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**FACULTY OF ECONOMICS AND BUSINESS**  
**ADMINISTRATION**  
**ACCOUNTING AND AUDIT DEPARTMENT**

**SUMMARY OF THE PH.D. THESIS:**

**THE ACCOUNTING OF EMPLOYEES**  
**ADVANTAGES**

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## INTRODUCTION

The current context of economic crisis underlines the crucial role of the employee benefits in the economic, social and political life of any state. We all feel the effects of the VAT increase by the decrease of the purchasing power and lack of tax revenues collected for public expenses, and payment of wages or reduction in public investment expenditure. In this context we can understand how great the impact of good management of public funds is, an impact spread irreversibly and felt throughout the economy.

A good theoretical and methodological information and awareness of financial and accounting practices of listed companies, allowed me to study, to reveal, judge, opinions and solutions on contents, objectives and knowledge functions in the field of benefits granted to employees. A special place is reserved for statistical and mathematical information in society and identify directions for improvement. The thesis has as its reference sphere the specific companies operating in the stock market, in terms of their establishing, organization and operation. We note the highlighting of the evolutionary context, the Romanian accounting system as "centralized economy" (Matis, 2003), the operation of management companies of pension funds in our country, based on a critical analysis ; the organization of the management companies of pension funds, through the report: unity-diversity and functioning of the management companies of pension funds between the general and particular.

I asked "what these benefits of the employees are?", "When and how they come from?" And especially "what they are?" And "what we do with them?". So from here until their application has been only one step.

The the work "Human Capital, A Theoretical and empirical Analysis", (Becker, Chiswick, 2005) the authors examined the consequences of investment in human capital, which is defined as a pool of productive resources embodied in individuals,

consisting of various elements such as level of education, training and professional experience, knowledge of health or economic system.

The pension systems around the world are experiencing a period of crisis. Many EU countries, but not only, have impressive cost - usually more than 8-10% of GDP just to keep afloat a component of the social security system, namely, that of providing needed income after leaving labor market. The situation is much more difficult, more complex, especially in perspective, under "features inherited pension system" and factors inevitably affecting this century. (the aging population, reducing of the active population, mainly macroeconomic problems of the countries transition, etc..) budget necessary to ensure payment of pensions as a share of GDP is expected to double over 40-50 years.

Most countries have already started pension reform process or at least they project such changes for the next period. Although apparently the problems are the same, the directions of change are different, even if sometimes converging, 10 years ago, the main way of reform was generally discussed and implemented, according to the parameters (change of the retirement age, rates replacement, etc.) currently there almost an explicit consensus in the Western capitalist world: passing at least partially to the private sector is key to sustainability of the pension systems. Under these conditions, the study aims to describe the previous or anticipated changes happened and are happening in order to conceive then correct as a coherent field of pensions.

Currently there are no resources to enable a considerable improvement of the level of pensions and reform focused mainly on the increasing of the retirement age is not enough, requiring a more efficient employment policy. This is possible only through a general improvement of the employment rate and the removal of the grey economy to a large number of jobs. This would provide the basis for providing retirement income to cover additional costs for the pension fund and a more equitable sharing of the tax burden.

Structural reforms in public pensions is essential to reduce pressure on the state budget and increased life expectancy. Even if pensions are only one third of the average income, the fact that we have more pensions than wages, this creates a real inflation problem, but also for other economic indicators such as budget and external

deficits. At the same time, the increases of pensions means increasing of the budget expenses

In the context of a more and more growing phenomenon of aging (Coltlet et al., 2008) that puts pressure on an increasingly greater social protection mechanism, the management of public pension system was a challenge for all countries, including for the economically developed ones with traditional social security systems. Thus, **both at European and national level**, the problem of reforming these systems was brought up, to ensure sustainability of public pension schemes in order to increase the quality of life for pensioners, closer to that of the active period, the introduction and implementation into the insurance system of two new components, one compulsory the other optional, both managed by private companies.

The accounting field of benefits granted to employees both in academia and in practice has always been and remains to this day an extremely controversial one - Accounting is the instrument of knowledge and economic reality (Matis, 2005) because information provided by the two components of accounting - financial accounting and management accounting – are the basis of the decision-making processes underlying within each society. Beyond these aspects of employee benefits analysis theory and practice - field which has been in a continuous and constant evolving - this doctoral thesis is an applied research on the difficulties encountered in particular in the application of the IAS 19 "Employee Benefits".

## **2. THE MOTIVATION AND THE IMPORTANCE OF RESEARCH**

The expansion of the international economic relations and the cross-border movement of capital requires that accounting systems ensure through the synthesis financial statements (balance sheet, profit and loss statement of cash flows and changes in equity, explanatory notes) comparable information between different countries of the world.

