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# Accounting And Financial Reporting Standard 28 Employee Benefits

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**Abstract**
This work intends to clarify the subject addressed in Accounting and Financial Reporting Standard (NCRF) 28 – Employee Benefits, taking into account the legislation currently in force.
This Accounting and Financial Reporting Standard, published, together with all others, in Notice no. 8256/2015, of July 29, with the amendments published in the statement of rectification no. 918/2015, of October 19, is based on International Accounting Standard IAS 19 — Employee Benefits, adopted by the original text of Commission Regulation (EC) No. 1126/2008, of 3 November.
The choice for this standard aroused our interest, as we are employees and allows us to be more informed about all types of benefits existing in the labor area, reconciling accounting with the laws of our country.

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## I. Introduction

The employee benefit accounting standard covers the principles and guidelines related to the recognition, measurement and disclosure of benefits granted to employees by an entity.

## II. OBJECTIVE AND CONCEPTS

**GOAL (§)**

The Accounting and Financial Reporting Standard aims to regulate the accounting and disclosure of benefits granted to employees. Under the standard, an entity must recognize a liability when an employee provides services in exchange for benefits to be paid in the future. In addition, the entity shall recognize an expense when it consumes the economic benefit arising from the services provided by the employee in exchange for the benefits granted. The standard aims to ensure that entities provide adequate and transparent information about the benefits granted to employees in their financial statements. This includes disclosing the policies adopted, the financial obligations associated with the benefits,

**SCOPE (§§ 2 TO 6)**

The Accounting and Financial Reporting Standard applies to employee benefits and must be used by the employer in accounting for those benefits.

Benefits covered include those arising from formal plans or agreements between the entity and employees, legal requirements or industry agreements, as well as informal practices that generate a constructive obligation.

Employee benefits comprise short-term benefits, post-employment benefits, long-term benefits, termination benefits and equity compensation benefits. These benefits can be granted both to employees and their dependents, and can be paid directly or through third parties, such as insurance companies, for example.

The standard also considers different types of employment, including full-time, part-time, permanent, incidental or temporary, covering directors and management personnel. However, the standard does not address the reporting of employee benefit plans per se.

**DEFINITIONS (§ 8)**

Assets held by a long-term employee benefit fund: are assets held by a fund separate from the reporting entity and intended solely for the payment or financing of employee benefits. These assets are not available to the reporting entity's creditors unless the remaining assets of the fund are sufficient to cover all plan obligations.

Plan assets: include assets held by a long-term employee benefit fund and eligible insurance policies.

Eligible insurance policy: is an insurance policy issued by an insurer unrelated to the reporting entity, the proceeds of which can only be used to pay or fund benefits under a defined benefit plan.

Short-term employee benefits: These are employee benefits that are due in full within twelve months after the end of the period in which the employees rendered service.

Benefits acquired by employees: these are employee benefits that are not subject to future conditions.

Equity compensation benefits: are employee benefits in which employees are entitled to receive equity financial instruments issued by the entity or its parent company, or whose value depends on the future price of these instruments. NCRF 28 does not prescribe criteria for the recognition, measurement and presentation of these benefits. Examples of these benefits are the company's shares/shares.

Employee benefits: encompass all forms of remuneration provided by the entity in exchange for service provided by employees.

Termination benefits are employee benefits paid as a result of the entity's decision to terminate an employee's employment before the normal retirement date or the employee's decision to accept voluntary redundancy in exchange for such benefits.

Post-employment benefits: These are employee benefits that are paid upon termination of employment, excluding termination benefits and equity compensation benefits. (retirement, pensions, insurance and post-employment medical care)

Long-term benefits: employee benefits that are due for more than 12 months, such as jubilee, long-term disability, sabbatical or long-term leave, among others.

Interest cost: is the increase in the present value of a defined benefit obligation due to the passage of time as the benefits are one year closer to settlement.

Past service cost: is the increase in the present value of the defined benefit obligation due to service provided by employees in prior periods, resulting from the introduction or change of post-employment benefits or other long-term employee benefits.

