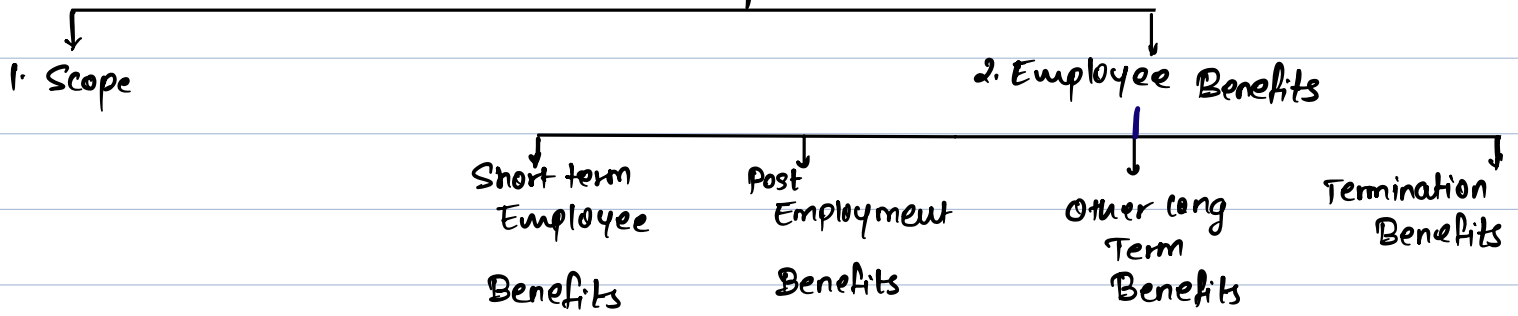
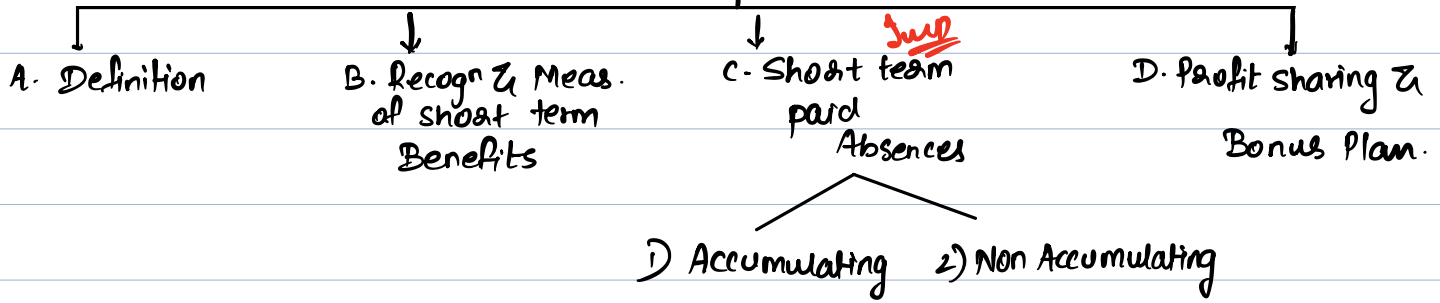


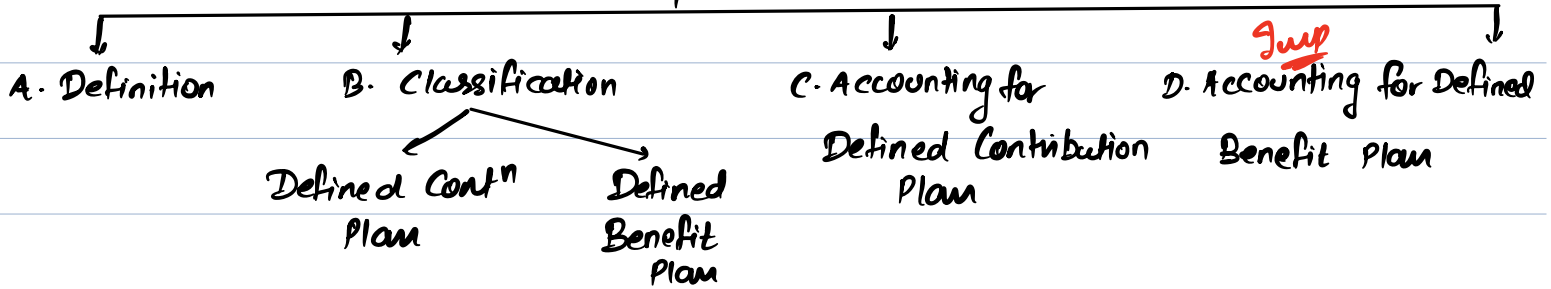
Imp { D.B.P / leaves } > Ind AS 19 - Employee Benefits (8mks)



