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# THE FINANCIAL DEFICIT OF PENSION FUND DURING COVID-19 PANDEMIC AND THE STRATEGY OF DIVERSIFYING AND ACCOUNTING FOR INVESTED ASSETS ACCORDING TO INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

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**Abstract:**

The research aims to study and analyze the conceptual aspects of retirement funds. Specifically, the most crucial challenges pension funds face during the Covid-19 pandemic. Additionally, studying the importance of diversifying the investments of the pension fund assets and accounting for them based on the application of international public sector accounting standards. The study begins by investigating the problem of diversification lack of the assets invested in the retirement fund that leads to the emergence of a financial deficit in funding during the covid-19 pandemic. Consequently, it leads to the retirement fund's inability to fulfill its obligations towards the beneficiaries in the future. According to a checklist, a survey is conducted for the most important pension funds in various countries whose investments were affected with/without the Covid-19 pandemic. The strategy of diversifying assets invested in pension funds in countries of the world was revealed according to another checklist. Therefore, the scholars are motivated to propose designing financial statements for the Iraqi pension fund according to international public sector accounting standards. The design does not prepare these lists and is not entrusted with diversifying its investments and Financial disclosure in the Balance Sheet and Income and Cash Flow Statement.

**Keywords:** Pension funds, Financial Performance,

## INTRODUCTION

Pension funds in any country have an essential role in advancing the economy. It is responsible for providing employees services after referring them to retirement, whether cash amounts such as salaries or providing health and education services. Furthermore, establishing investment projects under the country's laws and based on criteria for diversifying investments to achieve returns that help face future life challenges. Moreover, taking into account the challenges facing the economy. The challenges include the funds that face a financial deficit due to weak planning or poor investment financial strategies. Additionally, the borrowing of the government for funds without being returned. Furthermore, the adoption of the early retirement law without prior planning. Also, the early retirement law adoption without prior planning burdens the fund that invests in one direction (fixed bank deposits).

The study assumed that the lack of diversity in the assets invested in the retirement fund would lead to the emergence of a financial deficit during the Covid-19 pandemic. Consequently, it affects the future inability of the fund to meet its obligations to the beneficiaries. The scholars considered that adapting the accounting for the financial investments of the Iraqi Pension Fund under the IPSASs may lead to harmony and compatibility with accounting practices in the rest of the world. Therefore, it should shed light on the accounting treatments for accounting for investments according to IPSASs and their compatibility with international requirements. Additionally, applying these standards will be reflected in the appropriate delivery of information according to international requirements through financial statements that help make investment decisions and revive the local economy. The research problem focuses on the lack of diversification of the assets invested in the retirement fund that leads to a financial deficit occurrence in the retirement fund during the Covid-19 pandemic.

Also, it will lead to the fund's inability in the future to fulfill its obligations related to the beneficiaries, especially during a current accounting system in which it is not possible to account for the diversification of assets In the retirement fund. The research interests in accounting for retirement investments under the IPSASs. Consequently, it contributes to filling the financial deficit by adapting the local accounting systems under international standards to accommodate the accounting for invested assets.

## LITERATURE REVIEW

### Previous researches

The study (Kim: 2014) aimed to show the importance of changes in applying international standards for financial reporting and changes in retirement benefits. The most important finding of the researcher is that the adoption of international financial reporting standards leads to improving the basic and enhancing qualitative characteristics of accounting information in terms of relevance, reliability, comprehension, and comparability. In (Zhu: 2016), the author described the impact of pension fund investments on developing the capital market in China and explored the allocation of pension investment assets. Additionally, pension funds have a positive impact on the capital market. The study's main conclusion was that the effect of pension funds on the development of the capital market varies according to the level of financial development. In countries with high financial development, the positive effects of pension funds are more robust, and the need to diversify investment, improve transparency and enhance censorship.

