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Project	<b>Agenda decision</b>
Topic	<b>IAS 26 <i>Accounting and Reporting by Retirements Benefit Plans</i> — Valuation of plan assets</b>

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## Introduction

1. In March 2010, the Committee published a tentative agenda decision not to add to its agenda a request to clarify the interaction between IAS 26 *Accounting and Reporting by Retirement Benefit Plans* and IAS 39 *Financial Instruments: Recognition and Measurement*.
2. The clarification related to the accounting for retirement benefit plan investments (plan assets) in the financial statements of retirement benefit plans prepared in accordance with IAS 26.
3. The Committee observed that IFRSs are clear and that divergent interpretations are not expected in practice.
4. Two comment letters<sup>1</sup> were received.
5. The first comment letter agrees with the tentative agenda decision made by the Committee.
6. The second comment letter disagrees with the tentative agenda decisions. It states a belief that diversity in practice exists in relation to this issue, including interaction with IFRS 7 *Financial Instruments: Disclosures*.

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This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IFRIC. The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRIC or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

Decisions made by the IFRIC are reported in IFRIC *Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in IASB *Update*.

## IASB Staff paper

7. The respondent recommends the Committee propose the Board amend the scope of IFRSs relating to financial instruments to exclude plan assets accounted for in accordance with IAS 26.
8. If the Committee does not support this amendment, the respondent thinks the Committee should clarify:
  - (a) the extent IAS 39 should be applied to plan assets;
  - (b) whether plan assets can be classified into the categories identified in IAS 39.45; and
  - (c) if IFRS 7 is applicable to financial statements of retirement benefit plans prepared in accordance with IAS 26.
9. In response to the comments included in the second comment letter, the staff note that:
  - (a) interaction with IFRS 7 was identified in the staff agenda paper, but **not** raised as an issue by the requester.
  - (b) in the March 2010 meeting the Committee;
    - (i) did not believe the Board should amend the scope of IFRSs relating to financial instruments to clarify this issue; and
    - (ii) discussed the extent IAS 39 should be applied to plan assets and situations when categorisation in accordance with IAS 39.45 may be appropriate.
10. Consequently, the staff do not propose changes to the tentative agenda decision because they think that the issues raised by the second comment letter were discussed and considered in the March 2010 meeting.

### Staff recommendation and proposed wording of the final agenda decision

1. The staff recommends that the Committee finalise its tentative agenda decision not to add the issue to its agenda. Does the Committee agree with the recommendation?

## IASB Staff paper

2. Appendix A includes the staff's proposed wording for the final agenda decision which is unchanged from the published tentative agenda decision. Does the Committee agree with proposed wording?

## Appendix A – Proposed wording for agenda decision

### **IAS 26 *Accounting and Reporting by Retirees Benefit Plans*— Valuation of plan assets**

A request was received to clarify the interaction between IAS 26 and IAS 39 *Financial Instruments: Recognition and Measurement* relating to the accounting for retirement benefit plan investments (plan assets), in the financial statements of retirement benefit plans prepared in accordance with IAS 26.

The Committee observed that the guidance in paragraph 32 of IAS 26 is clear that plan assets shall be carried at fair value. The Committee also noted that it is clear that changes in the fair value of plan assets should be presented and disclosed in accordance with paragraph 35 of IAS 26 in the statement of changes in net assets available for benefits.

The Committee concluded that IFRSs are clear and that divergent interpretations are not expected in practice. Consequently, the Committee {decided} not to add this issue to its agenda to its agenda or to recommend an amendment to the standards.