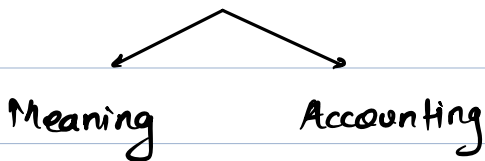
3. Short term Employee Benefits



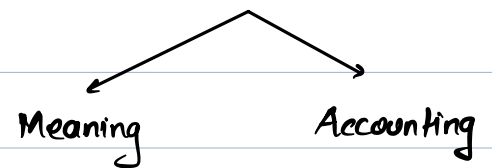
4. Post Employment Benefit Plan



5. Other long Term Benefits



6. Termination Benefits



i] Short term Employee Benefits [Co. point of view]

1. Salary / wages

J.E.

① If paid

EBE (PL) A/c Dr
TO ClB

② If accrued but NOT paid

EBE (PL) A/c Dr
TO O/S Sal^y (Payable) A/c
↳ Liab

③ If paid in Advance

Adv Sal^y (Prepaid Exp) A/c Dr
TO ClB

when it accrues in future

EBE (PL) A/c Dr.
TO Adv Sal^y A/c

④ Sal^y paid to Emp → Emp involved in construction of PPE/Inventory.

PPE/Inventory A/c Dr
TO ClB

[i.e. Sal^y → Capitalised]

2. Bonus Sharing

Eg: Co.

RK Hd. → AK Employee

Profit Target → Bonus 2% of Profit Payment
X1-X2. X2-X3

X1-X2 (Bonus Accrues)

Bonus Exp (EBE-PL) A/c Dr
TO Bonus Payable

X2-X3 On Payment of Bonus

Bonus Payable A/c Dr
TO ClB

Note:

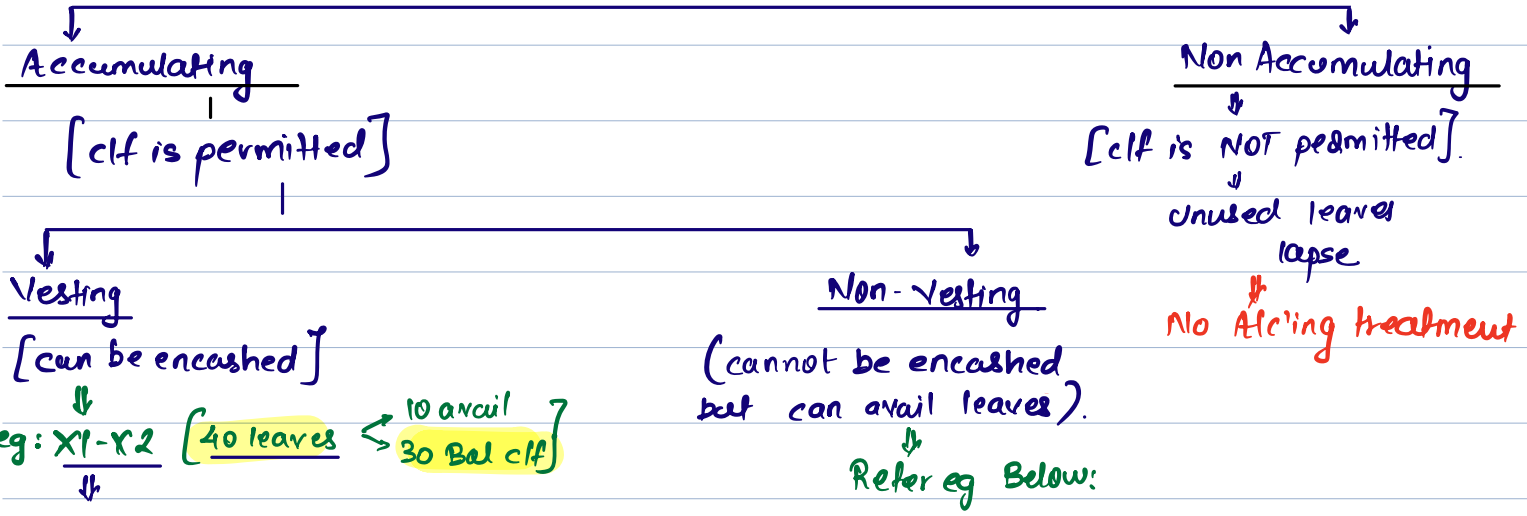
1. Consider expectation/estimate (if any) given in ques.

