

AASB 119 Employee Benefits and IFRS for SMEs Section 28 Employee Benefits

1. Executive Summary

Main differences in recognition, measurement and disclosure requirements

AASB 119 requires:

- (a) a defined benefit obligation to be measured at the present value of the expected future benefit payments using the Projected Unit Credit Method; and
- (b) a portion of the actuarial gains and losses arising in a reporting period to be recognised in profit or loss in the period and in each subsequent reporting period (the ‘corridor’ approach); or
- (c) all actuarial gains and losses to be recognised in other comprehensive income in the period in which they arise.

In addition, AASB 119 requires the disclosure of information in relation to, among other things, actuarial gains and losses for the reporting period and the amounts of actuarial gains and losses recognised in:

- (a) profit or loss; or
- (b) other comprehensive income;

in the period.

In contrast to the requirements under AASB 119, *IFRS for SMEs*:

- (a) permits a defined benefit obligation to be measured using a simplified version of the Projected Unit Credit Method where the entity is not able, without undue cost or effort, to use the Projected Unit Credit Method. Where a simplified version is applied, the following simplifications are permitted with respect to current employees:
 - (i) ignore estimated future salary increases;
 - (ii) ignore future service of current employees; and
 - (iii) ignore possible in-service mortality of current employees between the reporting date and the date current employees are expected to begin receiving post-employment benefits. However, if relevant, mortality after service (i.e. life expectancy) will still need to be considered; and
- (b) requires recognition of the net change in a defined benefit obligation during a reporting period (excluding benefits paid and contributions received) as the cost of the defined benefit obligation during the period. In addition, the cost is required to be recognised either entirely in profit or loss as an expense or partly in profit or loss and partly as an item of other comprehensive income unless another paragraph of the *IFRS for SMEs* requires the cost to be recognised as part of the cost of an asset.

In addition, *IFRS for SMEs* relieves entities from providing detailed disclosures regarding actuarial gains and losses not recognised as income or expense because the entity measured its defined benefit obligations in accordance with the ‘corridor’ approach.

As a consequence of the potential differences in the measurement of defined benefit obligations under AASB 119 and *IFRS for SMEs*:

- (a) some of disclosure requirements in AASB 119 have been modified for the purpose of the *IFRS for SMEs* to facilitate consistent disclosures by entities not measuring their defined benefit obligations on the same basis under the *IFRS for SMEs* requirements [such as paragraphs 28.41(e) and (f)]; and
- (b) the *IFRS for SMEs* include some disclosures not required under AASB 119 [such as paragraphs 28.41(c) and (d)].

Disclosure proposals

It is proposed to:

- exclude paragraphs 30(c)(ii), 34B; 47; 120; 120A(c)(i)-(v) and (vii)-(x), 120A(d); 120A(e)(i)-(iii), (vii) and (viii), 120A(f), 120A(g)(i)-(viii), 120A(h)(ii), 120A(l); 120A(m) to disclose the actual return on any reimbursement right recognised as an asset in accordance with paragraph 104A of AASB 119, 120A(n)(iii), 120A(o), (p) and (q), 143 and the last sentence in paragraph 23 from the Reduced Disclosure Regime (RDR); and
- add to the RDR the first sentence of the last full sub-paragraph of paragraph 28.41 of the *IFRS for SMEs*, which relieves an entity that reports under the RDR from providing reconciliations in sub-paragraphs 120A(c) and (e) of AASB 119 for prior periods.

