

Explanatory Statement

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

March 2018



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

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.

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

Main Features of AASB 2018-2

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

AASB 2018-2 applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 266 *Remeasurement on a Plan Amendment, Curtailment or Settlement/ Availability of a Refund from a Defined Benefit Plan* in June 2015 for comment by 21 September 2015. ED 266 incorporated IASB Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/ Availability of a Refund from a Defined Benefit Plan*. Four submissions were received by the AASB in respect of the proposals in ED 266, supporting the proposed amendments to clarify the remeasurement on a plan amendment, curtailment and settlement. The AASB and two other Australian constituents made submissions to the IASB on ED/2015/5, supporting the IASB's proposal that an amending standard should be issued to clarify the accounting for defined benefit plans when a plan event occurs during a reporting period.

The IASB analysed feedback it received on the proposed amendments to IAS 19 *Employee Benefits* and decided to finalise those amendments with the only substantive change related to the transition requirements. The IASB concluded that the benefits of retrospective application in this instance would not outweigh the costs, and therefore specified prospective application of the amendments to plan events occurring on or after the effective date. The IASB set an effective date of annual periods beginning on or after 1 January 2019, with earlier application permitted.

The AASB considered the amendments made by the IASB to IAS 19 in finalising AASB 2018-2 and the amendments to AASB 119. Except for the change to prospective transitional requirements, all of the AASB's comments in its submission to the IASB were reflected in the IASB's amendments.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2018-2 as the amendments made do not have a substantial direct or indirect impact on business or competition.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

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

Overview of the Accounting Standard

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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.

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.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.