

Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement

[AASB 119]



Australian Government

**Australian Accounting
Standards Board**

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Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007
AUSTRALIA

Phone: (03) 9617 7600
E-mail: standard@aaasb.gov.au
Website: www.aasb.gov.au

Other enquiries

Phone: (03) 9617 7600
E-mail: standard@aaasb.gov.au

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ACCOUNTING STANDARD

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CURTAILMENT OR SETTLEMENT**

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AVAILABLE ON THE AASB WEBSITE

IASB Basis for Conclusions – Amendments

Australian Accounting Standard AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement* is set out on pages 5 – 7. All the paragraphs have equal authority.

Preface

Standards amended by AASB 2018-2

This Standard makes amendments to AASB 119 *Employee Benefits* (August 2015).

These amendments arise from the issuance of International Financial Reporting Standard *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19) by the International Accounting Standards Board (IASB) in February 2018.

Main features of this Standard

Main requirements

The Standard amends AASB 119 to specify how an entity accounts for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments require an entity to use the assumptions used for the remeasurement of the net defined benefit liability or asset to determine the current service cost and the net interest for the remainder of the reporting period after a plan event occurs. The Standard also clarifies that, when a plan event occurs, an entity recognises the past service cost or a gain or loss on settlement separately from its assessment of the asset ceiling.

Application date

This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

Accounting Standard AASB 2018-2

The Australian Accounting Standards Board makes Accounting Standard AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement* under section 334 of the *Corporations Act 2001*.

Dated 23 March 2018

Kris Peach
Chair – AASB

Accounting Standard AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*

Objective

This Standard amends Australian Accounting Standard AASB 119 *Employee Benefits* (August 2015) as a consequence of the issuance of International Financial Reporting Standard *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19) by the International Accounting Standards Board in February 2018.

Application

The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 119 set out in AASB 1057 *Application of Australian Accounting Standards* (as amended).

This Standard applies to annual reporting periods beginning on or after 1 January 2019.

This Standard may be applied to annual reporting periods beginning before 1 January 2019. When an entity applies this Standard to such an annual period, it shall disclose that fact.

This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to AASB 119

Paragraphs 101A, 122A, 123A and 179 are added and paragraphs 57, 99, 120, 123, 125, 126 and 156 are amended. A heading is added before paragraph 122A. New text is underlined and deleted text is struck through.

Post-employment benefits: defined benefit plans

...

Recognition and measurement

...

57 Accounting by an entity for defined benefit plans involves the following steps:

...

- (c) determining amounts to be recognised in profit or loss:
 - (i) current service cost (see paragraphs 70–74 and paragraph 122A).

...

...

Past service cost and gains and losses on settlement

99 ~~Before~~ When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions, ~~(including current market interest rates and other current market prices),~~ reflecting:

- (a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and
- (b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

...

101A When a plan amendment, curtailment or settlement occurs, an entity shall recognise and measure any past service cost, or a gain or loss on settlement, in accordance with paragraphs 99–101 and paragraphs 102–112. In doing so, an entity shall not consider the effect of the asset ceiling. An entity shall then determine the effect of the asset ceiling after the plan amendment, curtailment or settlement and shall recognise any change in that effect in accordance with paragraph 57(d).

...

Components of defined benefit cost

120 An entity shall recognise the components of defined benefit cost, except to the extent that another Australian Accounting Standard requires or permits their inclusion in the cost of an asset, as follows:

- (a) service cost (see paragraphs 66–112 and paragraph 122A) in profit or loss;

...

Current service cost

122A An entity shall determine current service cost using actuarial assumptions determined at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 99, it shall determine current service cost for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with paragraph 99(b).

Net interest on the net defined benefit liability (asset)

123 ~~An entity shall determine Net interest on the net defined benefit liability (asset) shall be determined by multiplying the net defined benefit liability (asset) by the discount rate specified in paragraph 83, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.~~

123A To determine net interest in accordance with paragraph 123, an entity shall use the net defined benefit liability (asset) and the discount rate determined at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 99, the entity shall determine net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using:

- (a) the net defined benefit liability (asset) determined in accordance with paragraph 99(b); and
- (b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with paragraph 99(b).

In applying paragraph 123A, the entity shall also take into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

...

125 Interest income on plan assets is a component of the return on plan assets, and is determined by multiplying the fair value of the plan assets by the discount rate specified in paragraph ~~123A, 83, both as determined~~ An entity shall determine the fair value of the plan assets at the start of the annual reporting period, ~~taking account of any changes in the plan assets held during the period as a result of contributions and benefit payments.~~ However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 99, the entity shall determine interest income for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the plan assets used to remeasure the net defined

benefit liability (asset) in accordance with paragraph 99(b). In applying paragraph 125, the entity shall also take into account any changes in the plan assets held during the period resulting from contributions or benefit payments. The difference between the interest income on plan assets and the return on plan assets is included in the remeasurement of the net defined benefit liability (asset).

- 126 Interest on the effect of the asset ceiling is part of the total change in the effect of the asset ceiling, and is determined by multiplying the effect of the asset ceiling by the discount rate specified in paragraph 123A, 83, both as determined at the start of the annual reporting period. An entity shall determine the effect of the asset ceiling at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 99, the entity shall determine interest on the effect of the asset ceiling for the remainder of the annual reporting period after the plan amendment, curtailment or settlement taking into account any change in the effect of the asset ceiling determined in accordance with paragraph 101A. The difference between ~~that amount~~ interest on the effect of the asset ceiling and the total change in the effect of the asset ceiling is included in the remeasurement of the net defined benefit liability (asset).

...

Other long-term employee benefits

...

Recognition and measurement

...

- 156 For other long-term employee benefits, an entity shall recognise the net total of the following amounts in profit or loss, except to the extent that another Australian Accounting Standard requires or permits their inclusion in the cost of an asset:

(a) service cost (see paragraphs 66–112 and paragraph 122A);

...

Transition and effective date

...

- 179 AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement, issued in March 2018, added paragraphs 101A, 122A and 123A, and amended paragraphs 57, 99, 120, 123, 125, 126 and 156. An entity shall apply these amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments earlier, it shall disclose that fact.

Commencement of the legislative instrument

For legal purposes, this legislative instrument commences on 31 December 2018.