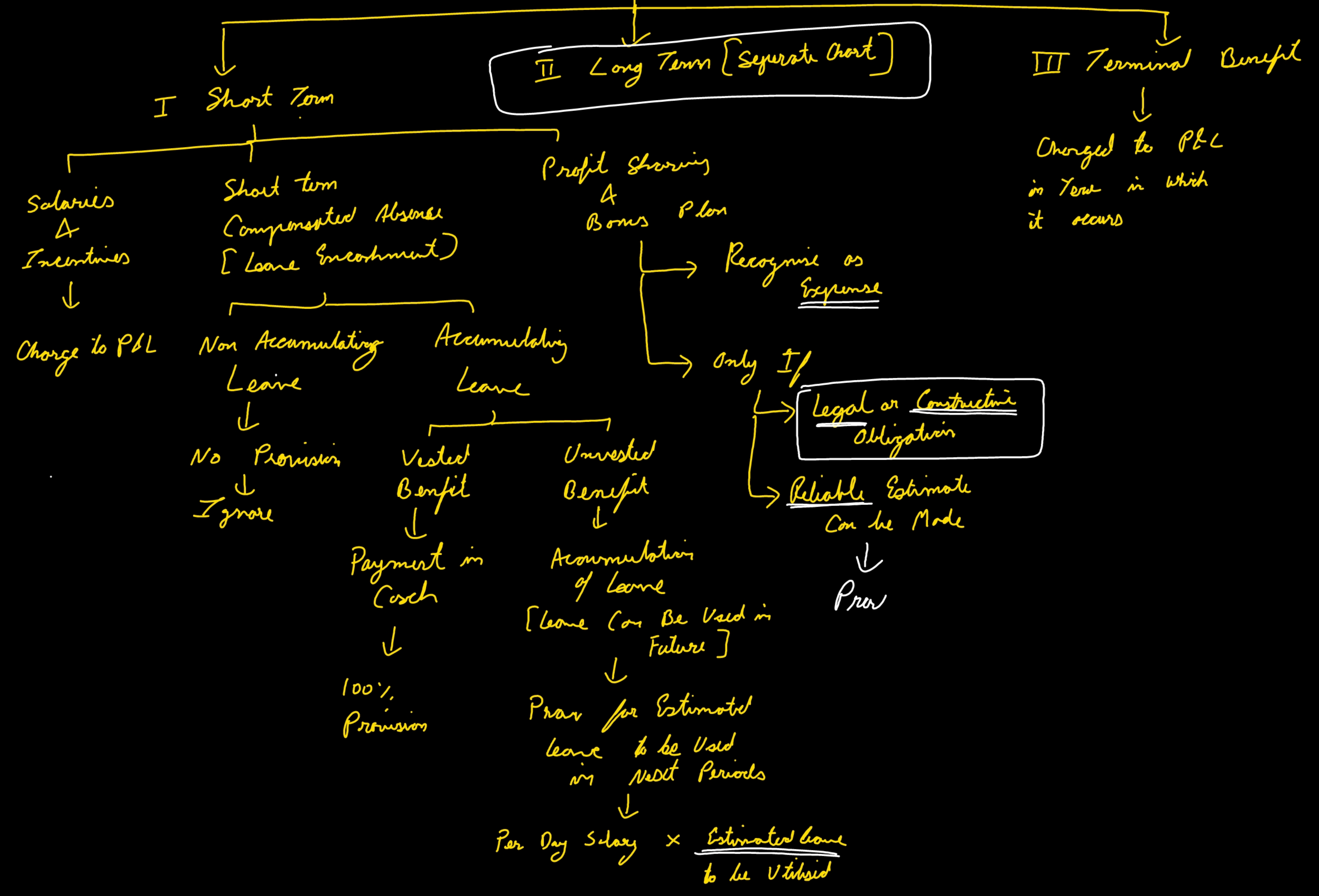


AS-15 Employee Benefits [Except ESOP]

Types of Employee Benefits



Long Term Employee Benefits

Examples / Category

1) Post Employment Emp Benefit
[Pension, Provident Fund
Gratuity]

2) Other Long Term Employee Benefit
(Long Term Bonus Plan)

Accounting

Defined Fixed Contribution Plan [DCP]

- Employer Cost is Fixed
- Actuarial & Investment Risk
or Employee
- Actuarial Assumptions Not
Required

↓
Entire Contribution is
Charged to P&L

Defined Fixed Benefit [DBP]

- Employee Cost is Not Fixed
[Employee Benefit is Fixed]
- Actuarial & Investment Risk
or Employee
- Actuarial Assumptions are
Required

↓
Expense to be Calculated
on
↓
Projected Unit Credit Method

Projected Unit Cost Method

Defined Benefit obligation
[Liability]

Plan Asset
[Investment]

Current Service Cost [CSC] [P&L]
[P.V of Yearly Accretion] Interest Cost [Intt on op Bal]

Contribution Made By Employer Return on Assets Contribution

Provision for DBO A/L

Plan Asset A/L

To Bank [Benefit Paid] WL	xxx	By Bal b/d	xxx
To Actuarial Gain [Bal fig → P&L] ? 40L	xxx	By Current Service Cost	xxx
		By Interest Cost	xxx
		By Past Service Cost	xxx
		By Unamortised Past Service Cost	xxx
To Bal c/d	xxx	By Actuarial Loss? [Bal.]	
As Per Actuarial Valuation	xxx		

