(REPLACES AND SUPERSEDES PBE IPSAS 25 EMPLOYEE BENEFITS)

Version 1: 2020

the date

Effective Periods Beginning

1 January 2019

SCOPE

Applies to all employee benefits except NZ IFRS 2 share based payments.

DEFINITION - EMPLOYEE BENEFITS

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

Short-term 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

Other long-term employee benefits are 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 OCI in full and profit or loss in full respectively in the statement of comprehensive income.

Statement of Comprehensive Income

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

POST EMPLOYMENT BENEFITS

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

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

DEFINED BENEFIT PLAN

These are post employment plans other than defined contribution plans.

An entity must determine the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Actuarial valuations are required.

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 defined benefit plan, it measures the net defined benefit asset at the lower of:

- a. The surplus in the defined benefit plan; and
- The asset ceiling, determined using a discount rate that reflects the time value of money, and the currency and term of the post employment benefit obligations.

Statement of Comprehensive Revenue and Expense

Remeasurements of the net defined benefit liability (asset) are recognised in other comprehensive income in the period in which they occur, unless another PBE Standard requires or permits their inclusion in the cost of an asset.

Service costs are recognised in surplus or deficit in the period incurred, unless another PBE Standard requires or permits their inclusion in the cost of an asset.

The net interest on the net defined benefit liability/(asset) is recognised in surplus or deficit unless another PBE Standard requires or permits their inclusion in the cost of an asset.

Remeasurements of the net defined benefit liability (asset) recognised in other comprehensive revenue and expense are not be reclassified to surplus or deficit in a subsequent period.

TERMINATION BENEFITS

Employee benefits provided in exchange for the termination of an employee's employment, as a result of either:

- a. An entity's decision to terminate an employee's employment before the normal retirement date; or
- b. 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; and
- The date the entity recognises restructuring costs under PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets.*
- \bullet 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 EMLOYER 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 still apply defined contribution accounting subject to conditions.

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.

DISCLOSURES

PBE IPSAS 39requires extensive disclosures in respect of defined benefit plans, including narrative descriptions of: the regulatory framework; funding arrangements; potential (non-) financial risks; and/or asset ceiling tests.

TRANSITIONAL PROVISIONS

PBE IPSAS 39 must be applied retrospectively, except that:

- The carrying amount of assets outside the scope PBE IPSAS 39 need not be adjusted for changes in employee benefit costs before the date of initial application.
- For periods beginning before 1 January 2019 comparative information for certain disclosures is not required

TIER 2 RDR REPORTERS

RDR reporters are granted certain disclosure exemptions as marked by a * in PBE IPSAS 39.

effort is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of to that it will continue to be accurate in the future. No one should act upon such information without appropriate professional h examination of the particular facts and circumstances of the situation.

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