

Research on Accounting Issues of the Pension Insurance Fund for Urban Employees

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Abstract: Pension insurance is a vital component of China's social security system, ensuring the welfare of the general public. This study centers on the revenue and expenses of City S's urban employee basic pension insurance fund. It introduces and analyzes the fund's accounting status from four key perspectives: fund raising, expenditure, financial statement system, and accounting information disclosure. The research identifies existing problems in City S's accounting system and conducts in-depth research on these issues. Furthermore, an empirical analysis is conducted on the management of the pension insurance fund. Through this empirical study, the paper aims to offer insights and recommendations for promoting stable and healthy development measures for City S's urban employee basic pension insurance fund.

Keywords: Urban employee basic pension insurance fund; Accounting; Accounting information disclosure; Empirical analysis

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1. Introduction

As we all know, concerns about livelihood have become the most prominent issue for people, given their direct impact on personal interests and daily lives. Social security, being a crucial measure to address these concerns, bears significant responsibility. The social security system acts as a stabilizing force, essential for the smooth functioning of society. Within this system, urban employees' basic pension insurance holds a vital position as an integral part of China's social insurance framework and plays a crucial role in ensuring the well-being of people from all walks of life nationwide. This insurance not only guarantees a contented life for individuals but also serves as a key embodiment of socialist principles^[1]. With the continuous changes in China's population structure and the tremendous social support pressure brought about by aging, it is of great practical significance to actively respond to the changing population structure and the people's aspirations for a better life, as well as to address the challenge of imbalanced revenue and expenditure of pension insurance funds for the stable and harmonious development of society^[2]. As a critical component of China's social security system, pension insurance guarantees the basic living standards of the general public. Among the various types of pension insurance, urban employees' basic pension insurance has the highest coverage, the largest fund balance, and attracts the most attention from the public. The safety management and value preservation of the urban employees' basic pension insurance fund are of vital importance to the construction of the social security system and the improvement of people's livelihood. Therefore, it is necessary to gradually improve the accounting practices of the basic pension insurance fund, taking into account the prevailing conditions and real-world

scenarios^[3].

2. Current accounting status

2.1. Overview

As of January 1, 2022, City S implemented the policy of province-level centralized collection and disbursement of the enterprise employees' basic pension insurance fund^[4]. The income of the basic pension insurance fund for enterprise employees in the entire province is fully remitted to the provincial pension insurance fund collection bank account on time. Currently, the contribution base for collection and payment in City S is based on the average monthly wage level of the local employed workers in the previous year. If the average monthly wage of an employee in the previous year is below 60% of the local average wage, the contribution base is calculated as 60% of the local average wage. If it exceeds 300%, the contribution base is determined based on 300% of the local average wage^[5]. For individuals engaged in flexible employment, the contribution base is determined based on the previous year's average wage in the region and falls within the range of 60% to 300%. The contribution rate for employees of enterprises is 24%, with the employer bearing 16% of the contribution base and the employee bearing 8%. For individuals engaged in flexible employment, the contribution rate is 20% of their total payment wages^[6].

2.2. Accounting and analysis of the UEBPIF in City S

The expenditures of the UEBPIF mainly include social insurance benefit payments, transfer payments, subsidies to subordinate levels, remittances to superior levels, and other expenses. Since January 1, 2022, with the implementation of provincial-level pooling for the Employee Basic Pension Insurance Fund for enterprise employees in City S, the expenditures mainly include social insurance benefit payments, transfer payments, remittances to superior levels, and other expenses. The expenditures of the fund for government employees in City S mainly include social insurance benefit payments, transfer payments, and other expenses. In addition to monthly accounting for the expenditures of the pension insurance fund, accounting personnel need to reconcile with the business to ensure the consistency between accounting data and business data^[7-10].

The financial statements of the UEBPIF in City S include monthly reports, quarterly reports, and annual reports, with the annual report being the most comprehensive and important financial statement. Unless otherwise specified, the financial statements referred to in this article are annual reports. The annual report includes the balance sheet, fund income and expenditure statement, temporary receivables and payables detailed statement, distribution of accumulated surplus fund statement, supplementary information table, income structure analysis table, expenditure structure analysis table, and transfer payment subsidy fund in place statement^[11].