The work (Kiosse&Barthelme&Sellhorn: 2017) presented the important efforts of international standards within the scope of pension plans with defined benefits through the application of International Accounting Standard No. 19 IAS. Consequently, it increases the expected effects in the equity of pension fund assets by not recognizing actuarial gains and losses. The most important conclusion of the authors is that the companies affected by the adoption of the International Accounting Standard IAS 19 significantly transfer their pension assets from stocks to bonds. The study (Wathik & Al azzawi & Hamad: 2020) showed that non-profit organizations in the State of Iraq (as the pension fund is one of these non-profit organizations) do not prepare financial reports according to international standards. Consequently, negatively affect the quality of financial reports, leading to affecting the confidence of the users of these reports.

### Pension Funds Concept

There are several definitions of retirement money, including money used to report resources that must be kept as a trust to members and beneficiaries of pension money (assets that a trustee or agency holds for others) (Jeter & Chaney, 2012: 908). The Governmental Accounting Standards Board (GASB) defines pension funds as follows (Larsen, 2006:792):

"It is a fund used by a government entity to report resources to be held as a trust for members and beneficiaries of defined pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. The use of this fund to accumulate assets to pay benefits as they become due under the terms of the scheme".

The scholars believe that the retirement fund in any country has a legal and accounting entity. Additionally, the fund maintains as a separate entity with a set of accounting records (books). The books record the fund's financial statements and summarize the contributions that have been paid, whether from employees, government, or employers.

Retirement funds are considered one of the trust funds classification. Their operating activities are presented using the same principles adopted for the financial statements of equity funds through the accrual basis to report the funds. Retirement funds are the sources that must be kept as a trust are disclosed to the members and beneficiaries of the retirement post-assignment on retirement. Finally, it is worth mentioning that the government retirement money is invested in large capital assets such as land, buildings, and equipment, or investing in stocks and bonds (Reck&Lowensohn&Neely, 2019: 35).

### Actuarial Accounting and Its Role in Pension Funds

The actuary applies knowledge of mathematics, statistics, and financial affairs to design and implement pension systems. It is performed in tables of probabilities of occurrence risks, deaths, accidents, unemployment, disability and retirement. Furthermore, the actuary evaluates investment portfolios and the expected return and works to direct resources in the optimal direction. In work provided by the financial accountant (Jameel, 2016: 151-159), the goal of actuarial accounting in retirement departments is to determine the amount of funding that pension funds need for paying future obligations that are expected to

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be paid, as some pension funds have failed to fund their plans (Maurer and others, 2016: 269).

Paragraph 78 of the Employee Benefits Standard No. 39 of the IPSASs indicates that the actuarial assumptions are the entity's estimates of the variables determining the final costs of providing post-employment benefits. The actuarial assumptions include (IPSASs, 2020: 1728):

1. Demographic assumptions: The assumptions include mortality rate, employee turnover and disability, and the percentage of eligible plan members to receive benefits.
2. Financial assumptions: These include the discount rate, which reflects the time value of money to cover post-employment benefit obligations

**The Challenges that Pension Funds**

There is a set of challenges that pension funds, which include the following general challenges (International Labor Office, 2011: 23-40):

1- Complete covering of the Fund's expenses: This challenge increases and raises in middle and low-income countries. The vast majority of the world's population still lacks full coverage of the Fund's expenses due to the growing prevalence of informal labor in many countries.

2- The funding challenge: Pension funds face a crucial challenge represented of achieving financial sustainability and working to preserve the investment of the fund's assets in a more efficient manner. Making investment decisions is an essential element of financing programs for the benefits obtained by the beneficiary.

3- The management challenge: The fund's management constitutes one of the challenges that pension funds face. Good management makes it possible to establish different social systems and allocate resources better.

4- Early retirement: It is a loss of human resources and competencies. It represents a financial burden on pension funds (Ezz El-Din and Buhafs, 2017: 83), represented in paying salaries to new retirees (Mohammed and Ismail, 2017: 34).

As for the special challenges (e.g., the covid-19 pandemic challenges) on pension funds and their impact on the economy, the pandemic has adverse effects on all countries of the world from several aspects, whether political, economic, or social. The negative effects did not distinguish between developed and developing countries and affected all countries and segments of society. Notably, the developing countries were more affected as the wheel of the economy stopped completely and thus led to health, financial and economic losses.

