

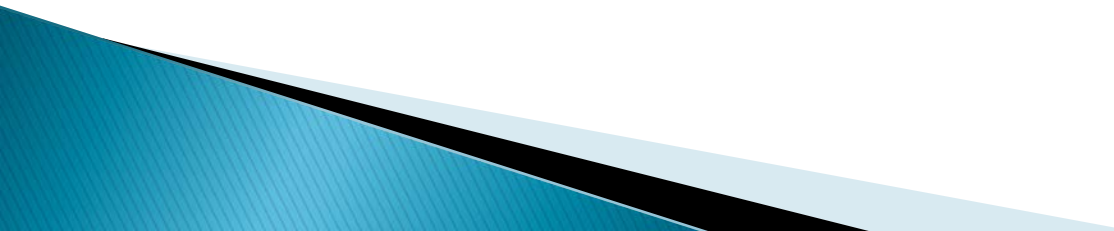
AS-15

EMPLOYEE BENEFITS



Praveen Kumar. P
Audit Executive

APPLICABILITY

- ✓ Listed companies
 - ✓ Cos in the process of listing
 - ✓ Banking Companies
 - ✓ Financial institutions
 - ✓ Insurance companies
 - ✓ Co's Turnover exceeding Rs. 50cr
 - ✓ Borrowings exceeding rs. 10cr
 - ✓ Holding and Subsidiary of the above cos
- 

OBJECTIVES



ACCOUNTING AND DISCLOSURE FOR
EMPLOYEE BENEFITS

LIABILITY

Provided service in
exchange for employee
benefits

EXPENSES

Enterprise consumes the
economic benefit arising
from the services received

SCOPE



EMPLOYEE BENEFITS

ARISES FROM

1. FORMAL PLANS OR AGREEMENTS;
2. LEGISLATIVE REQUIREMENTS;
3. INFORMAL PRACTICES;

CATEGORIES

1. SHORT TERM;
2. POST-EMPLOYEE BENEFITS;
3. LONG TERM
4. TERMINATION BENEFIT;

EXCLUDES EMPLOYEE SHARE BASED PAYMENTS

TYPES OF BENEFITS

SHORT TERM EMPLOYEE BENEFITS

POST EMPLOYMENT BENEFITS

OTHER LONG TERM EMPLOYMENT BENEFITS

TERMINATION BENEFITS

SHORT TERM EMPLOYEE BENEFITS

- ▶ *Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly **within twelve months** after the end of the period in which the employees render the related service.*
- ▶ *Examples*

Wages, salaries and social society contributions

Short term compensated expenses

Profit sharing and bonus payments

Non monetary benefits

SHORT TERM COMPENSATED EXPENSES

Accumulating
benefits

Non
Accumulating
benefits

Vesting

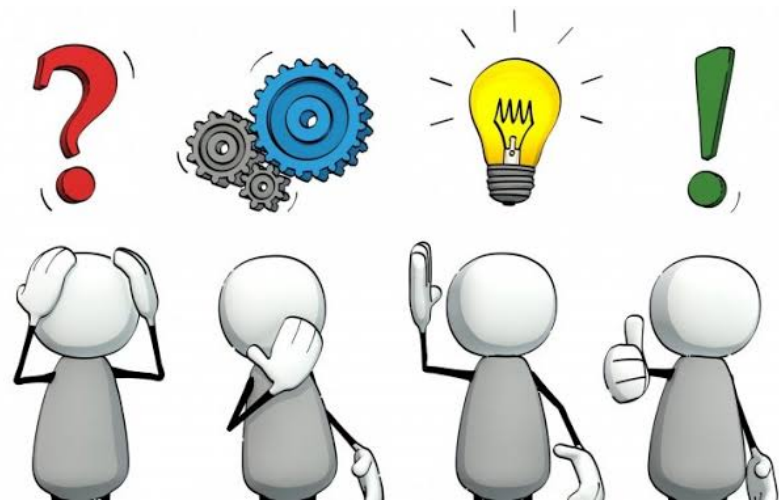
Non Vesting

Profit Sharing and Bonus Plans

▶ Recognition criteria

1. Present obligation as a result of past event will arise
2. Reliable estimate of the benefit payable can be made

Profit sharing is not to be recognized as an appropriation, because the employees are not owners of the organization



POST EMPLOYMENT BENEFITS

1

Retirement
Benefits

Other
Benefits

2

Defined
Contribution
Plan

Defined
Benefit Pan

DEFINED CONTRIBUTION PLANS

POINTS

- ✓ Fixed Contribution to be paid by employer
- ✓ Actuarial and Investment risk borne by employee
- ✓ Not necessary to do actuarial valuation
- ✓ Discounted value of benefits to be recognized, if paid after 12 months
- ✓ Examples – PF, ESI, post employment life insurance and its interest



DEFINED BENEFIT PLANS



OTHER LONG TERM EMPLOYEE BENEFITS

- ▶ *Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service.*
- ▶ *Examples:*
 - ✓ *Long Term Compensated Absences*
 - ✓ *Sabbatical leave*
 - ✓ *Profit sharing and bonus if payable after 12 months*
- ▶ ***Measurement: Discounted value of the obligation – fair value of plan assets***
- ▶ *Plan assets comprise:*
 - (a) *assets held by a long-term employee benefit fund; and*
 - (b) *qualifying insurance policies.*

TERMINATION BENEFITS

- ▶ *Termination benefits are employee benefits payable as a result of either:
 - (a) an enterprise's decision to terminate an employee's employment before the normal retirement date; or
 - (b) an employee's decision to accept voluntary redundancy in exchange for those benefits (voluntary retirement).*
- *Recognition criteria:*
 1. *Present obligation as a result of past events.*
 2. *Probable that there is outflow of resources embodying economic benefits will be required to settle the obligation.*
 3. *Reliable estimate of the obligation can be made.*

Thank
you

