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## METHODOLOGICAL FOUNDATIONS OF ACCOUNTING FOR SETTLEMENTS WITH EMPLOYEES

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### ABSTRACT

In this thesis, on the basis of the international standard of accounting No. 19, according to the terms of the obligations to the employees, relevant conclusions were formed.

**KEYWORDS:** Employees, obligations, income, international financial reporting standards, taxation relations.

### INTRODUCTION

Although accounting for settlements with employees is a specific issue, there is no separate methodological document on accounting regulating this issue in our republic. That is, only the Labor Code of the Republic of Uzbekistan, the Civil Code or other regulatory documents cover relations in the field of labor organization, remuneration or other issues for employees, while the Tax Code provides for taxation relations in settlements with employees.

Thus, in this issue, that is, in the issue of accounting for settlements with employees, national legislation does not serve as a sufficient methodological basis. However, in the international financial reporting standards, the issue of settlements with employees is reflected in two standards. One of them is devoted to employee income, and settlements with employees are aimed at recognizing expenses and obligations, and the second is devoted to the results of employees' labor, that is, pension relations.

The purpose of International Accounting Standard No. 19, "Employee Benefits," is to establish the procedure for accounting for and disclosing employee benefits [1]. This standard establishes the procedure for recognizing liabilities and expenses for entities applying international accounting standards. According to the standard, a liability is recognized when an employee provides services in exchange for remuneration. At the same time, an expense is recognized when the entity consumes economic benefits for the employee.

That is, the main reason why the standard is called employee income is because the issue is considered by the employee. Because, as we saw above, in relations with the employee, the enterprise recognizes either an expense or a liability. In this case, the employee recognizes income.

### THE MAIN FINDINGS AND RESULTS

We believe that the naming of the standard also confuses some users. When given a name, it is based on the essence of its content. Because there is no international standard dedicated to accounting for individuals, including employees. All standards are designed and named from the point of view of a business entity.

Studies have shown that, in our opinion, obligations to employees are divided into two groups according to their duration [2].

1. Short-term obligations to employees.
2. Long-term obligations to employees.

Short-term liabilities to employees include liabilities that are expected to be fully extinguished within twelve months after the end of the reporting period in which labor relations are performed by employees and services are provided.

Such obligations may include wages, salaries and social benefits, vacation and sick leave payments, profit-sharing and bonuses, and non-monetary benefits received by current employees (for example, medical care, housing or car benefits, and free or discounted goods or services).

Long-term liabilities to employees may include payments for long-term service, such as additional leave for long service or creative leave, anniversary bonuses or other long-term service payments, and long-term disability benefits.

In addition, there are other liabilities to employees that can also be classified into one of the two groups above, depending on their term, occurrence and settlement period. For example, pension payments, lump-sum payments upon retirement, post-employment life insurance, and payments for post-employment medical services.

Such payments are not a direct obligation for the enterprise, but arise after or at the end of employment, but give rise to an obligation (constructive) when participating in such programs (for example, a pension program) or according to the internal regulations of the enterprise or the practice of the enterprise.

At the same time, benefits paid to employees upon dismissal also create a liability for the enterprise, and this liability can be included in short-term or long-term liabilities to employees, depending on the period in which it arises.

The issue of severance pay also raises some controversial issues. Because severance pay is determined by the internal regulations of the enterprise and at the same time is determined by the legislation of the country. In this case, it is natural that there will be a difference between the legislation and the rules of the enterprise. In order to protect employees in labor relations, the country establishes in the legislative norms the procedure and minimum amount of payment for them in cases of intentional and involuntary dismissal.

The International Accounting Standard also mentions that the entity actually has an obligation for severance pay.

The International Accounting Standard treats employee termination benefits separately from other obligations to employees, because the event that gives rise to the obligation is not the performance of services by the employee, but the termination of employment. Termination benefits arise as a result of the organization's decision to terminate employment or the employee's decision to accept an offer of income in exchange for termination of employment.

We have seen from the study that, although it is aimed at accounting for settlements with employees, the name of International Accounting Standard No. 19 and the definitions given to some concepts in it do not correspond to the essence of the standard and accounting. Because, according to the standard, the enterprise should not keep records of employee income, but should recognize, measure and account for obligations to employees.

### **CONCLUSION**

Therefore, instead of the definition in the standard that “employee benefits are all forms of compensation provided by the organization for the service rendered by employees or due to dismissal”, in our opinion, it is more appropriate to define “employee liabilities are all forms of compensation provided by the organization for the service rendered by employees or for other reasons”.

At the same time, short-term employee liabilities, not short-term employee benefits, are obligations to employees that are expected to be settled in full before the end of the annual reporting period.

Long-term employee liabilities are obligations to employees that are expected to be settled in full after the end of the annual reporting period.

Post-employment liabilities are obligations to employees that are paid after the end of their employment.

The implementation of the proposals made by us will serve to ensure that documents on settlements with employees are complete in content and substance, and ensure that accounting information on settlements with employees is complete and reliable.

### **REFERENCES**

1. International Accounting Standard No. 19 “Employee Compensation”, Appendix 9 to the Order of the Minister of Finance of the Republic of Uzbekistan No. 61 dated November 10, 2022
2. Author suggestions based on studies