Most countries have completely disrupted tourism, as some depend mainly on tourism revenues (Al-Zain, 2021: 252). Furthermore, the oil sector was not spared from the effects of the pandemic, as oil prices fell to less than 33 dollars (Qabbani, Sufyan and Alwani, 2021: 151). Due to economic stagnation, one of the consequences of the Covid-19 crisis is physical (sometimes called social) distancing and the imposition of a curfew that led to decreased job opportunities, weak productivity growth, the occurrence of bankruptcy cases, and a drop in demand for goods and services. Consequently, the difficulty of managing the financial system of economic units (Khair and Tayyib, 2020: 14). These challenges are as follows (Fehr and De Bedigan, 2020: 1):

1- Increase the possibility of individuals leaving the labor market, thus demanding retirement benefits, especially in the private sector.

2- Negative effects on the labor market reduce job opportunities, stagnation, and wage decline.

3- A decrease in the fund's assets' value negatively impacted the pension fund's balance sheet.

4- The challenge of providing the retirement fund's financial solvency has led to the difficulty of providing benefits and pensions.

5- The pandemic conditions affected the fund's internal and external investments.

**Accounting for Pension Funds in the Government Sector**

It is well known that pension funds invest surplus funds in several areas. According to the laws governing pension funds, they can invest their money in bonds or shares (Campbell and Viceira, 2005: 4) or fixed deposits (Viceira, 2010: 15). The retirement funds are income for the resources in which the government is an agent for others, and the assets of the money are equal to its obligations. Additionally, the retirement funds depend on the matching between the assets and resources of money on the one hand and the obligations and reserves of money on the other hand.

Turning to the accounting treatments for pension funds, the following summarizes some of the important treats (Freeman and others, 2014: 478-479):

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1- The following entry is recorded in the pension fund when contributions are paid to the pension fund directly on time and without registering an entitlement entry:

Cash **
Employee contributions **
Public sector contributions **

2- Delaying for a period between deducting (amounts) from the employees' salaries and transferring them to the retirement fund. Therefore, the retirement fund records these amounts when they are due on the public money and records the following entry until they are sent to the retirement fund. Therefore, the following entry can be established:

Due to General Fund **
Employee contributions **
Public sector contributions **

3- The following entry is recorded when the amounts are paid to the retirement fund:

Cash **
Due to General Fund **

5- At the end of the year, an adjustment may be made to the fair value of the investments. Since the fair value of the fund's investments has decreased by a certain amount: The subsequent adjustment is as the fund records the following entry to amend the value of the decline in the fair value and by the amount that was determined in the fair value decline:

Deductions—Net Increase (Decrease) in Fair Value of Investments **

Investments **

## Accounting for investments in Pension funds under IPSASs

The most important types of investments in pension funds and accounting for them under the requirements of IPSASs will be reviewed, as follows:

- **Investment Property in Pension funds**

One of the essential forms of investments in Pension funds is investment Property. It is considered one of the good and essential investments for investors (experts in this field) who need a large capital for investment, as investment property is bought to wait for its value to rise and sell it in the future (to obtain profits). The main characteristics of Investment property are as follows (Al Shabib, 2012: 50):

1- Investment property is characterized by a high degree of security over the money invested, as the asset is acquired and full freedom to dispose of it in full.
2- Many countries encourage investment property by giving tax allowances to real estate investors.
3- Obtaining relatively high returns due to investing in investment property, especially if the investment is based on sound economic and technical feasibility studies.

There are examples of investment properties that are referred to in paragraph (12) of Standard No. (16), which are (IPSASs, 2020: 491):

1- The land is held to increase its long-term capital value and not sell it in the short term through the normal course of operations.
2- The government unit (building) owns, maintains, and rents according to a finance lease (used for commercial purposes).

The main issues in accounting for investment properties under the standard mentioned above are as follows:

### Firstly: Recognition

Investments properties are recognized as an asset within the assets of public sector units in the cases referred to in paragraph (20) of the same standard (16), which can be as follows:

- When it is probable that the expected economic benefits or service will flow to units of such property
- If the fair value cost of real estate investments can be measured reliably.

According to the recognition principle, the units evaluate the initial measurement of investments properties at their cost. The costs of the process must be included in the initial measurement. The cost of the purchased investments properties consists of the purchase price and any other expenses incurred later that occur due to adding to the property (IPSASs, 2020: 494).

