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The effect of accounting treatments for employee benefits according to international accounting standards on financial performance

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Abstract: The main objective of the study is the role played by accounting treatments for employee benefits in accordance with Standard **19**and the extent of their impact on the bank's data, knowing the meaning of employee benefits and understanding the types of employee benefits according to international accounting standards and highlighting the method of international accounting treatment of employee benefits. The spatial limits of the research were represented by Ashur International Bank, the Iraqi Trade Bank, the National Bank of Iraq.

Key words: employee benefit, accounting treatments, international accounting standarts, financial performance

INTRODUCTION

International accounting standards are the basic guide for measuring the processes, events and circumstances that affect the financial position of the institution and the results of its work, and also consider the performance of communicating information to beneficiaries, as well as directing and rationalizing practical practices in accounting, auditing and auditing, as the development of global markets and their overlap is a main reason for unifying all rules. Accounting at the international level. In this research, we will address international accounting standards, as well as employee benefits specifically, as the subject of our study.

The first requirement: general concepts about international accounting standards

The first section: What are international accounting standards

It is possible to define international accounting standards as the basic standard or model that would determine the correct and accurate methods for disclosing or recognizing the financial statements of a particular facility or institution, with the idea of the impact of each of the circumstances surrounding it on its productivity, whether political, economic, or other. The International Accounting Standards Committee has defined it as a guideline that professionals refer to in order to support their efforts and inspire their wisdom. It can also be defined as a professional description of generally accepted professional practices, and its goal is to limit the degree of variation in expression or practice in similar circumstances, in addition to It is adopted as a general framework for evaluating the efficiency and quality of technical work in order to determine the nature and depth of professional responsibility. (Accounting Standard,2018:14)

The importance of the accounting standard lies in the role it plays in achieving international accounting compatibility in order to obtain financial statements that include accounting information that is characterized by consistency and reliability and helps in making rational decisions. The importance of accounting standards is guaranteed by the following: (Abu Dahim, 2008: 39) and (Abu Salim (2008: 72)

1. Comparison: The decision-making process requires comparison between a variety of alternatives, and this process requires statements prepared according to unified principles. Since the goal of accounting is to provide useful information to the decision maker, accounting standards facilitate the comparison process by unifying the basis on which those are prepared. Statements..

2. The cost of processing accounting information: Unifying the bases relied upon in preparing the statements is necessary for the decision maker. If the accounting statements are prepared according to different and varied accounting bases, then the decision maker needs a specific method to unify the bases for their preparation, and this would cost the decision maker an additional cost. To process these statements

3. The ability to understand information: Most users of financial statements have a limited ability to understand accounting information. If non-uniform foundations are relied upon, these statements will not be useful to them.

4. Logical support: Accounting standards are logically supported and point to the meeting points of accountants, as there must be some kind of meeting between them at work, which accounting standards can achieve.

5. The flow of investment between countries: Accounting standards are of great importance in attracting investments. The investor who invests his money in specific projects must make comparisons between the projects in which he invests between different countries, which can provide him with information that helps him in making the ideal decision through accounting standards.

Section Two: Characteristics of international accounting standards

The characteristics of accounting standards are as follows:- ((Aerts, 2006: 331) (Alam, 2007: 3)

1. Internal and external logical consistency: International accounting standards are characterized by logical consistency between them internally and externally on the one hand and with the elements of the intellectual structure of concepts, hypotheses and principles on the other hand.

2. Suitability: Considering that the standards are considered tools for practical application, all surrounding circumstances must be taken into account when preparing them so that they are appropriate for practical application, which requires harmonization of the requirements of appropriate thought, considering that the standards are tools for practical application.

3. Flexibility: Flexibility is one of the most important characteristics of international accounting standards, as they constantly change depending on the changes that occur in the external environment of economic units. It is also noted that there are many standards that are replaced or changes are made from one period to another.