Current service cost: is the increase in the present value of the defined benefit obligation resulting from service provided by employees in the current period.

Actuarial gains and losses: include experience adjustments (differences between previous actuarial assumptions and what actually occurred) and the effects of changes in actuarial assumptions.

**SHORT-TERM EMPLOYEE BENEFITS (§§ 9 TO 23)**

Short-term employee benefits include the following items: salaries, wages and social security contributions; short-term allowable absences, such as paid annual leave and paid sick leave, which are expected to occur within twelve months after the end of the period in which employees provide service; profit sharing and bonuses payable within twelve months after the end of the period employees render service; and non-monetary benefits, such as medical care (which may include immediate family members), housing, a car and free or subsidized goods or services, for current employees. These are the immediate and short-term benefits offered to employees.

Accounting for short-term employee benefits is generally straight-line, meaning that no actuarial assumptions are required to measure the obligation or cost, and there is no possibility of actuarial gain or loss. In addition, obligations related to short-term employee benefits are measured on an undiscounted basis, i.e., the

time value of money when calculating its amount. This simplifies the accounting process for these benefits, as their nature and duration are relatively short.

**RECOGNITION AND MEASUREMENT (§§ 11 TO 23)**

**ALL SHORT-TERM EMPLOYEE BENEFITS (§ 11)**

In accordance with the Accounting and Financial Reporting Standard, when an employee provides services to an entity during an accounting period, the entity shall recognize short-term employee benefits that it expects to pay in exchange for those services. Recognition is done as follows:

- The undiscounted amount of short-term benefits is recognized as a liability (accrued expense), less any amount already paid. If the amount already paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset (prepaid expense) to the extent that the prepayment will result in a reduction in future payments or a cash refund.

- In addition, short-term benefits are recognized as an expense, unless another Accounting and Financial Reporting Standard requires or permits the inclusion of those benefits in the cost of an asset, as in the case of Inventories or Tangible Fixed Assets.

Paragraphs 12, 15 and 18 provide additional information on how to apply these specific requirements to short-term employee benefits such as compensated absences, profit-sharing plans and bonuses.

These benefits can be monetary or non-monetary:

**monetary benefits:**
- Ordained;
- Productivity bonuses, commissions and incentive plans;
- Profit sharing and bonuses;
- Cost allowances and compensation for using your own vehicle;
- Contributions to social security;
- Work accident insurance;
- Absences allowed;
- Food allowance;
- Complementary work (overtime, work on holidays and weekends or at night);  Between others.

Monetary benefits are normally debited to account 635 - Personnel expenses and credited to account 231 - Personnel remuneration.

**non-monetary benefits:**
- Housing;
- Vehicles;
- Free goods and services (telecommunications, gyms, etc.);
- Medical care (health insurance, nursing, etc.);
- Holiday travel;
- Education vouchers (not subject to TSU);  Between others.

Non-monetary benefits are debited to account 63109 if they belong to corporate bodies or 63209 if they belong to Personnel, and are credited in return to account 278 or 12.

**SHORT-TERM ABSENCES PERMITTED (§§ 12 TO 17)**

When it comes to short-term compensated absences, the entity shall recognize the expected cost of benefits as explained in paragraphs 11 to 17. The form of recognition is as follows:
- In the case of accumulating compensated absences, when employees render service that increases their entitlement to future compensated absences, the expected cost of those absences shall be recognised.
- In the case of non-cumulative compensated absences, the expected cost must be recognized when the absences occur.

Allowed absences can include a variety of reasons, such as vacation, illness, short-term disability, maternity or paternity leave, court duty, and military service. The right to permitted absences is divided into two categories: cumulative and non-cumulative.

Accumulating compensated absences refer to absences that can be accumulated and used in future periods if they are not fully used in the current period. Such absences can be classified as vested, meaning that employees are entitled to a cash payment for the unused entitlement on leaving the entity, or unvested, where employees are not entitled to a cash payment for unused entitlements to the leave.

