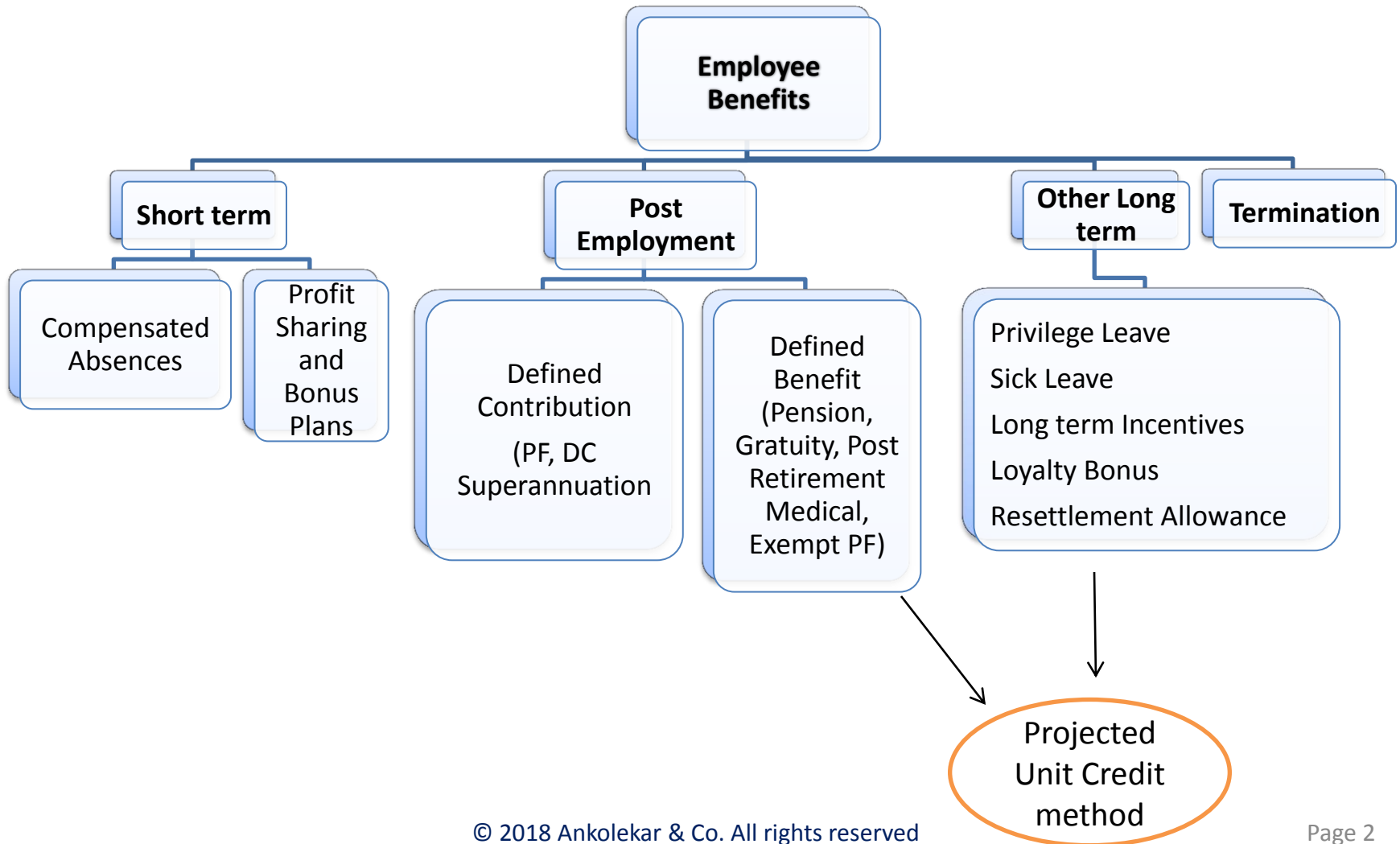


Mayur Ankolekar

WIRC of ICAI
October 27, 2018

The classification of employee benefits



Proportionality generally

In line with AS 15 and Ind AS 19:
Employee Benefits

Prominent examples:

- Higher disclosure requirements for some benefits (both Ind AS 19 and AS 15)
- Treatment of actuarial gains/ losses to Other Comprehensive Income for some benefits (both Ind AS 19 and AS 15)

Proportional

adj: having a size, number, or amount that is directly related to or appropriate for something

The Webster's 1913 dictionary interprets:

Pro`por`tion

v: To form with symmetry or suitableness as the parts of the body.