(1) Balance sheet: The balance sheet reflects the composition of all assets, liabilities, and net assets of the Employee Basic Pension Insurance Fund at the end of the year.

(2) Fund income and expenditure statement: The fund income and expenditure statement reflect the fund's total income, total expenditure, and fund balance after offsetting the current period's income and expenditure in an accounting year. The fund income and expenditure statement is a convenient table for viewing the fund's collection and usage during an accounting year, providing a clear overview of income, expenditure, and balance.

(3) Temporary receivables and payables detailed statement: The temporary receivables and payables detailed statement reflect the composition of temporary receivables and payables during an accounting year. When preparing the financial statements, any surplus in temporary receivables and payables should

be explained in writing and submitted to the higher-level department^[12].

(4) Distribution of accumulated surplus fund statement: The distribution of accumulated surplus fund statement reflects the distribution of accumulated surplus funds at the end of the year. The accumulated surplus is calculated as the total assets minus the total liabilities. The statement includes the composition of income account deposits, expenditure account deposits, treasury deposits, fiscal special account deposits, and temporary payables. The total liabilities in the statement should include the composition of temporary receivables^[13].

(5) Supplementary information table: The supplementary information table in City S includes supplementary information on the balance sheet (providing detailed information on fiscal special account balances, income account balances, and treasury account balances); collection income and benefit payment supplementary information (providing detailed information on insurance premiums, including actual payment, prepayment, arrears, and supplementary payments, as well as pension payments for retroactive, new, and adjusted benefits); fund collection income supplementary information (providing detailed information on taxation and social security collection for each type of insurance); and current period actual collection income statistical indicator calculation supplementary information (requiring statistics on average number of contributors, average monthly contribution base, average fee rate, and collection rate for each type of insurance)^[14].

(6) Income structure analysis table and expenditure structure analysis table: The income structure analysis table and expenditure structure analysis table reflect the types of items included in one-time income and the amount of funeral expenses in the expenditure^[15].

3. Financial statements of pension insurance funds

3.1. Balance sheet

For the financial accounting of the urban employee basic pension insurance, the balance sheet of the pension insurance fund is considered an important financial statement that can fully reflect the actual operating condition of the pension insurance fund. Table 1 presents the balance sheet of the City S Urban Employee Basic Pension Insurance Fund for the year 2022. The pension insurance fund balance sheet mainly focuses on the relationship between fund assets and liabilities, as well as equity, to reflect the actual operational situation of the fund. In terms of the elements of the financial statement, the balance sheet of the City S pension insurance fund is generally composed of two parts: the left side representing the asset portion and the right side representing the liability and equity portion.

3.2. Income statement

The income statement of the pension insurance fund serves as a comprehensive representation of the fund's financial activities and operating results during a specific period. This statement reflects whether the fund has generated a profit or incurred losses over that time frame. Also referred to as the profit and loss statement, it effectively captures the various expenses incurred by the fund during the period, offering a clear picture of its actual profitability or loss status.

There are two main types of income statement formats, namely the single-step format and the multiple-step format. The single-step income statement involves summing up all revenues and total expenses for the current period and then subtracting the former from the latter to determine the net income or loss. The multiple-step income statement mainly classifies the revenues, expenses, and expenditure items of the current period based on their nature. Table 2 is the cash flow statement prepared by City S Pension Insurance Fund for the year 2022. From the perspective of analyzing the dynamic level of fund

operating funds, it is determined that this table is a dynamic financial statement, which can help the fund grasp the relevant information about its operating effectiveness.

