International Financial Reporting Standard

Employee Benefits

June 2011

IMPLEMENTATION GUIDANCE – AMENDMENTS

[IFRS 1 and IAS 1 & 34 and IFRIC 14]

[Related to AASB 2011-10]

Amendments to guidance on other IFRSs

These amendments to guidance on IFRSs are necessary in order to ensure consistency with the amendments to IAS 19. *In the amended paragraphs, new text is underlined and deleted text is struck through.*

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IGA1 In the guidance on implementing IFRS 1, paragraph IG18 is deleted.

IAS 1 *Presentation of Financial Statements*

IGA2 In the guidance on implementing IAS 1, in the illustrative financial statements in part 1, 'Actuarial gains (losses) on' is replaced by 'Remeasurements of', and in footnote (k) 'actuarial gains on' and in footnote (l) 'actuarial losses on' are replaced by 'remeasurements of '.

IAS 34 *Interim Financial Reporting*

IGA3 In the illustrative examples of applying the recognition and measurement principles paragraphs B9 and B10 are amended as follows:

B9 Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for ~~significant curtailments, settlements, or other~~ significant ~~one-time~~ one-off events, such as plan amendments, curtailments and settlements.

B10 Accumulating ~~compensated~~ paid absences are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. IAS 19 *Employee Benefits* requires that an entity measure the expected cost of and obligation for accumulating ~~compensated~~ paid absences at the amount the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. That principle is also applied at the end of interim financial reporting periods. Conversely, an entity recognises no expense or liability for non-accumulating ~~compensated~~ paid absences at the end of an interim reporting period, just as it recognises none at the end of an annual reporting period.

IFRC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IGA4 In Example 1 of the illustrative examples accompanying IFRIC 14, the table following paragraph IE1 and paragraph IE2 are amended as follows:

Market value of assets	1,200
Present value of defined benefit obligation under IAS 19	(1,100)
Surplus	100
~~Defined benefit asset (before consideration of the minimum funding requirement)[(a)]~~	~~100~~

~~(a) For simplicity, it is assumed that there are no unrecognised amounts.~~

Application of requirements

IE2 Paragraph 24 of IFRIC 14 requires the entity to recognise a liability to the extent that the contributions payable are not fully available. Payment of the contributions of 200 will increase the IAS 19 surplus from 100 to 300. Under the rules of the plan this amount will be fully refundable to the entity with no associated costs. Therefore, no liability is recognised for the obligation to pay the contributions <u>and the net defined benefit asset is 100</u>.

IGA5 In Example 2, the table following paragraph IE3 and paragraphs IE7 and IE8 are amended and the table following paragraph IE7 is replaced as follows:

Market value of assets	1,000
Present value of defined benefit obligation under IAS 19	(1,100)
Deficit	(100)
~~Defined benefit (liability) (before consideration of the minimum funding requirement)[(a)]~~	~~(100)~~

~~(a) For simplicity, it is assumed that there are no unrecognised amounts.~~

IE7 Therefore, the net defined benefit liability is 180, comprising the deficit of 100 plus the additional liability of 80 resulting from the requirements in paragraph 24 of IFRIC 14. ~~the entity increases the defined benefit liability by 80. As required by paragraph 26 of IFRIC 14, 80 is recognised immediately in accordance with the entity's adopted policy for recognising the effect of the limit in paragraph 58 and the entity recognises a net liability of 180 in the statement of financial position.~~ No other liability is recognised in respect of the statutory obligation to pay contributions of 300.

Summary

Market value of assets	1,000
Present value of defined benefit obligation under IAS 19	(1,100)
Deficit	(100)
Effect of the asset ceiling	(80)
Net defined benefit liability	(180)

IE8 When the contributions of 300 are paid, the net defined benefit asset ~~recognised in the statement of financial position~~ will be 120.

IGA6 In Example 3, paragraphs IE10, IE14 and IE19–IE21 and the table following paragraph IE20 are amended as follows:

IE10 Plan C also has an IAS 19 surplus at the end of the reporting period of 50, which cannot be refunded to the entity under any circumstances. ~~There are no unrecognised amounts.~~

IE14 When these contributions are paid into the plan, ~~the present value of~~ the IAS 19 surplus (ie the fair value of assets less the present value of the defined benefit obligation) would, other things being equal, increase from 50 to 350 (300 + 50).

IE19 Paragraph 24 of IFRIC 14 requires the entity to recognise a liability to the extent that the additional contributions payable will not be fully available. Therefore, the ~~entity reduces the defined benefit asset by~~ effect of the asset ceiling is 294 (50 + 300 − 56).

IE20 ~~As required by paragraph 26 of IFRIC 14, the 294 is recognised immediately in accordance with the entity's adopted policy for recognising the effect of the limit in paragraph 58 and~~ T~~t~~he entity recognises a net defined benefit liability of 244 in the statement of financial position. No other liability is recognised in respect of the obligation to make contributions to fund the minimum funding shortfall.

Summary

Surplus	50
Net ~~D~~defined benefit asset (before consideration of the minimum funding requirement)	50
~~Adjustment in respect of minimum funding requirement~~ Effect of the asset ceiling	(294)
Net defined benefit liability ~~recognised in the statement of financial position[(a)]~~	(244)

~~(a) For simplicity, it is assumed that there are no unrecognised amounts.~~

IE21 When the contributions of 300 are paid into the plan, the net defined benefit asset ~~recognised in the statement of financial position~~ will become 56 (300 – 244).

IGA7 In Example 4, paragraphs IE23 and IE27 are amended as follows:

IE23 Plan D has an IAS 19 surplus of 35 at the beginning of 20X1. ~~There are no cumulative unrecognised net actuarial losses and past service costs.~~ This example assumes that the discount rate and expected return on assets are 0 per cent, and that the plan cannot refund the surplus to the entity under any circumstances but can use the surplus for reductions of future contributions.

IE27 Assuming a discount rate of 0 per cent, the present value of the economic benefit available as a reduction in future contributions is equal to 30. Thus in accordance with paragraph ~~58~~ 64 of IAS 19 the entity recognises a~~n~~ net defined benefit asset of 30 (because this is lower than the IAS 19 surplus of 65).