Shakespeare Inc. (“Shakespeare”) is a privately held book printing and publishing company with a December 31 year-end. Shakespeare has considered going public but has no definite plans to do so currently. The summary results of operations for the year ended December 31, 2019, included revenue of $10.7 million and net income of $1.2 million. The summary balance sheet as of December 31, 2019, included:

|  |  |  |  |
| --- | --- | --- | --- |
| Current assets | $ 6,500,000 | Current liabilities | $ 4,500,000 |
| Noncurrent assets | 28,250,000 | Noncurrent liabilities | 13,750,000 |
| Total assets | $34,750,000 | Total liabilities | $18,250,000 |
|  |  | Total shareholder equity | $16,500,000 |

Shakespeare is planning to issue its financial statements on March 20, 2020. On March 18, 2020, Shakespeare’s management will evaluate new information about its accruals or subsequent events to **determine if this information or events represent items that should be recognized or disclosed** in the December 31, 2019, financial statements.

**INIDIVIDUAL LEARNING ASSESSMENT 2**

***Medical Benefits Payable***

For the past several years, Shakespeare has self-insured medical benefits (health and dental) for its employees. The Company records the costs of medical care in the period in which covered events occur and includes its best estimate of the costs that have been incurred but not yet reported (IBNR) in its estimate of the medical benefits payable. Shakespeare’s management estimates its liability with the assistance of third-party experts using actuarial techniques, assumptions, and observations that are based on past experience of claims paid through the balance sheet date.

The Company monitors the continued reasonableness of the assumptions and methods used to estimate the IBNR liability each reporting period. Management’s process for estimating its medical benefits payable is disclosed in its “Significant Accounting Policies” footnote. Management has a history of accurately estimating the IBNR liability using these techniques as validated by the actual claims received. Historically, all claims are received by Shakespeare within two months of the medical services being provided to its employees. Using this process, management estimated an IBNR liability of $1.25 million as of December 31, 2019. As of management’s review on March 18, 2020, Shakespeare had received claims totaling $0.75 million for medical care costs incurred before December 31, 2019.

**For Individual Learning Assessment 2:**

* Complete Steps 1-4 in the research process.
* Document in the form of a memo.
* **Turn MEMO in on Canvas by Monday March 30 at 11:59pm**