The IFRS adoption creates a due framework for the capital market development, it reduces barriers to related trade and international monetary flows. In the context of globalization, obtaining of financial statements to give a true picture of a society is possible through the application of international accounting standards.

Focusing our attention on how the term “employee benefits” is perceived, treated and advised to be presented in the financial statements the first conceptual differences in the enunciation of the concept of employee benefits were outlined in the IAS 19. Thus, according to the international financial reporting standards, the benefits granted to employees include benefits provided either by employees or to their dependents can be materialized through payments (or supply of goods and services) made either directly to the employees, their spouses, children or other dependents or to other companies, such as insurance companies.

The adoption of the IAS 19: Employee Benefits (2004), allows a choice between three accounting methods for recognizing actuarial gains and losses of defined benefit plans: the profit or loss method, the equity method of recognition and the corridor method.

My motivation to write about employee benefits is based on the fact that I consider them to be an important subject of academic and economic interest. Being a very interesting topic I found it of a great interest especially because it raises many questions. My desire is to analyze and present this issue to give several possible answers regarding the appearance, operation, structuring, evaluation and management of employee benefits.



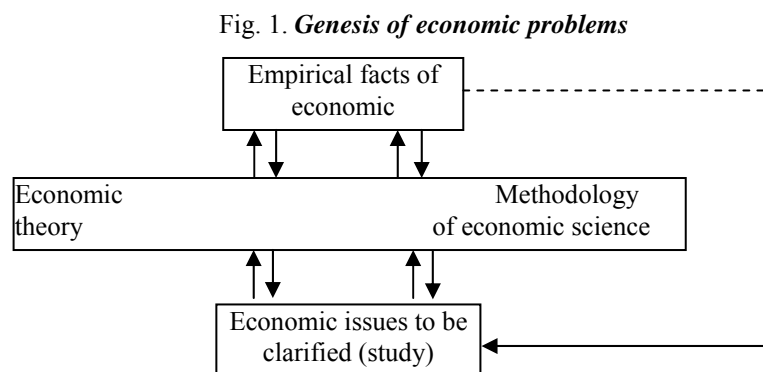
This paper is the result of studies in this field for almost 6 years. It contains summaries of theories with notions of social insurance and mathematics with a high degree of novelty and complexity. Most results presented in this paper have been communicated in prestigious national and international scientific meetings. Several works were published in national and international journals in our country. References to these works are found in the literature of the paper.

The concept of "employee benefits" (employee benefits) promotes an economic security - providing financial protection for employees in unexpected situations - and raising the living standards by improving access to quality services (in this case the private medical system).

This concept is implemented through a partnership between: the state, companies and employees. The three partners are owners of resources, allocating some of them to achieve two objectives: income security of employees and the increase of the living standards.

The income security represents the possibility of the employee (or his family) to cover the monthly (annual) expenses, following the occurrence of some events that lead to reduction or even disappearance of his income: work-related accidents resulting in temporary work disability, critical illness, death or early retirement. The increase of the living standards is achieved by granting access to the employees to a range of quality medical services.

The occurrence of economic problems can be illustrated in the diagram that follows, based on their interrelations of their determining factors.



*Source: adapted from Treynor's (1972)*

The economic issues that need to be clarified are the result of backwardness to one side or another of the economic activity, such as failure to develop a new economic activity in relation to the future size and structure of the social needs; the backwardness of profitability compared to the possibilities offered by scientific and technical progress, the need to adjust (restructuring) economy in relation to the new demands of a democratic society, the need for coherence theory, on the one hand, and the economic phenomena of economic theory and practice, on the other. The economic problems - theoretical or practical economic analysis - and research topics are proposed to be addressed and solved through an activity of scientific research.

The purpose of this scientific approach is to give answers to a series of questions, in actuality, in the context of current economic conditions in our country, namely:

- What elements does the concept of employee benefits consist of ?
- What are the approaches to this concept and the research trends in literature?
- How much was taken over from the IAS 19 in the regulations in Hungary and Romania?
- How do the listed companies in Romania and Hungary apply the IAS regulations ?
- How could the pension system (part of the benefits granted to employees) be improved?

The formulation of relevant answers to each of these questions, turned into a real challenge, because it is difficult to open locks closed in ignorance, fear and uncertainty.

### 3. RESEARCH METHODOLOGY

*The research* (Lungu, 2007: 14) is defined as a search through a methodic process of both improving our own knowledge and that of other persons by the discovery of facts and visions. The most important benefit of the researcher is that his findings or conclusions are "more compelling and precise how [...] is based on several different sources of information" (Yin RK, 1994).

*Scientific research* (Duta, 2008), as a dedicated investigation towards discovery, highlighting, verification and implementation of human service and social progress of new knowledge can be divided into the following categories: basic research, applied research and development research.

