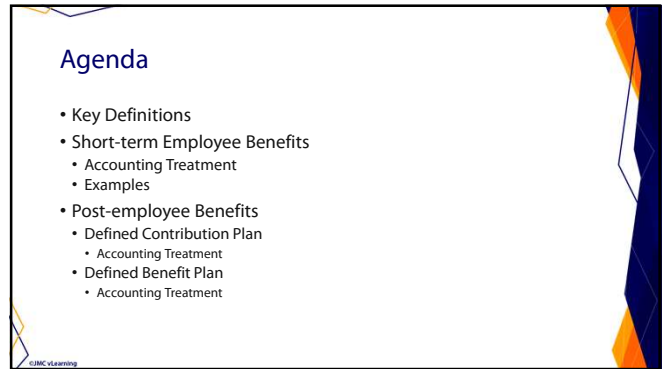


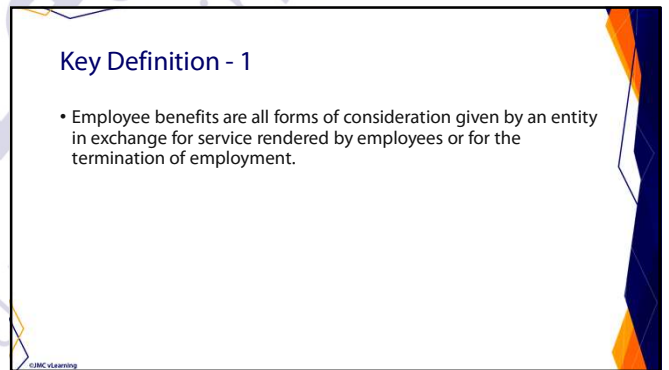
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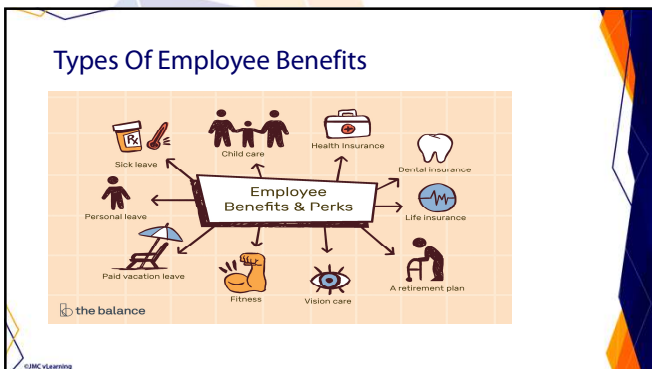
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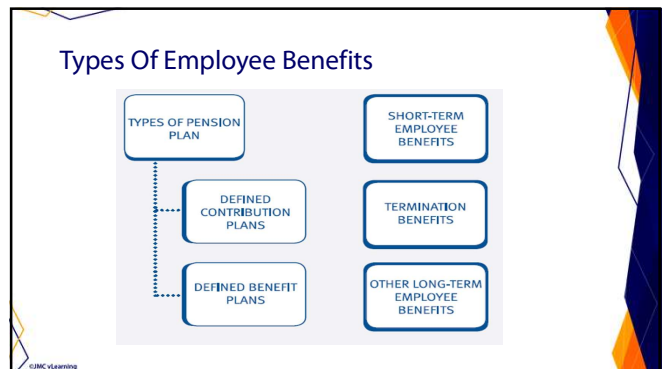
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Key Definition - 2

- Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.
- (a) wages, salaries and social security contributions;
- (b) paid annual leave and paid sick leave;
- (c) profit-sharing and bonuses;

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Key Definition - 2

- Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Examples

- (a) Defined Contribution Plan;
- (b) Defined Benefit Plan;

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Key Definition - 2

- Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
- Example – EPF & ETF

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Key Definition - 2

- Defined benefit plans are post-employment benefit plans other than defined contribution plans.
- Retiring Gratuity

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Key Definition - 2

- Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

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Key Definition - 2

- Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:
 - a) an entity's decision to terminate an employee's employment before the normal retirement date; or
 - (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

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Accounting Treatment - Steb

- When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service
 - As a Liability / Prepayment
 - As an Expense / As an Asset
- Example 1,000 Salary paid to staff will be accounted as
 - Dr. Salaries Exp 1,000
 - Cr. Cash / Payable 1,000

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Accounting Treatment – Short Term Paid Absences

- An entity shall recognise the expected cost of short-term employee benefits in the form of paid absences as an expenses (under para 11 of LKAS 19) as follows:
 - (a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences.
 - (b) in the case of non-accumulating paid absences, when the absences occur.