2. Analysis of disclosure requirements

Text in AASB 119	Text in <i>IFRS for SMEs</i> Section 28	Comment
<p>Short-term Employee Benefits</p> <p>Disclosure</p> <p>23 Although this Standard does not require specific disclosures about short-term employee benefits, other Australian Accounting Standards may require disclosures. For example, AASB 124 requires disclosure about employee benefits for key management personnel. AASB 101 <i>Presentation of Financial Statements</i> requires disclosure of employee benefits expense.</p>	<p>Disclosures about short-term employee benefits</p> <p>28.39 This section does not require specific disclosures about short-term employee benefits.</p>	<p>The first sentence in paragraph 23 and paragraph 28.39 of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, the first sentence in paragraph 23 should be retained in the RDR.</p> <p>The second sentence in paragraph 23 refers to the disclosure requirements in paragraph 17 of AASB 124. The ED proposes to retain paragraph 17 of AASB 124. Accordingly, the second sentence of paragraph 23 should be retained in the RDR.</p> <p>The last sentence in paragraph 23 refers to the disclosure requirements in paragraph 104 of AASB 101. The ED proposes to exclude paragraph 104 of AASB 101 from the RDR. Accordingly, the last sentence of paragraph 23 should be excluded from the RDR.</p>
<p>Multi-employer Plans</p> <p>29 An entity shall classify a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). Where a multi-employer plan is a defined benefit plan, an entity shall:</p> <p>(a) account for its proportionate share of the defined benefit obligation, plan assets and</p>	<p>Multi-employer plans and state plans</p> <p>28.1 Multi-employer plans and state plans are classified as defined contribution plans or defined benefit plans on the basis of the terms of the plan, including any constructive obligation that goes beyond the formal terms. However, if sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall account for the plan in accordance with paragraph 28.13 as if it was a defined contribution plan and make the disclosures</p>	<p>Paragraph 29 and paragraph 28.11 of the <i>IFRS for SMEs</i> correspond. In addition:</p> <p>(a) the disclosures under paragraph 28.40 of the <i>IFRS for SMEs</i> are consistent with the disclosures under paragraph 46 of AASB 119; and</p>

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<p>cost associated with the plan in the same way as for any other defined benefit plan; and</p> <p>(b) disclose the information required by paragraph 120A.</p>	<p>required by paragraph 28.40.</p>	<p>(b) part (b) of paragraph 29 clarifies the disclosure requirements in relation to defined benefit plans. However, part (b) can only be understood in the context of paragraph 29 as a whole.</p> <p>Based on the reasoning in paragraphs IN2 and IN7 of the Appendix, paragraph 29 should be retained in the RDR.</p>
<p>30 When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall:</p> <p>(a) account for the plan under paragraphs 44-46 as if it were a defined contribution plan;</p> <p>(b) disclose:</p> <p>(i) the fact that the plan is a defined benefit plan; and</p> <p>(ii) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and</p> <p>(c) to the extent that a surplus or deficit in the plan may affect the amount of future contributions, disclose in addition:</p> <p>(i) any available information about that surplus or deficit;</p> <p>(ii) the basis used to determine that</p>	<p>28.40 An entity shall disclose the amount recognised in profit or loss as an expense for defined contribution plans. If an entity treats a defined benefit multi-employer plan as a defined contribution plan because sufficient information is not available to use defined benefit accounting (see paragraph 28.11) it shall disclose the fact that it is a defined benefit plan and the reason why it is being accounted for as a defined contribution plan, along with any available information about the plan’s surplus or deficit and the implications, if any, for the entity.</p>	<p>Paragraphs 30(b), 30(c)(i) and 30(c)(iii) and the second sentence in paragraph 28.40 of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, paragraphs 30(b), 30(c)(i) and 30(c)(iii) should be retained in the RDR.</p> <p>The opening sentence of paragraph 30 and sub-paragraph 30(a) are in the nature of contextual material. Based on the reasoning in paragraph IN7 of the Appendix, the opening sentence in paragraph 30 and sub-paragraph 30(a) should be retained in the RDR.</p> <p>Paragraph 30(c)(ii) has no equivalent in the <i>IFRS for SMEs</i>. Based on the reasoning in paragraph IN3 of the Appendix, paragraph 30(c)(ii) should be excluded from the RDR.</p>

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<p style="text-align: center;">surplus or deficit; and</p> <p style="text-align: center;">(iii) the implications, if any, for the entity.</p>		
<p>34B Participation in such a plan is a related party transaction for each individual group entity. An entity shall therefore, in its separate or individual financial statements, make the following disclosures:</p> <ul style="list-style-type: none"> (a) the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy; (b) the policy for determining the contribution to be paid by the entity; (c) if the entity accounts for an allocation of the net defined benefit cost in accordance with paragraph 34A, all the information about the plan as a whole in accordance with paragraphs 120-121; and (d) if the entity accounts for the contribution payable for the period in accordance with paragraph 34A, the information about the plan as a whole required in accordance with paragraphs 120A(b)-(e), (j), (n), (o), (q) and 121. The other disclosures required by paragraph 120A do not apply. 		<p>Paragraph 34B has no equivalent in the <i>IFRS for SMEs</i>. Based on the reasoning in paragraph IN3 of the Appendix, paragraph 34B should be excluded from the RDR.</p>
<p>State Plans</p> <p>36 An entity shall account for a state plan in the same way as for a multi-employer plan (see paragraphs 29 and 30).</p>	<p>Multi-employer plans and state plans</p> <p>28.11 Multi-employer plans and state plans are classified as defined contribution plans or defined benefit plans on the basis of the terms of the plan, including any constructive obligation that goes beyond the formal terms. However, if sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall account</p>	<p>Paragraph 36 and paragraph 28.11 of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, paragraph 36 should be retained in the RDR.</p>