4. Realism: International accounting standards must stem from reality that is compatible with the circumstances surrounding economic units.

5. Harmony with financial accounting objectives: It is formulated in light of the financial accounting objectives of providing important information to decision makers.

The second requirement: The origins and development of Standard 19 IAS

In April 2001, the International Accounting Standards Board (IASB) adopted the International Accounting Standard (19 LAS) “Employee Benefits”, which was originally issued by the International Accounting Standards Committee (ASC) in 1980, and IAS (19 1As) “Employee Benefits” replaced the standard International Accounting Standard (IAS 19) “Accounting for Retirement Benefits in the Financial Statements of Employers issued in January 1983, and International Accounting Standard (IAS 19) was also amended again in 1993 and was renamed International Accounting Standard (IAS 19) Retirement Benefits Costs.” (Green and Abdel-Aali, 2007 14) The International Accounting Standards Board (IASB) amended the accounting for multi-employer plans and group plans | In December 2004, and in June 2011, the Board revised the International Accounting Standard (IAS), including removing the option that allows a bank to defer recognition of changes in the net defined benefit obligation and amending some disclosures for defined benefit plans and multi-employer plans (Al-Akhdar and Abdel-Aali, 2007: 14 - 15)

The Employee Benefits Standard (19), issued by the International Accounting Standards Organization (LASC), is known as the standard that is concerned with the disclosure of information related to employee benefits provided by the facility, in addition to the services provided to the employee after completing work, represented by retirement. (Hamidat, 2019: 736)

Third requirement: Definition of employee benefits according to Standard 19:

International Accounting Standard No. (19) defines employee benefits as all forms of compensation granted by the economic unit in exchange for a service performed by the employee, including managers and management. The unit must acknowledge the cost of all employee benefits to which its employees are entitled as a result of the services provided to the economic unit. As an expense, it is recognized in the period in which the employee receives it, and not when it is paid or due. (www.ascasciety.org) It is also defined as “the set of facilities and service facilities that the employee enjoys inside or outside the workplace for the purpose of facilitating the performance of his work and his stability in the unit” (Al-Salem et al., 2000: 322). It is “the return that the employee receives as a reward for achieving Performance levels higher than usual performance expectations” Mathis & Others 1994:389) It is also known as all forms of compensation that the organization gives in exchange for the services provided by employees (International Federation of Accountants, 2016, p. 1693). It is also known as “the sum of the benefits provided by By the economic unit for its employees in any way in exchange for their obtaining services performed by these employees themselves, which includes salaries, grants, benefits, compensation, paid vacations and holidays, in addition to other benefits such as retirement pensions and bonuses” (Putin, 2010: 194).

It is defined as “the total cash amounts payable by the employer to employees in exchange for work performed by these employees, whether through an advance payment during or after the completion of the work. This total does not include any taxes paid by the employer on wages or salaries, as these taxes are treated on They are taxes on production” (UN. ESCWA. Council of Arab Economic Unity, 2001) and are defined as “all costs incurred by the facility in exchange for the service of employees in the facility (Abu Nassar, 2016: 330).

The researcher believes that employee benefits include all financial and non-financial returns that employees receive in exchange for a service paid by the economic unit to motivate them to make greater efforts and to gain the loyalty of employees to the economic unit, as the success and excellence of any facility depends primarily on the human element because human resources are considered one of the most important resources of the organization. It is also a source of superior success and distinction for the institution, as it has been well managed. Therefore, it has become a duty for the economic institution to manage human resources strategically, as well as reward them for the efforts made, as every employee seeks to have a long-term vision to maintain stability within the institution and to continue performing its work to perfection. Face

Fourth requirement. Requirements for applying the International Accounting Standard Employee Benefits (19):

In order to implement this standard, the management of the economic unit must undertake some procedures, which are as follows: (International Accounting Standards, Standard 1993: 19)

1. This standard requires that the company recognize short-term employee benefits when it provides the benefit

2. Classifying post-employment benefit plans as defined contribution plans or defined benefit plans.

3. Under the defined contributions, the company pays fixed contributions to a separate unit and does not have any legal or implicit obligation to pay more contributions. All other post-employment benefit plans are defined as defined benefit plans. Defined benefit plans may not be funded or may be partially or fully funded.