As indicated in B of Paragraph 20, when an investment property is valued at fair value, Paragraph 44 requires recognizing gains or losses resulting from a change in the fair value of properties in surplus or deficit during the period they occur (IPSASs, 2020: 498).

### Secondly: Measurement

In measuring investment properties, it must be initially measured at its cost. When investment properties are acquired through noncurrent operations, their cost is the fair value on the date of acquisition. Paragraph 39 of the same standard indicates that the units should choose the fair value model or the cost model as a policy accounting applied to all investment properties. The concept of fair value for investment properties is the price at which property is exchanged between

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knowledgeable and willing parties in a commercial transaction (IPSASs, 2020: 495)

**Thirdly: Disposals**

Paragraphs 77 and 80 of the same criterion (16) state that investment property should be derecognized and deleted from the financial position upon disposal (or permanent discontinuation of use). No future economic benefits or potential services are expected from its disposal. The gains and losses from the disposal of investment properties must be determined when selling them (or leased under a finance lease). It must be recognized in the surplus or deficit in the period of exclusion of the investments (IPSASs, 2020: 505)

**Fourthly: Disclosure**

Paragraph 86 of the same standard (16) refers to the disclosure requirements for investment properties. The units must disclose whether they apply the fair value model or the cost model, or both in measuring all the investment properties they own. The type of investment property must be disclosed if it is a building or land.

The methods and assumptions used to determine the fair value of investment property must be disclosed. Additionally, disclosure of the methods and assumptions used to determine the fair value of investment properties. Furthermore, disclosure of the fair value of investment properties is measured and disclosed in the financial statements. The statements depended on evaluating an independent valuer with a recognized professional qualification and experience in evaluating the type of investment property. They are disclosed in the income statement, including the follows (IPSASs, 2020: 507):

- The income comes from the rent allowance of investment properties.
- Direct operating expenses (including repair and maintenance) arose from investment properties and generated rental income during the period.

The scholars believe that investment properties are among the most important investments in pension funds. Fixed monthly returns may be obtained according to the contracts concluded. These returns may exceed the benefits obtained when depositing funds for the pension fund with banks, as in the case of fixed deposits. The pension fund exploits the lands it owns as investment properties in future commercial projects to obtain returns that increase the fund's financial liquidity.

- **The investments in bonds**

Pension funds invest in financial assets such as stocks and bonds. It is one of the main activities in which public and private sector units invest when they have a surplus of cash to obtain periodic benefits from this investment or obtain profits. The definition of a financial asset is stated in paragraph (9) of the IPSASs No. (28) Financial Instruments: Offering (which is cash or equity for another project which means investment in the shares of another company (such as ordinary or preferred shares). It is also a contractual right to receive cash from another party (e.g., a bond). Additionally, it is a contractual right to exchange financial assets or liabilities with another enterprise under potentially favorable terms. An investment in bonds is an investment in debt (Debt securities) (Kieso and Weygandt and Warfield, 2013: 952). The debt investments are classified into three main sections:

**Firstly: Held to Maturity Securities**

The investments in bonds are distinguished with honest intention and the ability to remain until the end of their maturity date. They are the investments held to maturity in the economic unit. Thus, the economic unit does not classify them as investments held to maturity when it intends or expects to sell it (due to a change in the interest rate or the need for financial liquidity). Accordingly, they may be classified as another type and not held investments until the end of their maturity date. These investments are accounted for based on the target cost and not based on the fair value (Kieso and Weygandt and Warfield, 2020: 1343-1345). When purchasing the bond in cash and on the date of the operation, the following entry can be recorded to prove the investment process in the records of the economic unit (pension fund):

| | | |
|---|---|---|
| Invest in bonds available to maturity | ** | |
| Cash | | ** |

The investments acquired to maturity are disclosed in the statement of financial position within the category of assets within the long-term investments. If there is interest receivable, it appears with its accrued value in the statement of financial position within the current assets. The interest income is disclosed in the income statement within the revenues category ( Al-Qadi and Hamdan, 2008: 190-191).