The placement of the doctoral thesis into the research category in the field of accounting and insurance is the first step of any scientific approach. The general research area of this paper is that of the issue of employee benefits on international level international, European and national level and can be placed in the sphere of accounting research field research at the intersection of finance / insurance, and field research on management companies.

This work combines elements of basic research with applied research. Thus inside the basic research I analyzed the conceptual framework of the benefits to employees both in terms of the employer and of the employee, in terms of the employment relationship between employer and employee, as well as from an economic, legal, juridical and accounting point of view. A special place in it there is a basic research oriented towards a practical application in the future, that is mechanisms for reporting information on employee benefits.

The practical side of the research has at its basis the use of the fundamental research that have been developed through empirical studies and are directed towards a transformation into concrete technologies and techniques, using a reflection of the

current state of research in accounting, in order to analyze the reporting of the companies listed - on the employee benefits in Romania and Hungary.

The research stages are suggestively described by the authors K. Howard and JA Sharp in a model of seven stages:

- identification of the study area;
- selection of the research theme;
- choice of the research method;
- plan issuing;
- collecting data and information;
- data analysis and interpretation;
- presentation of the results.

Specific The research methods specific to the fundamental research that I have used inside this scientific approach are: registration, classification, measurement and comparison of all quantitative characteristics.

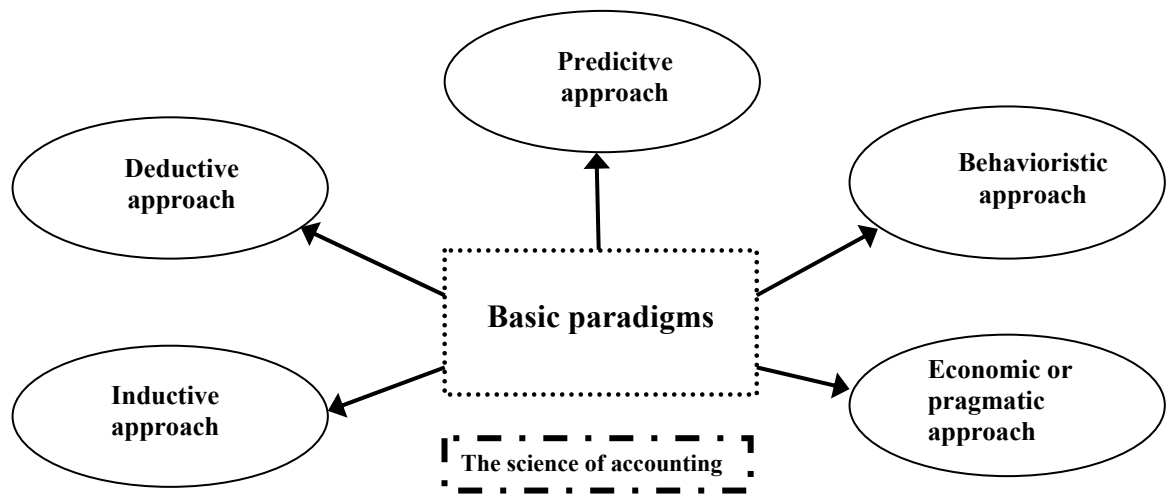
In order to reach the aims, I think it is useful and it contributes to the understanding of practical reality and empirical studies, and its can be used by analysts, investors or other users of accounting information.

In this paper, the scientific value is given by the novelty, originality and the approach of the theme, all these aspects are particularly important in terms of accounting.

As current research work falls within the current positivist. According to Jensen, positive accounting theory seeks to explain why accounting is what it is, why accountants do what they do and what effects these events have on the use of material and human resources. Thus, research is directed towards developing a positive theory to explain observed phenomena and predict accounting practices, as prescribed as normative research should happen in practice.

In-depth research accounting benefits granted to employees subject I had to choose between several types of approach, reflected in the following figure:

*Fig. 2. The five basic paradigms of knowledge of accounting benefits granted to employees*



Source: own editing and design

By the inductive approach, theories are developed by generalizing the observations provided by the accounting practices in the benefits granted to employees. The deductive approach is based on a set of objectives from which postulates, principles and regulations in the field of employee benefits are derived.. By the predictive approach, the expected future growth of the company is anticipated . By the behavioral approach the employee’s reaction following the access to the accounting information is considered. The pragmatic pr economic approach it is assumed that the accounting information is in fact an economic good, such as products and services.

The nature of the research is reflected by the way in which research work shows its contribution to the value of science.