The fifth requirement: The goal and scope of the IAS19 standard

The first section: The goal of the standard

The standard aims to determine the accounting and disclosure of employee benefits. The standard requires the organization to recognize the following: (Juma Hamidat, 735: 2019)

A - A specific obligation when an employee provides a service in exchange for employee benefits that will be paid in the future.

B - A specific expense when the economic unit consumes the economic benefits resulting from the service provided by the employee in exchange for employee benefits.

Second section. Scope of IAS19 standard

This standard should be applied by the employer in accounting for all employee benefits except those to which IFRS 2 Share-Based Payment applies.

B- Employee benefits to which this standard applies include benefits provided:

1. Short-term employee benefits, such as salaries, wages, the organization’s contributions to social security, paid annual and sick leave, employee profit sharing, or bonus plans that are paid within 12 months from the date of the fiscal year, and non-monetary benefits such as medical care, housing loans for employees, travel allowances, and goods and services provided Free or low prices for workers.

2. Benefits after the end of job service for employees, such as retirement salaries paid as a lump sum upon retirement (end-of-service bonus), costs of medical services during the retirement period, and life insurance for employees during the retirement period.

3. Long-term employee benefits such as long service leaves or sabbatical leave and employee costs paid during the period of long-term disability. Employee benefits include benefits provided either to employees, or to their dependents, or beneficiaries and can be settled by payments or by providing goods or services performed either directly to employees or To their spouses, children, or other dependents.

4. Employment termination benefits: Employee benefits accrued as a result of the organization's decision to terminate the employee's service before the normal retirement date or the employee's decision to accept voluntary work leave in exchange for these benefits.

Basic requirement: measurement and disclosure of employee benefits according to International Standard 19 and their accounting treatment:

The first section: short-term benefits

It represents employee benefits (except for end-of-service benefits that become fully due or payable within twelve months after the end of the period during which the employee provides the service. Short-term employee benefits include: (Mai 2001: 70. Collection) (Hawam Jumah, 2017: 189)

A- Employee benefits, salaries, and social security contributions

B - Short-term periods of absence that are compensated, such as paid annual leave and paid sick leave, where the absences are expected to occur within the twelve months after the end of the period in which the employees performed their service.

T- Job performance-related increases and profit sharing that are payable within 12 months after the end of the period during which employees provide their services, and non-financial benefits of health services, housing, cars, and subsidized goods and services for current employees.

D - Accounting for short-term employee benefits is often simple, because it does not require actuarial assumptions to measure the obligation or cost, and there is no possibility of an actuarial gain or loss occurring. In addition, obligations for short-term employee benefits are measured on a non-discount basis.

- Measurement and disclosure:

One of the conditions for recognition is that when an employee provides his services during the accounting period, this entity must recognize the undiscounted value of the short-term employee benefits expected to be provided in exchange for the service:

A - As a liability (accrued expense) after deducting the principal of the subsidiary amounts. If the amount paid in advance exceeds the undiscounted amount of benefits, the entity must then recognize this increase as an asset (prepaid expense) to the extent that the prepayment, for example, leads to Reduced future payments or cash back.

B - As an expense unless another standard requires or allows benefits to be included in the cost of the asset (see, for example, IPSAS 12 Inventory and IPSAS 17 Property, Plant and Equipment). Short-term employee benefit costs are considered expenses in the income statement. The facility must recognize the amount of unpaid short-term employee benefits that are expected to be paid for that service as payable expenses (liabilities), and the amounts paid to employees in excess of the amounts owed to them must be shown as prepaid expenses. (Juma Hamidat, 2019: 740)

1. Short-term paid absences: The entity must recognize the expected cost of short-term employee benefits in the form of paid absences as an expense, as follows:

A - In cases of cumulative paid absences when employees provide service that increases their entitlement to future paid absences such as non-independent annual leave taken by the employee during the current period.