Table 1 Balance sheet of City S urban pension fund

Item	Ending balance	Beginning balance	Item	Ending balance	Beginning balance
Current assets			Current liabilities		
Monetary funds	639,325,563.2	176,528,582.88	Accounts payable	357,040,961.42	277,528,252.48
Notes receivable	34,000.00	10,000.00	Advances received	715,198,780.39	466,242,436.82
Accounts receivable	19,163,890.30	25,662,973.37	Payroll payable to employees	372,927.50	13,750,144.7
Prepayment	28,516,714.67	31,374,118.81	Taxes payable	829,971.46	501,722.57
Other receivables	23,421,898.70	10,324,855.70	Other payables	149,128,336.81	131,099,665.79
Stock	583,643,945.90	640,979,559.49			
Total current assets	1,294,412,012.86	884,970,091.25	Total current liabilities	1,222,570,977.58	889,122,222.36
Non-current assets			Non-current liabilities		
Fixed assets	657,612,856.80	37,852,676,833.00	Special payables	186,593,000.00	220,407,002.00
Construction in progress	43,676,192.70	239,869,972.90	Total non-current liabilities	186,593,000.00	220,407,002.00
Total non-current assets	701,289,048.90	618,396,741.27	Total liabilities	1,409,163,977.58	1,109,529,224.36
Total assets	1,995,701,061.80	1,503,366,832.52	Paid-in capital	100,584,298.16	100,584,298.16
			Capital reserve	197,573,999.71	197,573,999.71
			Among them:		
			land valuation	81,160,657.00	81,160,657.00
			Captive reserve	15,511,483.88	
			Surplus reserve	272,867,332.47	95,679,310.29
			Total owners' equity	586,537,084.22	393,837,608.16
			Total liabilities	1,995,701,061.80	1,503,366,832.52

Table 2 Profit sheet of City S urban pension fund

Item	Current amount	Previous amount	Item	Current amount	Previous amount
Gross operating income	983,143,385.92	676,199,035.62	Employee insurance profit	255,765,620.32	64,944,043.64
Income from main business	979,774,013.21	672,847,295.31	Employee insurance income	951,230,074.72	621,910,197.28
Other business income	3,369,372.71	3,351,740.31	Employee insurance cost	695,464,454.40	556,966,153.64
Total operating cost	886,245,448.86	622,467,185.34	Resident insurance profit	3,038,216.93	1,128,205.20
Main business cost	721,895,030.20	483,140,697.00	Resident insurance income	31,913,311.20	54,288,838.34
Other business costs	2,156,483.40	1,765,192.33	Resident insurance cost	28,875,094.20	53,160,633.00
Business taxes and surcharges	850,162.35	1,864,048.38			
Publicity expenses	4,728,266.47	3,349,675.50			
Administrative expenses	161,116,701.75	134,523,586.61			
Financial expense	-4,478,035.40	11,627,488.93			
Asset impairment loss	23,159.90	-2,197,654.97			
Net profit	73,636,368.88	40,126,002.70			

4. Financial empirical analysis: Based on the above statement data

4.1. Analysis of assets and liabilities

The total assets at the end of 2022 were CNY 1,996,473.8 million, an increase of CNY 49,310.7 million compared to the same period last year, with a growth rate of 32.80% for the current period. Furthermore, the end-of-period current assets reached CNY 1,295,184.8 million, an increase of CNY 41,021.47 million compared to the previous year, with a growth rate of 46.35%. Among them, monetary funds were CNY 639,325.6 million, an increase of CNY 46,279.70 million compared to the previous year, with a growth rate of 262.17%, mainly due to the full allocation of pension insurance throughout the fourth quarter in the city. Accounts receivable at the end of the period were CNY 1,963.9 million, with a decrease of CNY 6,499.1 million compared to the previous year, a decrease of 25.32%, mainly due to timely collection of insurance by grassroots units. Prepayments at the end of the period were CNY 28,516.7 million, with a decrease of CNY 285.74 million compared to the previous year, a decrease of 9.11%. Other receivables at the end of the period were CNY 24,194.7 million, an increase of CNY 13,869.8 million compared to the beginning of the year, a growth of 134.33%, mainly due to a loan of CNY 15,000,000 provided to another unit in the city for working capital, approved by the higher authorities and negotiated by both parties. Inventories at the end of the period were CNY 58,364.39 million, a decrease of CNY 5,733.57 million compared to the same period last year, a decrease of 8.95%, mainly due to the fund management department's increased reserve fund management and cost assessment efforts, resulting in a slight decrease in reserve funds. The total non-current assets were CNY 70,133.74 million, an increase of 13.41% compared to CNY 61,839.67 million in the same period last year.

Current assets accounted for 64.87% of the total assets at the end of 2022, an increase of 6% compared to 58.87% in the same period last year, while non-current assets accounted for 35.13% of the total assets, a decrease of 6% compared to 41.13% in the same period last year. In terms of the composition of current assets, monetary funds accounted for 49.36%, an increase of 29.41% compared to the same period last year; accounts receivable accounted for 1.48%, a decrease of 1.42% compared to the same period last year; prepaid accounts accounted for 1.86%, an increase of 0.70% compared to the same period last year, and inventory accounted for 45.06%, a decrease of 27.37% compared to the same period last year. The proportions of the above receivables and prepayments in current assets are relatively small, and they have decreased significantly compared to the same period last year, mainly due to timely collection efforts by the fund department and timely clearing of accounts by various business departments of the pension insurance fund, ensuring a healthy circulation of funds.