To conclude this part which aims to explain the reasons that push some people to carry out real scientific research, we also want to emphasize way Charles Darwin answered answered this question: "My success as a scientist, however great it could be reach -was determined - as far as I can judge – by spiritual qualities and complex and varied conditions. Of these, the most important were the love for science, infinite patience for a long time to reflect on a topic, security of observation and gathering facts and a great deal of ingenuity and common sense. "

## **5. SUMMARY OF THE CHAPTERS CONTAINED IN THE DOCTORAL THESIS**

The first chapter of the work entitled “Conceptual study on the benefits of employees” is dedicated to the concept of benefits granted to employees, to the theories in literature on the rational and operational mechanisms, as well as to the classifications in the field. This chapter attempts a review of key research methods throughout the paper where you can find some methodological reflections pointed on certain sub-chapters. We set out the conceptual, theoretical elements (in terms of economic, accounting and tax point of view), practical ones (in terms of applicability) and we have emphasized the diversity of benefits and compensations.

However, the social policy system consists of various benefits and social services. They are designed to cover the entire range of basic needs for all segments of social or occupational ages. The wholeness of social benefits to citizens made of the welfare system, composed of universalistic benefits - provided to all citizens as "deserved goods", without being a risk and the social security system - designed to meet the specific needs of citizens at risk, vulnerability (Preda, 2002).

We often hear that an employee was offered the job not only salary, but compensation and benefits package: from fixed or variable bonuses to a car and a phone, food stamps or health insurance.

In the process work for the company, employees are properly motivated objectives which it is desirable to achieve them. An important tool - applicable to any company (Mărgineanu, 2009), regardless of its type - is the system of rewarding the efforts of employees.

Compensation policies refer to both rewarding of the time worked (fixed or variable bonuses, seniority, loyalty, work overtime) to pay time not worked (annual leave, medical and special events) and at the operational implementation of these policies:

the frequency of a particular award bonus, salary negotiation: gross or net, local or foreign currency, frequency, salary review etc.

Our attention has focused on employee benefits, based on a company may choose to use the method of the "corridor" leaving the possibility of not recognizing a part of actuarial gains and losses. A retrospective application of this method requires a company to distribute the cumulative actuarial gains and losses since the beginning of each plan to the date of transition to IFRS in part one recognized and one unrecognized.

In the literature studying the situation of employee benefits we can conclude: the accounting of benefits granted to employees is besides the social accounting, part of the sustainable accountancy and covers all areas of accounting, which may be affected by the answer to security. It is also a general term that integrates the size of benefits of macroeconomics and microeconomics, in the company's accounting period is specific employee benefits. To eliminate any contradiction or controversy regarding the use of these concepts, the accounting company level employee benefits is found in the form of financial reporting and accounting as insurance. The research undertaken focuses on financial accounting and managerial dimensions at company level, size to be developed more fully in the chapters that follow.

**Chapter II** “*Scientific Debates accounting benefits granted to employees in terms of national and international literature*”. In this chapter, noting that the foundation of any scientific research consists of a thorough knowledge of literature, in this early stage of scientific endeavor, I focused on presenting the current state of research in accounting and benefits granted to employees highlighting the importance of well-known researchers in this field have granted.

In this paper I have tackled only the issue of employee benefits accountancy, providing an analysis of a number of 150 articles selected from the 50 international journals, which the academic community considers to be as the most representative journals in the field of accounting.

In order to grasp the ideas and knowledge that have marked the evolution of IAS 19 have considered a period of 40 years, namely 1970 to 2010.

Given that the subject of our research is at the intersection of finance and management accounting in order to deepen the academic debate on this subject, the scientific papers published in international journals by the academic community were analyzed those regarded as the most representative journal field of accounting, finance and management. To select these journals we considered the classifications made by different researchers from prestigious universities in the world.

A keen interest for the accounting benefits of employees and the methods of implementation of the IAS 19 we find recommendations by prestigious professional bodies and education: AICPA, ICAEW, ACCA, who published a series of reports and studies that are considered a landmark in the literature and therefore were included them into our study. ML Williams, SB Malos, Palmer DK (2002) point out that research on the compensation make the difference between satisfaction and clearing salary level. Despite the growing importance of employee benefits both in terms of costs that are significant to business and as an essential tool for recruiting and retaining employees, empirical research on employee benefits were quite small in number (Gerhart & , Milkovich, 1992, Harris & Fink, 1994; Williams & MacDermid, 1994).

**Chapter III** “*A comparative study of financial reporting regulations on employee benefits*” corresponding to IAS 19 "Employee Benefits", the compensations offered by the company to its employees for the time actually worked and work performed are presented as structural elements of the package of benefits provided to the staff .

The accounting for defined benefit plans is complex because actuarial assumptions are required to assess the obligation and expenditure, with the possibility that actual results differ from the results given. These differences are actuarial gains and losses. Obligations are assessed on a date because they will be settled many years after the employee provides services. (IAS 19 paragraph 48).