B - In cases of non-cumulative paid absences (they are not rolled over or carried over to later periods) when absences such as maternity leave occur because the employee's service does not increase the benefit amount.

C - The entity must measure the expected cost of cumulative paid absences (rolled over to subsequent periods such as vacations) as an additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

2. Profit-sharing and bonus plans: The facility must recognize the expected cost of profit-sharing and bonus payments. The obligation occurs when the facility has no other alternative but to make these payments. Some organizations have bonus plans related to service delivery objectives or performance-related considerations. Financial, and employees receive these plans specific amounts based on an estimate of their contributions to achieving the facility's goals. These plans may be in some cases collectively for employees, such as the incentive for all employees of the facility instead of individually, and profit-sharing plans are more common. In for-profit establishments compared to establishments in the public sector, however, it may be one of the considerations for financial rewards for employees in some sectors of public sector establishments that operate on a commercial basis, and some public sector establishments may not run financial programs but evaluate performance based on measures of financial consideration. Such as generating revenue sources and achieving some budget goals, and some bonus plans can include all employees who provided their job services in the financial reporting period.

The facility may not have any legal obligations to pay the bonuses, but in some cases the facility may have its own way of paying the bonuses, and in this case it has an obligation as it has no other choice but to pay the bonus. Measuring such obligations reflects the possibility of some leaving. Employees without evaluating rewards, as the facility can make a reliable estimate of its legal obligation or benefits within a program based on job performance or a bonus or profit-sharing plan only in the following cases: (Al-Jaarat, 2008: 31)

1. Determine a formula to calculate the benefit amount within official judgment plans.

2. Determine the amounts due before approving the issuance of the financial statements.

3. Providing previous service as evidence of the amount of the entity's beneficial obligation. An obligation under bonus plans and profit-sharing plans based on the employee's service is recognized as an expense in surplus or deficit. If the bonus and profit-sharing payments are not fully due during the period in which the employees provide their services, they become These payments are other long-term benefits. Although this standard does not require specific disclosures regarding short-term employee benefits, other standards may require disclosures. For example, International Public Sector Accounting Standard 50 requires disclosure of the

remuneration of key management personnel, as is the case. In IPSAS 1, which requires disclosure of information about employee benefits

- Accounting treatment

Record the amount corresponding to short-term benefits that must be paid in accounting as a burden for the same period in which the service was provided by the user, unless there is a standard that allows these benefits to be integrated into the costs of another specific asset. Accounting for short-term benefits does not require any actuarial assumptions to improve their amount due to their short duration (one year). Only) meaning that the bank's registration listed the following: (Muhammad Putin, 2010: 193)

Section Two: Employee benefits after termination of service

These are employee benefits that are payable after termination of employment, including:

1. Retirement pensions.

2. Other benefits after the end of service, such as life insurance and health care after the end of service. The institution is committed to implementing these arrangements in relation to this standard, whether this includes establishing another separate facility, such as a retirement program, a retirement pension program, or a retirement benefit program, with the aim of receiving contributions and paying benefits. There are two types of plans:

 Defined benefit plans: These are plans that benefit workers after the end of service, under which specific amounts are paid, such as fixed pension salaries, to workers after the end of service. The facility must determine in accounting for defined benefit lines the present value of the defined benefit obligation and the fair value of the assets of any plan in a systematic manner so that it does not differ. The amount shown in the financial statements is significantly lower than the amounts determined at the end of the reporting period. Defined benefit lines should use the expected unit credit method to measure their liabilities and costs.

