

Explanatory Statement

Accounting Standard AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*

[AASB Interpretation 14]

December 2009



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Interpretation Amended by AASB 2009-14

This Standard makes amendments to AASB Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

These amendments arise from the issuance of *Prepayments of a Minimum Funding Requirement* (Amendments to IFRIC 14) by the International Accounting Standards Board in November 2009.

Main Features of this Standard

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 January 2011. Early adoption is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2011.

Main Requirements

AASB 2009-14 amends AASB Interpretation 14 to remove an unintended consequence arising from the treatment of prepayments in respect of defined benefit obligations in some circumstances when there is a minimum funding requirement.

If an entity has prepaid future minimum funding requirement contributions and that prepayment will reduce future contributions, the prepayment generates economic benefits for the entity. However, to the extent that the future minimum funding requirement contributions exceeded future service costs, the previous version of AASB Interpretation 14 did not allow an entity to consider those economic benefits in measuring its defined benefit asset. Accordingly, AASB 2009-14 permits an entity to consider the economic benefits attributable to any prepaid future minimum funding requirement contributions that reduce future contributions in measuring its defined benefit asset.

Consultation Prior to Issuing AASB 2009-14

The AASB issued AASB 2009-14 after a due process, which included the issue of ED 182 *Prepayments of a Minimum Funding Requirement* in June 2009. The AASB received three submissions on ED 182, which were generally supportive of the proposals in the Exposure Draft.

A Regulation Impact Statement has not been prepared in connection with the issue of AASB 2009-14 as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature or clarify existing requirements.