The need for harmonization and uniformity in **Accounting benefits granted to employees** required to normalize. This way the objectives, concepts, rules and procedures for production and use of accounting information are formed and materialized.

The harmonization of national accounting standards and compliance with International Accounting European Accounting Directives, a general process of multiple issues related to regulations and doctrine, were the basis for our choice of basis set approach, the current strict, considering that report, regarded as a general concept, is a "key ingredient" through which adequate and reliable communication provides both opportunities and challenges of economic, environmental and social field, in terms of their proper management, are major concerns for the management of each company.

The harmonization of accounting systems and the issuing of the financial statements were made, and continue to be carried on over a phased process designed to better respond to the needs of different stages of economic and social development in the country, groups of states on international level.

We appreciate that there has to be used any method of quantifying and measuring the degree of harmonization and the development of estimates of progress in the international accounting harmonization process. However, since the absolute level of harmony seems to be unattainable, it is recommended that measuring instruments provide some indication of when it reaches "maximum harmony" or when "harmony minimum" was passed (Aisbitt, 2002).

Following the empirical study undertaken at national level in (Romania), at Hungarian and international level, we analyzed the influence of specific factors chosen, the policy evaluation, analyzing the following aspects: investment income, net market value investments, interest and dividends, the total investment income, employers' contributions, the contributions of members or participants. Thus, in order to compare the national regulations in Romania and Hungary on employee benefits, the two countries make efforts to harmonize their legislation and international accounting standards but these standards apply only to listed companies and that are part of a multinational company.

The presentation of the legislative framework in Romania and Hungary specific to the benefits granted to employees has allowed a significant progress in the detailed description of the accounting benefits granted to employees. This process of improvement of the accounting and tax benefits related to employee needs special attention in the future, international and European efforts are made to achieve harmonization in this area.

**Chapter IV** “*Empirical study on disclosure of information about employee benefits practice*” is based on a research methodology focused on content analysis technique and requires annual reports to determine a dichotomous index information, unweighted and adjusted for items which are not applicable.

An important element is the empirical study of internet reporting practices of companies listed on the Romanian and Hungarian Stock Exchange that includes a study aimed at identifying the factors which determine the level of compliance with data requirements of IAS 19 and the companies that are closest to meet these requirements.

In case of finance- accounting information, these are usually provided by financial statements of listed companies. Considering all these aspects, we intended to carry out an empirical study on employee benefits and use the corridor method listed companies in Hungary and Romania in 2009-2010.

The importance and timeliness of this issue results in a largely recent IASB and concerns that it raised the issue of reporting employee benefits representing different points of view found in the area of accounting. In terms of empirical research that addressed this issue, these are few in number, but bring news to support the preparation of accounts.

Following the delimitation of the elements of analysis in our study we have given a score, where I found the information analyzed and it meets quality standards presented in the following figure, and scored 0 otherwise.

Next we focused on **Chapter V** of *The pension systems between theory and practice*, which meet the particular characteristics of pension systems, regarded as typical scheme, without taking into account the fact that they, in interaction with other elements, that can result in completely different systems configurations. Thus, individual accounts are represented as private managed with the philosophy of sharing contributions and not benefits. On the other hand, the flow is associated to the implicit system of state pensions.

In case of individual accounts and PAYG pensions these are just features of pension systems and types of systems are not as "ideal-types" must be conceived by crossing the three components - the type of benefits, financing and management system (Hollzman, Palacios, 2001) .

Reforming pensions and social protection of the elderly are topical issues for more areas in the world: Western Europe, North and South America, and Central and Eastern Europe (CEE). Advised by the World Bank, many of them felt that it was necessary to create a multi-system, which captures some of the burden weighing on the public budget.

As we can realize, the integration into the European Union (EU) has made most CEE EU initiatives to facilitate the portability of pensions in the EU and enshrining the principle of prudent person that the premise of pan-European pension reform to current and Eastern Europe (Fultz, 2003, Wagner, 2005). Creating viable solutions have been the pillars II (privately managed and mandatory), III (privately managed, but optional) and even a pillar IV (privately managed and also optional), created especially in countries like Bulgaria and Hungary, to stimulate investment in a higher tier of assets (bonds, mutual funds, stocks, bonds, etc..) than allowed for pillar II and III (Zoltan, 2004).

The small number of contributors to the number of beneficiaries, the low employment of older workers and the existence of a high rate of undeclared work, negatively affects the long-term pension system in Romania. To cope with the pressures on social security systems is the promotion of employment, increasing labor market participation rates, including the promotion of active aging, boost labor market participation of vulnerable groups currently record low rates of participation, reintegrating unemployed on employment, retraining and retraining, lifelong learning.