 Defined contribution plans: These are plan programs that guarantee that an establishment creates a fund to which it contributes for the purpose of paying amounts or providing benefits to its employees. The establishment does not have an obligation to pay amounts as benefits to employees except to the extent of the amounts available in this fund, or a third party, the insurance company, may be obligated to provide Amounts or benefits to employees. Under a defined contribution plan, payments or benefits provided to employees may simply be a distribution of the total assets of the fund, or a third party, for example an insurance company, may commit to providing the agreed-upon level of payments or benefits to employees and the employer is not required to compensate for a shortfall in Assets of the Fund The accounting for the defined contribution program is very simple because the employer's obligation for each period is determined by the amount that should be contributed to the program for that period. Contributions can be based on an equation that uses employee compensation as the basis for its calculation. There are no accounting assumptions required to measure the obligation or expense as There are no actuarial profits or losses. The employer recognizes the contributions payable at the end of each period on the basis of the employee's service during that period and deducts from this amount any payments to employees during the period. Examples of cases in which the facility's commitment is not based on the value that agrees to contribute are In the fund, it is when the facility has a legal obligation or benefits through the following: (Collected by Hamidat, 740: 2019)

- Plan benefit equation that is not linked only to the value of contributions.

- Direct guarantee in the form of a specific return from contributions or indirectly through the plan.

- Those informal practices that create a beneficial obligation, for example when a registered entity has increased benefits for former employees to maintain balance in the face of inflation, even if there is no legal obligation to do so.

- Measurement and disclosure first: - Defined contribution plans

It is recognized and measured when an employee provides a service to the entity during a period in which the entity must recognize the contribution payable to a defined contribution plan in exchange for that service: (IFRS Foundation: 10)

1- It is considered a liability (accrued expense) after deducting any contributions that were paid in the past. If the contributions that are defended exceed the contributions due for service before the balance sheet date, the facility must recognize that increase as an asset (advance paid expense) to the extent that it leads to The down payment, for example, reduces future payments or cash back.

2- It is considered an expense unless another international accounting standard requires or allows the contribution to the cost of an asset.

3- Since contributions to the defined contribution line are not due in full within 12 months after the end of the period during which the employees provide the service, they must be discounted using the discount rate.

4- The facility must disclose the amount recognized as an expense for defined contribution plans. It also discloses the related parties. The bank discloses information about contributions to defined contribution plans to senior management employees.

- Accounting treatment for defined contribution programs

It is processed as follows: (Muhammad Abu Nassar and others, 2016: 324

The commitment of the bank (employer) for each period is determined by the amount that must be contributed to the programs or plan for each period. The commitment may be determined based on an equation using employee compensation as a basis for calculating those obligations. Accounting for specific contribution plans or programs does not require the presence of actuarial assumptions to measure the obligation. Or expenses related to benefits after the end of the service of employees in the bank, and there are no actuarial profits or losses.

Second: Defined benefit plans

It is recognized and measured as follows:

It is possible that defined benefit plans are not funded. They may also be fully or partially funded through contributions from the organization and sometimes from its employees. These are paid into a unit or fund that is legally separate from the reporting entity and benefits are paid to employees from it. Payment of funded benefits is not approved when they become It is owed only on the financial position and investment performance of the fund, but also the facility has no ability or desire to compensate for any deficit in the fund's assets. Therefore, the facility is in fact undertaking the actuarial and investment risks associated with the plan. Accordingly, the expense recognized for a defined benefit line is not necessarily equal to the amount of the contribution due. For the period.

The facility's obligation is to provide agreed-upon benefits to current and former employees. The actuarial risk (that the cost of benefits will be higher than expected) and the investment risk fall substantially on the entity, and if the actuarial and investment experience are worse than expected, the entity's commitment may be increased. Unlike defined contribution plans, the defined benefit plan does not require the payment of contributions to the entity, and under the defined benefit program no Benefits payable to employees are limited only to the amount of contributions as in a defined contribution programme. Rather, it is determined according to the terms of the defined benefit plan. This means that the risks remain with the employer, and the employer has an obligation to provide the agreed upon amount of benefits to current and former employees. The benefits are usually based on certain factors such as age, length of service, and compensation. The employer retains the investment and the actual risks of the plan. Defined benefit plan accounting is more complex than defined contribution plans (Jomaa Hamidat et al., 2019: 738).

