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INSIGHTS

ACCOUNTING & TECHNOLOGY

IAS 19 employee benefits in Cambodia

How CIFRS IAS 19 and CIFRS for SMEs Section 28 account for salaries, leave, NSSF, seniority indemnity and termination benefits in Cambodia, and when an actuarial valuation is needed.



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HOW DOES A CAMBODIAN COMPANY ACCOUNT FOR EMPLOYEE BENEFITS UNDER IAS 19?

IAS 19 classifies employee benefits as short-term, post-employment, other long-term and termination benefits. Short-term benefits such as wages, paid leave and bonuses are expensed as the employee renders service; post-employment benefits are either defined contribution (expense equals the contribution) or defined benefit (actuarial measurement, with remeasurements in OCI); other long-term benefits and termination benefits are measured on their own terms. In Cambodia, NSSF contributions, Prakas 443 seniority indemnity, untaken leave and 13th-month bonuses are the common issues; NSSF pension contributions are generally accounted for as a social security contribution, while seniority and termination benefits may require an actuarial estimate.

IN SHORT

- IAS 19 has four categories: short-term, post-employment, other long-term and termination benefits.
- Short-term benefits are undiscounted and expensed as service is rendered; accumulating leave and bonuses are accrued.
- Defined contribution plans expense the contribution; defined benefit plans require an actuarial valuation and put remeasurements in OCI.
- In Cambodia, NSSF pension contributions are a social security contribution; Prakas 443 seniority indemnity and termination benefits need their own accrual.
- A material defined benefit or other long-term obligation needs an actuary, a discount rate and a sensitivity disclosure.

The four categories of employee benefits

IAS 19 groups employee benefits into four categories. Short-term benefits are due within twelve months after the end of the period in which the employee renders the service, such as wages, salaries, paid annual leave, sick leave, profit-sharing and bonuses. Post-employment benefits are payable after employment ends, such as pensions, retirement gratuities and post-employment medical care. Other long-term benefits are payable more than twelve months after service, such as long-service leave, sabbatical leave and long-term disability. Termination benefits are payable because of the termination of employment.

The category determines the measurement. Short-term benefits are measured on an undiscounted basis. Post-employment and other long-term benefits may require an actuarial valuation. Termination benefits are recognised when the entity is demonstrably committed to the termination and cannot withdraw the offer, or when it recognises a restructuring cost.

The Cambodian Labour Law and Prakas 443 add statutory benefits that do not map neatly to a single category: seniority indemnity, FDC severance, notice and leave. The accounting analysis should start from the legal entitlement and then apply the IAS 19 category.

EMPLOYEE BENEFIT CATEGORIES AND CAMBODIAN EXAMPLES

Category	Examples	Measurement

Category	Examples	Measurement
Short-term	Wages, paid leave, 13th-month bonus, NSSF contribution	Undiscounted; accrue as service is rendered
Post-employment	Pension, retirement gratuity, post-employment medical care	Defined contribution: expense; defined benefit: actuarial
Other long-term	Long-service leave, sabbatical, long-term disability	Actuarial; remeasurements in profit or loss
Termination	Redundancy, FDC severance, mutual separation	Recognise when committed; measure at the obligation

Short-term benefits and leave

Short-term benefits are recognised as an expense when the employee renders the service, and as a liability for the unpaid amount. Accumulating paid leave is accrued as the employee earns it; non-accumulating leave is expensed when it is taken. A profit-sharing or bonus plan creates a liability when the entity has a present obligation from a past event and the amount can be estimated reliably.

A 13th-month bonus is often a contractual or customary obligation. If the employee has rendered the service and the amount is probable and measurable, the bonus is accrued at the reporting date, not when it is paid. The payroll register, the employment contract and the bonus policy are the evidence.

NSSF contributions are part of the cost of employment. The employer contribution is expensed as the employee renders service; the employee contribution is withheld from salary. The NSSF pension scheme is a social security contribution, not a private defined benefit plan; the accounting follows the contribution terms.

Defined contribution versus defined benefit

A defined contribution plan is a post-employment benefit plan under which the entity pays fixed contributions into a separate fund and has no legal or constructive obligation to pay further amounts. The expense is the contribution for the period, and the liability is the unpaid contribution. The investment risk and the actuarial risk fall on the employee.