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Example 01

- An entity has 2000 employees, who are each entitled to 10 working days of paid leave for each year. Unused leave may be carried forward for one calendar year. At 31 December 20X1 the average unused entitlement is two days per employee. Cost is 1,000 per day
- Calculate the cost ?

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Example 02

- An entity has 5000 employees, who are each entitled to 10 working days of paid leave for each year. Unused leave may be carried forward for one calendar year. At 31 December 20X1 the average unused entitlement is 2 days per employee and is utilized as follows
 - 1. 40% will use full entitlement
 - 2. 50% will use 1.5 days
 - 3. 10% will not use the old leaves
- Cost is 500 per day
- Calculate the cost ?

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Accounting Treatment – Profit Share Or Bonus Plan

- An entity shall recognise the expected cost of profit-sharing and bonus payments as an expenses (under para 11 of LKAS 19), and only when:
 - (a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and
 - (b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

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Example- 2

- A profit-sharing plan requires an entity to pay a specified proportion of its profit for the year to employees who serve throughout the year. If no employees leave during the year, the total profit-sharing payments for the year will be 10 per cent of profit.
- The entity estimates that staff turnover will reduce the payments to 7.5 per cent of profit.
- Discuss how it will be accounted ?

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Accounting Treatment - DCP

- When an employee has rendered service to an entity during a period, the entity shall recognise the contribution payable to a defined contribution plan in exchange for that service
 - As a Liability / Prepayment
 - As an Expense / Assets

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Accounting Treatment – DBO

- Complex
- Need To Use Actuarial Assumption
- Assumptions Are Used
- Projected Unit Credit Method Is Used
- Discounting Is Applied
- Risk Involved

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Accounting Treatment – DBO

- Balance As At 01.01.2020 *Xxxx*
- Current Service Cost *Xxx*
- Interest Cost *Xxx*
- Benefit Paid *(Xxx)*
- Remeasurment Gain/Loss *Xx*

- Balance As At 31.12.2020 *Xxx*

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Accounting Treatment – DBO

- Current Service Cost – As You Wok For One Year More Benefit Was Given
- Interest Cost – It Is Paid On A Future Date
- Benefit Paid - Staff Left, So You Paid Their Benefit

- Remeasurment Gain/Loss – Assumptions Changed

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Accounting Treatment – DBO

- Current Service Cost – Taken To Pl
- Interest Cost – Taken To Pl
- Benefit Paid - Paid In Cash

- Remeasurment Gain/Loss – Taken To Oci

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Accounting Treatment – DBO

Description	Debit	Credit	Presented
Opening Balance			In SFP NCL
Current Service Cost	To PL	To Liability	Increase the Liability
(Net) Interest Cost	To PL	To Liability	Increase the Liability
Benefits Paid	To Liability	To Cash	Decrease the Liability
Remeasurement Loss	To OCI	To Liability	Increase the Liability
Closing Balance			In SFP NCL

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Accounting Treatment – DBO & PA

- An entity may create a designated assets to meet the defined benefit obligation.
- The contribution and return from the assets will build-up the asset, so the entity can use such asset to pay the liability.
- This will avoid the impact to operating cash flow, only the entity may concern about the deficit

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Accounting Treatment – DBO & PA

Description	Debit	Description	Presented	PL	OCI	SFP
DEFINED BENEFIT OBLIGATION		PLANNED ASSETS				
Opening Balance	500	Opening Balance	300			200
Current Service Cost	200			200		200
		Contribution	80		No Impact	(80)
Interest Cost	125	Interest Income	100	25		25
Benefits Paid	(30)	Benefits Paid	(30)		No Impact	
Remeasurement Loss	25	Remeasurement Loss	(25)		50	50
Closing Balance	820	Closing Balance	425			395

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Example 03

- Balance 01 .01 . 2020 10,500
- Balance 31 .12 . 2020 15,700
- Current Service Cost 2,400
- Interest Cost 1,000
- Payments 800

- Show The Movment In Dbo

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Example 04

- *Balance 01 .01 . 2020 120,500*
- *Balance 31 .12 . 2020 170,700*
- *Current Service Cost 20,400*
- *Interest Rate 10%*
- *Payments 8,000*

- *Show The Movment In Dbo*

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Employee Benefits

THANKS

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