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	for the plan in accordance with paragraph 28.13 as if it was a defined contribution plan and make the disclosures required by paragraph 28.40.	
<p>Insured Benefits</p> <p>39 An entity may pay insurance premiums to fund a post-employment benefit plan. The entity shall treat such a plan as a defined contribution plan unless the entity will have (either directly, or indirectly through the plan) a legal or constructive obligation to either:</p> <p>(a) pay the employee benefits directly when they fall due; or</p> <p>(b) pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods.</p> <p>If the entity retains such a legal or constructive obligation, the entity shall treat the plan as a defined benefit plan.</p>	<p>Insured benefits</p> <p>28.12 An entity may pay insurance premiums to fund a post-employment benefit plan. The entity shall treat such a plan as a defined contribution plan unless the entity has a legal or constructive obligation either:</p> <p>(a) to pay the employee benefits directly when they become due, or</p> <p>(b) to pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods.</p> <p>A constructive obligation could arise indirectly through the plan, through the mechanism for setting future premiums, or through a related party relationship with the insurer. If the entity retains such a legal or constructive obligation, the entity shall treat the plan as a defined benefit plan.</p>	<p>Paragraph 39 and paragraph 28.12 of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, paragraph 39 should be retained in the RDR.</p>
<p>Post-employment Benefits: Defined Contribution Plans</p> <p>Disclosure</p> <p>46 An entity shall disclose the amount recognised as an expense for defined contribution plans.</p>	<p>Disclosures about defined contribution plans</p> <p>28.40 An entity shall disclose the amount recognised in profit or loss as an expense for defined contribution plans. If an entity treats a defined benefit multi-employer plan as a defined contribution plan because sufficient information is not available to use defined benefit accounting (see paragraph 28.11) it shall disclose the fact that it is a defined benefit plan and the reason why it is being accounted for as a defined contribution plan, along with</p>	<p>Paragraph 46 and the first sentence in paragraph 28.40 of the <i>IFRS for SMEs</i> correspond. In addition, paragraph 30 of AASB 119 and the second sentence in paragraph 28.40 of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, paragraph 46 should be retained in the RDR.</p>

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	any available information about the plan's surplus or deficit and the implications, if any, for the entity.	
47 Where required by AASB 124 an entity discloses information about contributions to defined contribution plans for key management personnel.		Paragraph 47 has no equivalent in the <i>IFRS for SMEs</i> . Based on the reasoning in paragraph IN3 of the Appendix, paragraph 47 should be excluded from the RDR.
<p>Post-employment Benefits: Defined Benefit Plans</p> <p>Disclosure</p> <p>120 An entity shall disclose information that enables users of financial reports to evaluate the nature of its defined benefit plans and the financial effects of changes in those plans during the period.</p>		Paragraph 120 has no equivalent in the <i>IFRS for SMEs</i> . Based on the reasoning in paragraph IN3 of the Appendix, paragraph 120 should be excluded from the RDR.
<p>120A An entity shall disclose the following information about defined benefit plans:</p> <p>(a) the entity's accounting policy for recognising actuarial gains and losses;</p> <p>(b) a general description of the type of plan;</p> <p>(c) a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:</p> <p>(i) current service cost;</p> <p>(ii) interest cost;</p> <p>(iii) contributions by plan participants;</p> <p>(iv) actuarial gains and losses;</p>	<p>Disclosures about defined benefit plans</p> <p>28.41 An entity shall disclose the following information about defined benefit plans (except for any defined multi-employer benefit plans that are accounted for as a defined contribution plans in accordance with paragraph 28.11, for which the disclosures in paragraph 28.40 apply instead). If an entity has more than one defined benefit plan, these disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful:</p> <p>(a) a general description of the type of plan, including funding policy.</p> <p>(b) the entity's accounting policy for recognising actuarial gains and losses (either in profit or loss or as an item of other comprehensive income) and the amount of actuarial gains and losses</p>	<p>Paragraphs 120A(a) and (b) and paragraphs 28.41(b) and (a) of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, paragraphs 120A(a) and (b) should be retained in the RDR.</p> <p>The opening sentence of paragraph 120A(c) up to and including the words 'if applicable' and sub-paragraph (vi) and paragraph 28.41(e) of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, the opening sentence of paragraph 120A(c) up to and including the words 'if applicable' and sub-paragraph (vi) should be retained in the RDR. [Accordingly, the words after 'if</p>

