

## CONSIDERATIONS APPLICABLE INTERNATIONAL ACCOUNTING REGULATIONS OF WAGES AND RELATED RIGHTS

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### **Abstract**

*General research area of this article is the issue of employee benefits nationwide and can be placed in the sphere of accounting research at the intersection of the finance research and field research on human resource management.*

*The current conditions of global economic crisis, rewarding staff works on two levels, influencing both the behavior of employees and the efficiency of the economic entity.*

*Wages and related rights are regulated under International Accounting Standards and International Financial Reporting Standards by IAS 19 "Employee Benefits" and IFRS 2 "Share-based Payment". Concerns over the years, on remuneration, was the International Accounting Standards Board, as in 1998 was developed International Accounting Standard 19 "Employee Benefits" and in 2004 was drafted to International Financial Reporting Standard 2 "Share-based Payment".*

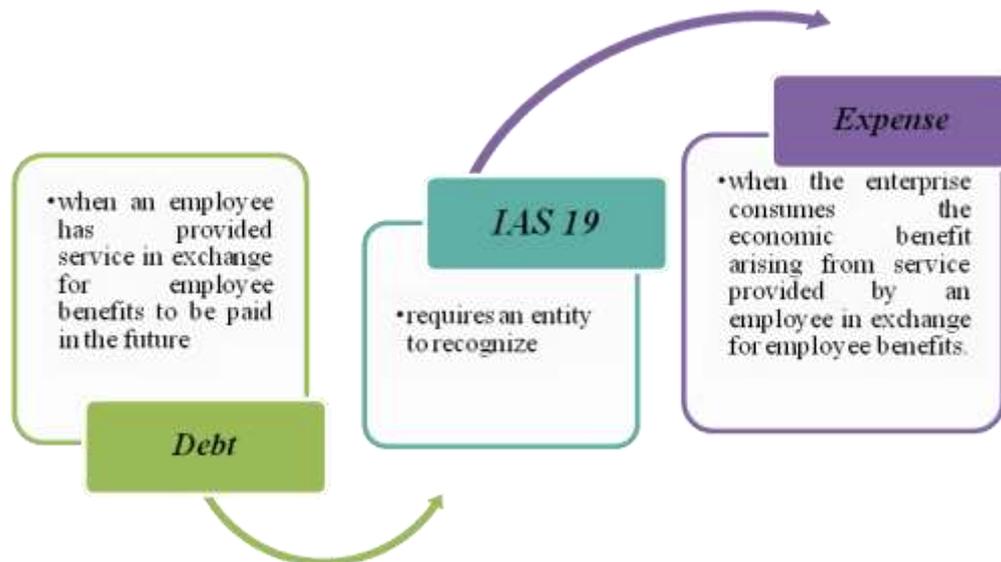
*This article is part of a broader research and through it we tried to address a topical issue that employee benefits and consequences of the degree of economic and financial development of economic entities and living standards of the population.*

**Keywords:** *rights, related rights, benefits, financial position, employees, employers*

**JEL Classification:** *M21, M41*

### **1. Introduction**

The issue of employee benefits is treated in detail in IAS 19 "Employee Benefits", whose goal is the description of the accounting and disclosure by employers for employee benefits information. In accordance with IAS 19 "Employee Benefits" economic entity shall recognize the short-term benefits due to an employee who has rendered service in favor during an accounting period. The standard requires the recognition of liabilities of the economic entity to be done on an accrual basis and vary the duty staff salary expense, as shown in **Figure no. 1**.



Source: own interpretation

Figure no. 1 Recognition of the entity's employee benefits

The overall objective of this paper is to connect the trends manifested more strongly nationally and inevitably lead to the emergence employee benefits foundation of economic entities and conștinetizarea and prioritizing practice on labor rights and related rights.

## 2. Research methodology

From the methodological point of view, the scientific approach respects the principle of unity of quantity and quality, combining qualitative with quantitative research in order to increase the efficiency of the results of research. Also rely mainly on deductive approach, based on theories, concepts and stereotypes towards customizing them to the national accounting system. Therefore, the content of the paper will be based on deductive approach, from theory to practice, inductive research tendencies which consists of checking whether the theoretical aspects validated in practical terms.

## 3. Employee benefits

Employee benefits may take various forms, but the standard does not make a distinction between the benefits provided in cash (salary, bonuses, etc.) And the benefits granted in other forms (benefits in kind, benefits services, etc.). The employee benefits include rights granted directly to employees or their dependent (spouse, children, etc.) Or other categories, such as insurance companies and reinsurance.