2. The above is not distⁿ of dividend (Bonus paid above is paid in the capacity of employee & NOT Shareholder)

3. Leave Compensation

↓
Next Page

3. Leave Compensation [Paid leaves eg: Sick leave = 10 days, Casual leave = 15 days, Privilege leave = 15 days.]



X1-X2
 Leave Comp Exp (EBE-PL) Alc Da XX
 To Payable XX

X2-X3
 Payable Alc Da. XX
 To ClB XX

Example

① Non Vesting

Chetan (Emp) → 12 months Salary = 6 crores p.a. [50 lakhs per month] Every yr 40 leaves

X1-X2 [30 days leave Bal]

J:E.
 ① Sal & Exp Alc Da 6cr
 To ClB 6cr
 ② Leave Comp. Exp Alc Da. 50L
 To Payable / Prov./ols 50L

X2-X3 → Emp utilized [40 days + 30 days] = 70 days leaves
 (11m) → 30 days payment → P-y Bal.
 Sal & Exp (EBE) Alc Da. 5. Ser. P-y. leave Bal.

Payable / Prov (Reverse) Alc Da 0.5cr
 To ClB Alc 6cr

OK

Sal & S-ser Prov 0.5cr
 To ClB S-ser To ClB 0.5cr

Vesting [It can be encashed]

X1-X2 Sal'y (Exp) Alc DA Ger
↓
30 days To ClB Ger
leave Bal.
Leav Comp Exp Alc DA O.Scr
To Prov O.Scr.

X2-X3 → Only 40 days availed of C.F.
30 days (P.g.) → encashed

Sal'y Alc DA Ger
Prov (Revenue) Alc DA O.Scr
To ClB G.Scr (Ger + O.Scr)

OR

Sal'y Ger Prov O.Scr
to ClB Ger to ClB O.Scr.

* Post Employment Benefits (Retirement Benefits) [eg. Pension, PF, Gratuity]

1. Defined Contribution Plan (D.C.F.)

eg. PF

Co. makes specific Amt of Contⁿ

to the fund [Co. obligation is over after the Contⁿ to PF Fund]

eg. PF (Employer Contⁿ) ⇒ 80000 for the yr X1-X2 (31-03-X2) Accrue.

(Next yr) ① Paid on 01/07/X2 (short term (Due within 12m from accrual))

② Paid on 01-04-X3 (After 1yr) D.F @ 10% (long term (Due after 12 months for accrual) @ P.V.)

J.E. X1-X2 PF Exp Alc Dr 80K
TO PF Payable 80K

J.C. X1-X2
31/03/X2 PF Exp 72727
TO PF Payable 72727

X2-X3
01/07/X2 PF Payable 80K
TO ClB 80K.

(@ P.V = $80K / (1.10)^1$)

X2-X3 [Fin cost] EBE (P/L)
31/03/X3 Int Cost 7273
Unwinding TO PF Payable 7273
[72727 x 10%]

X3-X4
01/04/X3 PF Payable 80000
TO ClB 80000

2. Defined Benefit Plan

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Defined Benefit Plan (eg: Gratuity)



Eg: Pg 10.5

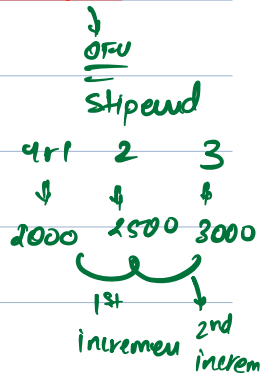
$$\text{Gratuity} = 1\% \times \text{Final drawn Salary} \times \text{No. of yrs of Service.}$$