An obligation arises as employees render service and accrue entitlement to future compensated absences. This obligation exists and is recognized, even if the untaken compensated absences are classified as non-acquired. However, the possibility that employees may leave before using the unvested accrued rights affects the measurement of this obligation.

To measure the expected cost of accumulating unused sick leave, an entity shall consider the additional amount it expects to pay due to unused entitlements accrued up to the balance sheet date. This measurement method focuses on the additional payments that arise exclusively from the accumulation of the benefit. In many cases, it is not necessary to make detailed calculations to determine whether there is a material obligation with respect to unused compensated absences. For example, a sick leave obligation would only be considered material if there is a formal or informal understanding that unused paid sick leave can be converted into paid leave.

Non-cumulative compensated absences, on the other hand, cannot be carried forward to future periods. If the current period's entitlement is not fully utilized, these absences are forfeited and do not entitle employees to a cash payment for unused entitlements on leaving the entity. This is common in cases of sick pay (where past unused entitlements do not increase future entitlements), maternity or paternity leave, and excused absences for court service or military service. In such cases, the entity does not recognize any liability or expense until the time of the absence, as the employee's service does not increase the benefit amount.

**PROFIT SHARING AND BONUS PLANS (§§ 18 TO 23)**

With regard to profit sharing and bonus plans, the following guidelines are established:

An entity shall recognize the expected cost of profit-sharing payments and bonuses when the following requirements occur:

- The entity has a present legal or constructive obligation to make such payments because of past events; It is
- It is possible to make a reliable estimate of the obligation. A present obligation exists only when the entity has no realistic alternative but to make payments.

In some profit-sharing plans, employees receive a profit share only if they remain with the entity for a specified period. These plans create a constructive obligation as employees render services, increasing the amount payable if they remain until the end of the specified period. The measurement of these constructive obligations reflects the possibility that some employees may leave without receiving profit-sharing payments.

An entity may not have a legal obligation to pay gratuities. However, in some cases, it is the entity's practice to pay gratuities. In these situations, the entity has a constructive obligation because it has no realistic alternative but to pay the gratuity. The measurement of constructive obligation should reflect the possibility that some employees will leave without receiving the bonus.

An entity can make a reliable estimate of its legal or constructive obligation under a profit-sharing or bonus plan only when the following situations occur:

- The formal terms of the plan include a formula for determining the benefit amount;
- The entity determines the amounts to be paid before approving the financial statements for issue; or
- Past practice provides clear evidence of the amount of the entity's constructive obligation.

An obligation arising under profit sharing and bonus plans arises from employee service and not from a transaction with the entity's owners. Therefore, the entity recognizes the cost of those plans as an expense rather than as a distribution of net income.

**POST-EMPLOYMENT BENEFITS: DISTINCTION BETWEEN DEFINED CONTRIBUTION PLANS AND DEFINED BENEFIT PLANS (§§ 24 TO 37)**

Post-employment benefits include, for example:

- Retirement benefits such as pensions; It is
- (b) Other post-employment benefits, such as post-employment life insurance and post-employment medical care.

Arrangements whereby an entity provides post-employment benefits are called post-employment benefit plans. The entity applies this standard to all agreements involving the

establishment of a separate entity to receive contributions and pay benefits.

Post-employment benefit plans are classified as defined contribution plans or defined benefit plans, depending on the economic substance of the plan resulting from its main terms and conditions.

**In defined contribution plans:**

- The entity's legal or constructive obligation is limited to the amount it agrees to contribute to the fund. Thus, the amount of post-employment benefits received by the employee is determined by the amount of contributions paid by the entity (and, if applicable, also by the employee) to a post-employment benefit plan or to an insurance entity, together with the returns investment from contributions;
- Consequently, actuarial risk (that benefits may be less than expected) and investment risk (that invested assets may be insufficient to cover expected benefits) fall on the employee.

