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TENDENCIES AND CHALLENGES OF EMPLOYEE BENEFITS ACCOUNTING

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Abstract

The paper has as its reference sphere the specific companies operating in the stock market, in terms of their establishing, organization and operation. We note the highlighting of the evolutionary context, the Romanian accounting system as centralized economy, the operation of management companies of pension funds in our country, based on a critical analysis ; the organization of the management companies of pension funds, through the report: unity-diversity and functioning of the management companies of pension funds between the general and particular.

International Accounting Standards bring into question the functional reasoning, which we will have to call in order to analyze and interpret employees' benefits. In this context of extending professional judgment, the company's management will have to develop accounting policies to ensure the prerequisites to obtain accounting information and quality financial statements.

International Accounting Standards Board (IASB) believes that the development and progress of accounting must occur on harmonization line and convergence of the information contained in the financial statements. Alleviate the possible differences of approach in solving the same problem is possible by ensuring the comparability and compatibility of accounting and financial information. According to national and international accounting regulations, pension funds present some particularities regarding the degree of similarity, namely diversity, methods of recognition, measurement and impairment. In this context, the Jaccard coefficients represent an approach to illustrate the comparability of IFRS regulations, RO and HU Regulation. Thus, by the analysis above, we actually defined three main cases. The first is the one where Jaccard coefficients differ and include aspects of pension fund items recognized in legislation as the issue of impairment. The second case refers to the initial assessment involving a minimum level of diversity, while the latest includes two instances in which it can be revealed an average degree of similarity. In the following, we will point out in the table no. 2, the main concepts of International Accounting Standard 19, presenting their definition:

Tab. 1. ***Key terms used in IAS 19:***

Nr. crt	**Concept**	**Definition and explanation**
1.	Employees' benefits	Represent all forms of counter performance given by a company in exchange for services rendered by employees.
2.	Short-term employee benefits	Are employee benefits (other than the compensations for employment contract termination) which integrally fall due within twelve months after the end of the period in which the employees rendered the services.
3.	Post-employment benefits	Represent employees' benefits (other than the compensations for employment contract termination) which are payable after the termination of the employment contract.
4.	Post-employment benefit plans	Constitute formal or informal arrangements under which a company grants to one or more employees post-employment benefits.
5.	Defined contribution plans	Represent post-employment benefit plans under which a company pays fixed contributions to a separate company (a fund) and it 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 services rendered by employees in the current or prior periods.
6.	Defined benefit plans	There are post-employment benefit plans, other than the defined contribution plans.
7.	Defined benefit plans (other than state plans)	Represent defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: (a) pool the assets contributed by various companies that are not under common control; and (b) use those assets to provide benefits to employees of several companies, relying on the fact that both the contribution and benefit levels are determined without taking into account the identity of the company that employs the staff concerned.
8.	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 service.
9.	Compensations for employment contract termination	Represent employee benefits payable as a result of either: (a) a company's decision to terminate an employee's labour contract before the normal

		retirement date; or (b) an employee's decision to accept voluntary redundancy in exchange for those benefits.
10.	Employees' legitimate benefits	Are employee benefits that are not conditioned by future employment.
11.	Present value of a defined benefit obligation	Is the present value, without subtracting the value of any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.
12.	Current services cost	Represents the increase of the present value of a defined benefit obligation resulting from employee service in the current period.
13.	The interest expenses	Represent the increase during a period in the present value of the defined benefit obligation which arises because the benefits are one period closer to settlement.
14.	Plan assets	Include: (a) assets held by a long-term employee benefits fund, and (b) restrictive insurance policies.
15.	Assets held by a benefits fund of long-term employees	Are assets (other than non-transferable financial instruments issued by the reporting company) that: (a) are owned by a company (a fund) that is legally separate from the reporting company and exists solely to pay or finance employee benefits; and (b) are available to be used only to pay or fund employee benefits, are not available to reporting company's creditors (even in bankruptcy) and cannot be returned to the reporting company, except where: (i) remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or of the reporting company; or (ii) assets are returned to the reporting company, in order to reimburse it for employee benefits already paid.
16.	Restrictive insurance policy	It is an insurance policy issued by an insurer that is not a related party (as defined in IAS 24 Related Party Disclosures) of the reporting company, if the proceeds of the policy: (a) may be used only to pay or fund employee benefits under a defined benefit plan; and (b)are not available to reporting company's creditors (even in bankruptcy) and cannot be paid to the reporting company, except where: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefits obligations, or (ii) proceeds are returned to the reporting company in order to reimburse it for employee benefits already paid.
17.	The fair value	Is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in a transaction unfolded under objective conditions
18.	Profitability of plan assets	Represents the interest, dividends and other revenue derived from the plan assets, together with realized

		and unrealized gains and losses on the plan assets, except any costs of administrating the plan and except any tax payable by the plan itself.
19.	Actuarial gains and losses	Include: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) effects of changes in actuarial assumptions.
20.	Past services cost	Represents the increase of the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction or modification of post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Source: authors' projection based on IAS 19

All employee benefits, both short-term benefits and long term should be represented to ensure that an employer's statements reflect a liability in financial terms when employees worked in exchange for future benefits.

The new accounting issues raised are the *accounting* and *disclosure* regarding employee benefits, especially long-term benefits.