$$= 1\% \times 1464100 \times 5\text{yrs}$$

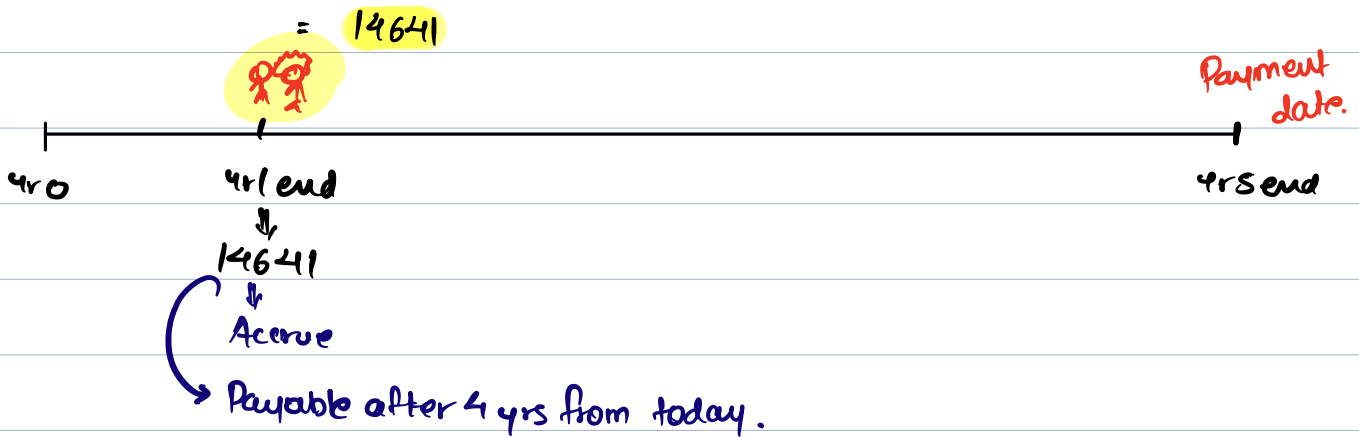
$$= \boxed{73205}$$

→ To be paid after 5yrs
→ Accrue OTP of 5yrs.

$10\% \times (1.10)^4 \rightarrow$ 4 increment in 5yrs



Gratuity Each yr $\rightarrow \frac{73205}{5\text{yrs}}$



yr end	Exp		D.F @ 10%	PV
1	14641	→ Payable after 4 yrs	0.683	10000
2	14641	→ Payable after 3 yrs	0.751	11000
3	14641	→ Payable after 2 yrs	0.826	12100
4	14641	→ " " 1 yr	0.909	13310
5	14641	→ " " 0 yrs	1	14641

J-E.

Current Service Cost (CSC) → (EBE-PL)

Yr 1 end

Gratuity Exp A/c Dr 10000

TO Gratuity Payable 10000

Defined Benefit obligation (DBO)

↳ B/s (Liab)

↗ EBE (P/L)

Yr 2 end → Int Cost A/c Dr 1000

Unwinding TO ~~DBO~~ DBO 1000

[10000 x 10%]

↗ EBE (P/L)

Yr 2 end → CSC A/c Dr 11000

TO DBO A/c 11000

Yr 3 end → Int Cost A/c Dr 2200

Unwinding TO DBO 2200

Yr 3 end → CSC A/c Dr 12100

C.Y. Exp Book TO DBO 12100

Yr 4 end → Int Cost A/c Dr 3630

Unwinding TO DBO 3630

Yr 4 end → CSC A/c Dr 13310

C.Y. Exp TO DBO 13310

Yr 5 end → Int Cost A/c Dr 5324

Unwind TO DBO 5324

Yr 5 end → DBO A/c Dr 73205

↳ Payment TO Cr/B 73205

of
Gratuity
to
A/c

Yr 5 end → CSC A/c Dr 14641

C.Y. Exp TO DBO 14641

WN 1 Unwinding

yr end	Op ⁿ	Unwind @ 10%	Exp (l.y.) Booked	Cl ₃ (DBO)
1	-	-	10000	10000
2	10000	1000	11000	22000
3	22000	2200	12100	36300
4	36300	3630	13910	53240
5	53240	5324	14641	73205

Cl₃ Bal of DBO

Ant of ↑ | ↓ always given.

* what if there are changes in Estimates (eg: Increment %, completed yr of Service, Disc Rate, No. of emp)

i) PV of DBO increases

ii) PV of DBO Decreases

Actuarial loss on DBO Atc Dr xx
TO DBO Alc xx

DBO Atc Dr
TO Actuarial Gains on DBO
OCI (NR)

Ant of ↑ | ↓ always given

* what if there is a Plan Amendment (eg: Gratuity increases from 1% to 3% or Decrease from 1% to 0.5%)
 ∴ impact of yr 1 & 2 is taken in Past Service Cost as we booked csc as per 1% & not 3%.

i) PV of DBO increases

ii) PV of DBO decreases

EBE (PIL)
Past Service Cost Atc Dr
TO DBO Alc

DBO Atc Dr
TO Past Service Cost Alc.
EBE (PIL).

- ① CSC → EBE (PIL) → c.y. EBE exp
- ② DBO → B/S (Liab) → c.y. Payable
- ③ Int Cost → EBE (PIL) → Unwinding
- ④ Actuarial G/L on DBO → OCE (NR) → Est change DBO ↑/↓.
- ⑤ Past Service Cost → EBE (PIL). → Amendment DBO ↑/↓

6. Plan Assets → Assets (Invest) Done exclusively for DBO.

J-E on Contⁿ in Plan Assets

Plan Assets Acc D&A → (B/S Asset)
 TO ClB

Ofc: Not necessary to contribute in PA with same amount of DBO. It can be less or more.