**Secondly: Trading Securities**

These are securities acquired to sell in the short term to generate revenue. These securities are purchased to obtain profits within a short period due to price changes. These investments are reported in the statement of financial position at their fair value. The acquisition gains and losses are reported Unrealized as part of net income and appear within the category of

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current assets in the balance sheet. For example, the following entry is recorded in the records of the retirement fund and my agencies when purchasing bonds from a specific company for trading purposes (Al-Ramahi, 2013: 415-418):

Investing in bonds available for trading **
Cash **

### Third: Available For Sale Securities

The securities are bought and not classified for trading or keeping them for maturity. The bond investment available for sale is recognized and disclosed at fair value. The unrealized gains and losses due to changes in the fair value are recorded in the unrealized holding gains and losses account, which appears In comprehensive income. The shareholders' equity is disclosed as a separate component to achieve these gains or losses, and the securities acquired to sell appear within the asset class in the balance sheet. (Al-Kassar, 2010: 69-70):

Investing in bonds available for sale **
Cash **

- **The investments in Preferred Stocks**

One of the essential investments in pension funds is investing in equity by investing in preferred and common shares. The IPSASs indicate in standard No. (28) Financial Instruments: Offering in Paragraph (14) that a financial instrument is an ownership right if the instrument does not include a contractual obligation. It means a supply of cash or another asset to another facility or the exchange of assets Financial or financial obligations with another entity under conditions (it may not be in the interest of the issuing entity) (IPSASs, 2020: 961). It is important to mention that Preferred shares are a financial instrument classified between common stocks and bonds. They are similar to bonds in obtaining a specific return, and they are similar to common stocks in terms of not legally claiming profits.

On the other hand, the preferred stock does not have a maturity date. Still, the contract may stipulate that it be called up at another time (Abdul Halim, 2013: 53). Additionally, the preferred stockholders are given the right to keep their entitlements in the profits of the years in which no distribution was made from the profits of years the suffix (Chorafas, 2005: 84). When pension funds purchase preferred shares, they are disclosed in the statement of financial position within equity. However, on the date of purchase, the following entry is recorded on the date of the transaction taking place:

Investments in securities (preferred shares) **
Cash **

- **Investment in Common Stock**

The investment in ordinary shares is the second type of investment by equity, and its concepts have developed as a result of the maturity and development of the financial markets. In the arrow, the ordinary shareholder has the advantage of obtaining non-fixed returns that may be annual, semi-annual, or quarterly. It is a percentage of the capital, and the profits may be in cash or the form of shares (Mcmillan and others, 2011: 339-340). Investment in ordinary shares can be classified according to the percentages of shares owned and in which the investor has the right to vote and be elected (Spiceland and Nelson and Thomas, 2018: 667):

1. Investment in shares by less than 20% is valued at fair value.
2. Investment in shares at a rate between 20% and 50% is evaluated using the equity method.
3. Investment in shares by more than 50% is accounted for through the consolidated lists

Investments in ordinary shares are disclosed in the balance sheet, whether for sale or trading purposes. However, the only difference between them is disclosing unrealized gains and losses. In the papers available for sale, they are closed and appear in equity within comprehensive income, but if they are for trading purposes, they appear in the income list

- **Treasury Stocks**

Treasury Stocks are one of the areas in which retirement funds invest their surplus funds through purchasing these financial instruments until their maturity date, as treasury Stocks are one of the financial instruments issued by the government to meet its financing needs (Yigermal, 2017: 32). They are short-term securities whose maturity date does not exceed one year, as the period of their acquisition ranges between three months and up to a year. They are the most traded and liquid instruments. Since treasury stocks are considered short-term investments, the issuer's risks of non-payment of their value at maturity are almost non-existent. The reason is that the issuers of these Stocks are reputable institutions such as the US Treasury (Smart and Gitman and Joehnk, 2017: 53).

