

AASB Standard

AASB 2011-10
September 2011

**Amendments to Australian
Accounting Standards
arising from AASB 119
(September 2011)**

**[AASB 1, AASB 8, AASB 101,
AASB 124, AASB 134, AASB 1049
& AASB 2011-8 and
Interpretation 14]**



Australian Government

**Australian Accounting
Standards Board**

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Australian Accounting Standard AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* is set out in paragraphs 1 – 23. All the paragraphs have equal authority.

PREFACE

Standards Amended by AASB 2011-10

This Standard makes amendments to the following Australian Accounting Standards and Interpretation:

1. AASB 1 *First-time Adoption of Australian Accounting Standards*
2. AASB 8 *Operating Segments*
3. AASB 101 *Presentation of Financial Statements*
4. AASB 124 *Related Party Disclosures*
5. AASB 134 *Interim Financial Reporting*
6. AASB 1049 *Whole of Government and General Government Sector Financial Reporting*
7. AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
8. Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

These amendments arise from the issuance of AASB 119 *Employee Benefits* in September 2011.

ACCOUNTING STANDARD AASB 2011-10

The Australian Accounting Standards Board makes Accounting Standard AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* under section 334 of the *Corporations Act 2001*.

Dated 5 September 2011

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 2011-10

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 119 (SEPTEMBER 2011)

Objective

- 1 The objective of this Standard is to make amendments to:
- (a) AASB 1 *First-time Adoption of Australian Accounting Standards*;
 - (b) AASB 8 *Operating Segments*;
 - (c) AASB 101 *Presentation of Financial Statements*;
 - (d) AASB 124 *Related Party Disclosures*;
 - (e) AASB 134 *Interim Financial Reporting*;
 - (f) AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;
 - (g) AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*; and
 - (h) Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*;
- as a consequence of the issuance of AASB 119 *Employee Benefits* in September 2011.

Application

- 2 Subject to paragraphs 3–6, this Standard applies to:**
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
 - (b) general purpose financial statements of each other reporting entity; and**
 - (c) financial statements that are, or are held out to be, general purpose financial statements.**
- 3 In respect of AASB 8, this Standard applies to:**
- (a) each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
 - (b) general purpose financial statements of each other for-profit reporting entity other than for-profit government departments; and**
 - (c) financial statements of a for-profit entity other than for-profit government departments that are, or are held out to be, general purpose financial statements.**
- 4 In respect of AASB 101, this Standard applies to:**
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;**
 - (b) general purpose financial statements of each reporting entity; and**
 - (c) financial statements that are, or are held out to be, general purpose financial statements.**
- 5 In respect of AASB 134, this Standard applies to:**
- (a) each disclosing entity required to prepare half-year financial reports in accordance with Part 2M.3 of the Corporations Act;**

- (b) interim financial reports that are general purpose financial statements of each other reporting entity; and
 - (c) interim financial reports that are, or are held out to be, general purpose financial statements.
- 6 In respect of AASB 1049, this Standard applies to each government's whole of government general purpose financial statements and General Government Sector financial statements.
- 7 This Standard applies to annual reporting periods beginning on or after 1 January 2013.
- 8 This Standard shall be applied when AASB 119 (September 2011) is applied. This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013 provided AASB 119 (September 2011) is applied for the same period. If an entity applies this Standard to such an annual reporting period, it shall disclose that fact.
- 9 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard or an Interpretation, 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.

Amendments to AASB 1

- 10 Paragraph 39L is added as follows:
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* amended paragraph D1, deleted paragraphs D10 and D11 and added paragraph E5. An entity shall apply those amendments when it applies AASB 119 (September 2011).
- 11 In Appendix D (Exemptions from other Australian Accounting Standards), the heading above paragraph D10 and paragraphs D10 and D11 are deleted and paragraph D1 is amended (new text is underlined and deleted text is struck through) as follows:
- D1 An entity may elect to use one or more of the following exemptions:
- (a) ...

(e) ~~[deleted by the IASB] employee benefits (paragraphs D10 and D11);~~

(f) ...

12 In Appendix E (Short-term exemptions from Australian Accounting Standards), a heading and paragraph E5 are added as follows:

Employee benefits

E5 A first-time adopter may apply the transition provisions in paragraph 173(b) of AASB 119.

Amendment to AASB 8

13 Paragraph 24 is amended (new text is underlined and deleted text is struck through) as follows:

24 An entity shall disclose the following about each reportable segment if the specified amounts are included in the measure of segment assets reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment assets:

(a) ...

(b) the amounts of additions to non-current assets¹ other than financial instruments, deferred tax assets, ~~post-employment~~ net defined benefit assets (see AASB 119 *Employee Benefits* ~~paragraphs 54–58~~) and rights arising under insurance contracts.

[footnote omitted]

Amendments to AASB 101

14 In paragraph 7, the definition of ‘other comprehensive income’ is amended (new text is underlined and deleted text is struck through) as follows:

7 ...