7. Expected Return of Plan Assets [@ Disc Rate for DBO]

eg: Plan Assets → 10L
 Opⁿ

Disc Rate = 10%.

Expected Return = 10L x 10% = 1L

J-E ① ClB

TO Int Inc 1L
 ↓
 Int Exp. → Reinvest

IL ② P.A 1L
 TO ClB 1L

OR

P.A Acc D&A 1L
 TO Int Inc 1L → Combined Entry.

EBE (PIL) → Exp -ve.

8. Actuarial Gains / Losses on Plan Asset



Plan Assets are always @ Fair Value

Eg. P.A (Opn @ 1.04 x 1) = 10000

(+) Expected Retⁿ of PA (10%) = $\frac{1000}{11000}$

↳ 4r end (4r end) 31.3×2

PA xx
TO Int Inc xx

Given

(+) Contⁿ (31.3 x 2 → 4r end) 5000

PA xx
TO ClB xx

(-) Withdrawals (31.3 x 2 - 4r end) (2000)

ClB Alc Dr xx
TO P.A xx

14000

(+) Actuarial Gain on PA

3000 (BIP)

J-E P.A Alc Dr 3000
TO Actuarial 3000
Gain on PA
OE (NR)

Fair Value of Plan Assets (4r end) 31.3×2

17000 (Given)

Return earned over & above your expected Retⁿ.

what is Actuarial Gain / Loss on PA ?

Diff Btw Actual Return & Expected Return.

Actual Return (-) Expected Return on P.A = Actuarial Gains / Loss on PA

Actual Return on P.A = Expected Retⁿ of PA (+) Actuarial Gain on P.A (-) Actuarial loss on PA.

= 1000 (+) 3000 = 4000

only disclose

why? → Already Booked

EBE (P/L)
Exp -ve

OE (NR)

9. Curtailment & Settlement (ICAI uses them interchangeably)

Cancellation of Plan



J-E: DBO A/c Dr

To Gain on Curtailment / Past A/c Service Cost

↳ P/L (EBE)

Settlement occurs when entity settles the Plan before due date.

(Example: DBO of 100000 settled for 90,000)



① Withdraw Money from P.A

Cr B A/c Dr 90000

To P.A A/c 90000

② Settle DBO

DBO A/c Dr 1,00,000

to Cr B A/c 90000

To Gain on Settlement A/c (Psc) ↳ EBE (P/L) 10000

10. Net Defined Benefit Asset / Liab



• Plan Assets & DBO are netted off & shown in B/s.

• Case ① If PA is higher than DBO → Net Defined Benefit Asset 20k → B/s (Asset)

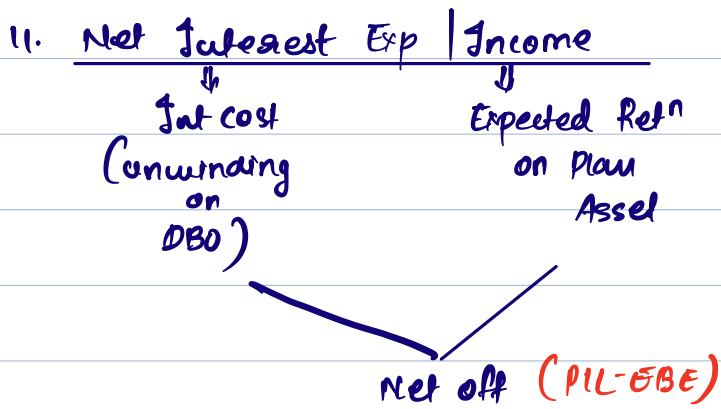
↓
1L

↓
80k

• Case ② If DBO is higher than PA → Net Defined Benefit Liab → 30k → B/s (Liab)

↓
1.5L

↓
1.2L



only applicable when Net off: Asset [PA ↑ DBO ↓]

⑫ Asset ceiling

↳ P.A. = 120

DBO = 90

Net Defined Benefit Asset 30 → B/Ls (Asset) → ~~30~~ 20 Max

Asset ceiling 20

↓ by 70 → J.E. OCI(NR) 10

To Asset (P.A / Net Def. Ben. Asset) 10

Remeasurement loss

Eg 2

Net Def Ben. Asset 15

Asset ceiling 20

~~Net off~~ Do nothing.