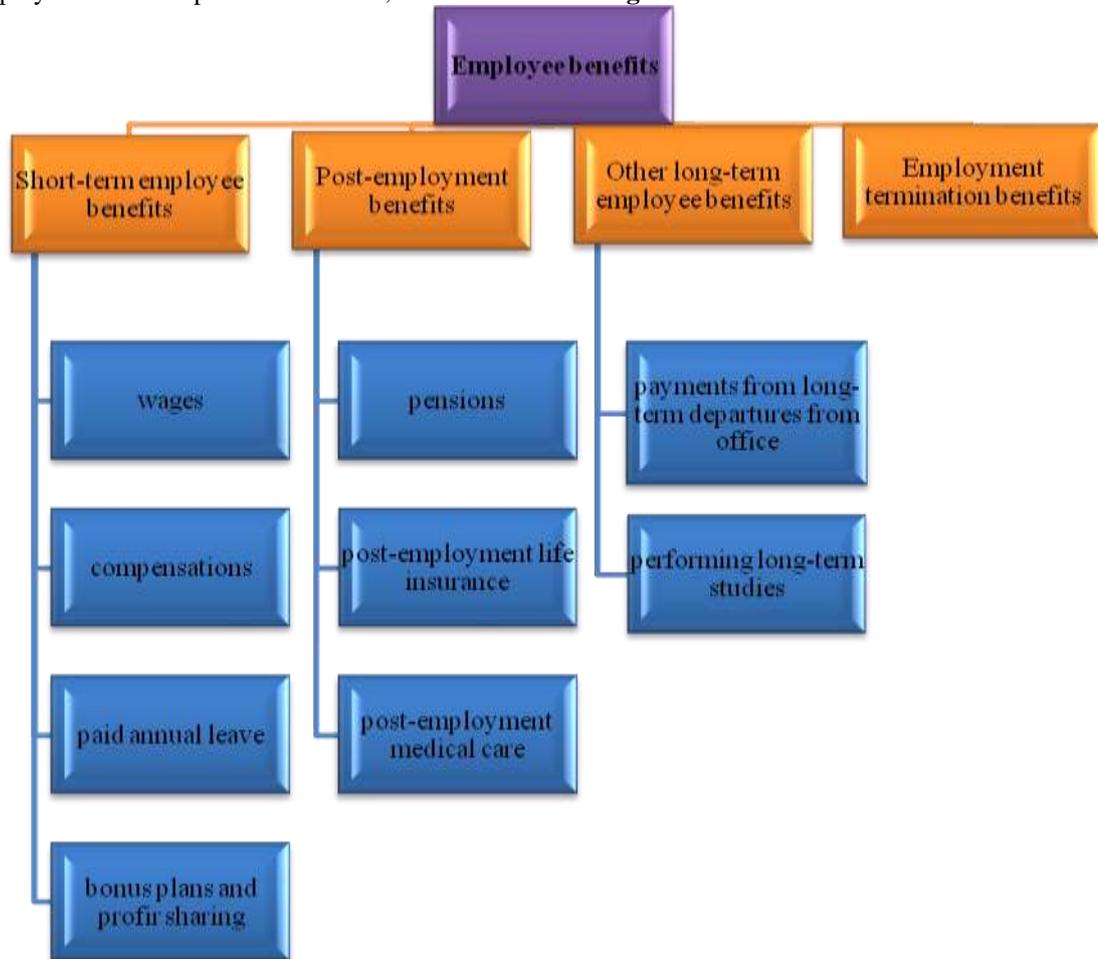
In the category of employee benefits are covered only indemnities that supports economic entity. IAS 19 "Employee Benefits" refers to only the supported entity, and are thus identified four categories of employee benefits: [7]

- **short-term employee benefits** are employee benefits (other than amounts awarded upon completion of the contract of employment) which are payable wholly within twelve months after the period in which the employees render service. In the category of short-term benefits to employees find wages, compensations, paid annual leave and paid sick leave, profit sharing and bonuses and non-monetary benefits such as medical care, accommodation, food and goods or services free of charge for current employees;
- **post-employment benefits** are employee benefits (other than amounts awarded upon termination benefits) that are payable after the completion of the suspension of the employment contract. In this category we find pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- **other long-term employee benefits** are the employee benefits (other than short-term benefits and post-employment benefits) that are not due wholly within twelve months after the period in which the employees render service. These benefits include payments from long-term departures from

office with or without ensuring that job retention, anniversaries, performing long-term studies or unavailability term;

- **employment termination benefits** are employee benefits payable as a result of either an entity's decision to discontinue, suspend the contract of employment before the normal retirement date or an employee's decision to accept voluntary departure unemployment in exchange for those benefits.

Employee benefits stipulated in IAS 19, are summarized in **Figure No. 2**.



Source: own interpretation

Figure no. 2 Employee benefits

In determining policy benefits and motivation of employees, most economic entities take into account several landmarks, such as:

- benefit packages offered by entities operating in the same area of their employees;
- the amount of the value of benefits provided to employees of competitors;
- total number of employees;
- share the hierarchical levels;
- the fiscal facilities that benefit.
- the average age in the entity.