Pro`por`tion`al`i`ty

n: The state of being in proportion

Proportionality in Employee Benefits

- AS requirement
- Frequency of measurement

Measurement

Recognition

Disclosures

- Post-employment v. Other Long-term
- Cash-flow disclosures

Balance?

Fit for purpose?

Proportionality in AS 15 disclosure: Entity type

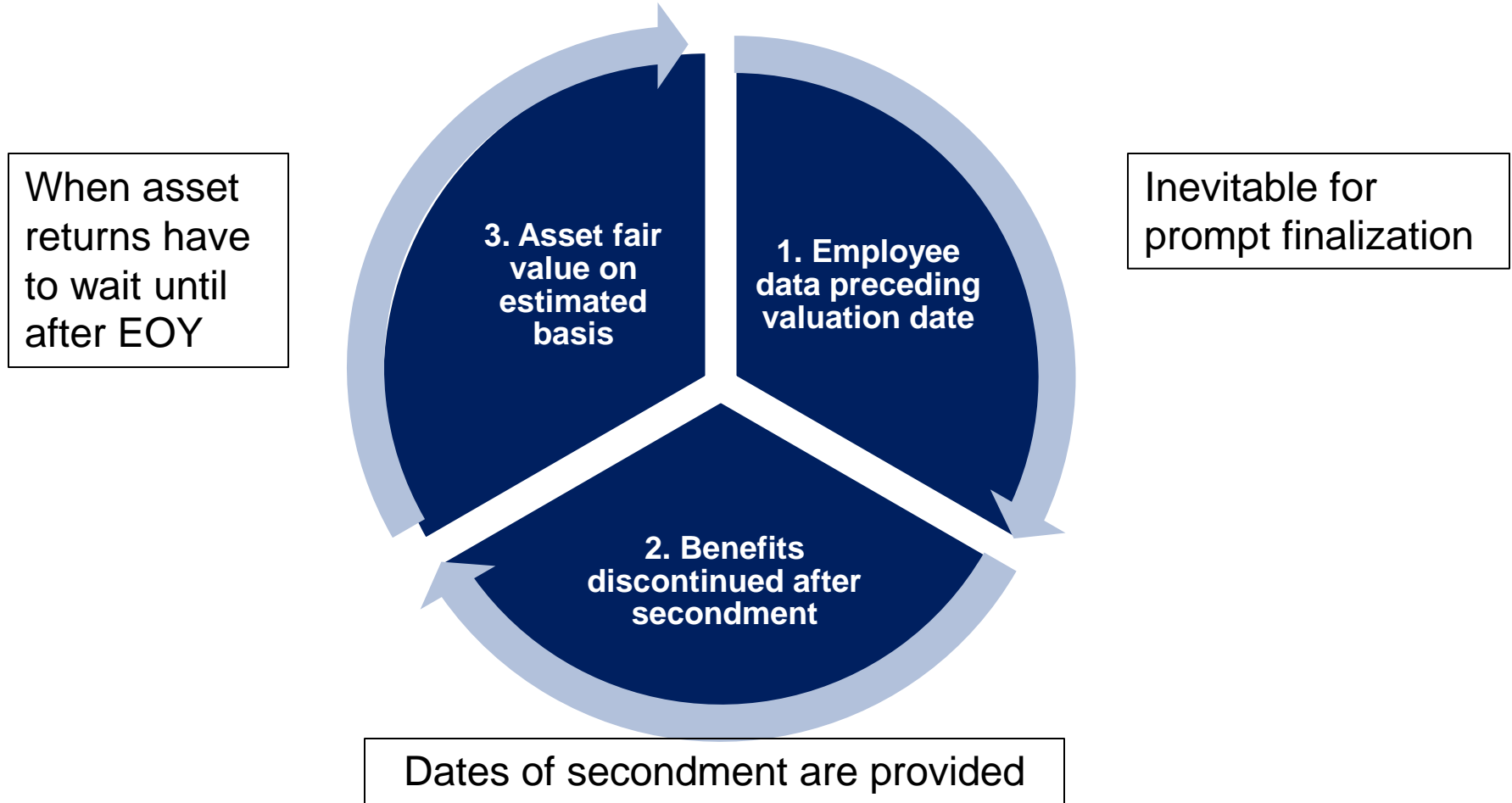
AS15 (R) is applicable in its **entirety** to the following enterprises:

1. Equity or Debt securities are listed or are in the process of being listed
2. Carrying on Insurance business
3. Turnover > Rs50 cr
4. Borrowings > Rs10 cr at any instance during the year
5. Banks (incl. co-operative banks)
6. Financial Institutions
7. Holding or subsidiary company of any of the above

Companies not falling within clauses 1 to 7 are classified as **Small- and Medium-sized Companies (SMCs)** need to apply the standard restrictively

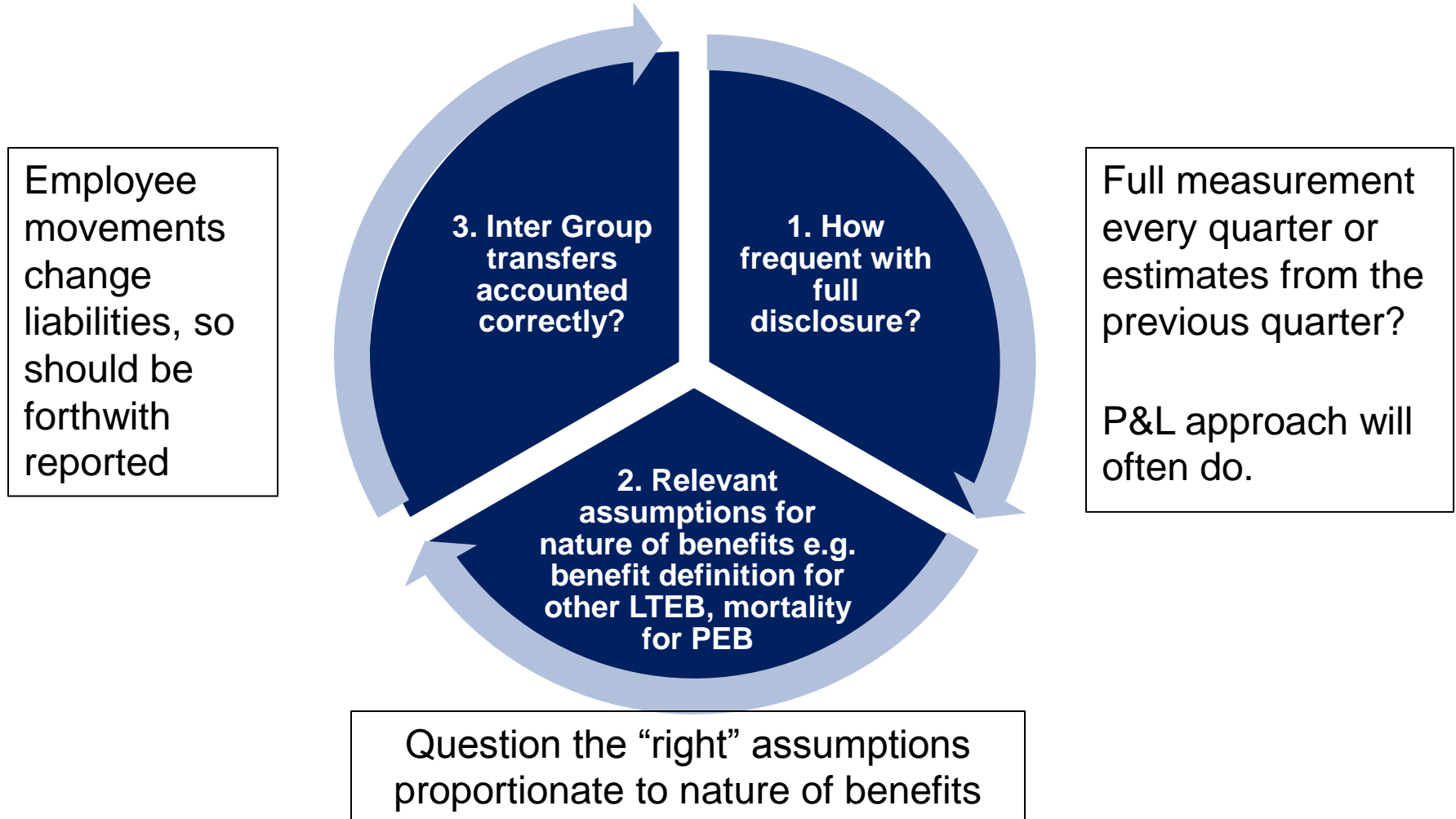
That is, **limited disclosures but value liabilities actuarially.**