There are cases where an entity's obligation is not limited to the amount it agrees to contribute to the fund. This occurs when the entity has a legal or constructive obligation through:

- A plan benefit formula that is not exclusively tied to the amount of contributions;
- A guarantee, whether indirectly through a plan or directly, of a specified return on contributions; or
- Informal practices that result in a constructive obligation. For example, a constructive obligation may arise when an entity has a history of increasing benefits for former employees to keep up with inflation, even though there is no legal obligation to do so.

**In defined benefit plans (SNC 2016):**

- The entity's obligation is to provide the agreed benefits to current and former employees;

- Actuarial risk and investment risk are substantially borne by the entity. If actuarial or investment experience is worse than expected, the entity's obligation may increase.

**STATE PLANS (§§ 31 TO 33)**
An entity shall account for a state plan in the same way as a multi-employer plan, as described in paragraphs 28 and 29.

State plans are established by legislation to cover all entities or a specific category of entities, such as a specific sector. These plans are operated by a national or local government or other organization that is not subject to control or influence by the reporting entity. Some plans established by an entity may provide mandatory benefits that replace benefits that would be covered by a state plan, as well as additional voluntary benefits. However, these plans are not considered state plans.

State plans are classified as defined benefit plans. Many state plans are funded on a "pay as you go" principle, where contributions are set at a level that is sufficient to pay current benefits without accumulating assets to fund future benefits. . However, in most state plans, the entity has no legal or constructive obligation to pay future benefits beyond the contributions that become due. This means that the entity is not required to pay benefits earned by its own employees in prior years if it ceases to employ members of the state plan.

For this reason, state plans are generally considered defined contribution plans. However, in rare cases where a state plan is classified as a defined benefit plan, the entity shall apply the treatment prescribed in paragraphs 28 and 29, which relate to defined benefit plans generally.

**INSURED BENEFITS (§§ 34 TO 37)**
Under paragraphs 34 to 37, an entity may pay insurance premiums to contribute to a post-employment benefit plan. The accounting treatment for that plan will depend on whether the entity has a legal or constructive obligation to pay benefits directly when they become due, or to pay additional contributions if the insurer does not cover all future employee benefits.

If the entity retains such a legal or constructive obligation, the plan shall be treated as a defined benefit plan. The benefits insured by an insurance contract need not have a direct or automatic relationship with the entity's obligation for employee benefits. The financing of a post-employment benefit obligation through an insurance policy, under which the entity retains a legal or constructive obligation, is not considered a defined contribution arrangement. In that case, the insurance policy is accounted for as a plan asset.

On the other hand, when an insurance policy is in the name of a specific participant or group of plan participants, and the entity has no legal or constructive obligation to cover any loss on the policy, the entity has no responsibility to pay the benefits. The insurer assumes sole responsibility for paying benefits. In that case, premium payments are considered contributions to a defined contribution plan, and the entity does not have an asset or liability related to that policy.

**POST-EMPLOYMENT BENEFITS: DEFINED CONTRIBUTION PLANS (§§ 38 TO 41)**
In accordance with paragraph 38, defined contribution plans are accounted for on a straight-line basis, as the entity's obligation is determined by the contributions to be made in each period. It is not necessary to use actuarial assumptions to measure the obligation or the expense, and there is no possibility of actuarial gains or losses. In addition, obligations are measured on an undiscounted basis, unless they are not fully due within twelve months after the end of the period in which the employees provide the related service.

**RECOGNITION AND MEASUREMENT (§§ 39 AND 40)**
In paragraph 39, it is established that when an employee provides service to an entity during a certain period, the entity shall recognize the contribution to be paid to a defined contribution plan as follows:

- As a liability (accrued expense), after deducting any contributions already paid. If the contribution already paid exceeds the contribution due in respect of the service provided up to the balance sheet date, the entity shall recognize that excess as an asset (prepaid expense), provided that the prepayment results, for example, in a reduction of future payments or a cash refund.
- As an expense, unless another Accounting and Financial Reporting Standard requires or permits the inclusion of the contribution in the cost of an asset (for example, NCRF 18 - Inventories and NCRF 7 - Tangible Fixed Assets).

In paragraph 40, it is mentioned that when contributions to a defined contribution plan are not fully paid within twelve months after the end of the period in which the employees provided the corresponding service, they must be discounted.