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<p>(v) foreign currency exchange rate changes in plans measured in a currency different from the entity's presentation currency;</p> <p>(vi) benefits paid;</p> <p>(vii) past service cost;</p> <p>(viii) business combinations;</p> <p>(ix) curtailments; and</p> <p>(x) settlements;</p> <p>(d) an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded;</p> <p>(e) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A showing separately, if applicable, the effects during the period attributable to each of the following:</p> <p>(i) expected return on plan assets;</p> <p>(ii) actuarial gains and losses;</p> <p>(iii) foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency;</p> <p>(iv) contributions by the employer;</p> <p>(v) contributions by plan participants;</p>	<p>recognised during the period.</p> <p>(c) a narrative explanation if the entity uses any of the simplifications in paragraph 28.19 in measuring its defined benefit obligation.</p> <p>(d) the date of the most recent comprehensive actuarial valuation and, if it was not as of the reporting date, a description of the adjustments that were made to measure the defined benefit obligation at the reporting date.</p> <p>(e) a reconciliation of opening and closing balances of the defined benefit obligation showing separately benefits paid and all other changes.</p> <p>(f) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset, showing separately, if applicable:</p> <p>(i) contributions;</p> <p>(ii) benefits paid; and</p> <p>(iii) other changes in plan assets.</p> <p>(g) the total cost relating to defined benefit plans for the period, disclosing separately the amounts</p> <p>(i) recognised in profit or loss as an expense, and</p> <p>(ii) included in the cost of an asset.</p> <p>(h) for each major class of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major class constitutes of the fair value of the total plan assets</p>	<p>applicable' and sub-paragraphs (i)-(v) and (vii)-(x) should be excluded from the RDR.]</p> <p>Paragraph 120A(d) has no equivalent in the <i>IFRS for SMEs</i>. Based on the reasoning in paragraph IN3 of the Appendix, paragraph 120A(d) should be excluded from the RDR.</p> <p>Paragraph 28.41(d) of the <i>IFRS for SMEs</i> has no equivalent in AASB 119. Based on the reasoning in paragraph IN4 of the Appendix, paragraph 28.41(d) should not be added to the RDR.</p> <p>The opening sentence of paragraph 120A(e) up to and including the words 'if applicable' and sub-paragraphs (iv)-(vi) and paragraph 28.41(f) of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, the opening sentence of paragraph 120A(e) up to and including the words 'if applicable' and sub-paragraphs (iv)-(vi) should be retained in the RDR. [Accordingly, the words after 'if applicable' and sub-paragraphs (i)-(iii), (vii) and (viii) should be excluded from the RDR.]</p> <p>Paragraph 120A(f) has no equivalent in the <i>IFRS for SMEs</i>. Based on the reasoning in paragraph IN3 of the Appendix, paragraph 120A(f) should be excluded from the RDR.</p>