## **6. GENERAL CONCLUSIONS, LIMITATIONS AND PERSPECTIVES OF RESEARCH**

It should be mentioned that we originally started from the premise of strictly qualitative research, but we concluded that such a research has the disadvantage of making it difficult to establish the relevance and validity of the approaches and information provided and to detect the extent to which the researcher's bias affects the results of the research. For these reasons we chose to extend the research methods, which made us decide presently to classify this doctoral thesis as a qualitative research with quantitative elements, often used for the testing hypothesis of the author.

Before resorting to develop the conclusions, we mention some aspects to the methodology and results of the research. The research methodology was represented by the literature review and regulatory developments affecting accounting and normalization of the financial reporting. The research results and relevant conclusions are presented following a case study undertaken on listed companies (from Romania and Hungary).

Accounting is and will remain a powerful source of information, that uses the particularly relevant language of figures to provide an X-ray performance achieved in post-employment benefits – that of pensions.

The thesis is divided into five chapters, preceded by an introduction and followed by general conclusions, based on a bibliography that consists of 268 sources (51 books and 195 articles). Each chapter concludes with a summary of some comments on the issues considered most important or controversial, with a role of conclusions. In the paper there are 16 tables, 24 figures and charts, 12 references to the text.

- The urgent development for a medium and long-term strategy regarding the elderly, the main component being that of the pension insurance system.

Given that in 2014 under the current pension law in Romania retirement age will be 60 years for women and 65 for men it is almost impossible to increase the retirement age for women by 5 years within 6 calendar years .

Herefrom it results the need to amend the law and start from now to increase the retirement age for women or to request a grace period of at least 5 years following retirement as that period that is optional for women between 60 and 65 (under the current or future system).

The pension plan paid by the state budget of Romania continues to be affected by the major structural weaknesses and to impose an increased contribution rate which stimulates evasion, reducing the contribution base.

- Waiver of early retirement (on the one hand unfair because not all those insured in a given situation, on the other substitutes through periods of unemployment and providing VMG until retirement);
- Reduce fraudulent retirement (including disability).→ The alarming increase, particularly in certain areas at certain committees should be stopped. An analysis of causes and periods of massive increase in the number of disability pensioners would be very relevant on several committees. The periodical changes of the or even reconsider their membership for of suspected cases would be beneficial too. In addition, it would be necessary to define more clearly the situations in which a person may be declared invalid.

In Romania, consumers have little experience in investing or none at all. Experiments like CARITAS, FNI have shown that individuals are willing to risk without analyzing the consequences of this risk. On the other hand the financial services industry is also much less developed, the lack of experience may lead to inappropriate decisions regarding the portfolio. Due to the lack of experience of individuals (not behaving as rational actors in a perfect market) and the capital market immaturity, the coercion mechanisms providers should be very strong and their verification system as well.

The amplitude of resolution of those problems depends on the development of legal, professional and methodological aspects, the purpose and tasks of the participants in the evaluation process, including financial institutions, including trading banks.

Regarding the conclusions drawn at the end of the thesis, we may mention that throughout the scientific approach taken, the concern focused on the identification response to a series of questions asked ever more frequently in the literature: "To what extent do the annual financial reports give answers to the objectives assigned to them?"

Are they useful for various categories of users? What are the measures to be taken to improve the efficiency of preparation and their use? "

We believe that in reality, though appreciated for their important role in decision making, financial statements provide sufficient information for common information needs, but serve in some small way to making economic decisions. We reject the argument, frequently used, that decisions be taken only on the future. A decision quality depends on the manager to "see" the requirements of reality. These include both the coverage of the future, present and past. Accepting the past is a reasonable basis to estimate future. On the other hand, the view that financial statements are prepared on the basis of monetary nominalism does not ensure integration of the phenomenon of evolution of prices, which may lead to a distorted presentation of reality. We also appreciate that the relevance of financial statements is limited due to the fact that there is some information that would be of interest to users, but not provided because they can not be quantified in money.

The main results and conclusions of research that can be drawn primarily reflects the need of combining the two systems, public and private, th financing arrangements and capital redeployment in order to maintain sustainability of pensions and overcome the demographic impact. Specialized institutions have different predictions as to reverse the alarming figures dependency ratio in most countries and significant increases in public spending on pensions and social protection, and hence the need for further reforms and implementation of effective measures. Many countries have implemented or are about to introduce measures to maintain employment in business, increase the retirement age for both men and women, to withdraw or reduce the possibility of early retirement and to stimulate private saving. The importance of private pensions is demonstrated by stimulating economic development as a whole and the financial markets. The financial crisis has once again revealed the existence of a special significance diversified portfolio, an appropriate management of risk and not least the existence of effective regulation and prudential supervision of the activity funds of the institutions.