4.2. Analysis of income and profit

In 2022, the fund achieved operating income of CNY 98,314.34 million, an increase of CNY 30,694.44 million compared to the previous year, with a year-on-year growth of 45.39%. Among them, the income from employee pension insurance reached CNY 95,123.01 million, with a year-on-year increase of CNY 32,931.99 million, a growth of 52.95%. The income from employee pension insurance accounted for 96.75% of the operating income. The income from general residents reached CNY 31,913.33 million, a decrease of CNY 22,375.55 million, which is a 41.22% decrease.

In 2022, the fund achieved a total profit of CNY 98,181.8 million, an increase of CNY 44,860.05 million compared to the same period last year, with a growth rate of 83.51%. Operating profit was CNY 96,897.9 million, a year-on-year increase of 80.34%. Among them, the profit from main business

operations was CNY 25,787.90 million, an increase of CNY 7,338.61 million year-on-year, while the profit from other business operations was CNY 121.29 million, a decrease of CNY 37.36 million year-on-year. According to the profit change chart, it can be observed that self-operated business has become the source of the total profit growth of the fund.

4.3. Financial capability analysis

4.3.1. Profitability analysis

Compared to the total profit in 2021, the total profit in 2022 increased by 83.5%, and the total cost and expenses increased by 42.4%. The growth in total profit exceeded the growth in costs and expenses, indicating that the fund has managed its costs and expenses well and its profitability has greatly improved.

4.3.2. Debt-paying ability analysis

The asset-liability ratio experienced a decrease of 0.3 percentage points compared to the previous year, standing at 17%. The current ratio also saw a slight decline of 0.03 percentage points, reaching 99.5%. However, the quick ratio exhibited a significant increase of 27% compared to the same period last year, reaching 55%. Among these three indicators, both the current ratio and quick ratio appear more reasonable compared to the previous year, suggesting an improvement in the fund's liquidity. It is worth noting that the asset-liability ratio surpassed 70% primarily due to the considerable amount of retirement benefits to be paid by the fund, which has an impact on the numerical representation of the indicators. If we exclude this factor, the asset-liability ratio would significantly decrease, indicating that the current operations are generating positive benefits for the fund and ensuring the smooth conduct of its daily activities.

4.3.3. Operating capability analysis

At the end of 2022, the total asset turnover for the fund reached 0.56, marking a notable increase of 19.15% compared to the 0.47 recorded in the same period last year. The turnover of current assets also saw a significant rise of 11.11%, reaching 0.9 compared to the previous year. Moreover, the accounts receivable turnover ratio experienced a substantial increase of 22.82%, reaching 43.71 compared to 35.95 in the same period last year. Similarly, the inventory turnover ratio displayed remarkable growth, increasing by 37.21% to reach 1.18 from 0.86 in the same period last year. These indicators collectively reflect the fund's efficiency in utilizing its funds, showing a slight improvement compared to the previous year. This improvement signifies an enhancement in the fund's operational capability, as it is making better use of its assets and resources.

5. Conclusion

The focus of this paper is to address the accounting issues related to the basic pension insurance fund for urban employees in City J. It begins by providing an overview of the current accounting situation of the said fund in City J. Subsequently, an empirical analysis is conducted on the basic pension insurance fund, which yields significant findings. The results of the analysis indicate that the total profit of the pension insurance fund has experienced higher growth compared to its costs. This observation suggests that the fund has effectively controlled its expenses, leading to substantial improvements in its overall profitability. Moreover, the asset-liability ratio of the pension insurance fund reveals that its current operations have generated positive benefits. As a result, the fund is well-equipped to ensure the smooth and orderly development of its daily operational activities. Furthermore, there has been a slight increase in the efficiency of fund utilization, signifying an improvement in the operational capacity of the fund.

Overall, these findings demonstrate positive advancements in the management and performance of the basic pension insurance fund for urban employees in City J.

Disclosure statement

Author declares no conflict of interest.

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