### The method of work

The researchers surveyed according to a checklist for a sample of pension funds in different countries of the world showing the impact of the investments of the world's funds (the research sample) with the Covid-19 pandemic. Additionally, another checklist was prepared to show the diversification of assets invested in the

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funds of the countries of the world (the research sample), as illustrated in the following models

**Model ( 1 )**
**Some important pension funds in different countries whose investments have been affected by Covid-19.**

| No. | Pension Funds Name | Effect Covid-19 | |
|---|---|---|---|
| | | Yes | No |
| 1 | Egypt State Pension Fund | √ | |
| 2 | Jordan Pension Fund | √ | |
| 3 | United Arab Emirates Pension Fund | √ | |
| 4 | Qatar Pension Fund | √ | |
| 5 | Kuwait Pension Fund | √ | |
| 6 | Nigeria Pension Fund | √ | |
| 7 | USA Pension Fund | √ | |
| 8 | Canadian Pension Fund | √ | |
| 9 | Iraqi Pension Fund | √ | |

Source: The model (prepared by the researchers) is based on the official websites of the pension funds included in the model.

**Model ( 2 )**
**A test list to diversify the assets invested in pension funds in the world's countries.**

| No. | Pension Funds Name | Diversity of investment assets | | The type of invested assets | |
|---|---|---|---|---|---|
| | | Yes | No | fixed deposit | Investment Property, Financial Instruments |
| 1 | Iraqi Pension Fund | | √ | √ | |
| 2 | Jordan Pension Fund | √ | | | √ |
| 3 | United Arab Emirates Pension Fund | √ | | | √ |
| 4 | Qatar Pension Fund | √ | | | √ |
| 5 | Kuwait Pension Fund | √ | | | √ |
| 6 | Nigeria Pension Fund | √ | | | √ |
| 7 | USA Pension Fund | √ | | | √ |
| 8 | Canadian Pension Fund | √ | | | √ |
| 9 | Egypt Pension Fund | √ | | | √ |

Source: The model (prepared by the researchers) is based on the official websites of the pension funds included in the model

According to the research sample survey results, it is clear that most of the pension funds were affected by the covid-19. The Iraqi Fund's effect was doubled because it did not diversify its investments. The scholars proposed that the fund adopt disclosure methods according to international standards, which would allow the fund to diversify its investments and hold them accountable.

- **Accounting disclosure for the pension fund under IPSASs**

This subsection includes the design of a proposed model for the financial statements to disclose the investments of pension funds in the Iraqi fund under IPSASs for evaluating the fund's financial performance. As the evaluation of the financial performance of the pension fund, whether by adopting financial performance indicators or others, will depend on the financial statements that will be prepared under IPSASs. Preparing financial reports for the Iraqi Pension Fund, Paragraph No. (15) of the same standard indicates that financial reports provide information about government units' financial position and cash flows. The information is helpful for the beneficiaries of these reports in making and evaluating

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decisions to allocate resources by providing information on The uses and distribution of financial resources and the provision of information. This helps assess the economic unit's ability to finance its activities and meet its obligations.

Paragraph (21) of the Financial Statement Presentation Standard No. (1) indicates the main financial statements we propose adopting for the Iraqi Pension Fund. The statements are as follows:

1. Statement of Financial Position
2. Statement of profit or loss
3. Statement of Cash Flows

The following are the proposed models for the financial statements required to disclose and report the activities of the pension fund

**Model ( 3 )**
**Statement of financial position as at 31/12/2020**

| | 2019 | 2020 |
|---|---|---|
| Current Assets: | | |
| • cash at banks | ** | ** |
| • Short-term investments of the Iraqi Pension Fund: | | |
| Financial instruments (bonds) Trading Securities (at fair value) | ** | ** |
| Financial instruments (bonds) available for sale (at fair value) | ** | ** |
| • Long-term investments of the Iraqi Pension Fund: | | |
| Financial instruments (bonds) held until maturity (at amortized cost) | ** | ** |
| Financial instruments (bonds) available for sale (at fair value) | ** | ** |
| Total current assets and financial investments | ** | ** |
| • Non-current assets: | | |
| Investment Property | ** | ** |
| The machines and the Equipment | ** | ** |
| Total noncurrent assets | ** | ** |
| Total Assets | ** | ** |
| • Current Obligations: | | |
| Revenue received in advance | ** | ** |
| Salary and wages due | ** | ** |
| Total current liabilities | ** | ** |
| • Non-current liabilities: | | |
| debit current accounts | ** | ** |
| Total noncurrent liabilities | ** | ** |
| • EQUITY : | | |
| Share —ordinary Stocks | ** | ** |
| Share — Preferred Stocks | ** | ** |
| • reserves | ** | ** |
| • actuarial reserve | ** | ** |
| • Unrealized acquisition or loss of financial instruments (available for sale) Change in fair value | ** | ** |
| Total liabilities and equity | ** | ** |