***Other comprehensive income* comprises items of income and expense (including reclassification adjustments) that are**

not recognised in profit or loss as required or permitted by other Australian Accounting Standards.

The components of other comprehensive income include:

- (a) changes in revaluation surplus (see AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*);
- (b) remeasurements of actuarial gains and losses on defined benefit plans recognised in accordance with paragraph 93A of (see AASB 119 *Employee Benefits*);
- (c) ...

15 Paragraph 96 is amended (new text is underlined and deleted text is struck through), and paragraph 139K is added as follows:

96 Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with AASB 116 or AASB 138 or on remeasurements of actuarial gains and losses on defined benefit plans recognised in accordance with paragraph 93A of AASB 119. These components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Changes in revaluation surplus may be transferred to retained earnings in subsequent periods as the asset is used or when it is derecognised (see AASB 116 and AASB 138). ~~Actuarial gains and losses are reported in retained earnings in the period that they are recognised as other comprehensive income (see AASB 119).~~

139K AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* amended the definition of 'other comprehensive income' in paragraph 7 and paragraph 96. An entity shall apply those amendments when it applies AASB 119 (September 2011).

Amendment to AASB 124

16 Paragraph 22 is amended (new text is underlined and deleted text is struck through) as follows:

22 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph ~~34B~~ 42 of AASB 119 (September 2011)).

Amendments to AASB 134

- 17 In the Illustrative Examples accompanying AASB 134, paragraphs B9 and B10 are amended (new text is underlined and deleted text is struck through) as follows:
- B9 Pension cost for an interim period is calculated on an annual reporting period-to-date basis by using the actuarially determined pension cost rate at the end of the prior annual reporting period, 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~~ 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. AASB 119 *Employee Benefits* requires that an entity measure the expected cost of and obligation for accumulating ~~compensated paid~~ 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~~ paid absences at the end of an interim reporting period, just as it recognises none at the end of an annual reporting period.

Amendments to AASB 1049

- 18 Paragraphs 14 and 31 are amended (new text is underlined and deleted text is struck through) as follows:
- 14 Examples of particular optional treatments in Australian Accounting Standards that paragraph 13 of this Standard has the effect of limiting, include:
- (a) ...
- (c) ~~actuarial gains and losses relating to defined benefit superannuation plans that may be recognised in full through operating result (which is part of comprehensive result), recognised in full through other non-owner changes in equity (which is also part of comprehensive result), or partially deferred using a 'corridor approach' under AASB 119 *Employee Benefits*. For the purpose of this Standard, the option to partially defer using a~~

~~‘corridor approach’ is not available because it is not acceptable under the ABS GFS Manual. The other two options are available; [deleted]~~

(d) ...

31 The following examples illustrate how the approach in paragraph 30 applies to particular items:

(a) in both a whole of government and GGS financial reporting context:

(i) ...

(iii) ~~actuarial gains and losses~~ remeasurements of the defined benefit liability (asset) relating to defined benefit superannuation plans are classified as other economic flows, ~~irrespective of whether they are included in the calculation of operating result or the other non-owner changes in equity section of the statement of comprehensive income;~~

(iv) ...

19 Paragraph 34 is deleted and a note added as follows:

34 ~~As noted in paragraph 14(c), actuarial gains and losses relating to defined benefit superannuation plans may be recognised in full either through operating result or in full through other non-owner changes in equity. [Deleted]~~

20 In the Illustrative Examples accompanying AASB 1049, Illustrative Example A is amended (new text is underlined and deleted text is struck through) as follows:

ILLUSTRATIVE EXAMPLE A

...
Statement of Comprehensive Income for the Whole of Government of the ABC Government for the Year Ended 30 June 20XX

Notes \$m

...

Other Economic Flows – Included in Operating Result

...

Net actuarial gains ^{††} Remeasurements of the <u>defined benefit liability</u>	866
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...

^{††} Explanatory note: As noted in paragraph 14(c) of this Standard, an alternative treatment of net actuarial gains relating to defined benefit superannuation plans [consistent with paragraph 93B of AASB 119 *Employee Benefits*] would be to recognise them in full through other non-owner changes in equity (which is part of comprehensive result).

...

**R1 Statement of Comprehensive Income for the Whole of
Government by Sector of the ABC Government for the Year
Ended 30 June 20XX**

Notes	GGS \$m	PNFC sector \$m	PFC sector \$m	Eliminations \$m	Whole of Government \$m
...					
Net actuarial gains <u>Remeasurements of the defined benefit liability</u>	840	21	5	–	866

...

- 21 Illustrative Example B is amended (new text is underlined and deleted text is struck through) as follows:

ILLUSTRATIVE EXAMPLE B

**Statement of Comprehensive Income for the General Government
Sector of the ABC Government for the Year Ended 30 June 20XX**

Notes	\$m
...	
Other Economic Flows – Included in Operating Result	
...	
Net actuarial gains ^{††} Remeasurements of the <u>defined benefit liability</u>	840

...