Regarding disclosure for post employment benefits - defined contribution plans, the company must present the amount recognized as an expense for defined contribution plans.
Financial statements of a company can show if the company has contributed to the pension plan for its employees.

The pension plan is the defined contribution type and it requires payment of a fixed percentage based on group classification of employees. In this contribution plan, employees too are required to contribute, regardless of classification group.

From this point of view, the term „employee benefit" is perceived, processed and recommended to be presented in the financial statements, outlining the top-level conceptual differences regarding the enunciation of the concept of employee benefits considering two chosen reference systems: IAS 19 and OMPF 3055/2009.

Tab. 2. ***IAS 19 - OMFP 3055*****/2009 Regulations comparison**

Accounting element	**IAS 19 Reglementation**	**SNC Regulation (National Accounting Standards) OMFP 3055/2009**
1	**2**	**3**
Employees' benefits	Employee benefits are forms of counter performance given by the company in exchange for services rendered by employees. These benefits include: - employees' short-term benefits; - benefits for employment contract termination; - post-employment benefits (such as pension plans); - other long-term employee benefits.	Salaries and social contributions are recognized as liabilities after deduction of amounts paid to employees during the period in which they provided services. The amounts recognized are measured at the undiscounted amount of the benefits expected to be paid in exchange for these services. Companies should recognize a provision for the

	The cost of short-term employee benefits are recognized as a liability after deducting amounts that were paid to employees during the period in which they provided services. The amounts recognized are measured at undiscounted amount of the benefits expected to be paid in exchange for services. Short-term employee benefits include items such as: a). salaries, wages and social security contributions; b). Short term compensated absences (such as paid annual leave and sick leave) where the absences are expected to occur within twelve months after the end of the period in which the employees rendered the related service; c). profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related service; d). non-monetary benefits (such as medical care, housing, cars and free or subsidized vouchers or services) for current employees. Post-employment benefits are granted to employees either as defined contribution plans or defined benefit plans. A company must recognize the payable contribution for a period: a). as a liability after deducting any amount already paid. If payments on the contribution exceeds the contribution due for services before the reporting date, the company must recognize the excess as an asset; b). as an expense, unless the IFRS for IMMs requires the recognition of costs as part of the cost of an asset. Defined benefit pension plans For defined benefit plans, a company recognizes: a). A liability for its obligations corresponding to defined benefit plans minus plan assets- its duty concerning the defined benefit; b). Net change of that debt as the cost of its defined benefit plans during that period. Other long-term employee benefits include, for example: a). Long term compensated absences such as long departures from service or sabbatical leave; b). Long-term benefits; c). allowances for long-term incapacity for	estimated cost of premiums to be granted to employees profit whether the recognition criteria of a provision are accomplished in the year in which they were proposed first. The provision is settled when the profit bounties are actually granted. For post-employment benefits and other long-term debt is recognized a provision (if the recognition criteria are met). Value of pension provisions is established by specialized evaluators. If the time value of money has a significant effect on these provisions, their value is determined by the update (update is performed usually by specialized evaluators). There are no details on the distinction between defined contribution plans and defined benefit plans, defined benefit plans cost component, actuarial gains and losses, prior service cost, disruption and settlement, valuation issues, multi-employers retirement plans. Defined benefit plans are not used in practice and are not regulated.

	work; d). profit sharing and bonuses payable after more than twelve months after the period in which the employee rendered the related service; e). deferred compensation paid after more than twelve months after the end of period in which it was earned. A company must recognize a liability for other long-term employee benefits in the net total of the following amounts: a). present value of the defined benefit obligation at the reporting date, minus b). fair value at the reporting date of plan assets (if any) of which will be paid directly duties.	

(Source: personal processing based on IAS 19 and OMFP 3055/2009)

As such, given the volume and complex nature of these differences, we will consider in the following, not punctual comparison of these sets of standards, but how they appear de facto in accounting practices of foreign companies listed on U.S. market capital.

Once the data are observed, the next step is the calculation based on them. Please note that it will take into account only the final results for the three major categories of elements considered. Also, the identified differences may arise through the use of different modes of transition to IFRS. As respects actuarial gains and losses, if they are recognized in the period in which they occur, a company may choose to recognize them outside profit or loss in a statement of recognized income and expense in accordance with IAS 19 Employee Benefits. Very important to users of financial statements are information relating to defined benefit plans, as users will not have any other information disclosed by the company from which they can estimate the nature and size of defined benefit obligations and assess the risks associated with these obligations.

The provisions relating to disclosure is based on the following components:

- The most important information about employee benefits are associated with uncertainty assessment obligations and employee benefit costs and the potential consequences of this uncertainty over future cash flows;
- employee benefit schemes are often
- complex, which means that it is particularly important that disclosures be clear, concise and relevant;
- as there are many opinions regarding the treatment of actuarial gains and losses and past service costs provisions on disclosure should highlight their impact on profit or loss and the impact of any unrecognized actuarial gains and losses and any unamortized costs of past services on the balance sheet; benefits generated by information must be higher than the cost of providing it.

According to IAS 19 "Employee benefits" pension schemes should be assessed on the accounting balance sheet based on updated estimates of the present value of retirement, less the fair value of any asset held at the balance sheet.

The objective of EU accession led the hopefuls (including Romania) adopt accounting standards that make it possible to pertinently interpret information on companies by various users in the Member States. In addition, the main issue is the compatibility of European accounting rules with the international ones.

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