A defined benefit plan is any post-employment benefit plan other than a defined contribution plan. The entity measures the obligation using the projected unit credit method, discounts it at a rate based on high-quality corporate bonds or government bonds with a maturity matching the obligation, and measures any plan assets at fair value. Service cost and net interest are recognised in profit or loss; remeasurements, including actuarial gains and losses and the return on plan assets excluding interest, are recognised in other comprehensive income.

A defined benefit plan can exist without a separate fund, such as an unfunded retirement gratuity or a statutory severance. The absence of a fund does not make it a defined contribution plan. The actuarial valuation should reflect the benefit formula, the discount rate, salary growth, turnover, mortality and the expected retirement age.

Seniority indemnity and termination benefits

Prakas 443 requires seniority indemnity for employees on unlimited-duration contracts, paid in June and December. The obligation accrues with service; the accounting should recognise the expense as the employee earns the benefit, not only when the payment is made. If the obligation is material, an actuarial estimate may be needed.

FDC severance is a termination benefit at the end of the fixed-duration contract, based on the wages paid over the term. The obligation accrues over the contract period and is settled at expiry. A redundancy or mutual separation is a termination benefit recognised when the entity is demonstrably committed and cannot withdraw.

The interaction with IAS 37 is important: a provision for termination or seniority is recognised when the obligation is present, probable and reliably estimable. The measurement follows IAS 19, not the general IAS 37 guidance, when the benefit is an employee benefit.

> **NSSF is not a private pension plan**
>
> NSSF pension contributions are a social security contribution. A separate unfunded retirement gratuity, seniority indemnity or termination benefit is an IAS 19 obligation that may need an actuarial valuation.

CIFRS for SMEs Section 28

CIFRS for SMEs Section 28 Employee Benefits applies the same four categories with simpler measurement and disclosure. Defined benefit plans are measured using the projected unit credit method, but the standard has fewer disclosure requirements and a simplified treatment of some items.

The National Accounting Council's adoption determines the edition in Cambodia. Confirm the edition with the auditor, particularly for the treatment of actuarial gains and losses, before relying on a paragraph number.

Audit evidence and disclosures

The auditor tests the payroll, the leave records, the bonus policy, the NSSF returns and the seniority calculation. For a defined benefit or other long-term obligation, the auditor evaluates the actuarial assumptions under ISA 540 and, where an actuary is used, ISA 620. The discount rate, salary growth, turnover and mortality are the key assumptions.

The financial statements should disclose the plan characteristics, the amounts recognised, the actuarial assumptions, the sensitivity of the obligation and the maturity profile. A generic statement that the company has a pension obligation, without the amounts and assumptions, is not enough.

In Cambodia, the payroll and NSSF records are often in Khmer and the actuarial report in English. The auditor should reconcile the payroll headcount to the actuarial data and the NSSF return, and check that the benefit payments and contributions agree to the ledger.

- Payroll register, employment contracts and bonus policy.
- Leave records and the accumulated leave calculation.
- NSSF returns and contribution receipts.
- Prakas 443 seniority and FDC severance calculation.
- Actuarial report, assumptions and sensitivity.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Is NSSF a defined contribution plan?

NSSF pension contributions are a social security contribution. For accounting, the employer contribution is generally expensed as a defined contribution-style contribution. A separate private pension, retirement gratuity or unfunded benefit is analysed as a defined benefit plan.

How is Prakas 443 seniority indemnity accounted for?

The obligation accrues with service and is recognised as an employee benefit expense over the period the employee earns it. If the amount is material, an actuarial estimate may be needed. The payment in June and December reduces the liability.

When is an actuary needed?

When the entity has a material defined benefit plan or other long-term benefit that requires actuarial assumptions, such as a pension, retirement gratuity, long-service leave or a material seniority obligation. The auditor evaluates the actuarial work under ISA 500/540/620.

Are 13th-month bonuses accrued?

If the employee has rendered the service, the bonus is probable and the amount can be estimated reliably, the bonus is accrued at the reporting date. The employment contract, the bonus policy and the past practice are the evidence.

SOURCES

Where the rules come from

01 IAS 19 Employee Benefits (https://www.ifrs.org/issued-standards/list-of-standards/ias-19-employee-benefits/) — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 28 Employee Benefits (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 Prakas 443 MLVT on Seniority Indemnity and the Labour Law (1997) — Ministry of Labour and Vocational Training

04 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023): Tax on Salary and fringe benefits (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation

05 ISA 540 Auditing Accounting Estimates and ISA 620 Using the Work of an Auditor's Expert — IAASB / KICPAA