Proportionality in "Data"



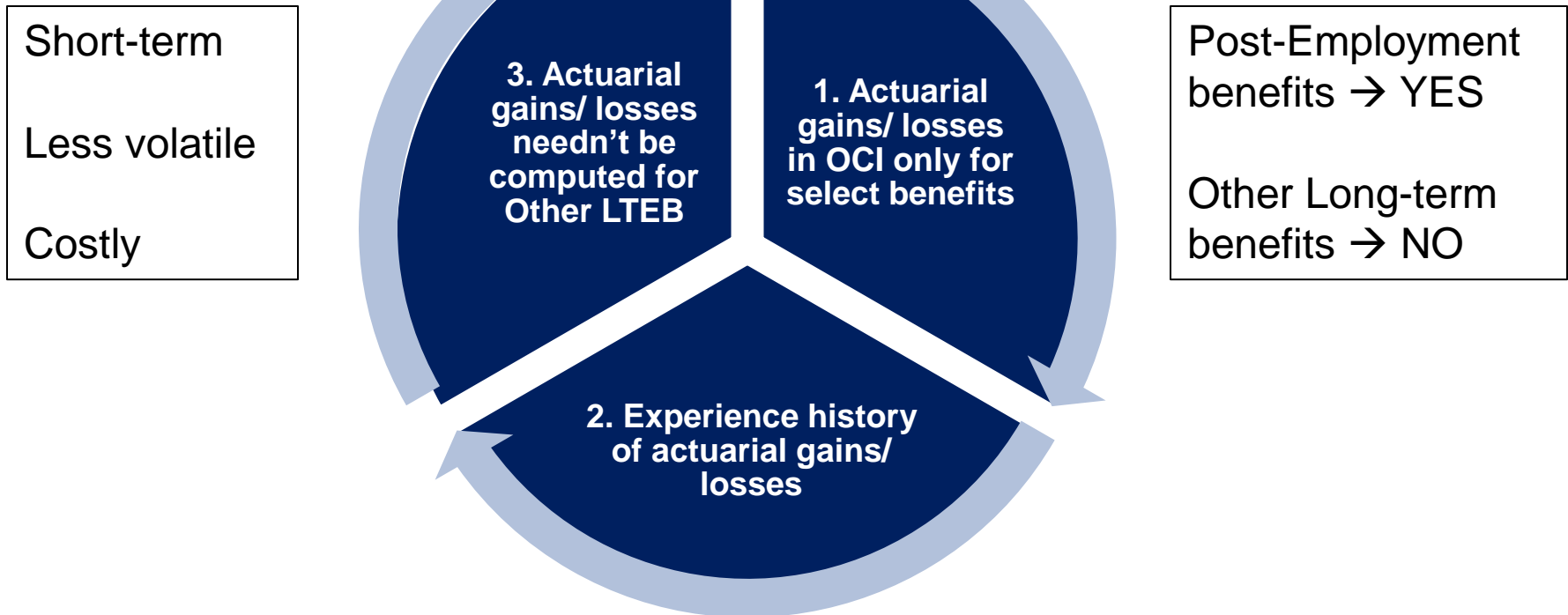
Data extends beyond employee data to asset statements.

Proportionality in “Measurement”



Measurement of employee benefit results is not just a “methodology.”

