

Employee benefits

IPSAS Background

- The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognize:
 - a) A liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
 - b) An expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.
- As a result of applying IPSAS, greater amounts in employee benefits liabilities will be recognized on the face of the financial statements

IPSAS Background

- Liabilities and expenses are recognized when the employee renders a service, rather than when the benefits are paid. For example:
 - a) Annual leave
 - b) After Service Health Insurance
 - c) Repatriation grant, relocation grant, Shipment and travel expenses
 - d) Death, disability (MAIP, Appendix D)



Accrual accounting is providing an estimation of the full employee cost

IPSAS Background

- Different methods have to be applied according to the type of benefit:

Short term employee benefits: within 12 months after the employee rendered the service = salary, maternity leave, language allowance,...



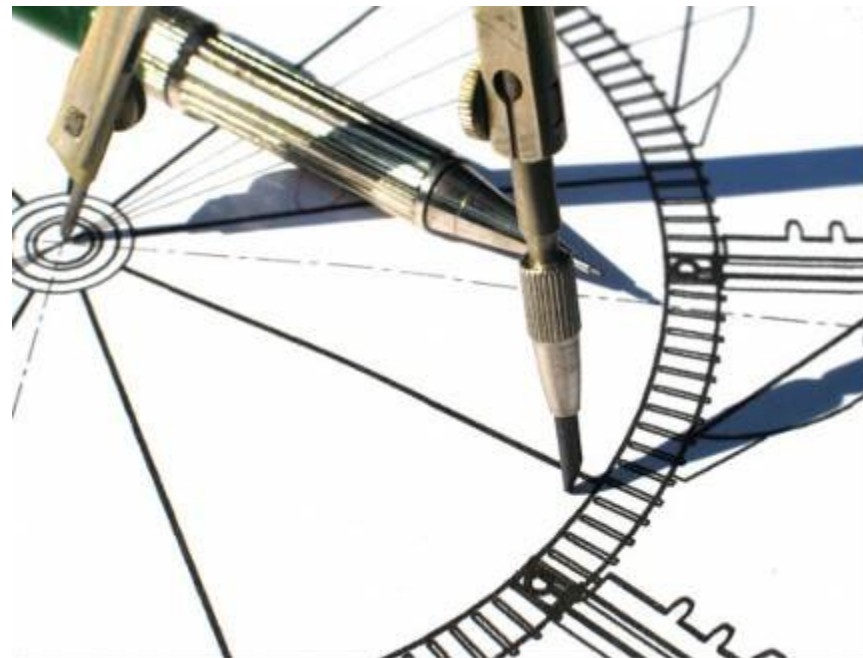
Expenses are measured without discounting

Long term employee benefits:

- ↪ Repatriation grant,...
- ↪ ASHI
- ↪ Death, disability



Often use actuarial methods and are measured on a discounted basis.



Differences UNSAS to IPSAS

UNSAS

Recognition:

– Optional: liabilities for annual leave, end-of-service benefits and post-retirement benefits, including after-service medical benefits, should be provided for in the financial statements to the extent required by the financial policies of the organization.

Presentation: is not specifically addressed

Disclosure: no specific requirements for employee benefits

IPSAS

Recognition

– Employee benefit expenses are recognized when service is provided and not when paid

– Actuarial valuation is applicable to long term benefits

Presentation: expenses and liabilities have to be reported in the financial statements

Disclosure: extensive note disclosures required for post employment benefits (for example, actuarial assumptions)