^a Explanatory note: As noted in paragraph 14(c) of this Standard, an alternative treatment of net actuarial gains relating to defined benefit superannuation plans [consistent with paragraph 93B of AASB 119 *Employee Benefits*] would be to recognise them in full through other non-owner changes in equity (which is part of comprehensive result).

...

Amendments to AASB 2011-8

22 Paragraphs 52 and 53 are amended (new text is underlined and deleted text is struck through) as follows:

52 Paragraphs ~~50 and 102~~ are 113 is amended as follows:

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

(a) ~~...~~

(c) ~~determining measuring the fair value of any plan assets (see paragraphs 102–104);~~

(d) ~~...~~

...

~~102~~ 113 The fair value of any plan assets is deducted in determining the deficit or surplus amount recognised in the statement of financial position in accordance with under paragraph 54. ~~When no market price is available, the fair value of plan assets is estimated; for example, by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligation).~~

53 Paragraph ~~162~~ 174 is added as follows:

~~162~~ 174 AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*, issued in September 2011, amended the definition of fair value in paragraph ~~7~~ 8 and amended paragraphs ~~50 and 102~~ 113. An entity shall apply those amendments when it applies AASB 13.

Amendments to Interpretation 14

- 23 Paragraphs 25 and 26 are deleted, paragraphs 1, 6, 17 and 24 are amended (new text is underlined and deleted text is struck through) and paragraph 27C is added as follows:
- 1 Paragraph ~~58~~ 64 of Accounting Standard AASB 119 *Employee Benefits* limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. Paragraph 8 of AASB 119 defines the asset ceiling as 'the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan' ~~plus unrecognised gains and losses~~. Questions have arisen about when refunds or reductions in future contributions should be regarded as available, particularly when a minimum funding requirement exists.
- 6 The issues addressed in this Interpretation are:
- (a) when refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling in paragraph 8 ~~paragraph 58~~ of AASB 119;
- (b) ...
- 17 An entity shall determine the future service costs using assumptions consistent with those used to determine the defined benefit obligation and with the situation that exists at the end of the reporting period as determined by AASB 119. Therefore, an entity shall assume no change to the benefits to be provided by a plan in the future until the plan is amended and shall assume a stable workforce in the future unless the entity ~~is demonstrably committed at the end of the reporting period to~~ makes a reduction in the number of employees covered by the plan. In the latter case, the assumption about the future workforce shall include the reduction. ...
- 24 To the extent that the contributions payable will not be available after they are paid into the plan, the entity shall recognise a liability when the obligation arises. The liability shall reduce the net defined benefit asset or increase the net defined benefit liability so that no gain or loss is expected to result from applying paragraph ~~58~~ 64 of AASB 119 when the contributions are paid.

27C AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* amended paragraphs 1, 6, 17 and 24 and deleted paragraphs 25 and 26. An entity shall apply those amendments when it applies AASB 119 (September 2011).

- 7 In the Illustrative Examples accompanying Interpretation 14, Illustrative Examples 1–4 are amended (new text is underlined and deleted text is struck through) as follows:

IE1 ...

Market value of assets	1,200
Present value of defined benefit obligation under AASB 119	(1,100)
Surplus	<u>100</u>
Defined benefit asset (before consideration of the minimum funding requirement) ^(a)	<u>100</u>

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

IE2 Paragraph 24 of AASB Interpretation 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 AASB 119 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 and the net defined benefit asset is 100.

IE3 ...

Market value of assets	1,000
Present value of defined benefit obligation under AASB 119	(1,100)
Deficit	<u>(100)</u>
Defined benefit (liability) (before consideration of the minimum funding requirement) ^(a)	<u>(100)</u>

(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 AASB Interpretation 14. ~~the entity increases the defined benefit liability by 80. As required by paragraph 26 of AASB Interpretation 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 AASB 119	<u>(1,100)</u>
Deficit	(100)
Defined benefit liability (before consideration of the minimum funding requirement) ^(a)	400
Adjustment in respect of minimum funding requirement Effect of the asset ceiling	<u>(80)</u>
Net <u>defined benefit</u> liability recognised in the statement of financial position	<u><u>(180)</u></u>

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

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

IE10 Plan C also has an AASB 119 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 AASB 119 surplus (i.e. 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 AASB Interpretation 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 AASB Interpretation 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~~ The 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 <u>defined benefit asset (before consideration of the minimum funding requirement)</u>	50
Adjustment in respect of minimum funding requirement <u>Effect of the asset ceiling</u>	(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).

IE23 Plan D has an AASB 119 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

AASB 119 the entity recognises an net defined benefit asset of 30 (because this is lower than the AASB 119 surplus of 65).