

MFRS News

MFRS 119 'Employee Benefits'

SEPTEMBER 2018

MFRS News is your monthly update on all things relating to Malaysian Financial Reporting Standards. We'll bring you up to speed on topical issues, provide comment and points of view and give you a summary of any significant developments.

In this issue we will look at MFRS 119 'Employee Benefits'



IASB publishes amendments to MFRS 119 ‘Employee Benefits’

The Malaysian Accounting Standards Board (MASB) has published ‘Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)’. The amendments require companies to use updated actuarial assumptions to determine pension expenses following changes to a defined benefit pension plan.

MFRS 19 ‘Employee Benefits’ requires a company to remeasure its net defined benefit liability or asset when an amendment to, or a curtailment or settlement of a defined benefit plan takes place. However, MFRS 119 was not explicit on how to determine the expenses incurred after the change to the defined benefit plan has taken place.

The amendments to MFRS 119, published in March 2018, now require a company, when a defined benefit plan is amended, curtailed or settled during a period and the net defined benefit liability or asset is remeasured as a result of one of these transactions, to:

- determine the current service costs and the net interest for the period after the remeasurement using the assumptions used for the remeasurement; and
- determine the net interest for the remaining period based on the remeasured net defined benefit liability or asset.

These amendments could change whether and when an entity remeasures its net defined benefit liability or asset. When assessing whether remeasuring the net defined benefit liability or asset will have a material impact, an entity will not only consider the effect on past service cost, or a gain or loss on settlement, but also the effects of using the updated assumptions for determining current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement.

Effective date and transition

These amendments are effective for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

The amendments are only to be applied prospectively as the MASB concluded that the benefits of applying the amendments retrospectively would not exceed the cost of doing so as entities might need to revisit plan amendments, curtailments and settlements that occurred several years previously and remeasure the net defined benefit liability or asset as of those dates. Also, the MASB concluded that requiring a retrospective application would not provide useful trend information.

Grant Thornton Malaysia comment

We welcome the amendments to MFRS 119 as we believe using updated assumptions to determine current service cost and net interest for the remainder of an annual reporting period following a change will provide more useful information to users of the financial statements.

These amendments could change whether and when an entity remeasures its net defined benefit liability or asset.



Grant Thornton

An instinct for growth™

grantthornton.com.my

© 2018 Grant Thornton Malaysia. All rights reserved.

Grant Thornton Malaysia is a Malaysian Partnership and is a member firm of Grant Thornton International Ltd (GTIL), a private company limited by guarantee, incorporated in England and Wales. Please visit www.grantthornton.com.my for more details.