## How Auditors check compliance of IndAS 19 & AS 15 Revised 2005

*As per provisions of Section 129 of the* ***Companies Act 2013****, each company has to prepare the Financial Statement such as Balance Sheet & Profit/Loss Accounts* ***at the*** *closure of each financial year in compliance of* ***Accounting Standards*** *as stipulated in* ***Section 133 of the Companies Act 2013****, so that they can* ***give a true and fair view of state of affairs of the company****. MCA vide its notification dated* ***13th November 2018*** *notified National Financial Reporting Authority (NFRA) Rules 2018**.*** *The main functions NFRA Authority* ***are:-***

*1. Monitoring* ***and*** *enforcing* ***the*** *compliance with* ***accounting standards and auditing standards,***

*2. Overseeing the quality of Audit service* ***and suggesting measures for improvement,***

***3. Power to investigate,***

***4. Disciplinary proceedings, Manner of enforcement of orders passed in disciplinary*** **proceedings, Punishment in case of non-compliance etc.**

**In view of above provisions,** it becomes mandatory for **Professionals (i.e.CA, CS, CMA, Finance Professionals & Directors) involved in finalization of Financial Statements to** check the proper compliance and provisions of these Accounting Standards.

In this Article we will discuss about Accounting and Disclosure requirements for Employee Benefits Plans as laid down in the following Accounting Standards as issued by The Institute of ***Chartered Accountants of India*** (ICAI):-

**1. Accounting Standard 15 (Revised 2005) – AS 15 (Revised 2005)**

**2. Indian Accounting Standard 19 – IndAS 19**

*The main objectives of the above Standards to prescribe the guidelines and disclosures for Accounting* ***for Defined Benefit Plans (i.e. Gratuity, Leave Encashment, Pension etc.).*** *In order to comply with above standards a company is required to recognize:-*

***(a) a liability when an employee has provided service to company in exchange for defined benefits to be paid in the future; and***

***(b) an expense when the company consumes the economic benefit arising from service provided by an employee in exchange for defined benefits.***

Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service. While the Standard requires that it is the responsibility of the reporting enterprise to measure the obligations under the defined benefit plans, it is recognized that for doing so the **enterprise would normally use the services of a qualified actuary**. Actuarial Inputs based on Actuarial Valuations are frequently required for compliance of Accounting Standards Accounting of following Defined Benefit Plans:-

***1. Gratuity Plans.***

***2. Earned Leave Plan.***

***3. Sick Leave Plan.***

***4. Defined Benefit Pension Plans.***

***5. Post -Retirement Medical Benefit Plans.***

***6. Settlement Allowances on Retirement.***

***7. Long Service Award Plans/Incentive Plans.***

***8. Interest Rate Guarantee for Exempted Provident Funds.***

***9. Any other long term employee benefit , where actuarial inputs are needed.***

Normally, Auditors follow the following criterion to know the applicability of Accounting Standards and disclosure requirement by the Companies :-

**(*i) SME Companies –*** *In this case, company needs to disclose details as required for Clause (l) of Para 120 of AS 15 (Revised 2005)*

***(ii) Non SME Companies –*** *In this case, company needs to disclose details as required for Para 120 ofAS 15 (Revised 2005)*

***(iii) Listed Companies & their subsidiaries with Net-worth more 250 cr.*** *– In this case, companies and their subsidiaries has to give disclosure of in compliance of IndAS 19.*

***(iv) NBFC (Non-Banking Financial Company) with Net-worth more 250 cr.*** *– In this case,* ***NBFC*** *has to give disclosure of in compliance of IndAS 19 with comparative numbers of previous 2 years.*

Actuarial reports fully compliant with requirement of **IndAS 19 & AS 15 (Revised 2005)** have following components:

**1. Data –** Summary of employee data as received from Company as Actuarial Input.

**2. Assumptions –** Demographic and Financial Assumptions as received from Company as Actuarial Input.

**3. Methodology** – PUC Method

**4. Results –** Present Value of Obligation, Expense for the year, Experience Adjustment etc.

**5. Disclosures –** As given Paragraph 120 of AS 15 (Revised 2005) and various Paragraphs of IndAS19

For more details or In case of any clarification/requirement of Actuarial Valuations in compliance of **IndAS 19 & AS 15 (Revised 2005),** you may contact us at 9211637063 or email your queries at ***tikaramchaudhary@gmail.com.***