



IFRS AT A GLANCE
IAS 19 *Employee Benefits*



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SCOPE

All employee benefits except IFRS 2 *Share-based Payment*.

DEFINITION

Employee benefits are all forms of consideration given by an entity in exchange for services rendered or for the termination of employment.

EMPLOYEE BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Employee benefits are those expected to be settled wholly within the 12 months after the reporting period end, in which the employee has rendered the related services. If the entity's expectations of the timing of settlement change temporarily, it need not reclassify a short-term employee benefit.

Compensated absences

- ▶ *Accumulating* - recognise expense when service that increases entitlement is rendered. e.g. leave pay
- ▶ *Non-accumulating* - recognise expense when absence occurs.

All short term benefits

Recognise the undiscounted amount as an expense / liability e.g. wages, salaries, bonuses, etc.

OTHER LONG TERM EMPLOYEE BENEFITS

Employee benefits other than short-term employee benefits, post-employment benefits, and termination benefits.

Statement of financial position

- ▶ Carrying amount of liability = present value of obligation minus the fair value of any plan assets
- ▶ Actuarial gains and losses and past service costs are recognised immediately in profit or loss.

Statement of comprehensive income

Recognise the net total of: Current service cost + Net interest on net defined benefit liability/(asset) + remeasurement of the net defined benefit liability/(asset).

PROFIT SHARING AND BONUS SCHEMES

Recognise the expense when entity has a present legal or constructive obligation to make payments; and a reliable estimate of the obligation can be made.





IAS 19 Employee Benefits

EMPLOYEE BENEFITS (continued)

POST EMPLOYMENT BENEFITS

Employee benefits payable after the completion of employment (excluding termination and short term benefits), such as:

- ▶ Retirement benefits (e.g. pensions, lump sum payments)
- ▶ Other post-employment benefits (e.g. post employment life insurance, medical care).

DEFINED BENEFIT PLAN (DBP)

These are post employment plans other than defined contribution plans. IAS 19 (2011) prohibits delayed recognition of actuarial gains and losses and past-service-cost, with the actual net defined benefit liability/(asset) presented in the statement of financial position.

Statement of financial position

Entities recognise the net defined benefit liability (asset) in the statement of financial position (being equal to the deficit (surplus) in the defined benefit plan and the possible effect of the asset ceiling).

When an entity has a surplus in a DBP, it measures the net defined benefit asset at the lower of:

- ▶ The surplus in the defined benefit plan
- ▶ The asset ceiling (being the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan), determined using the discount rate in reference to market yields at the end of the reporting period on high quality corporate bonds (IAS 19.83).

Statement of comprehensive income

Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

Past-service-costs are recognised in profit or loss in the period incurred.

The net interest on the net defined benefit liability/(asset) is recognised in profit or loss:

- ▶ Being equal to the change of the defined benefit liability/(asset) during the period that arises from passage of time. Determined by multiplying the net defined benefit liability/(asset) by the discount rate, taking into account actual contributions and benefits paid during the period.

Presentation of the three components of 'defined benefit cost'

- ▶ Service cost (current, past, curtailment loss/(gain), and settlement loss/(gain) in profit or loss
- ▶ Net Interest (refer above) in profit or loss
- ▶ Remeasurements (actuarial gains, the return on plan assets (excl. net interest), change in the effect of the asset ceiling) in other comprehensive income (OCI).

TERMINATION BENEFITS

Employee benefits provided in exchange for the termination of an employee's employment, as a result of either: An entity's decision to terminate an employee's employment before the normal retirement date
An employee's decision to accept an offer of benefits in exchange for the termination of employment.

- ▶ Recognise liability and expense at the earlier of:
 - The date the entity can no longer withdraw the benefit or offer
 - The date the entity recognises restructuring costs under IAS 37.
- ▶ If termination benefits settled wholly before 12 months from reporting date - apply requirements for short-term employee benefits
- ▶ If termination benefits are not settled wholly before 12 months from reporting date - apply requirements for other long term employee benefits.

MULTI EMPLOYER PLANS

- ▶ These are post-employment plans other than state plans that pool the assets of various entities that are not under common control and use those assets to provide benefits to employees of more than one entity
- ▶ May be a defined contribution or defined benefit plan
- ▶ If the plan is a defined benefit plan, an entity may apply defined contribution accounting when sufficient information is not available to apply the accounting requirements for defined benefit plans.

DEFINED CONTRIBUTION PLAN

- ▶ The entity pays fixed contributions into a fund and does not have an obligation to pay further contributions if the fund does not hold sufficient assets
- ▶ Recognise the contribution expense /liability when the employee has rendered the service.

DISCLOSURE










IAS 19 requires extensive disclosures in respect of DBP, including narrative descriptions of: the regulatory framework; funding arrangements; potential (non-) financial risks; and/or asset ceiling tests.

Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

Alternatively, please visit www.bdo.global where you can find full lists of regional and country contacts.



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