

**Highlight on Exposure Draft:
Remeasurement on a Plan Amendment, Curtailment or
Settlement/Availability of a Refund from a Defined Benefit Plan
(Proposed amendments to IAS 19 and IFRIC 14)**

Introduction

The International Accounting Standards Board (IASB) has published this Exposure Draft of proposed amendments to IAS 19 *Employee Benefits* and IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The proposed amendments are in response to two requests to the IFRS Interpretations Committee (the ‘Interpretations Committee’).

Availability of a refund from a defined benefit plan

IAS 19 requires an entity to determine a surplus as the fair value of the plan asset minus the present value of the defined benefit obligation. The net defined benefit asset to be recognised in the financial statement is the lower of the surplus and the asset ceiling (ie the economic benefits available in the form of refunds or reductions in future contributions or a combination of both, in accordance with IFRIC 14). The proposals address whether other parties’ (for example, pension trustees) power to enhance benefits for plan members or wind up a plan affects the availability of a refund. The IASB also proposes to address the interaction between the asset ceiling and the past service cost or a gain or loss on settlement.

Remeasurement on a plan amendment, curtailment or settlement

The proposals address the accounting when a plan amendment, curtailment or settlement occurs during a period with the following proposed guidance:

- (a) when the net defined benefit liability (asset) is remeasured in accordance with paragraph 99 of IAS 19 (ie when a plan amendment, curtailment or settlement occurs):
 - (i) the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement; and
 - (ii) an entity determines the net interest for the remaining period based on the remeasured net defined benefit liability (asset).

- (b) the current service cost and the net interest in the current reporting period before a plan amendment, curtailment or settlement are not affected by, or included in, the past service cost or a gain or loss on settlement.

The IASB proposes that these amendments should be applied retrospectively, but proposes providing an exemption that would be similar to the exemption granted in respect of the amendments to IAS 19 in 2011. The exemption is for adjustments of the carrying amount of assets outside the scope of IAS 19 (for example, employee benefit expenses that were included in inventories) (see paragraph 173(a) of IAS 19).