

The Impact on Enterprises Brought by the Change of Business Enterprises No. 9 – Remuneration

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Abstract: Since the revision of Accounting Standards for Business Enterprises No. 9 – Remuneration has been put forward in 2014, the scope of remuneration has been redefined and expanded. The revision of the standard has a major impact on the firms. This article describes the changes in the new standard over the old one and describes the impact of corporate financial statements and future development brought by the changes.

Keywords: Accounting standards; employee compensation; change; influence.

INTRODUCTION

From the implementation of 2006 until the revision in 2014, Accounting Standards for Business Enterprises No. 9 - Remuneration (hereinafter referred to as the "old standard") has been in operation for more than seven years. The regulations were put forward to strengthen the information disclosure system, to standardize the accounting treatment of employees' compensation, and to protect the rights and interests of employees, encouraging the development of the company. With the improvement of our social security system and the rapid development of the market economy, the remunerations offered to employees by the business are gradually developing in the direction of diversification and innovation. Under this condition, the accounting standards are required to adapt to socio-economic development and undergo corresponding changes.

Especially post-employment benefits are becoming more and more abundant, the problem of the employee welfare needs to be solved urgently, and the employee compensation accounting standards are faced with challenges from information disclosure, accounting and other aspects.

In China, the revision of the old standard takes International Accounting Standard 19 and the local environment into consideration and the new standard was implemented from July 1st, 2014 in all enterprises that implement the Accounting Standards for Business Enterprises.

Changes in accounting standards for remuneration

(I) Changes in the content of remuneration

First of all, the definition of remuneration in the old codes refers to various forms of remuneration and other related expenses provided to employees from business. In addition to the compensation payable by the company, the new guidelines also regard the compensation paid by the company for dissolving the labor relationship with employees as remuneration. What is more, the welfare offered to the employee's

spouse, children and survivors of the deceased employees is also included in remuneration 1. Comparing with the old one, the new codes explain the compensation given for the dissolution of labor relations, which made the definition of employee compensation more complete and more applicability.

Second, it defines the range of employees and the range of compensation. In addition to the official staffs who have signed contracts with the firm, employees also include those who are appointed by the firm but have not signed a contract with the firm. This kind of employees includes full-time, part-time temporary workers and those hired by companies but their labor agency company signed the contracts. The new guidelines fully and clearly define "short-term compensation" "paid leave" "welfare of dismissal" "profit-sharing plans" and "post-employment benefits". The specific scope of the accounting subject is clearer. Taking the welfare of dismissal as an example, there is no division in the old code. It is simply divided into pension insurance and unemployment insurance. But in the new regulations, the difference between a drawdown plan and a defined benefit plan is illuminated.

(II) Changes in Accounting Treatment

In the new standard, the accounting treatment of new remuneration has been clarified. For example there was no concept of short-term compensation in the old guideline but the concept was added to the new guideline and its accounting treatment has also been standardized. The new guidelines standardize the accounting treatment of paid leave and profit sharing plans. For non-accumulated paid vacations, there is no need to do an accounting treatment. For the accumulated paid leave, it shall be included in the cost or current expense. For the non-monetary benefit, it should be accounted for by fair value. Cost measurement should be applied if the fair value is not available.

For dismissal benefits, the new standard clearly distinguishes between post-employment benefits and dismissal benefits in accounting treatment. The debts can be included in the company's current expenses if they can meet these two points: First, the plan for rescinding the contract has been prepared before the staff get to the age of retirement. The second is that the company does not unilaterally terminate the relationship.

Two detailed subjects are set under post-employment benefits: withdrawal benefits and payable benefits. The accounting treatment for setting up withdrawal benefits is relatively simple. Companies confirm the amount of deposits calculated according to the plan during the normal working hours of the employees as salary liabilities. The enterprise will bear the part of the employees' pension insurance and social insurance. This part of the company is borne by the regulations and this part of the obligations is fixed so the new standard put the social insurance and pension insurance into the set dwelling benefits. The defined benefit plan is to determine the annuity level of the employees after they have retired in accordance with the length of work of the employees and the level of work, and then calculate the amount that the company should pay for each employee in each period. Setting a benefit plan needs to take various factors into consideration, so setting a benefit plan for accounting treatment is complicated.

