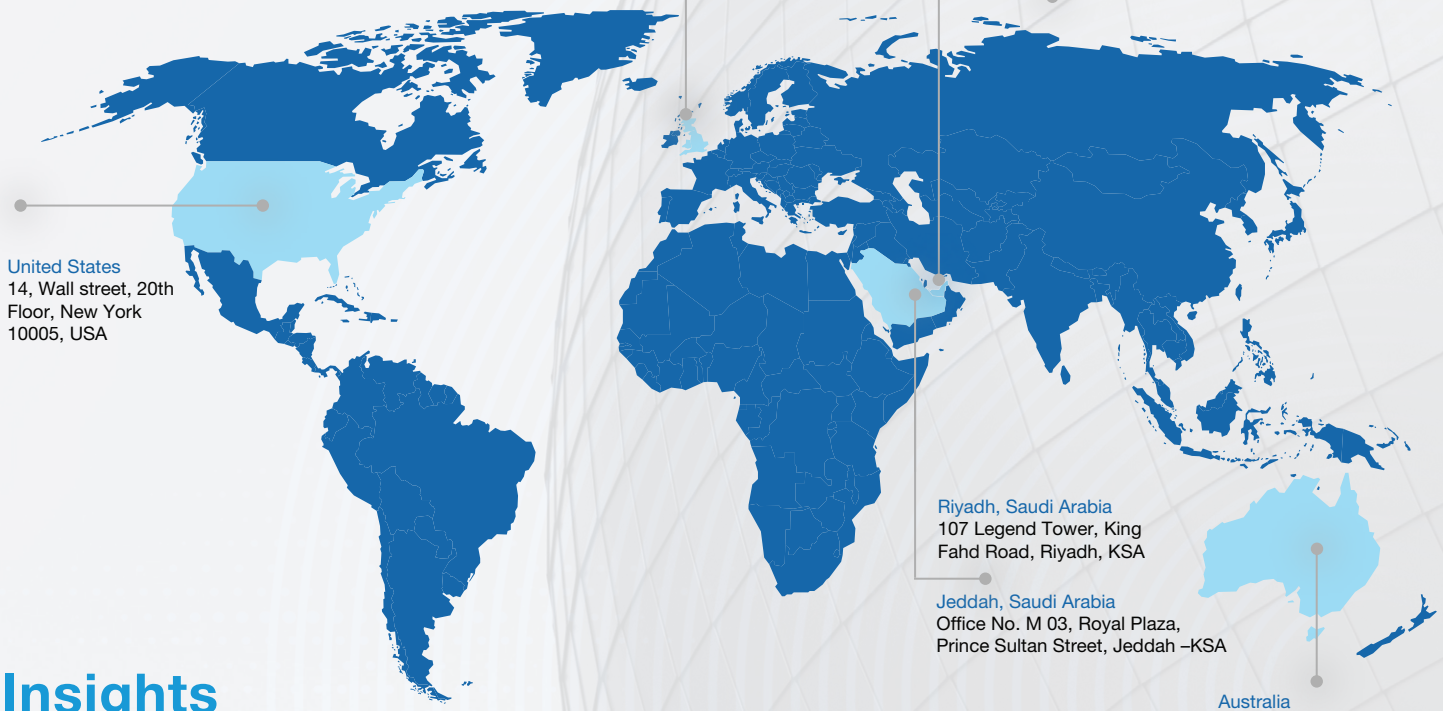
Contact Us

Please contact us for a tailored consultation and let us partner with you to enhance your financial reporting and compliance.

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