Source: The form (prepared by the researcher) is based on criterion (1) Presentation of financial statements

Paragraph (70) of Standard No(1) Presentation of Financial Statements indicates that assets must be presented in the statement of financial position within two categories: current or noncurrent assets. Additionally, the liabilities are classified in the statement of financial position into current and noncurrent liabilities

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**Model ( 4 )**
**Statement of profit or losses at 31/12/2020**

| | 2019 | 2020 |
|---|---|---|
| • Revenues : | | |
| Revenue from employee contributions | ** | ** |
| Public sector contribution revenue | ** | ** |
| income from financial investments | ** | ** |
| Revenue from the sale of securities | ** | ** |
| Interest income on financial instruments | ** | ** |
| Unrealized holding gains (as a result of the valuation of financial instruments for trading and available for sale) | ** | ** |
| Other income | ** | ** |
| total revenue | ** | ** |
| • Expenses: | | |
| Administrative expenses | ** | ** |
| Stock drop loss | ** | ** |
| Unrealized holding losses (as a result of valuing financial instruments acquired for trading or selling) | ** | ** |
| total expenses | ** | ** |
| net profit or (loss) | ** | ** |

Source: The model was prepared by the researcher.

Paragraph No. (99) of the Financial Statement Presentation Standard No. (1) indicates that the financial performance statement should include all items of income and expenses that pertain to the current year. Paragraph (109) of the same standard states that the economic unit can disclose within the notes the expenses and analyze them according to their nature or the function of the economic unit or the needs of the economic unit. Additionally, to ensure that the information is presented reliably and more appropriately

**Model ( 5 )**
**Statement of Cash Flow at 31/12/2020**

| | 2019 | 2020 |
|---|---|---|
| • Cash flows from operating activities: | | |
| Add: | | |
| Depreciation | ** | ** |
| Increase in creditors | ** | ** |
| dedicate : | | |
| Increase in debtors | ** | ** |
| decline in creditors | ** | ** |
| net cash flow from operating activities | ** | ** |
| Investment cash flows: | | |
| Add: | | |
| Revenue from the sale of financial instruments | ** | ** |
| interest income | ** | ** |
| Gains from the sale of investment properties | ** | ** |
| Gain on sale of fixed assets | ** | ** |
| dedicate : | | |
| buy investments | ** | ** |
| net cash flow from investing activities | ** | ** |
| Cash flows from financing activities: | | |
| Add: | | |

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| | | |
|---|---|---|
| sell investments | ** | ** |
| Increase in equity | ** | ** |
| dedicate : | | |
| debt payment | ** | ** |
| net cash flows from financing activities | ** | ** |
| The balance will be added at the beginning of the period 1/1/2020-2019 | ** | ** |
| Cash Balance at 12/31/2020-20219 | ** | ** |

Source: The model was prepared by the researcher.

Paragraph (126) of Financial Statement Presentation Standard No. (1) indicates that the cash flow statement provides users of financial statements a basis for assessing the ability of an economic unit to generate cash. It shows the unit needs to use cash flows and forecast cash needs in the future. Paragraph (18) from the cash flow data standard No. (2) classify this statement into cash flows according to operating, investing and financing activities.

## CONCLUSION

From the above discussion, we conclude that the preparation of the financial statements of the pension fund under IPSASs is essential for diversifying the investments of pension funds. According to criterion (1), presenting the financial statements will enable comparisons between the previous periods' financial statements and the pension funds' financial statements. Additionally, work on developing the financial performance of the retirement fund. It can be recommended to adopt international accounting standards in the public sector, whether the real estate investment standard, the financial instruments standard or the financial statement presentation standard. Furthermore, educating the importance of preparing financial statements (statement of financial position, profit or losses, cash flow statement) for the pension fund. Moreover, knowing the importance of these lists of users and the pension fund in evaluating financial performance.

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