haysmacintyre

corporate | amendments to FRS 17

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Financial Reporting Standard 17 "Retirement Benefits" (FRS 17) has been amended to align more closely with IAS 19 "Employee Benefits." The amendment takes effect for accounting periods beginning on or after 6 April 2007, however early adoption is encouraged. There are significant changes in the disclosures required as well as a change to the measurement of quoted securities.

disclosure

The additional disclosures required by the amendment to FRS 17 include:

- information that enables users of the financial statements to evaluate the nature of an entity's defined benefit schemes and the financial effects of changes in those schemes
- the principal actuarial assumptions used at the balance sheet date (FRS 17 currently requires only the main **financial** assumptions), this will require the disclosure of mortality rates
- an analysis of the opening and closing scheme liabilities and scheme assets showing separately the movements in scheme assets and the movements in scheme liabilities (currently FRS 17 requires a reconciliation of the surplus or deficit)
- an analysis of scheme liabilities into amounts arising from schemes that are wholly unfunded and amounts arising from schemes that are wholly or partly funded.

There are also a number of FRS 17 disclosures that are no longer required:

- date of the most recent full actuarial valuation
- effects of changes in the assumptions underlying the present value of the scheme liabilities
- the financial assumptions at the beginning of the period
- analysis of reserves relating to the defined benefit asset or liability
- the fair value of the assets analysed into classes and disclosed together with the assumed expected rate of return.

measurement

Paragraph 16 of FRS 17 is amended, so that for quoted securities, the current bid price (rather than the mid-market value) is taken as fair value.

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action required

For companies with a 31 December year-end, the new requirements will be introduced in the year ending 31 December 2008 and for those with a 31 March year-end it will be the year ending 31 March 2009.

Entities will need to:

- amend the comparatives (both numbers used for accounting and disclosures) to reflect the change in measurement of quoted securities held as scheme assets
- restate their comparative disclosures to reflect the new disclosure requirements.

Companies should liaise with their Actuaries to ensure they are able to supply the relevant information for the measurement of quoted securities and for the revised disclosures for the current and comparative periods.

reporting statement

The Accounting Standards Board (ASB) has also released its second reporting statement: "Retirement Benefits – Disclosures." This sets out additional disclosures and is designed to be a best practice guide but is not mandatory. The six areas addressed are:

- the relationship between the entity and trustees of the scheme
- the principal assumptions used to measure scheme liabilities
- the sensitivity of the principal assumptions used to measure the scheme liabilities
- how the liabilities arising from the scheme are measured
- the future funding obligations
- the nature and extent of the risks from financial instruments held by the scheme.

For more information, please contact your usual engagement partner or David Cox.

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about haysmacintyre

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Around 40% of the firm's business is within the corporate sector – small and medium sized enterprises, many of which are in the property, media and entertainment, technology, sports and business services sectors. The firm acts for a number of listed companies and assists new companies raise initial funds on the capital markets and through private equity. 25% of the firm's business is for charitable and not for profit organisations and the remainder is for professional practices and private individuals – whether senior executives, entrepreneurs or those with significant land or wealth at home or overseas.

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