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<p>(vi) benefits paid;</p> <p>(vii) business combinations; and</p> <p>(viii) settlements;</p> <p>(f) a reconciliation of the present value of the defined benefit obligation in (c) and the fair value of the plan assets in (e) to the assets and liabilities recognised in the statement of financial position, showing at least:</p> <p>(i) the net actuarial gains or losses not recognised in the statement of financial position (see paragraph 92);</p> <p>(ii) the past service cost not recognised in the statement of financial position (see paragraph 96);</p> <p>(iii) any amount not recognised as an asset, because of the limit in paragraph 58(b);</p> <p>(iv) the fair value at the reporting date of any reimbursement right recognised as an asset in accordance with paragraph 104A (with a brief description of the link between the reimbursement right and the related obligation); and</p> <p>(v) the other amounts recognised in the statement of financial position;</p> <p>(g) the total expense recognised in profit or loss for each of the following, and the line item(s) in which they are included:</p> <p>(i) current service cost;</p>	<p>at the reporting date.</p> <p>(i) the amounts included in the fair value of plan assets for:</p> <p>(i) each class of the entity's own financial instruments, and</p> <p>(ii) any property occupied by, or other assets used by, the entity.</p> <p>(j) the actual return on plan assets.</p> <p>(k) the principal actuarial assumptions used, including, when applicable:</p> <p>(i) the discount rates;</p> <p>(ii) the expected rates of return on any plan assets for the periods presented in the financial statements;</p> <p>(iii) the expected rates of salary increases;</p> <p>(iv) medical cost trend rates; and</p> <p>(v) any other material actuarial assumptions used.</p> <p>The reconciliations in (e) and (f) above need not be presented for prior periods. A subsidiary that recognises and measures employee benefit expense on the basis of a reasonable allocation of the expense recognised for the group (see paragraph 28.38) shall, in its separate financial statements, describe its policy for making the allocation and shall make the disclosures in (a)–(k) above for the plan as a whole.</p>	<p>The first part of paragraph 120A(g) up to and including the words 'profit or loss' and paragraph 28.41(g) of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, the first part of paragraph 120A(g) up to and including the words 'profit or loss' should be retained in the RDR. [Accordingly, the words after 'profit or loss' and sub-paragraphs (i)–(viii) should be excluded from the RDR.]</p> <p>Paragraph 28.41(g)(ii) of the <i>IFRS for SMEs</i> has no equivalent in AASB 119. Based on the reasoning in paragraph IN4 of the Appendix, paragraph 28.41(g)(ii) should not be added to the RDR.</p> <p>Paragraph 120A(h)(i) and paragraph 28.41(b) of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2, paragraph 120A(h)(i) should be retained in the RDR.</p> <p>Paragraph 120A(h)(ii) has no equivalent in the <i>IFRS for SMEs</i>. Based on the reasoning in paragraph IN3 of the Appendix, paragraph 120A(h)(ii) should be excluded from the RDR.</p> <p>Paragraphs 120A(i), (j) and (k) and paragraphs 28.41(b), (h) and (i) of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, paragraphs 120A(i), (j) and</p>

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<ul style="list-style-type: none"> (ii) interest cost; (iii) expected return on plan assets; (iv) expected return on any reimbursement right recognised as an asset in accordance with paragraph 104A; (v) actuarial gains and losses; (vi) past service cost; (vii) the effect of any curtailment or settlement; and (viii) the effect of the limit in paragraph 58(b); (h) the total amount recognised in other comprehensive income for each of the following: <ul style="list-style-type: none"> (i) actuarial gains and losses; and (ii) the effect of the limit in paragraph 58(b); (i) for entities that recognise actuarial gains and losses in other comprehensive income in accordance with paragraph 93A, the cumulative amount of actuarial gains and losses recognised in other comprehensive income; (j) for each major category of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total plan assets; 		<p>(k) should be retained in the RDR.</p> <p>Paragraph 120A(l) has no equivalent in the <i>IFRS for SMEs</i>. Based on the reasoning in paragraph IN3 of the Appendix, paragraph 120A(l) should be excluded from the RDR.</p> <p>The first part of paragraph 120A(m) up to and including the words ‘plan assets’ and paragraph 28.41(j) of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, the first part of paragraph 120A(m) up to and including the words ‘plan assets’ should be retained in the RDR. [Accordingly, the rest of paragraph 120A(m) should be excluded from the RDR.]</p> <p>Paragraphs 120A(n)(i), (ii) and (iv)-(vi) and paragraph 28.41(k) of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2 of the Appendix, paragraphs 120A(n)(i), (ii) and (iv)-(vi) should be retained in the RDR.</p> <p>Paragraph 120A(n)(iii) has no equivalent in the <i>IFRS for SMEs</i>. Based on the reasoning in paragraph IN3 of the Appendix, paragraph 120A(n)(iii) should be excluded from the RDR.</p> <p>Paragraphs 120A(o), (p) and (q) have no equivalents in the <i>IFRS for SMEs</i>. Based on the reasoning in paragraph</p>

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<p>(k) the amounts included in the fair value of plan assets for:</p> <ul style="list-style-type: none"> (i) each category of the entity's own financial instruments; and (ii) any property occupied by, or other assets used by, the entity; <p>(l) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets;</p> <p>(m) the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset in accordance with paragraph 104A;</p> <p>(n) the principal actuarial assumptions used as at the reporting date, including, when applicable:</p> <ul style="list-style-type: none"> (i) the discount rates; (ii) the expected rates of return on any plan assets for the periods presented in the financial report; (iii) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset in accordance with paragraph 104A; (iv) the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a plan as the 		<p>IN3 of the Appendix, paragraphs 120A(o), (p) and (q) should be excluded from the RDR.</p> <p>The first sentence of the last full sub-paragraph of paragraph 28.41 of the <i>IFRS for SMEs</i> [beginning 'The reconciliations in (e) and (f)...'] contains less onerous disclosure requirements than full IFRS. Based on the reasoning in paragraph IN3 of the Appendix, the first sentence of the last full sub-paragraph of paragraph 28.41 of the <i>IFRS for SMEs</i> should be added to the RDR.</p> <p>The remainder of the last full sub-paragraph of paragraph 28.41 of the <i>IFRS for SMEs</i> [beginning 'A subsidiary...'] has no equivalent in AASB 119 and is more onerous than the requirements under full IFRS. Based on the reasoning in paragraph IN4 of the Appendix, the remainder of the last full sub-paragraph of paragraph 28.41 of the <i>IFRS for SMEs</i> should not be added to the RDR.</p>