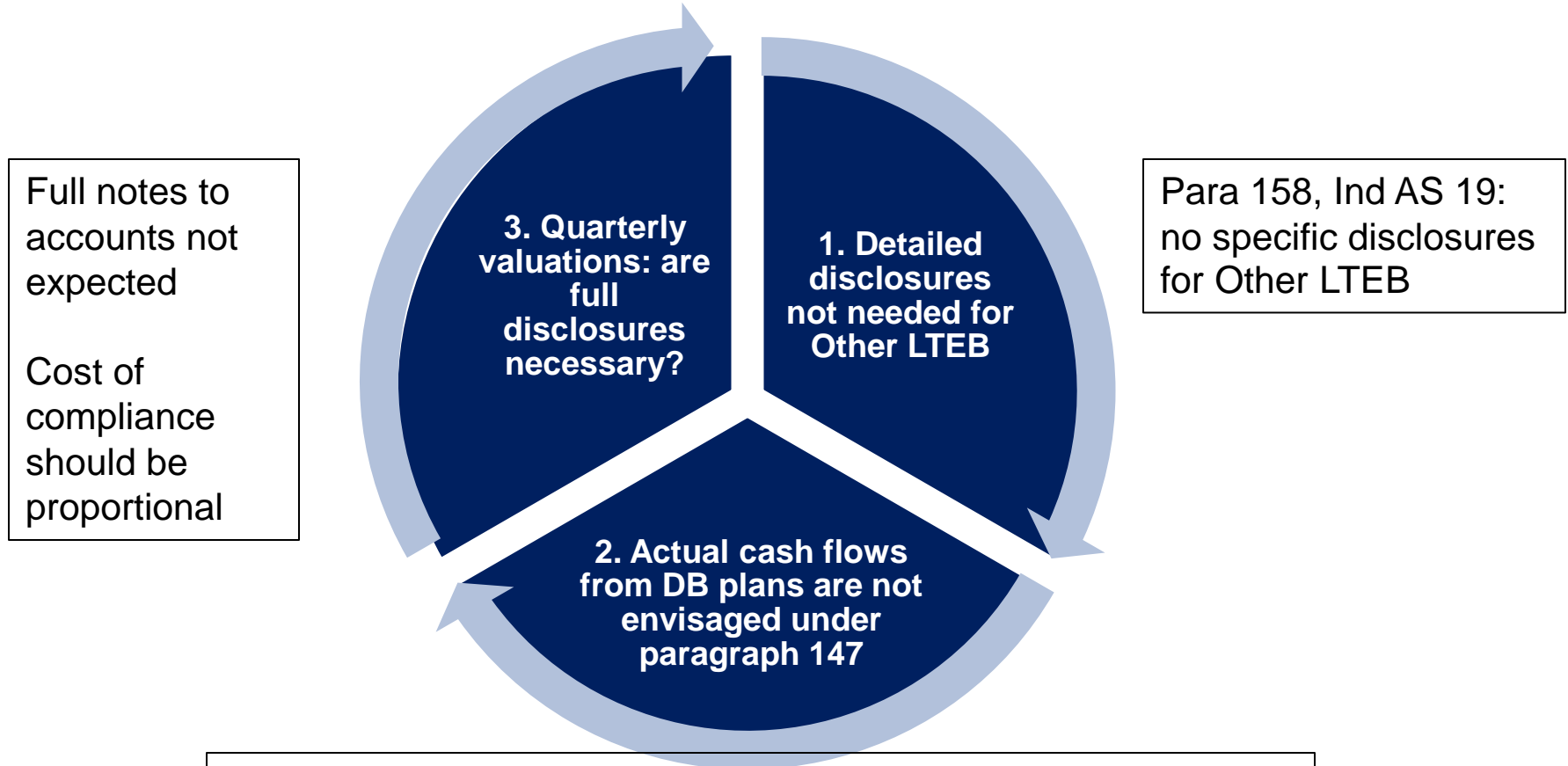
Proportionality in “Recognition”



Harbinger of “assumption propriety”

Recognition of employee benefits between P&L and OCI is guided by several factors

Proportionality in “Disclosures”



Para 147 requires a) description of funding arrangements, b) expected contributions next year, and c) maturity profile (**maturity analysis of benefit payments is optional – guiding word ‘MAY’**)

Disclosures are perhaps the greatest drivers of cost

Summarizing proportionality

Measurement

- Near period-end data acceptable
- Quarterly results from previous estimates?
- Question assumptions relevant to benefits

Recognition

- Actuarial gain/ loss not needed for OLTEB
- Only actuarial gain/ loss on Post-Employment Benefits classify under OCI
- Explore trends in experience gain/ losses

Disclosures

- Full disclosures unnecessary for quarterly results
- Disclosures relevant for Post-Employment Benefits only
- Maturity analysis of benefit payments is optional – guiding word 'MAY'

Questions?

DISCLAIMER

This document has been prepared for the purpose of explaining the position with regard to proportionality in employee benefits particularly the accounting standards AS 15 and Ind AS 19. Its transmittal is not intended to constitute advice, but should be seen as a viewpoint that enhances comprehension and education.