Starting from the idea that the benefits provided by economic entities in order to motivate their employees can be instruments of human resource management, but also for the formation of a certain organizational culture, which are in the interest of the employees have surprised the main benefits to employees by economic entities in Romania:

- vouchers;
- holiday bonuses;
- premiums for holidays (Christmas and Easter holidays);
- the 13 - th salary;
- first aid - given to all employees at the birth of a child or, in unfortunate cases, the death of a degree relatives;

- ensuring medical services for employees;
- medical insurance for family members;
- ensuring dental services;
- ensuring a voluntary pension;
- life insurance;
- the telephone calling card; c
- car service;
- other benefits, such as team-building, paid holidays, training continues.

Along with the Companies Law, the provisions of IAS 19 "Employee Benefits" formed the basis for changing the Recognition of amounts owed to employees in relation to the reported profit of the economic entity.

Accounting legislation our country has provided the account 1515 "Provisions for pensions and similar obligations" account that allows the inclusion of cost and while provisioning for post-employment benefits.

#### **4. Tax deductibility in the field of wages**

Regarding tax deductibility of employee benefits, salary costs and contributions prescribed by law for social security, health insurance and unemployment fund, the financial year are deductible in full. There are also tax deductible expenses profit entity for transportation costs incurred by employees to and from work, as well as payments made to employees for holidays, to solve family issues (marriage, death, birth) under certain provisions of the legislation or collective labor contract.

Other short-term benefits to employees may take the following forms: aid for childbirth, serious or incurable diseases, gifts in cash or in kind, the cost benefits of treatment and rest for employees and their family members. And these benefits are deductible expenses income tax but only within the limits set by the Tax Code.

If long-term benefits in relation to employees, the Tax Code provides that the deduction of these expenses is limited. In these categories are part of the expenses incurred on behalf of an employee, voluntary occupational pension schemes and expenditure on private health insurance premiums. Limits the deductibility of these expenses is accepted shall be reviewed periodically in the light of economic and political factors. In the current period, the Tax Code provides that payroll tax deductible following: [10]

- for employees, the individual contribution to the voluntary pension funds, within the RON equivalent of 400 euros during the fiscal year;
- for employers, as a similar deduction, the amount that it contributed to an employee of his, equivalent lei to 400 euros during the fiscal year.

#### **5. Rewarding employees**

A new accounting standard which refers to the establishment of salary rights is the International Financial Reporting Standard 2 "Share-based Payment". This standard aims to stimulate and retention of staff, as economic entities, the nature of joint stock companies can reward employees through "payment in shares." IFRS 2 "Share-based Payment" requires an entity to recognize economic transactions with share-based payments in the financial statements. The standard requires financial reporting by an entity when it undertakes a payment transaction in shares, that entity shall reflect in profit and loss account and balance sheet effects of transactions with share-based payment. [8]

In the vision of Liliana and Niculae Feleagă (2007), IFRS 2 "covers all issues related to payments and related actions, which they defined as: [3]

- the entity receives goods or services, and resolves the payment of own equity instruments (shares or stock options); or
- the entity acquires goods or services in return for a debt the amount of which depends on the value of its equity instruments; or
- the entity acquires goods or services and issue the payment, instruments at the entity or the beneficiary may take the form of either equity instruments remission or remission as cash or other financial assets;
- whether these transactions are conducted with staff, managers and suppliers of goods and services; and
- whether instruments equity payments are remitted to the entity, its parent or other group companies. "

International Financial Reporting Standard 2 distinguishes three categories of payment transactions in equity instruments and related: [8]

- payment transactions in shares, paid in equity, to which the entity receives goods or services as consideration for its equity instruments (shares or share options);
- based payment transactions in shares, paid in cash, in which the entity acquires goods or services by hiring debt to the supplier of goods or services in return for company shares or other equity instruments of it;
- transactions in which the entity receives or acquires goods or services and the terms of the contract gives the entity or the supplier of goods or services the opportunity to pay the transaction in cash (or other assets) or by issuing equity instruments.

## 6. Conclusions

Remuneration in shares attract employees responsibility economic efficiency of the entity and their incentives while maintaining economic entity market segments won and entering new market segments, ensuring the principle of going concern.

In our opinion the deductibility of certain expenses, eg commuter expenses, training expenses, hospitalization expenses, child care expenses are tax deductible expenses in determining profit by economic entities in the country.

To increase net salary at the same time increasing the quality of labor force consider necessary to include as deductions from wages of new elements related to: the purchase of medicines, continuing professional education, dental, etc.

Finally, compensation of employees in action has a dual influence on attracting the responsibility of employees and the increasing economic efficiency of the entity.

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