

Explanatory Statement

Accounting Standard AASB 119 ***Employee Benefits***

September 2011



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 119

The International Accounting Standards Board (IASB) has issued IAS 19 *Employee Benefits* (June 2011), which supersedes the requirements of IAS 19 *Employee Benefits* (December 2004, as amended) for annual reporting periods beginning on or after 1 January 2013. The AASB needs to issue AASB 119 *Employee Benefits* to enable Australian Tier 1 for-profit reporting entities to continue to be compliant with International Financial Reporting Standards in relation to general purpose financial statements.

The issue of AASB 119 arises from amendments to the superseded version of AASB 119 particularly relating to defined benefit plans.

Main Features of AASB 119

The Standard prescribes the accounting and disclosure by employers for employee benefits. It does not deal with reporting by employee benefit plans (see AAS 25 *Financial Reporting by Superannuation Plans*)

Application Date

AASB 119 is applicable to annual reporting periods beginning on or after 1 January 2013. AASB 119 may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013. When an entity applies AASB 119 to such an annual reporting period, it shall disclose that fact.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 195 *Defined Benefit Plans: Proposed amendments to AASB 119* in May 2010. ED 195 reproduced the proposals included in the IASB's Exposure Draft ED/2010/3 *Defined Benefit Plans: Proposed amendments to IAS 19* (April 2010) without amendment.

The AASB received nine submissions from Australian constituents on ED 195. Submissions received were generally supportive and were used as input into the AASB's submission to the IASB. The IASB considered the comments it received in finalising IAS 19 that is incorporated into AASB 119.

A Regulation Impact Statement has not been prepared in connection with the issuance of AASB 119 as the amendments made do not have a substantial direct or indirect impact on business or competition.