

PRESS RELEASE

16 June 2011

IASB introduces improvements to the accounting for post-employment benefits

The International Accounting Standards Board (IASB) announced today the completion of its project to improve the accounting for pensions and other post-employment benefits by issuing an amended version of IAS 19 *Employee Benefits*.

The amendments make important improvements by:

- eliminating an option to defer the recognition of gains and losses, known as the ‘corridor method’, improving comparability and faithfulness of presentation.
- 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 those plans.

The amendments will provide investors and other 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 its financial position, financial performance and cash flow.

The project also formed part of the Memorandum of Understanding (MoU) between the IASB and the Financial Accounting Standards Board, the US national standard-setter. The elimination of the corridor method further aligns IFRSs and US generally accepted accounting principles.

IAS 19 was inherited by the IASB when it began its work in 2001. However, it was not included in the initial set of improvements made by the IASB to achieve a stable platform for IFRS adoption in Europe and other jurisdictions in 2005. The review of IAS 19 began in 2006 with the formation of a working group to advise the IASB on the development and refinement of its proposals. The IASB published a discussion paper for public comment in March 2008 and an exposure draft in April 2010. The exposure draft attracted more than 220 comment letters. In finalising its work, the IASB conducted extensive consultations with interested parties.

The IASB is the independent standard-setting body of the IFRS Foundation.

The IFRS Foundation is a not-for-profit corporation under the General Corporation Law of the State of Delaware, United States of America
Registered Office: 1209 Orange Street | Wilmington | New Castle County | Delaware 19801 | United States of America; Company No.: FC023235.

Commenting on the announcement, Sir David Tweedie, IASB Chairman, said:

Many companies have defined benefit pension commitments entered into long ago that can now represent their largest single financial liability. The amendments to IAS 19 issued today will ensure that investors and other users of financial statements are fully aware of the extent and financial risks associated with those commitments, in particular by requiring the surplus or deficit of a pension fund to be shown in the financial statements. At the same time the amendments help to separate out the background noise of changes in pension liabilities from the underlying financial performance of the core business.

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

A project summary and feedback statement will be available on the project page of the IFRS website (www.ifrs.org) shortly. IASB staff will hold a webcast introducing the amendments in due course. Details on how to take part will be posted on the home page of the website.

End

Press enquiries:

Mark Byatt, Communications Director, IFRS Foundation
Telephone: +44 (0)20 7246 6472
Email: mbyatt@ifrs.org

Sonja Lardeau, Communications Manager, IFRS Foundation
Telephone: +44 (0)20 7246 6463
Email: slardeau@ifrs.org

Technical enquiries:

Manuel Kapsis, Assistant Technical Manager, IASB
Telephone: +44 (0)20 7246 6459
Email: mkapsis@ifrs.org

Notes to editors

About the IASB

The IASB was established in 2001 and is the standard-setting body of the IFRS Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 15 full-time members drawn from 11 countries and a variety of professional backgrounds. By 2012 the IASB will be expanded to 16 members. IASB members are appointed by and accountable to the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.

Disclaimer

Information contained within this press release is provided for the convenience of interested parties. It should not be taken as an official opinion of the Board, nor used as an interpretation of, or application guidance for, IFRSs.