**POST-EMPLOYMENT BENEFITS: DEFINED BENEFIT PLANS (§ 41)**
Paragraph 41 indicates that accounting for defined benefit plans is complex for a number of reasons:
1. Actuarial assumptions are required to measure the liability and expense related to defined benefit plans. This is because the determination of future obligations depends on various estimates, such as life expectancy of beneficiaries, interest rates, employee turnover rate, among others.
2. There is the possibility of actuarial gains and losses. These variations occur when the actuarial assumptions used in measuring the obligation do not materialize as expected. For example, if the employee turnover rate differs from the initial estimate, this could result in actuarial gains or losses.

These factors make accounting for defined benefit plans more complex compared to defined contribution plans, where no actuarial assumptions are required and there is no possibility of actuarial gains and losses.

**OTHER LONG-TERM EMPLOYEE BENEFITS (§§ 42 TO 46)**
In paragraph 42, it is mentioned that "other long-term employee benefits" may include:
- Long-term compensated absences, such as long-term leave or sabbaticals.
- Jubilee benefits or for other lasting service.
- Long-term disability benefits.
- Profit sharing and bonuses payable twelve months or more after the end of the period in which employees render the related service.
- Deferred compensation paid twelve months or more after the end of the period in which it was earned.

In paragraph 43, it is stated that the measurement of other long-term employee benefits is generally not subject to the same level of uncertainty as the measurement of post-employment benefits. In addition, introducing or changing these benefits rarely results in a material past service cost. Therefore, the standard requires a simplified method of accounting for these benefits, which differs from the accounting required for post-employment benefits as follows:
- Actuarial gains and losses are recognized immediately, without applying the so-called "corridor" approach.
- All past service cost is recognized immediately.

**RECOGNITION AND MEASUREMENT (§§ 44 TO 46)**
In paragraph 44, it is explained that the amount recognized as a liability in respect of other long-term employee benefits shall be the net total of the following quantities:
- The present value of the defined benefit obligation at the balance sheet date.
- Less the fair value at the balance sheet date of the plan assets (if any) for which the obligations are to be settled directly.

In paragraph 45, it is mentioned that, for the other long-term employee benefits, the entity shall recognize the net total of the following quantities as an expense or income, unless another Accounting and Financial Reporting Standard requires or permits the inclusion of those quantities in the cost of an asset:
- Cost of current services.
- Interest cost.
- Expected return on plan assets and any reimbursement rights recognized as an asset.
- Actuarial gains and losses, which must be recognized immediately.
- Cost of past services, which must be recognized immediately.  Effect of any cuts or liquidations.

In paragraph 46, it is mentioned that one form of other long-term employee benefits is the long-term disability benefit. If the level of benefit depends on the duration of service, an obligation arises when the service is provided. The measurement of this obligation takes into account the probability of mandatory payment and the expected duration of time in which the payment will be made. If the benefit level is the same for all disabled employees, regardless of years of service, the expected cost of these benefits is recognized when an event occurs that causes the long-term disability.

**EMPLOYMENT TERMINATION BENEFITS (§§ 47 TO 55)**
In paragraph 47, it is explained that this Standard treats termination benefits separately from other employee benefits, because the event giving rise to the obligation is the termination of employment, not the service rendered by the employee. In other words, termination benefits refer to obligations that arise when an employee leaves the company, rather than obligations related to the employee's period of service.

**RECOGNITION (§§ 48 TO 53)**

In paragraph 48, it provides that an entity shall recognize termination benefits as a liability and an expense only when the entity is demonstrably committed to:

- Terminate the employment of an employee or group of employees before the normal retirement date; or
- Providing termination benefits as a result of an offer made to encourage voluntary departure.

In paragraph 49, it is mentioned that an entity is committed to a termination when it has a detailed formal plan for the termination and there is no realistic possibility of withdrawal. The detailed plan must include, at a minimum, the following elements:

- the location, role and approximate number of employees whose services will be terminated;
- the termination benefits for each job classification or role; It is the time when the plan will be implemented.