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<p>basis for future benefit increases);</p> <ul style="list-style-type: none"> (v) medical cost trend rates; and (vi) any other material actuarial assumptions used. <p>An entity shall disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables;</p> <ul style="list-style-type: none"> (o) the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on: <ul style="list-style-type: none"> (i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and (ii) the accumulated post-employment benefit obligation for medical costs. <p>For the purpose of this disclosure, all other assumptions shall be held constant. For plans operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment;</p> <ul style="list-style-type: none"> (p) the amounts for the current annual reporting period and previous four annual reporting periods of: <ul style="list-style-type: none"> (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the 		

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<p>plan; and</p> <p>(ii) the experience adjustments arising on:</p> <p>(A) the plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the end of the reporting period; and</p> <p>(B) the plan assets expressed either as (1) an amount or (2) a percentage of the plan assets at the end of the reporting period;</p> <p>(q) the employer’s best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual reporting period beginning after the end of the reporting period.</p>		
<p>121 Paragraph 120A(b) requires a general description of the type of plan. Such a description distinguishes, for example, flat salary pension plans from final salary pension plans and from post-employment medical plans. The description of the plan shall include informal practices that give rise to constructive obligations included in the measurement of the defined benefit obligation in accordance with paragraph 52. Further detail is not required.</p>		<p>Paragraph 121 provides guidance on how to make the disclosures required under paragraph 120A(b). Based on the reasoning in paragraph IN7 of the Appendix, paragraph 121 should be retained in the RDR.</p>
<p>124 Where required by AASB 124 an entity discloses information about:</p> <p>(a) related party transactions with post-employment benefit plans; and</p> <p>(b) post-employment benefits for key management personnel.</p>		<p>Paragraph 124 provides guidance in relation to potential related party disclosures under AASB 124. The ED proposes to retain paragraphs 17 and 18 of AASB 124, which require the disclosure of related party transactions and key management personnel</p>

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		compensation, in the RDR. Based on the reasoning in paragraph IN7 of the Appendix, paragraph 124 should be retained in the RDR.
125 Where required by AASB 137 an entity discloses information about contingent liabilities arising from post-employment benefit obligations.		Paragraph 125 provides guidance in relation to potential contingent liability disclosures under AASB 137. The ED proposes to retain paragraph 86 of AASB 137, which requires the disclosure of information in relation to contingent liabilities, in the RDR. Based on the reasoning in paragraph IN7 of the Appendix, paragraph 125 should be retained in the RDR.
<p>Other Long-term Employee Benefits</p> <p>Disclosure</p> <p>131 Although this Standard does not require specific disclosures about other long-term employee benefits, other Australian Accounting Standards may require disclosures, for example, where the expense resulting from such benefits is material and so would require disclosure in accordance with AASB 101. When required by AASB 124 an entity discloses information about other long-term employee benefits for key management personnel.</p>	<p>Disclosures about other long-term benefits</p> <p>28.42 For each category of other long-term benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.</p>	Paragraph 28.42 of the <i>IFRS for SMEs</i> requires more detailed disclosures than paragraph 131. Based on the reasoning in paragraph IN4 of the Appendix, paragraph 131 should be retained in the RDR.
<p>Termination Benefits</p> <p>Disclosure</p> <p>141 Where there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. As required by</p>	<p>Disclosures about termination benefits</p> <p>28.44 When there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. Section 21 <i>Provisions and Contingencies</i> requires an entity to</p>	Paragraph 141 and paragraph 28.44 of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2, paragraph 141 should be retained in the RDR.