The increase of the number of contributors to the system requires an active policy of attracting towards the private pension system of entrepreneurs, those of the informal sector workers and housewives, creating new jobs (by stimulating investments) and coverage of Romanian citizens working in an income foreign social insurance system.

Also, raising the retirement age and contribution to the complete and equalizing retirement ages for men and women are measures that respond to current difficulties of the pension system and also are part of the Community industry trends.

The severity control over the legality of employment, respectively the employment laws that encourage labor costs by reducing labor reduces "black" and "gray" and to postpone withdrawal from activity to older people interested in contributing a period as long to the pension system multi.

The decrease in retirement requires measures such as discouraging early retirement by setting low levels of benefits, reduction of disability retirement, including through a more rigorous control over the Commission of medical expertise, postponing retirement age, including older workers providing incentives to continue the work, part time or full time. Problem solving in the Romanian pension system of sustainability requires comprehensive strategies that include measures to increase labor market participation of older workers (the adoption of incentives) and work opportunities for people with disabilities.

The increasing the number of retired high disability is a serious problem. Therefore, measures are needed to prevent disability (including promoting a healthy lifestyle, early detection and treatment of health problems, improving health and safety at work, the national disease prevention programs developed by the Ministry of Health) and and the introduction of stricter eligibility criteria and monitoring of recipients of disability pensions. Particular attention should be paid to medical rehabilitation, job part time, retraining, granting incentives for employers of people with disabilities.

Pension systems are a challenge for every country because the main aim of providing a secure income which, because of old age have lost their jobs. Subsumed these two may be mentioned as two secondary objectives of the system: redistribution savings or investments.

On the degree of depreciation of reference of IFRS accounting analysis, RO and HU regulation, we see, as the event that we calculated an average Jaccard coefficients for the entire problem, considering the importance of the three rules to be equal, we obtain a value of 68% for similarity, which means that the accounting issues related to pension funds there is a tendency for harmonization.

The results of statistically consider these factors have influenced the assessment of management decision, even though economically they may be considered relevant. Out of a comparative analysis between Romania and Hungary regulations recognition policy, we mention that they are tempted to use the net assets for the reporting period and the net assets available for payment of pensions at 100%. In the current economic downturn, we believe that proper use of contributions, interest payments withdrawn and paid to members prior to the withdrawal does not affect the benefit of companies making use of re pension plans. The trust values can be beneficial because in some cases its use as a basis for further reflection cost accounting and amendments may be to the advantage of society.

We believe that the special importance of this study is the fact that it is possible to estimate, on a statistical time, or period, that the degree of depreciation of reference of the analyzed accounting IFRS, RO and HU regulation, reaches a level beyond which the degree of damping formal variation is insignificant.

Thus, after analysis, we can say that the success or failure of the harmonization of Romanian and Hungarian systems in relation to international reference system depends largely on political factors and national regulators.



It is difficult to predict long-term evolution of these variables, mainly for a country like Romania, where market economy has a relatively short history. A solution for defined contribution pension plans in Romania is to develop such models based on historical developments recorded in countries such as Spain, Greece, Italy, Portugal etc., Countries with market economy but with a statistically higher inflation. The lack of a coherent database and magnitude of such a study are reasons for developing a stochastic investment model remains for us, a future research objective.

After analyzing the eight elements, the results provide us with information that the investment environment in Romania is very careful approach to market developments in employee benefits. Evolution element of assessment and recognition of pension plan assets in Romania and Hungary that does not assure a high degree of confidence in order to transmit a similar trend or a long-term investments, which shows an image of long-term confidence market investors in Romania.

A major problem in Hungary and Romania arising from their lack of experience in investor-oriented financial reporting, characteristic of transitional economies in the last decade, have undergone major changes in social, political and economic. Due to the involvement of investors / owners of private firms (unlisted) is a real knowledge of the value of the company and its profitability, which is not the case for publicly traded companies (listed companies) and thus non-listed companies have market such great need to implement IFRS for listed companies do, where capital ownership and management of the company are in different hands.

We consider it useful to fix our attention on the corridor limits for benefits, because in the two countries analyzed this variable is very low. Although the present value of defined benefit obligations is calculated by the method corridor. On Romania, a company can choose the first application to recognize all cumulative actuarial profits and losses on transition to IFRS, even if it uses the "corridor" for actuarial gains and losses arising later.

On the variable assessing pension plans, we find that (97%) of the listed companies in Romania and Hungary have the notes of financial statements in the years 2009 and 2010. We believe that this variable provides a quite relevant image in terms of employee benefits, post-employment benefits-pensions respectively.