In paragraph 50, an entity may be bound, by law, contractual agreements or other commitments to employees or their representatives, or by a constructive obligation based on the entity's practice, custom or desire to act fairly, to make payments (or provide other benefits) to employees when their employment is terminated. These payments are called termination benefits.

Termination benefits generally consist of lump sum payments, but may also include other forms of benefits, such as increased retirement benefits or other post-employment benefits, either indirectly through an employee benefit plan or directly . In addition, wages up to the end of a specified notice period may be included if the employee no longer provides additional services that generate economic benefits for the entity.

Some employee benefits are paid regardless of the employee's reason for leaving. Although they are called termination benefits or termination benefits in some countries, they are considered post-employment benefits and should be accounted for as such. These benefits are paid with certainty, subject to vesting requirements or minimum length of service, but the promptness of payment may be uncertain. Some entities offer lower benefits for voluntary termination at the employee's request, compared to involuntary termination at the entity's request. The additional benefit paid on involuntary termination is considered a termination benefit.

Employment termination benefits are considered immediate expenses, as they do not provide future economic benefits to the entity. When an entity recognizes these benefits, it may be necessary to adjust retirement benefits or other employee benefits, which may result in a reduction in those benefits.

**MEASUREMENT (§§ 54 AND 55)**

Termination benefits due after 12 months must be cashed.
The measurement of termination benefits in a voluntary redundancy offer depends on the estimated number of employees who will accept the offer.

**DISCLOSURE (§§ 56 TO 60)**

Disclosure of short-term employee benefits is not specifically required by the Standard.

Accounting International (NIC) mentioned. However, other accounting standards, such as Accounting Standard for Financial Reporting (NCRF) 5 - Related Party Disclosures and NCRF 1 - Structure and Content of Financial Statements, may require specific disclosures related to employee benefits, including for staff- key management and employee benefit expenditures.

**DISCLOSURE OF POST-EMPLOYMENT BENEFITS: DEFINED CONTRIBUTION PLANS (§§ 57 and 58)**

For the disclosure of post-employment benefits under defined contribution plans, an entity shall disclose the amount recognized as an expense in relation to those plans. In addition, if required by NCRF 5 - Related Party Disclosures, the entity must disclose information about contributions to defined contribution plans related to key management personnel.

**DISCLOSURE OF OTHER LONG-TERM EMPLOYEE BENEFITS (§ 59)**

An entity shall provide disclosures relating to the other long-term benefits that are provided to its employees. Those disclosures should include information about the nature of the benefits, the amount of the entity's obligations in relation to those benefits, the level of coverage of the liabilities at the reporting date, as well as the amount of any actuarial gains or losses incurred during the current period. In addition, the accounting policies adopted for the recognition and measurement of these actuarial gains or losses must also be disclosed.

**DISCLOSURE OF EMPLOYMENT TERMINATION BENEFITS (§ 60)**

For each category of termination benefits provided by the entity to its employees, disclosures are required. The entity shall disclose the nature of the benefits, the accounting policy adopted, the amount of obligations related to those benefits and the level of coverage of the liabilities at the reporting date.

When there is uncertainty regarding the number of employees who will accept an offer of termination benefits, it is considered a contingent liability. According to NCRF 21 - Provisions, Contingent Liabilities and Contingent Assets, the entity must disclose information about the contingent liability, unless the possibility of any outflow of resources in liquidation is remote.

**EFFECTIVE DATE (§ 61)**

An entity shall apply this Standard from the first period beginning on or after 1 January 2008.