Eg 3 Net Def Ben Liab
Asset ceiling _____

} Asset ceiling NOT applicable

→ OFU (OCI(NR) w/c are items net off)

⑬ Remeasurement Gain/Loss

- Actuarial Gains/Loss on DBO
- Actuarial Gains/Loss on PA.
- Decrease in Asset due to Asset ceiling

} Net off in OCI(NR)

Illust 32 (LDR)

Particulars	DBO	P.A	Net. Def. Benefit <u>Liab</u>
Opn 01.04.11	6,00,00,000	5,20,00,000	80,00,000
(+) Int Exp on DBO @ 5% (unwinding)	30,00,000 <i>Int TO DBO</i>	-	} 4,00,000
(+) Expected Return on P.A @ 5%		26,00,000 <i>(P.A TO Int Inc)</i>	
(+) Contribution to P.A on 31.3.12	-	70,00,000 <i>PA TO CLB</i>	(70,00,000)
(-) Withdrawals	(42,00,000) <i>DBO TO CLB</i>	(42,00,000) <i>CLB TO PA</i>	-
(+) CSC	62,00,000 <i>CSC TO DBO</i>	-	62,00,000
(+) Past Service Cost	15,00,000 <i>PSC TO DBO</i>	-	15,00,000
(-) Settlement (DBO rol settled for 75L)	(80,00,000) <i>J-E DBO rol TO CLB 75L TO Gain SL (PSC)</i>	(75,00,000) <i>J-E CLB 75L TO PA 75</i>	(5,00,000)
(+) Actuarial loss on DBO (BIF)	5,75,00,000 <u>95,00,000</u>	4,99,00,000	86,00,000
(+) Actuarial Gain on PA (BIF)	Actuarial loss on DBO 95L TO DBO 95L	<u>61,00,000</u> <i>PA TO Actuarial Gain on PA</i>	<u>34,00,000</u> <i>Remeasurement loss to Add in Liab.</i>
31/3/12 → CLB Bal	6,80,00,000	5,60,00,000	1,20,00,000 net to Liab

Ex 33 (COR)

Plan Assets

DBO

Particulars	Plan Assets	DBO
01/01/x1	2040000	2125000
(+) Int Exp/Exp Ret ⁿ @ 5%	102000	106250
(+) Cont ⁿ	425000	-
(-) Benefits Paid	(255000)	(255000)
(+) CSC		510000
(+) Actuarial Gain on PA	68000	
(-) Actuarial loss on DBO		233750
Cls Bal 31/03/x2	23,80,000	27,20,000

<u>PIL</u>	
<u>ESE</u>	
Net Int Exp	4250
CSC	510000

<u>OCI (NR)</u>	
Actuarial Gain on PA	68000
" loss on DBO	(233750)
Net Remeasurement loss	(165750)

<u>Bal. Sheet 31.3.X2</u>	
<u>Liab</u>	
<u>NEL</u>	
Net Defined Benefit Liab	
[2720000 - 23,80,000]	340000

Illus 31

Particulars	PA	DBO	Net
Op ⁿ 1.04.11	10000	12000	
(+) Exp Ret ⁿ on PA @ 10% / Net Exp	1000	1200	200 → Net Net Exp.
(+) Cont ⁿ	3000	-	
(-) Benefits paid	(300)	(300)	
(+) CSE	-	2500	
(+) Actuarial loss on DBO (Give)		100	} Remeasurement Gain (900)
(+) Actuarial Gain on P-A	1000		
Cl ^d Bal 31.3.12	14700	15500	

1) OCI (NR)

Remeasurement Gain 900

2) Net Net Exp = 200

Illus 24 (LDR)

Particulars	DBO	PA	Net Def. Ben. Liab
Opn 01.04.21	1400	1140	260
(+) Int Exp / Expected Ret ⁿ on PA @ 8%	112	91.2	} Net Int Exp = 20.8
(+) CSC	55		
(+) Cont ⁿ		111	
(+) Actuarial loss on DBO	13		} Net Remeasurement loss = 80.2
(-) Actuarial loss on PA		(67.2)	
Cls Bal 31.3.22	1580	1275	305

B/S - 31/3/22	
Liab	
<u>NCL</u>	
Net Def. Benefit Liab	305

P/L (Extracts)	
<u>EBE</u>	
Net Int Exp (112 - 91.2)	20.8
CSC	55

OCI (NR)	
Remeasurement loss [13 + 67.2]	80.2

J.E. (X1-X2)

① Int Exp 112

TO DBO 112

② PA 91.2

TO Int Inc 91.2

③ CSC 55

TO DBO 55

④ PA 111

TO CIB 111

IPAI J.E (Combined Entry) → Exam

PIL Alc DA 75.8

OCI (NR) Alc DA 80.2

TO CIB 111

TO Net Defined 45

Ben. Liab

(Pay ① 260 4rend 305)

⑤ Actuarial loss on DBO 13

TO DBO 13

⑥ Actuarial loss on PA 67.2

TO PA 67.2.