The impact on the company brought by the changes

(I) Impact on Accounting

The new standard stipulates accounting, which emphasizes that only the actual remuneration can be included in the liabilities. For non-monetary welfare, it should generally be measured at fair value, which reduces the operational risk of the company. And in the new accounting standards, there is a normative distinction between dismissal benefits and post-employment benefits. This distinction will

readjust the matters that have been included in dismissal benefits to post-employment benefit accounting, which will affect the accounting of the company 2. With the changes in the content of remuneration, the detailed subjects payable to employees have also been adjusted accordingly. Wages and salaries payable in the old standards are particularly accounted for according to wages, employee benefits, social insurance premiums, housing fund, labor union funds, employee education funds, non-monetary benefits and dismissal benefits. The new standard added paid absences, post-employment benefits, and other employee benefits as second-level details. By comparison, the content and definition of accounting are more clearly defined in the new guidelines.

(II) Impact on the financial statements of the company

The new guidelines clarify the accounting treatment of defined benefit plans in post-employment benefits and established a framework of such staff welfare. With the establishment and measurement of these matters, benefits that were not included in the new concept of welfare are now included, which is bound to affect many companies' statements.

The new accounting standards can fully reflect the company's labor costs. Remuneration plays an important part in the costing system. In the new accounting standards, the scope of "employees" and "remuneration" is clearly defined, and the definition of employees has been divided and summarized in detail. Therefore, the statements can clearly and comprehensively reflect the costs the company has spent on all employees. A clear definition of employee compensation has also been made. In the old guidelines, the administrative expenses included pension insurance, social insurance, etc. This would lead to the inability to see this part of the wages of the employees of the company. It did not fully reflect the information of the employees and all the manual work undertaken by the company. The connotation of has been expanded and the caliber of various forms of remuneration has been defined in a unified manner. This can reflect the company's labor costs in an all-round and intuitive manner, improving the ability of enterprise cost management and increasing the quality of accounting information.

Additionally, it can truly reflect the profitability of the company. The new standard has a clear definition and scope for employee remuneration, and has made a collection of all kinds of situations to make the cost transparent, which greatly reduces the possibility of corporate artificial labor costs, and then truly reflects the cost to obtain a more reliable profit. In the new guidelines, the estimated liabilities arising from dismissal welfare compensation under certain

conditions are allowed to pre-determine 3. The pre-processing of liabilities will reduce the total profit of the current period. In order to truly reflect the profits obtained by the company, some employees' welfare will also need to be directly charged to the cost. The increase in employee compensation due to non-permanence will be included in the company's current profit and loss, which can make the list level clear.

(III) Impact on the future development of the company

Under the new code, two concepts of depositing plans and beneficiary plan arise. These two explanations complement each other and improve the remuneration calculation system. Setting the deposit plan is an obligation of an enterprise. The enterprise provides a certain amount of benefits to the employees. In this case, the actuarial risks and investment risks are borne by the company. To a certain extent, reducing the employees' risk exposure will help attract business talents, motivate employees' active work enthusiasm, reduce employees' mobility, and make employees have a stronger sense of identity, thereby stimulating employees' enthusiasm, increasing labor productivity, and promoting efficient production.

The revision of the new standard can fully reflect the impact of employees' remuneration on the company's financial report, operational outcomes and cash flow effects. The opportunities for Chinese companies to participate in international competition will increase in the future, and the new standard has achieved further convergence with international accounting standards, fully reflecting the company's artificial expenses and costs. The wages of workers are almost entirely dealt according to the beneficiaries, providing more comprehensive and reliable cost information, and improving the comparability of the company's labor, helping Chinese companies to face the international market.

Recommendations to enterprise

For the company itself, companies should strengthen their professional skills for human resources management personnel. The implementation of the new remuneration guidelines defines the scope of post-employment benefits and other long-term employee compensation. When deciding the method of remuneration, the newly added contents in the guidelines will affect enterprise and make salary management more difficult.

For staff responsible for employee compensation, they must not only have certain human resources expertise but also have a certain understanding of financial accounting, tax laws. Only after understanding the background of employee compensation that affects the company's financial status and operating outcome can the human resources

manager analyze and measure the changes in specific situations and make appropriate adjustments to the compensation plans so that the employees' working enthusiasm are activated to achieve business goals.

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