Accounting treatment for defined benefit plans

The treatment is as follows (Muhammad Abu Nassar et al. 2016:325)

 Under this type of retirement plan, the unit is obligated to provide a specific amount of benefits to current and former employees in the future. The benefits may be in the form of cash payments or they may be in kind through the provision of medical services and other benefits.

 Benefits related to retirement are determined based on the age of employees, length of service, and the rate of wages and salaries. Retirement plans and other long-term benefit plans are measured in the same way, and actuarial gains and losses for long-term benefit plans are recorded directly in the income statement, excluding pension salaries.

 The defined benefit plan is fully funded by the facility, and thus the bank pays all employee retirement benefits. This plan may be partially funded, and there is another party that contributes with the facility, such as insurance companies, and the facility may not be financing these benefits.

 If the facility is the financier and is responsible for fully financing the retirement benefits plan, then it creates a special fund separate from the facility's assets so that the fund pays the amounts owed to the workers and pays the value of the benefits that will be provided to them in the future. The employer includes the fund's investments and actuarial risks.

 Accounting for defined benefit plans requires the presence of actuarial assumptions to determine the obligations and expenses related to employees' post-service benefits and is therefore more complex than defined contribution plans. In most cases, the actual results differ from those results that are determined according to the actuarial method, which leads to the presence of profits and losses. Actuarial.

 The future obligation for workers' benefits after the end of service is proven for the present value after deducting the value of the estimated obligations, since these obligations will be paid to the workers after the end of their services, which may extend for many years.

• Measuring defined benefit obligation: actuarial valuation method

A- The facility must use the expected credit units method, or what is called (the accrued benefit divided by the service method) to determine both the present value of the defined benefit obligation and the current and past service cost (Collected by Hamidat et al., 2019: 745).

Under this method, each period of employee service leads to the existence of an additional unit in benefit entitlements. This method measures each unit of benefit entitlements independently to form the final obligation, which is determined by the present value at the appropriate discount rate. This method includes a number of actuarial assumptions, including death and change rates. Retirement age, liability rates, etc

1. When adopting this standard for the first time, IAS 8 Accounting Policies, Changes and Errors is applied.

2. When there is more than one plan, the assets of each plan and its liabilities from the other plans must be presented separately in the statement of financial position.

3. If a certain company purchases another company, the buyer recognizes the assets and liabilities arising from post-service benefits for the purchased entity at the present value of the defined benefit obligation less the fair value of the assets of any plan. At the date of purchase, the present value of the contractual obligation includes the following:

4. Actuarial gains and losses that arose before the date of purchase, whether within or outside the 10% range.

5. Past service costs.

6. -Amounts that appeared in accordance with the transitional provisions that were not recognized by the purchasing facility.

• Actuarial gains and losses - defined benefit plans

An entity may recognize actuarial gains and losses as follows:

- Recognizing a portion of its actuarial profits and losses as income or expense if the net cumulative unrecognized actuarial profits and losses at the end of the previous reporting period, i.e. at the beginning of the current fiscal year, exceed any of the following two percentages, whichever is higher.

1. 10% of the present value of the defined benefit obligation at the beginning of the year.

2. 10% of the fair value of the plan's assets on the same date.

Section Three. Long-term employee benefits

Long-term employee benefits include: (Jean, 2007: 120)

1. Cases of long-term compensated absences, such as long service leave, or leave granted for scientific research.

2. Benefits of celebrating occasions or long-term service benefits.

3. Profit sharing and bonuses are payable 12 months or more after the end of the period in which the employee provides the service.

