



Project **Post-employment benefits**

Topic **Discount rate in IAS 19 – Transitional provisions again**

Purpose of this paper

1. This paper asks the Board to change its decision from earlier this week regarding the transition provisions for an amendment to the discount rate in IAS 19.

Staff recommendation

2. The staff recommends that entities apply the proposed amendments to the discount rate in IAS 19 prospectively.

Staff analysis

3. In agenda paper 5E, the staff recommended that all entities would apply the amendments to IAS 19 retrospectively unless it is impracticable to do so.
4. However, in making that recommendation, the staff forgot that, because of the Board's decision to fast track the amendment of the discount rate ahead of the other amendments to IAS 19, many entities will still be applying the 'corridor method' in IAS 19.
5. Retrospective application of the proposed amendments would require such entities to determine the defined benefit obligation for each year since the inception of the plan in order to determine the net cumulative unrecognised gains or losses at the date of application.
6. IFRS 1 makes clear that this process is not impracticable. Instead, it provides an exemption from a similar process for first-time adopters of IFRSs. Paragraph BC48 of IFRS 1 notes that the Board concluded that the process would be costly and would not provide information that would benefit users.

This paper has been prepared by the technical staff of the IASB for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper and do not purport to represent the views of any individual members of the Board or the IASB.

Decisions made by the Board are reported in IASB *Update*.

Official pronouncements of the IASB are published only after the Board has completed its full due process, including appropriate public consultation and formal voting procedures.

7. In the staff's view, this logic applies equally to the first time application of these amendments: Full retrospective application would be practicable, but would be costly and not beneficial to users.
8. The staff considered whether the Board should exempt entities that use the corridor from the requirement to apply the proposed amendments retrospectively, and require retrospective application for entities that do not use the corridor.
9. However, the staff thinks that it would be simpler to require that all entities apply the proposed amendments prospectively¹. In addition, we note
 - (a) Some entities would find it impracticable to apply the proposed amendments retrospectively, for example if they were in jurisdictions in which there is no observable price or there are little or no observable inputs.
 - (b) There will be limited comparability between entities that use the corridor and those that do not in any case.
10. Therefore, it would be less confusing to require the same transition for all entities. There would be limited benefit in requiring retrospective application for only some entities.

Staff Recommendations and Questions for Board

The staff recommends that entities apply the proposed amendments to the discount rate in IAS 19 prospectively.

Does the Board agree?

¹ This means that entities would:

- (a) Apply the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and
- (b) Recognise the effect of the change in accounting estimate in the current and future periods affected by the change. (IAS 8, paragraph 5)