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COMPANIES ACT
(CHAPTER 50)

COMPANIES (ACCOUNTING STANDARDS) (AMENDMENT NO. 2) REGULATIONS 2005

In exercise of the powers conferred by section 200A(1) of the Companies Act, the Accounting Standards Committee (known as the Council on Corporate Disclosure and Governance), with the approval of the Minister for Finance, hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Companies (Accounting Standards) (Amendment No. 2) Regulations 2005 and shall come into operation on 1st June 2005.

Amendment of Third Schedule

2. The Third Schedule to the Companies (Accounting Standards) Regulations (Rg 6) is amended —

(*a*) by inserting, immediately after the words "(revised 2002)" in the second column of the item relating to FRS 19, the words "(Amendment December 2004)";

(*b*) by deleting the words "paragraph 120(*c*)(vii), (*f*)(iv), (*g*) and (*h*)(iii)" in paragraph 159(*b*) in the third column of the item relating to FRS 19 and substituting the words "paragraph 120A(*f*)(iv), (*g*)(iv), (*m*) and (*n*)(iii)";

(*c*) by inserting, immediately after paragraph (ii) in the third column of the item relating to FRS 19, the following paragraphs:

"(iii) Insert, immediately after paragraph 32 of IAS 19, the following paragraphs:

"32A. There may be a contractual agreement between the multi-employer plan and its participants that determines how the surplus in the plan will be distributed to the participants (or the deficit funded). A participant in a multi-employer plan with such an agreement that accounts for the plan as a defined contribution plan in accordance with paragraph 30 shall recognise the asset or liability that arises from the contractual agreement and the resulting income or expense in profit or loss.

Example illustrating paragraph 32A

An entity participates in a multi-employer defined benefit plan that does not prepare plan valuations on an FRS 19 basis. It therefore accounts for the plan as if it were a defined contribution plan. A non-FRS 19 funding valuation shows a deficit of 100 million in the plan. The plan has agreed under contract a schedule of contributions with the participating employers in the plan that will eliminate the deficit over the next five years. The entity's total contributions under the contract are 8 million.

The entity recognises a liability for the contributions adjusted for the time value of money and an equal expense in profit or loss.

32B. FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires an entity to recognise, or disclose information about, certain contingent liabilities. In the context of a multi-employer plan, a contingent liability may arise from, for example:

(*a*) actuarial losses relating to other participating entities because each entity that participates in a multi-employer plan shares in the actuarial risks of every other participating entity; or

(*b*) any responsibility under the terms of a plan to finance any shortfall in the plan if other entities cease to participate.".

(iv) Delete paragraph 35 of IAS 19.

(v) Delete paragraph 34 of IAS 19 and substitute the following paragraphs:

"34. Defined benefit plans that share risks between various entities under common control, for example, a parent and its subsidiaries, are not multi-employer plans.

34A. An entity participating in such a plan shall obtain information about the plan as a whole measured in accordance with FRS 19 on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole measured in accordance with FRS 19 to individual group entities, the entity shall, in its separate or individual financial statements, recognise the net defined benefit cost so charged. If there is no such agreement or policy, the net defined benefit cost shall be recognised in the separate or individual financial statements of the group entity that is legally the sponsoring employer for the plan. The other group entities shall, in their separate or individual financial statements, recognise a cost equal to their contribution payable for the period.

34B. Participation in such a plan is a related party transaction for each individual group entity. An entity shall therefore, in its separate or individual financial statements, make the following disclosures:

(*a*) the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy;

(*b*) the policy for determining the contribution to be paid by the entity;

(*c*) if the entity accounts for an allocation of the net defined benefit cost in accordance with paragraph 34A, all the information about the plan as a whole in accordance with paragraphs 120-121;

(*d*) if the entity accounts for the contribution payable for the period in accordance with paragraph 34A, the information about the plan as a whole required in accordance with paragraphs 120A(*b*)–(*e*), (*j*), (*n*), (*o*), (*q*) and 121. The other disclosures required by paragraph 120A do not apply.".

(vi) Delete paragraph 61 and the paragraph heading in IAS 19 and substitute the following paragraph and the paragraph heading:

"**Profit or Loss**

61. An entity shall recognise the net total of the following amounts in profit or loss, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

(a) current service cost (see paragraphs 63-91);

(b) interest cost (see paragraph 82);

(c) the expected return on any plan assets (see paragraphs 105-107) and on any reimbursement rights (see paragraph 104A);

(d) actuarial gains and losses, as required in accordance with the entity's accounting policy (see paragraphs 92-93D);

(e) past service cost (see paragraph 96);

(f) the effect of any curtailments or settlements (see paragraphs 109 and 110); and

(g) the effect of the limit in paragraph 58(b), unless it is recognised outside profit or loss in accordance with paragraph 93C.”.

(vii) Delete the word “under” in paragraph 92 of IAS 19 and substitute the words “in accordance with”.

(viii) Delete paragraph 93 of IAS 19 and substitute the following paragraphs:

“93. The portion of actuarial gains and losses to be recognised for each defined benefit plan is the excess determined in accordance with paragraph 92, divided by the expected average remaining working lives of the employees participating in that plan. However, an entity may adopt any systematic method that results in faster recognition of actuarial gains and losses, provided that the same basis is applied to both gains and losses and the basis is applied consistently from period to period. An entity may apply such systematic methods to actuarial gains and losses even if they are within the limits specified in paragraph 92.

93A. If, as permitted by paragraph 93, an entity adopts a policy of recognising actuarial gains and losses in the period in which they occur, it may recognise them outside profit or loss, in accordance with paragraphs 93B-93D, providing it does so for:

(a) all of its defined benefit plans; and

(b) all of its actuarial gains and losses.

93B. Actuarial gains and losses recognised outside profit or loss as permitted by paragraph 93A shall be presented in a statement of changes in equity titled “statement of recognised income and expense” that comprises only the items specified in paragraph 96 of FRS 1 (as revised in 2004). The entity shall not present the actuarial gains and losses in a statement of changes in equity in the columnar format referred to in paragraph 101 of FRS 1 or any other format that includes the items specified in paragraph 97 of FRS 1.

93C. An entity that recognises actuarial gains and losses in accordance with paragraph 93A shall also recognise any adjustments arising from the limit in paragraph 58(*b*) outside profit or loss in the statement of recognised income and expense.

93D. Actuarial gains and losses and adjustments arising from the limit in paragraph 58(*b*) that have been recognised directly in the statement of recognised income and expense shall be recognised immediately in retained earnings. They shall not be recognised in profit or loss in a subsequent period.”.

(ix) Delete the words “are best” in paragraph 95 of IAS 19 and substitute the words “may be”.

(x) Delete paragraphs 120 and 121 of IAS 19 and substitute the following paragraphs:

“***120. An entity shall disclose information that enables users of financial statements to evaluate the nature of its defined benefit plans and the financial effects of changes in those plans during the period.***

120A. An entity shall disclose the following information about defined benefit plans:

(a) the entity’s accounting policy for recognising actuarial gains and losses;

(b) a general description of the type of plan;

(c) a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:

(i) current service cost;

(ii) interest cost;

(iii) contributions by plan participants;

(iv) actuarial gains and losses;

(v) foreign currency exchange rate changes on plans measured in a currency different from the entity’s presentation currency;

(vi) benefits paid;

(vii) past service cost;

(viii) business combinations;

(ix) curtailments; and

(x) settlements;

(d) an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded;

(e) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A showing separately, if