Text in AASB 119	Text in <i>IFRS for SMEs</i> Section 28	Comment
AASB 137 an entity discloses information about the contingent liability unless the possibility of an outflow in settlement is remote.	disclose information about its contingent liabilities unless the possibility of an outflow in settlement is remote.	
142 As required by AASB 101, an entity discloses the nature and amount of an expense if it is material. Termination benefits may result in an expense needing disclosure in order to comply with this requirement.	28.43 For each category of termination benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, its accounting policy, and the amount of its obligation and the extent of funding at the reporting date.	Paragraph 142 and paragraph 28.43 of the <i>IFRS for SMEs</i> correspond. Based on the reasoning in paragraph IN2, paragraph 142 should be retained in the RDR.
143 Where required by AASB 124 an entity discloses information about termination benefits for key management personnel.		Paragraph 143 has no equivalent in the <i>IFRS for SMEs</i> . Based on the reasoning in paragraph IN3 of the Appendix, paragraph 143 should be excluded from the RDR. In addition, the ED proposes to exclude from the RDR the requirement in paragraph 17 of AASB 124 to separately disclose termination benefits for key management personnel.

3. AASB 119 *Employee Benefits*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 119 *Employee Benefits*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Short-term Employee Benefits

Disclosure

23. Although this Standard does not require specific disclosures about short-term employee benefits, other Australian Accounting Standards may require disclosures. For example, AASB 124 requires disclosure about employee benefits for key management personnel. AASB 101 *Presentation of Financial Statements* requires disclosure of employee benefits expense.

Multi-employer Plans

- 29 **An entity shall classify a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). Where a multi-employer plan is a defined benefit plan, an entity shall:**

- (a) **account for its proportionate share of the defined benefit obligation, *plan assets* and cost associated with the plan in the same way as for any other defined benefit plan; and**
- (b) **disclose the information required by paragraph 120A.**

- 30 **When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall:**

- (a) **account for the plan under paragraphs 44-46 as if it were a defined contribution plan;**
- (b) **disclose:**
 - (i) **the fact that the plan is a defined benefit plan; and**
 - (ii) **the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and**
- (c) **to the extent that a surplus or deficit in the plan may affect the amount of future contributions, disclose in addition:**
 - (i) **any available information about that surplus or deficit;**
 - (ii) **the basis used to determine that surplus or deficit; and**
 - (iii) **the implications, if any, for the entity.**

- 34B Participation in such a plan is a related party transaction for each individual group entity. An entity shall therefore, in its separate or individual financial statements, make the following disclosures:

- (a) **the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy;**
- (b) **the policy for determining the contribution to be paid by the entity;**

- (c) if the entity accounts for an allocation of the net defined benefit cost in accordance with paragraph 34A, all the information about the plan as a whole in accordance with paragraphs 120-121; and
- (d) if the entity accounts for the contribution payable for the period in accordance with paragraph 34A, the information about the plan as a whole required in accordance with paragraphs 120A(b)-(e), (j), (n), (o), (q) and 121. The other disclosures required by paragraph 120A do not apply.

....

State Plans

- 36 An entity shall account for a state plan in the same way as for a multi-employer plan (see paragraphs 29 and 30).**

Insured Benefits

- 39 An entity may pay insurance premiums to fund a post-employment benefit plan. The entity shall treat such a plan as a defined contribution plan unless the entity will have (either directly, or indirectly through the plan) a legal or constructive obligation to either:**

- (a) pay the employee benefits directly when they fall due; or
- (b) pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods.

If the entity retains such a legal or constructive obligation, the entity shall treat the plan as a defined benefit plan.

Post-employment Benefits: Defined Contribution Plans

Disclosure

- 46. An entity shall disclose the amount recognised as an expense for defined contribution plans.**

47. Where required by AASB 124 an entity discloses information about contributions to defined contribution plans for key management personnel.

Post-employment Benefits: Defined Benefit Plans

Disclosure

- 120. An entity shall disclose information that enables users of financial reports to evaluate the nature of its defined benefit plans and the financial effects of changes in those plans during the period.**

- 120A. An entity shall disclose the following information about defined benefit plans:**

- (a) the entity's accounting policy for recognising actuarial gains and losses;
- (b) a general description of the type of plan;
- (c) a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:
 - (i) current service cost;
 - (ii) interest cost;