Then the statistical variables characteristics were analyzed, starting from an evolutionary comparison of the degree of dissemination of information among companies listed on stock exchanges in Romania and Hungary. The results indicate specific issues in general post-employment benefits, only pension.

The present economic context materialized by the recovery on an upward trend in inflation increased, the increased volatility of capital markets assets, and maintaining the local labor market uncertainty caused by the need for consistent application of the economic program of fiscal consolidation and structural reforms within the framework established agreed with the EU, IMF and World Bank, does not provides a positive short-term financial flows in terms of pension funds. This perspective can affect the financial gains of pension funds and investment performance of assets under management.

Regarding the limits of the study there are obvious aspects: the sample in both countries is very low, which indicates the problem of statistical representativeness. From an economic perspective, we consider them relevant, because they included the largest companies in Romania and Hungary. Because of this the study should be extended in the future research on other companies listed in category II, possibly of those not listed, in the latter case being a big problem in data collection (the financial statements are hard to reach).

## **7. VALUE AND DISSEMINATION OF THE RESEARCH RESULTS**

We live in a world where the future is unknown and the uncertainty is associated with the condition of human existence. Risk acceptance to avoid uncertainty trying to achieve predictable results, determines a trial to achieve the predictable the anticipable by a good understanding of the present.

We also appreciate useful to point out the need for the legislation to be flexible. To possibly avoid nature anagramming nature, so that those called to apply it to understand it easily.

In funded systems, contributions are invested in the active pension fund, or in securities (stocks and bonds) listed. The payer owns such fund saving and investment and pension contributions paid will depend on the development and exchange. He can even be informed daily about the value of the fund saved up to that point and get an estimate of future pension. Of course, few contributors have the necessary knowledge of stock investments. Action selection role is assumed by management companies of pension funds. They may propose one or more management options, more "dynamic" (with more shares) or more "stable" (with more bonds). Whichever you choose, the result is a much higher pension at the same contribution paid.

### ***Implications for employers***

The research findings emphasize areas of improvement guidelines for employers, their poor attempt to provide employee benefits: insurance, how much it is feasible for society, workplace flexibility, sensitivity to differences between generations in labor relations. Clearly, many older employees are ready, willing and able to continue to work and would consider participation in the labor market a greater extent than ever before.

Another major problem affecting entries in the pension system are the falsely declared wages. Although it is difficult to prove the figures, the large number of insured persons for the said salary is minimum wage despite income "wage" makes

considerable contributions to be small.

The main perspectives considered in terms of future research in accounting benefits granted to employees are related to the elimination of those shortcomings and limitations outlined above, namely:

- expanding the sample of countries in terms of empirical studies to account for other countries to broaden and increase the sample representativeness of the study correlations;
- expanding the sample of companies selected for comparative study between Romania and Hungary on the elements analyzed the benefits granted to employees, which would give greater relevance and objectivity of the study;
- repeating the analysis contained in the analyzed elements of the benefits granted to employees by companies of Romania in collaboration with other researchers to eliminate bias;
- create a dictionary containing the specific terms of the concepts and benefits granted to employees.

## **Own contributions**

Personally, I think worrying that potential young workforce is still under-used, which may compromise future, both individually and globally, including social security schemes.

To change the remote perception of retirement, sees the need for sustained campaigns from educational level, showing, on the one hand, the risks that young people are subject to the conditions in which there is a concern for ensuring adequate social protection, on the other hand, the advantages and disadvantages of a public pension system and other additional or supplementary programs for employee benefits.

However, the largest contributions to accounting research on the benefits granted to employees as they consider personal contribution to scientific knowledge:

- the state of knowledge in the field (Chapter 2), contributions can be observed by presenting the evolution of accounting research on the benefits granted to employees, highlighting the group of researchers and those representative of the research papers reviewed;
  - one to grasp the ideas and knowledge that have marked the evolution of IAS 19 have considered a period of 40 years, ie 1970-2010. The period under review was divided into sub-periods periods delimitation criteria cover data applying IAS 19 and the significant amendments based on exposure draft;
  - one in the study were included articles that address the accounting for employee benefits, separately or together with other research areas such as assessing the value of employee benefits, information provided in financial statements about the benefits granted to employees, prospect management, and treatment options accounting so.
- the conceptual approaches through specific conceptual advantages granted to employees, such as short term benefits, post-employment benefits, long-term benefits, termination of employment benefits, share-based payment, etc;
- empirical studies conducted in the national regulations of Romania and Hungary on the benefits granted to employees and internet reporting practices of companies listed on the Romanian and Hungarian Stock Exchange about the benefits of employees.

It said that all these contributions is reflected above gives originality and brings scientific endeavor undertaken research in accounting accounting benefits granted to employees add value.

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