To Bank b/d	xxx	By Bank [Intt Sold] xxx
To Expected Return	xxx	
To Bank [Contribution]	xxx	By Actuarial Loss [P&L] xxx
# To Expected Return [on Net Contribution] [Contribution - Benefit Paid]	xxx	
To Actuarial Gain [P&L]		
		By Bal b/d [At fair Market Value] xxx

Sup Post S.C A M 15L
 Unamortised P.S.C A M 10L
 Provision for DBO 25L

Projected Unit Cost Method

- 1) Calculate Estimated Total Benefit Paid [Based on Future Salary]
- 2) Allocated Benefit Per Year $\Rightarrow \frac{\text{Step 1}}{\text{No of Yrs}}$
- 3) Calculate CSC By Discounting Each Yr [Upstream]
- 4) Prepare Interest Schedule \Rightarrow Intl on op Bal using some Discounting Rate

Yr	op Bal	+ Intl Cost	+ CSC	- Cl Bal
1	-	-	+ 21,48,650	= 21,48,650
2	21,48,650	-	+ 2,14,865 + 23,62,572	= 47,26,087
3	47,26,087	+ 4,72,607	+ 25,98,514	= 77,97,210
4	77,97,210	+ 7,79,721	+ 28,59,624	= 1,14,36,555
5	1,14,36,555	-	+ 11,43,656 + 31,45,901	= 1,57,29,552

Facts \Rightarrow Salary = 600,000 Increment 7%. Interest 10%
 Bonus = 8% of Salary after 5 Yrs to 50 Employee for each Yr of Service

Step 1 $\Rightarrow 600,000 \times 1.07 \times 1.07 \times 1.07 \times 1.07 = 7,86,478/-$
 $\Rightarrow 7,86,478 \times 8\% \times 5 \times 50$
 $\Rightarrow \boxed{1,57,29,552}$

Step 2 $1,57,29,552 \div 5 = \boxed{31,45,901/-}$

Step 3

Yr	Benefit	PV F @ 10%	CSC
1	31,45,901	0.683	21,48,650
2	—	0.751	23,62,572
3	—	0.826	25,98,514
4	—	0.909	28,59,624
5	—	1	31,45,901

Intl Cost At R 11,43,656 }
 CSC At R 31,45,901 }
 To Provision for DBO 42,89,556

Actuarial Valuation [Remeasurement]

I Defined Benefit Obligation

⇒ It shall be Remeasured as per revised Discounting Rate and other Revised Assumptions

⇒ Any change → Transferred to P&L ⇒ as Actuarial Gain/Loss

II Plan Asset

⇒ It shall be Remeasured at Fair Market Value at each Balance sheet Date

⇒ Any change → Transferred to P&L ⇒ as Actuarial Gain/Loss

Note: Net Actuarial Gain/Loss = Actuarial Gain/Loss on DBO xxx
(+/-) Actuarial Gain/Loss on Plan Asset xxx

xxx

xxx

Calculation of Expected Return on Planned Asset

⇒ on op Balance ⇒ Annual Rate

⇒ on Net Contribution → Contribution Made at Beginning of Yr ⇒ @ Annual Rate

↓
[Contribution - Benefit Paid]

→ " → End of Yr ⇒ No Calculation

→ " → at Mid of Yr ⇒ @ Since Monthly Rate

Annual Rate ⇒ Int'l or Dividend Rate × ×

+ Cap Gain Rate × ×

- Administration (cost [I/yr]) (× ×)

Annual Rate × ×

$$\left[\sqrt{1 + \text{Annual Rate}} - 1 \right]$$

$$\sqrt{1.10} - 1$$

$$= 0.0488 \times 100$$

$$= 4.88\%$$

Change in Defined Benefit Obligation [Change of Decision By Mgt.]

If obligation is Increased

Post Service Cost

Amortised PSC

Benefit Already Vested

PSC A/c Dr

To Prov for DBO A/c

P&L A/c Dr

To PSC A/c

Unamortised PSC

Benefit Not Yet Vested

Un Amortised PSC A/c Dr [Asset]

To Prov for DBO

[It shall be W/off on SLM Basis on Remaining Period]

If obligation is Decreased

Curtailment & Settlements

Prov of DBO A/c Dr [Liab. Reduced]

To Un Amortised PSC A/c [Proportionate W/off]

To Bank A/c [Settlement Amt]

To Gain on Curtailment A/c [Bal fig]

Gain on Curtailment A/c Dr

To P&L A/c [Transfer to P&L]

750

18.75

731.25

Um An PSC A n 20L

Zo Power for DBO 20L

A

C/F

P&L n 10L

Zo Um An PSC M 10L

Plan Asset

Bal on 1/4/2023 = 10,000 ✓
 Benefit Paid on 30/9/23 = 1,500 [sold] ✓
 Contribution Invested on 30/9/23 = 4,500 [Pur] ✓
 F.V on 31/3/24 = 15,000

Intl & Div Rate = 9.00%
 Gain on Asset = 1.50%
 Adm Cost = (1.00%)
9.5%

$(\sqrt{1 + 0.095} - 1) = 4.642\%$

	Plan Asset	
To Bal b/d	10,000	By Bank [Ben Paid]
To Exp Ret [10,000 x 9.5%]	950	
To Bank [Cont]	4,500	
To Exp Ret [3,000 x 4.642]	139	
To Actuarial Gain	911	By Bal c/d [FMV]
	<u>16,500</u>	<u>16,500</u>