

# Technical Accounting Alert

## Amendments to IAS 19

### Introduction

The purpose of this alert is to provide a brief summary of the changes to be made to IAS 19 by the IASB.

### Relevant Australian Standards

References in this TA alert are made to standards issued by the International Accounting Standards Board. The Australian equivalent to each standard included in this alert is shown below:

International Standard reference	Australian equivalent standard
IAS 19 Employee Benefits	AASB 119 Presentation of Financial Statements

### Changes made by the Amendments to IAS 19

The IASB has issued an amended version of IAS 19 *Employee Benefits*, which includes a number of targeted improvements throughout the Standard.

#### The main changes

The main changes improve the comparability and understandability of changes arising from defined benefit plans by removing options and requiring entities to recognise changes immediately. This is intended to provide users of financial statements with a much clearer picture of an entity's obligations resulting from the provision of defined benefit plans and how those obligations will affect the entity. The amended version does this by:

- eliminating the 'corridor method' which allowed entities the option to defer the recognition of gains and losses
- streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations
- enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

#### Other changes

In addition to these major changes, the amended version of IAS 19 makes changes to a number of other areas.

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These include:

- more closely aligning the accounting for plan amendments, curtailments, settlements, termination benefits and restructurings
- miscellaneous clarifications, including:
  - the classification of short-term and long-term employee benefits is based on the timing of expected settlement
  - the mortality assumptions used to determine the defined benefit obligation are the current estimates of expected mortality rates
  - the allocation of tax and administration costs between the costs of the plan and a reduction of plan assets
  - the impact of risk-sharing and conditional indexation features
- some matters that had been submitted to the IFRIC for interpretation (special wage taxes, treatment of employee contributions, pension promises based on performance hurdles, and settlements).

#### **Effective date**

The amended version of IAS 19 is effective for financial years beginning on or after 1 January 2013. Earlier application is permitted.

#### **Grant Thornton comment**

We support the elimination of the 'corridor' mechanism for smoothing the impact of actuarial gains or losses. We also support the recognition of remeasurement components in other comprehensive income (OCI). Having said this, our support is in the context of this being a short-term measure to improve the Standard, as we currently see no clear conceptual.

#### **Further information**

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team at [NAS@grantthornton.com.au](mailto:NAS@grantthornton.com.au)