

AS-15 Employee Benefits

(Not applicable on Employee Share based Payments)

Employee: Contract of service → Can be Full time, part time, casual / temporary, permanent, etc

Employee Benefits: * All forms of consideration for services rendered that are provided under

Formal Agreement

Informal Practices
(Eg: Diwali Bonus)

Legislative Requirements
(Eg: Provident Fund)

- * Can be paid in cash or in kind
- * Include benefits provided to employee, spouse, children or other dependents.

Types of Employee Benefits

Short Term
Employee Benefits
(STEB)

Payable within 12 months
of year end

Eg: salaries, wages,
STCA (Leaves),
Profit sharing & Bonus,
Non monetary benefits

Post Employment
Employee Benefits
(PEEB)

Payable after
completion of service

Eg: Gratuity, Pension,
Provident Fund,
Medical care,
Settlement Allowance

Long Term
Employee Benefits
(LTEB)

Payable after 12M
but before retirement

Eg: Long Term Compensated Absence,
Profit sharing & bonus,
Jubilee Awards,
Long Term Disability Benefits
[Aiding Treatment same as of
PEEB]

Termination
Benefits
(TB)

Payable on Termination

Eg: VRS,
Retrenchment
Compensation.

(w/off in P2 A/c)

Accounting Treatment

1) Short Term Employee Benefits (STEB): Recognise expense at undiscounted/absolute amount.

Salary A/c - Dr
Prepaid Salary A/c - Dr
To Bank A/c
To o/s salary A/c

Short Term Compensated Absence (Special Treatment) (Leaves)

Non Accumulating
(Used during the year)

No Treatment

Accumulating
(Unutilised at year end)

Can be used in
Next 12 months

Provide for full or Proportionate
amount of amount payable for
such leaves

Cannot be
used

No Treatment

Profit sharing & Bonus Plans

Recognise expected cost as expense if:

- * Enterprise has present obligation as a result of past event &
- * Reliable estimate can be made.

2) Post Employment Employee Benefits (PEEB):

Defined Contribution Plans (DCP)

Obligation to pay fixed contribution into separate fund.
 Record expense based on actual contribution
 Eg: Provident Fund, Pension Fund, etc.

Defined Benefit Plans (DBP)**

Employer has obligation but contribution is not required.

Eg: Gratuity, Leave Salary, Settlement Allowance, etc.

** Defined Benefit Plan / Obligation : Projected Unit Credit Method

- Steps
- 1) Calculate Estimated Benefit Payable by applying Demographic & Financial Assumptions
 - 2) Calculate Allocated Benefit based on balance service period
 - 3) Calculate current service cost
 - 4) Calculate Finance cost (Interest cost) [P.V. factors in reverse manner]

Actuarial Gain/Loss: Actuary reviews the calculation & any gain/loss to be recognised immediately in P&L A/c. (No Deferral allowed)

DBO / PVDBO A/c			
To Benefits Paid (Amt. paid on settlement)	xx	By Bal b/d	xx
To Actuarial Gain*	xx	By Current Service Cost (CSC)	xx
To Bal c/d	xx	By Interest Cost (IC)	xx
		By Actuarial Loss *	xx
	<u>xx</u>		<u>xx</u>

* Any One.

Note! If Entity has funded the obligation, then make Plan Assets A/c

Plan Assets A/c			
To Bal b/d	xx	By Benefits Paid	xx
To Contribution	xx	By Actuary loss (B.f.)	xx
To Expected Return	xx		
To Actuary Gain (B.f.)	xx	By Bal c/d (Fair value)	xx
	<u> </u>		<u> </u>

Assumption: Contributions & Benefits paid are in middle of year

Expected Rate of Return: r is calculated based on management estimate.

Chargeable Rate: $\sqrt{1+r} - 1$

Income will be calculated on Half Yearly basis.

Actual Return: Expected Return \pm Actuarial Gain / (Loss)

Modification in DBO

Increase

UPSC A/c - Dr
To DBO

Unamortised Past service cost
(It can be deferred)

Curtailment

When employer reduce no. of employees or benefits under Plan. Gain or loss is to be recognised & trfd. to P&L A/c.

Reduction in Gross Obligation	xx
Less: Proportionate reduction in UPSC	(xx)
Gain on curtailment	<u>xx</u>

Balance sheet: Disclosure

PV of DBO new balance after Reduction	xx
Less: Fair value of Plan Assets	(xx)
Less: Unamortised Past service cost	(xx)
	<u>xx</u>