Q2 (MTP (RTP (PP) (LOR))

DBO → No need to prepare & Only Actuarial G/L on DBO is needed which is already given in ques.

Particulars	P.A	
01.04.X0	10,00,000	
less: Benefits paid on 30 th Sept X0	(190000)	} Net 3L (Cont ⁿ)
Add: Contributions on 30 th Sep X0	490000	
(+) Exp Retⁿ on P.A	117500	
(10L x 10.25% x 12/12 (+) 3L x 10% x 6m/12m)		
	<u>14,17,500</u>	
Actuarial Gain on PA	<u>82500</u>	
31/3(X1 Cls Bal of PA	15,00,000	

i) Actual Retⁿ on P.A = Exp Retⁿ on P.A (+) Actuarial Gain on P.A
 = 117500 (+) 82500
 = 2,00,000

ii) Expected Retⁿ on P.A = 117500

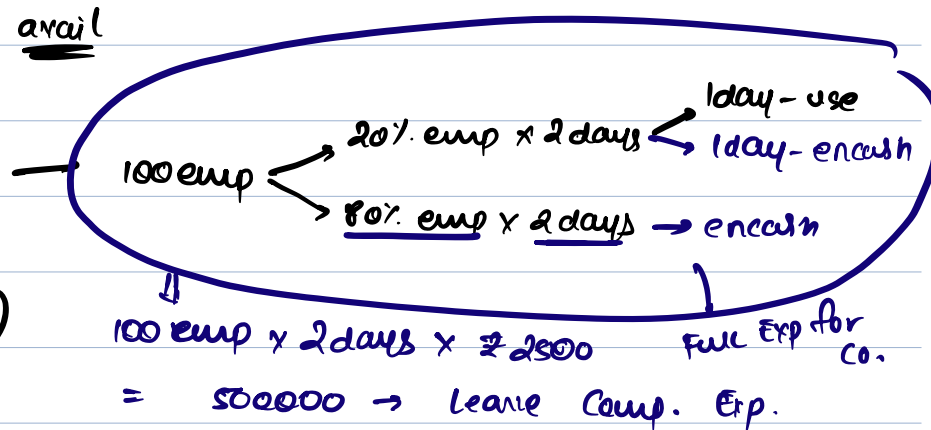
iii) OCI (NR)

Remeasurement Gain → 76500

(Actuarial Gain on PA (-) Actuarial loss on DBO)
 82500 6000
 ↓
 (Given)

Illus Co → 100 employees → 2 days Bal
 ↓
 20% emp 1 day avail

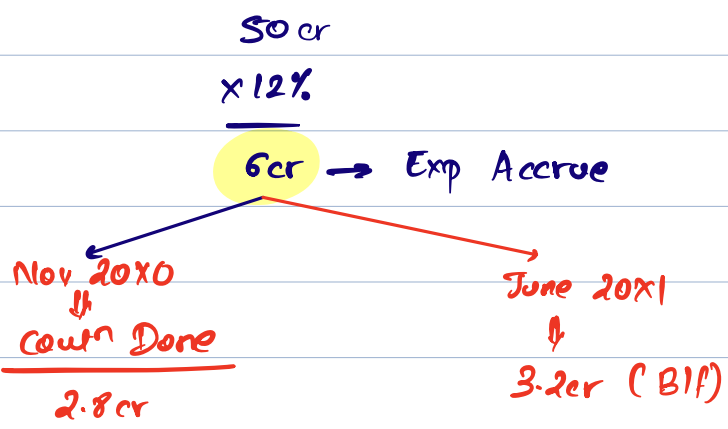
Vested (Encash your leaves which are going to lapse/unavailed)



Non Vested → 100 emp × 20% emp × 1 day × ₹2500 → 50000 → Leave Comp Exp
 Avail ✓
 (Bal) → lapse (it cannot be encashed).
 Bal → lapse (No encash)

Note: In case of vested → Co. Books Exp for full leaves Bal available (as either the employee will avail leaves or encash it)
 In case of Non-vested - Co. Books Exp for only availed leaves (i.e. consider expectation) as unavailed leaves will lapse.

