

SCOPE

All employee benefits except share based transactions.

DEFINITION - EMPLOYEE BENEFITS

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

SIGNIFICANT DISCLOSURE IS REQUIRED

EMPLOYEE BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Employee benefits which are due within 12 months after the period of the service rendered.

All short term benefits

- Recognise the undiscounted amount as a liability; or
- as an expense (unless another PBE Standard requires or permits the inclusion of benefits in the cost of an asset).
- E.g. Wages, salaries, bonuses, etc.

Compensated absences

- Accumulating - Recognise expense when service that increases entitlement is rendered. E.g. Leave pay.
- Non-accumulating - Recognise expense when absence occurs.

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.

TIER 2 RDR REPORTERS

RDR Reporters are granted certain disclosure concessions within the standard.

OTHER LONG TERM EMPLOYEE BENEFITS

Employee benefits which fall due after 12 months from the period of the service rendered (excluding termination benefits or post employment benefits.) E.g. Long service awards, sabbatical leave.

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.

Statement of Comprehensive Revenue and Expense

Current service cost + Interest cost - Expected return on assets +/- actuarial gains and losses + past service costs +/- effect of any curtailments or settlements.

TERMINATION BENEFITS

- Employee benefits payable as a result of either an entity's decision to terminate employment before normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.
- Recognise the expense when an entity is 'demonstrably committed' to either terminate the employment of employees before retirement or provide termination benefits to employees to encourage voluntary redundancy.
- If termination benefit is due more than 12 months after year end - measure at discounted amount.

POST EMPLOYMENT BENEFITS

Employee benefits payable after the completion of employment.

DEFINED CONTRIBUTION

- 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.

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, an entity may still apply defined contribution accounting subject to conditions.

Statement of Comprehensive Revenue and Expense

Current service cost + Interest cost - Expected return on assets +/- actuarial gains and losses recognised + past service costs recognised +/- effect of any curtailments or settlement +/- effect of asset limitation.

DEFINED BENEFIT

Post employment plans other than defined contribution plans.

Statement of Financial Position

- Carrying value of liability = present value of obligation minus the fair value of any plan assets +/- unrecognised actuarial gains and losses - unrecognised past service costs.
- Actuarial gains and losses can be recognised on the 'corridor method' or these can be recognised faster.
- Actuarial gains and losses are permitted to be recognised outside surplus or deficit if the entity adopts a policy.
- Past service costs are recognised on a straight line basis until the benefits become vested.

Asset limitation

If the Statement of Financial Position amount is an asset, it is limited to the LOWER of that amount calculated and the sum of any unrecognised actuarial losses (and past service costs) plus the present value of any economic benefits available to the employer.