**APPLICATION OF THE STANDARD ACCOUNT TO USE**

The accounts most used in the recognition of benefits are:
Pay/Receive:

- 23 Staff
- 231 Remuneration payable
- 2311 To the governing bodies
- 2312 To staff

The 231 Remuneration payable account has a standard layout distributed over 3 phases:
1st Phase – processing of wages (debit account 63 and credit account 231 together with accounts 24 and, if any, account 278)
2nd Phase – processing of charges, i.e. social security contributions by the company (debit account 635 and credit account 24)
3rd Phase – payments to staff (accounts 231, 24 and 278 are debited and class 1 accounts are credited, usually 12)

Taxes

- 24 EOEP
- 242 Withholding taxes on income
- 245 Contributions to social security
- …

The company can and must, with regard to the accrual regime, the subdivision of accounts by value and type of benefits payable

- 27 Other accounts receivable and payable
- 272 Debtors and creditors by addition
- 2722 Creditors for increased expenses
- 27221 Employee benefits
- 27221X “benefit type”
- …

Previously, in the processing of salaries, the possible use of account 278 was mentioned, referring to the account normally used to indicate Union payment on the employee's payroll.

- In the Expenses account, employee benefits are presented in the accounts:
- 63 Personnel expenses
- 631 Remuneration of governing bodies
- 632 Staff remuneration
- 633 Post employment benefits
- 634 indemnities
- 635 Charges on remuneration
  - …

In each of the sub-accounts, you can subdivide according to the type of benefit and create accounts for these purposes (remuneration, vacation, subsidies, etc.)

**CALCULATION OF SALARY**
**SALARY/HOURS**

Calculation of hourly wages Article 271 of the Labor Code presents the calculation formula for calculating the hourly wage cost.

<u>So the formula is as follows</u>: (Rm × 12):(52 × n)

Being that:

- Rm is the amount of the monthly retribution
- in the normal weekly working period, defined in average terms in case of adaptability.

This value is important, for example, to determine the amount to be deducted for hours of absence without the right to compensation.

**PROCESSING OF WAGES OF GOVERNING BODIES**

- Gross salary amount
- Representation expenses (10% of salary), without the need to present proof of expense
- Meal allowance (within the legal limits defined in the ordinance)
- Per diem allowances (within the legal limits defined in an ordinance)
- Contributions to Social Security o 23.75% part of the entity o 11% part of manager IRS withholdings: 20% (average rate)

**Example:**

| **Accounts** | **Debit** | **Credit** | **Calculations and Comments** |
|---|---|---|---|
| 63101 - Remuneration | 15,000.00 | | Each manager earns 5000 euros of gross salary |
| 63102 - Meal Allowance | 286.20 | | 4.77*20 days* 3 managers |
| 63105 - Expenses allowances | 1 850.00 | | |
| 63111 - Representation Expenses | 1,500.00 | | |
| 6351 - Contributions to Social Security | 3,918.75 | | (15000+1500)*23.75% |
| 2421 - IRS withholding tax | | 3,300.00 | (15000+1500)*20% |
| 2451 - Contributions to Social Security | | 5,733.75 | 3918.75 + 1815 ((15000+1500)*11%) |
| 2311 - Remuneration payable to governing bodies | | 13 521.20 | |
| | **22 554.95** | **22 554.95** | |

**PROCESSING OF WORKERS' WAGES**

- Gross salary amount
- Food subsidy paid by means of a meal card (within the legal limits defined in the ordinance)
- Per diem allowances (within the legal limits defined in an ordinance)
- productivity bonuses
- Contributions to Social Security o 23.75% part of the entity o 11% part of manager IRS withholdings: 10% (average rate)

**Example:**

| **Accounts** | **Debit** | **Credit** | **Calculations and Comments** |
|---|---|---|---|
| 63201 - Remuneration | 85,000.00 | | Total salary of 100 workers |
| 63202 - Meal Allowance | 15 260.00 | | (4.77*1.60)=7.63*20 days* 100 workers |
| 63205 - Per diem allowances | 5,000.00 | | |
| 63203 - Productivity bonuses | 8,500.00 | | |
| 6352 - Contributions to Social Security | 22 206.25 | | (85000+8500)*23.75% |
| 2421 - IRS withholding tax | | 9 350.00 | (85000+8500)*20% |
| 2452 - Contributions to Social Security | | 33 031.25 | 22206.25+10825 ((85000+8500)*11%) |
| 2312 - Remuneration payable to staff | | 93 585.00 | |
| | **135 966.25** | **135 966.25** | |

**CHRISTMAS SUBSIDIES PROCESSING**

Done in the same way as the previous cases, adding the debit account 63106.