Illus II X0-X1 → Annual Salary

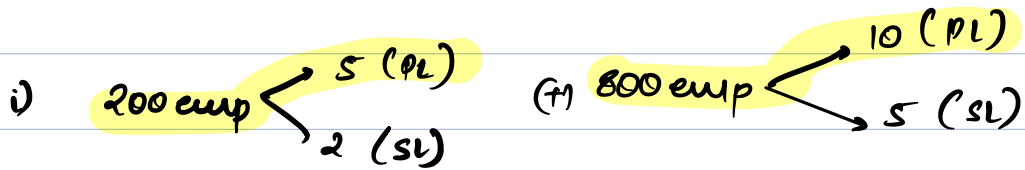


J-E X0-X1 (ur ended 31/3/21)

EBE	Atc Dr	6 cr
TOC/B	Atc	2.8 cr
TO	Prov Atc	3.2 cr

30th June 21 (Next yr) → Not asked.
 Prov 3.2 cr
 TOC/B 3.2 cr

Illus 29 (LDR)



$$\text{Total PL (Est) used in future} = 200 \times 5 + 800 \times 10 = 9000 \text{ (PL)}$$

$$\text{SL} = 200 \times 2 + 800 \times 5 = 4400 \text{ (SL)}$$

Co. c.g. Exp & Prov
Book for leaves.

(Per day sal^y not available).

ii) Bonus Exp = ₹ 2000 crore \times 3.5%
& Lab = 70 crores

iii) Def. Contⁿ Plan

X0-X1	EBE A/c Dr	100 crores
	TO ClB A/c	20 crore
	TO Payable A/c (Prov.)	80 crores

} \Rightarrow Due within 12m \therefore No Present value

Illus 6 (LDR)

As on 31/03/x1 \rightarrow 350 employees

\rightarrow Leave c/f Bal = 3 leaves per employee.

(a) Old Employees [94% Employees]

Op ⁿ Bal of leaves	3 leaves per employee
(+) Earned in C.Y. (x1-x2)	10 leaves per employee
(-) Availed in C.Y. (x1-x2)	(9) leaves per employee
	<hr/>
Bal leaves on 31/03/x2	4 leaves per employee
(x) No. of employee [350 x 94%]	329 employees
	<hr/>
Total leaves	1316 leaves \rightarrow (A)

(b) New Employees (6%) in yr x1-x2

Op ⁿ Bal of leaves	-
(+) Earned in C.Y.	10 leaves per employee
(-) Availed in C.Y.	(9) \longleftarrow <hr/>
	<hr/>
Bal. leaves as on 31.3.x2	1 leave per employee
(x) No. of emp (350 x 6%)	21 employees
	<hr/>
Total leaves	21 \rightarrow (B)

Total leaves for which provision is to be created = 1337 leaves

[A + B] [1316 + 21]

(x) Salary per Day [x1-x2] $\left[\underset{\substack{\downarrow \\ \text{P.Y. Sal 4.}}}{15000} + 10\% \text{ (Increment)} \right] = 16500 \text{ per day}$

Total Exp & Prov for leaves in C.Y.	<hr/>
	2,20,60,500

J.E. XI-X2 EBE Alc Dr 2,20,60,500

TO Prov for leaves encashment 2,20,60,500

XI-X2 ↓	Prov	GSL	} p.y. Prov settled in cash.
Settlement of Old Prov in cash (Assuming Vetted leaves)	TO CB	GSL.	

||
Encash

* Other long term Benefits → Refer concept Book.

* Termination Benefits (eg: VRS (Voluntary Retirement scheme), Retrenchment scheme)
↓

→ These are payable on account of termination.

→ Book Exp & Liab^y → only when constructive obligation arises.

→ Ac'ing Treatment

i) IF paid immediately

VRS Exp (EBE) Acc Dr
TO ClB

ii) IF accrued in C.Y. But paid later (within 12 months from end of R.P.)

eg: VRS Accrued (in XI-X2) = 100000

Payment made on 01/07/22 (Next yr)

XI-X2 VRS Exp Acc Dr IL
TO VRS Payable Acc IL

01/07/22 VRS Payable IL
TO ClB IL

iii) IF accrued in C.Y. But payable after 12m from the end of Rep. period.

eg: VRS accrued (in XI-X2) = 100000 (D.F @ 10%)

Payment made on 01/04/23

XI-X2 VRS Exp 90909 } @ PV
TO VRS payable 90909 }
[IC/CI-10]

(unwinding) (EBE)
X2-X3 Jut Cost 9091
TO VRS Payable 9091
01/04/23 VRS Payable IL
TO ClB IL