4. Long-term disability benefits.

5. Deferred compensation paid 12 months or more after the end of the period in which it was earned.

6. Compensation is payable by the establishment until the employee concludes a new employment contract.

The measurement of other long-term employee benefits is not usually subject to the same degree of uncertainty. In addition, the introduction or change of long-term employee benefits rarely results in a significant amount of past service cost. For these reasons, this standard requires a simplified method for accounting for long-term employee benefits. Post-recruitment is as follows:

 Direct recognition of actuarial gains and losses and the scope was applied to them

 Direct recognition of all previous service costs

This includes an enforceable assumption that long-term disability payments are not typically subject to the same degree of uncertainty as the measurement of employee benefits, and in exercising this assumption, the entity awaits whether all or part of the disability payments should be accounted for.

- Measurement and disclosure of long-term benefits

The measurement of other long-term employee benefits is not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. Moreover, the introduction of long-term employee benefits or changes therein rarely results in a material amount to the prior service cost. For these reasons, this standard requires a simplified method of accounting. Long-term employee benefits. This method differs from the accounting required for employee benefits after the end of service, as follows (Iman Kuhayli, 2017: 20)

1. Actuarial gains and losses are recognized immediately and no scope is applied.

2. The entire prior service cost is recognized immediately and the amount recognized as a liability for long-term employee benefits must be the net sum of the following amounts:

A - The present value of the defined benefit obligation at the balance sheet date.

B - Deduct from this the fair value at the balance sheet date of the plan assets.

For long-term employee benefits, the entity must recognize the net total of the following amounts as an expense or income, except to the extent that another international accounting standard requires or allows them to be included in the cost of the asset.

- Current service cost.

- Interest cost

- The expected return on the assets of any plan.

- Actuarial gains and losses that must be recognized immediately.

- Past service cost that must be recognized immediately.

- The effect of any contractions or settlements

Accounting treatment of long-term employee benefits

The treatment is as follows: (Rahim Saeed, 2018: 108)

Long-term benefits are calculated and evaluated in the same way as in accounting for benefits after the end of service. However, the actuarial differences resulting from the re-evaluation of the system's coverage assets and liabilities are recorded directly within the result and not within the other elements of the overall result. That is, evaluating the entity's commitment to pay long-term benefits requires assumptions. It is actuarial and requires updating because the settlement of these benefits is not expected before 12 months.

Section Four: Termination benefits

This standard deals with termination benefits separately from other employee benefits because the event that gives rise to the obligation is immediately upon termination of service and not the end of the employee's service (International Federation of Accountants, no year of publication: 820). The entity recognizes termination benefits as a liability and as an expense when the banks are fully committed. It is clear as follows: .

1. Terminating the employment of an employee or a group of employees on the normal retirement date.

2. Submitting an offer to encourage voluntary resignation in exchange for providing benefits as a result of accepting the offer. The facility is clearly committed to terminating service when the facility has a formal, detailed plan for terminating service and there is a realistic possibility of withdrawal, and it includes the detailed plan as a minimum.

3. Location, position and approximate number of employees whose services will be terminated.

4. Termination benefits: type or classification of each job.

5. The time in which the plan will be implemented. Implementation must begin as quickly as possible and the duration for completion of implementation must be such that there is no room for fundamental changes.

Accounting treatment for termination benefits

The accounting treatment is based on two cases: (Rahim Saeed, 2018: 107)

A - In the event of an expected settlement within 12 months: Here the institution must record a deduction and a special burden for compensation at the end of the contract on the first of the following two dates:

- The date on which the organization cannot withdraw from the compensation offer.

- The date on which the institution recorded restructuring costs falls within the framework of applying International Accounting Standard 37.

1. B - In the event of a settlement not expected within 12 months. If the payment of benefits is not expected from the institution to be settled within the 12 months following the date of closing the

cycle, it must update it, and the start date of the update period shall be the first of the two previous dates.

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