- (iii) contributions by plan participants;**
 - (iv) actuarial gains and losses;**
 - (v) foreign currency exchange rate changes in plans measured in a currency different from the entity's presentation currency;**
 - (vi) benefits paid;**
 - (vii) past service cost;**
 - (viii) business combinations;**
 - (ix) curtailments; and**
 - (x) settlements;**
- (d) an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded;**
- (e) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A showing separately, if applicable, the effects during the period attributable to each of the following:**
 - (i) expected return on plan assets;**
 - (ii) actuarial gains and losses;**
 - (iii) foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency;**
 - (iv) contributions by the employer;**
 - (v) contributions by plan participants;**
 - (vi) benefits paid;**
 - (vii) business combinations; and**
 - (viii) settlements;**
- (f) a reconciliation of the present value of the defined benefit obligation in (c) and the fair value of the plan assets in (e) to the assets and liabilities recognised in the statement of financial position, showing at least:**
 - (i) the net actuarial gains or losses not recognised in the statement of financial position (see paragraph 92);**
 - (ii) the past service cost not recognised in the statement of financial position (see paragraph 96);**
 - (iii) any amount not recognised as an asset, because of the limit in paragraph 58(b);**
 - (iv) the fair value at the reporting date of any reimbursement right recognised as an asset in accordance with paragraph 104A (with a brief description of the link between the reimbursement right and the related obligation); and**
 - (v) the other amounts recognised in the statement of financial position;**

- (g) the total expense recognised in profit or loss for each of the following, and the line item(s) in which they are included:**
 - (i) current service cost;**
 - (ii) interest cost;**
 - (iii) expected return on plan assets;**
 - (iv) expected return on any reimbursement right recognised as an asset in accordance with paragraph 104A;**
 - (v) actuarial gains and losses;**
 - (vi) past service cost;**
 - (vii) the effect of any curtailment or settlement; and**
 - (viii) the effect of the limit in paragraph 58(b);**
- (h) the total amount recognised in other comprehensive income for each of the following:**
 - (i) actuarial gains and losses; and**
 - (ii) the effect of the limit in paragraph 58(b);**
- (i) for entities that recognise actuarial gains and losses in other comprehensive income in accordance with paragraph 93A, the cumulative amount of actuarial gains and losses recognised in other comprehensive income;**
- (j) for each major category of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total plan assets;**
- (k) the amounts included in the fair value of plan assets for:**
 - (i) each category of the entity's own financial instruments; and**
 - (ii) any property occupied by, or other assets used by, the entity;**
- (l) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets;**
- (m) the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset in accordance with paragraph 104A;**
- (n) the principal actuarial assumptions used as at the reporting date, including, when applicable:**
 - (i) the discount rates;**
 - (ii) the expected rates of return on any plan assets for the periods presented in the financial report;**
 - (iii) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset in accordance with paragraph 104A;**

- (iv) the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases);
- (v) medical cost trend rates; and
- (vi) any other material actuarial assumptions used.

An entity shall disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables;

- (o) the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:
 - (i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and
 - (ii) the accumulated post-employment benefit obligation for medical costs.

For the purpose of this disclosure, all other assumptions shall be held constant. For plans operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment;
- (p) the amounts for the current annual reporting period and previous four annual reporting periods of:
 - (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and
 - (ii) the experience adjustments arising on:
 - (A) the plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the end of the reporting period; and
 - (B) the plan assets expressed either as (1) an amount or (2) a percentage of the plan assets at the end of the reporting period;
- (q) the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual reporting period beginning after the end of the reporting period.

RDR120A.1 The reconciliations in 120A(c) and 120A(e) above need not be presented for prior periods.

121. Paragraph 120A(b) requires a general description of the type of plan. Such a description distinguishes, for example, flat salary pension plans from final salary pension plans and from post-employment medical plans. The description of the plan shall include informal practices that give rise to constructive obligations included in the measurement of the defined benefit obligation in accordance with paragraph 52. Further detail is not required.

124. Where required by AASB 124 an entity discloses information about:

- (a) related party transactions with post-employment benefit plans; and
- (b) post-employment benefits for key management personnel.

125. Where required by AASB 137 an entity discloses information about contingent liabilities arising from post-employment benefit obligations.

Other Long-term Employee Benefits

Disclosure

131. Although this Standard does not require specific disclosures about other long-term employee benefits, other Australian Accounting Standards may require disclosures, for example, where the expense resulting from such benefits is material and so would require disclosure in accordance with AASB 101. When required by AASB 124 an entity discloses information about other long-term employee benefits for key management personnel.

Termination Benefits

Disclosure

141. Where there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. As required by AASB 137 an entity discloses information about the contingent liability unless the possibility of an outflow in settlement is remote.
142. As required by AASB 101, an entity discloses the nature and amount of an expense if it is material. Termination benefits may result in an expense needing disclosure in order to comply with this requirement.
143. Where required by AASB 124 an entity discloses information about termination benefits for key management personnel.