**ESTIMATE OF VACATION AND VACATION ALLOWANCES**

In accordance with the legislation in force, namely article 237 of the Labor Code, employees gain the right to vacation and vacation subsidy, on January 1st of each year, for having rendered services to an entity during the year (or part of the previous year). Thus, the entity must recognize this responsibility assumed with employees as an expense of the year in which they provided service, and earned the right to vacation and to receive the respective subsidy. The counterpart of this liability will be a liability account 2722 – Other accounts receivable and payable – Debtors for accrued expenses.

**COMPENSATION FUNDS AND WORK GUARANTEE**

As of 1 May 2023, the Portuguese Government has decided, with the entry of the new labor regime, that companies will no longer pay the compensation and work guarantee fund.

**EXAMPLE CASE OF GAP**

Company “X” recurrently needs specialized labor, or reinforces its staff due to a seasonal season with a greater flow of work and resorts to a temporary work company to provide these workers to provide services to company “X” . The temporary work company issues invoices to company “X” with all expenses with these workers (salaries, contributions, among others) but these workers are linked to the temporary work company.

A company's expenses related to wages are debited in subaccount 631 – Personnel expenses and credited in subaccount 231 – Wages payable, but in this case, the worker's contractual relationship is with the temporary work company. Therefore, there are authors who argue that these expenses should be debited from account 62 – FSE in exchange for crediting an account created for the TT company.

NCRF 28 does not provide a definition of an employee, only mentioning that the employee enjoys the benefits that we discussed earlier, regardless of the type of contract entered into (FT/PT, permanent, occasional or temporary). This being one of the shortcomings of this standard, the lack of a clear and explanatory definition of what a worker/employee is.

## III. CONCLUSION

The NCRF Employee Benefits is quite complex and can last for several years, even after employees leave the company. It's an important standard for either an investor or prospective employee to understand how employees are treated and what to expect from the company. Allows employees to be motivated and focused on the company, allowing it to prosper in terms of business. Transparency and comparability allow conclusions to be drawn from the company's mission and human focus.

In addition, this standard establishes criteria for the accounting recognition of employee benefits, taking into account factors such as the probability of payment, the moment in which the benefits are granted and the adequate measurement of these same benefits.

The standard also requires the disclosure of additional relevant information, such as descriptions of the main benefit plans, movements in benefit obligations, risks and uncertainties associated with benefits and investment policies of pension funds, when applicable.

As we explore this theme, we can refer to five key points:

1. Transparency and comparability: The standard establishes principles and guidelines for the recognition, measurement and disclosure of employee benefits in the financial statements. This promotes information transparency, allowing for proper comparison between different entities and periods.
2. Useful information for users of financial statements: The standard requires entities to provide relevant information about the benefits granted to employees, such as pension plans, health plans and other post-employment benefits. This helps users of financial statements to understand the financial impact of those benefits and to assess the financial position and performance of the entity.
3. Effective human resource management: By requiring disclosure of employee benefits, the standard assists entities in effectively managing their human resources. Accounting information related to employee benefits can help companies attract and retain talent, assess the sustainability of benefit plans, and make strategic workforce-related decisions.
4. Compliance with legal and regulatory obligations: This standard is generally based on legal and regulatory requirements. By following this standard, entities can ensure compliance with obligations related to employee benefits imposed by regulatory bodies and applicable laws.
5. Investor and stakeholder confidence: Compliance with the employee benefits accounting standard strengthens investor, creditor and other stakeholder confidence in the quality of financial information disclosed by the entity. This can increase the entity's credibility in the market and facilitate access to financing and investments.

In summary, the accounting and financial reporting standard for employee benefits is important to ensure the transparency, comparability and relevance of information related to employee benefits. It provides guidance for properly recording and disclosing those benefits in an entity's financial statements and reveals information about the entity's financial position and the company's future commitments to its employees.

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