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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 21 March 2007, London

Project: Annual improvement process

Topic: IAS 19 *Employee Benefits* - *Contingent Liabilities*
(Agenda Paper 6D)

1. The staff have identified that the following issue would be most appropriately resolved via the annual improvements process (as agreed by the Board in July 2006).

Issue: Should the reference to recognising contingent liabilities in IAS 19 *Employee Benefits* be removed?

Staff recommendation

2. The staff recommend that the Board:
 - should add this issue to the annual improvements project; and
 - should amend IAS 19 as proposed in paragraph 8 of this paper.

Background

3. Paragraph 32B of IAS 19 states:
IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires an entity to **recognise, or** disclose information about, certain contingent liabilities...(emphasis added).
4. This paragraph is in conflict with IAS 37. Paragraph 27 of IAS 37 states that an entity **shall not recognise** a contingent liability. The staff notes that this conflict has been identified and corrected in the Exposure Draft of amendments to IAS 37.
5. However, the current IAS 37 project plan indicates that the amendments to IAS 37 will not be finalised until at least the end of 2008. Therefore, the staff believe that IAS 19.32B should be amended as part of the 2007 annual improvements process.

Staff recommendation

6. IAS 19 should be amended as proposed in paragraph 8.
7. **Does the Board agree?**

Drafting

8. The staff recommend that IAS 19 should be amended as follows:

Post-employment benefits: distinction between defined contribution plans and defined benefit plans

Multi-employer plans

- 32B IAS 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.

Basis for Conclusions on Proposed Amendments to IAS 19 *Employee Benefits*

This Basis for Conclusions accompanies, but is not part of, the draft amendment.

Contingent liabilities

- BC1 Paragraph 32B states that contingent liabilities are required to be recognised under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. This is inconsistent with IAS 37 which states that an entity shall not recognise a contingent liability. Therefore, the Board proposes to remove the reference to recognition.