IAS - 19

Employees

By: http://www.WorldGAAPInfo.com

International Accounting Standard No 19 (IAS 19)

Employee

This revised International Accounting Standards replaces IAS 19, costs of the retirement benefit, which was approved by the Board, in a revised, longer version in 1993. This revised standard is effective for financial statements covering periods beginning on or after January 1 1999.

In May 1999, IAS 10 (revised 1999), events after the balance sheet date, amended paragraphs 20 (b), 35, 125 and 141. The amended text entered into force for annual financial statements covering periods beginning on or after January 1, 2000.

This rule was amended in 2000, in order to change the definition of plan assets, and to make certain requirements regarding the recognition, measurement and disclosure regarding reimbursements. These amendments came into force for accounting periods beginning on or after January 1, 2001.

In 2002 other changes were made in order to prevent the recognition of gains that would only result in losses or past service cost, as well as the recognition of gains that were only a result of actuarial gains. The changes are effective for financial years ending on or after May 31 of 2002. Earlier application is encouraged.

Introduction

1. The Standard prescribes the manner in which employers must deal with accounting and disclosure of information about employee benefits. Supersedes IAS 19, Cost of retirement benefit, which was adopted in 1993. The main changes from the previous standard are contained in Appendix C (Basis for Conclusions). The Standard does not address the information to be provided on plans for employee benefits (see IAS 26, Accounting and Financial Reporting on retirement benefit plan).

2. The Standard covers four categories of employee benefits:

   (a) short-term active employees, such as salaries, wages and social security contributions, paid leave and paid sick leave, participation in the profits and incentives (if paid within twelve months following the end of year) and non-monetary rewards (such as medical care, enjoyment of houses, cars and the provision of goods or services subsidized or free);

   (b) retired employee benefits such as pension benefits and other retirement benefits, life insurance and medical care for retirees;

   (c) other long-term employee benefits, including paid leave after long periods of service (sabbaticals), pay special after long time of service, salary and disability, if paid for a period of twelve months or more after the end of the year, profit sharing, incentive and other compensation deferred salary; and

   (d) termination of the contract.

3. The Standard requires the company to recognize the short-term employee at the time the worker has provided the service that gives you the right to such fees.

4. Plans for post-employment benefit plans are divided into defined contribution and defined benefit plans. The Standard provides specific guidelines for the classification of multi plans, government plans and plans with guaranteed benefits.

5. In the defined contribution plans, the company contributes a default to a separate entity (a fund) and has no legal obligation to conduct effective or additional contributions, for which the fund has insufficient assets to meet the salaries of Employees who are related to the services they have provided in the current financial year and in previous ones. The Standard requires the company to recognize the contributions to a defined contribution plan at the time that the employee has been providing services that give you the right to appropriate remuneration.

6. All other plans for post-employment benefits are defined benefit plans. These defined benefit plans cannot be covered with a specific fund, or may be partially or totally. The Standard requires that companies:

(a) accounts reflect not only the obligations that legally have to meet, but also any other type of effective obligation arising out of customary practices of employee benefits followed by enterprises;

(b) determine the present value of defined benefit obligations and the fair value of plan assets in question, with sufficient regularity to ensure that stocks recognized in the financial statements did not differ significantly from the amounts that could determined on the balance sheet date;

(c) use the method of the projected unit credit obligations and to assess the costs for such benefits;

(d) give benefits to periods of active service, depending on the formula of the benefit plan, unless the employee services to be provided in the future will show a much higher level of benefits in the year's precedents;

(e) use actuarial assumptions, with respect to demographic variables (such as employee turnover or mortality) and financial (such as future increases in wages, changes in the costs of medical care or certain changes in public benefits) that are unbiased and mutually compatible with each other, plus the financial assumptions should be based on market expectations, as assessed at the balance sheet date, for the period in which the payment obligations become due;

(f) to determine the discount rate by reference to market rates that apply in the balance sheet date, the debt securities issued by large companies (or, in countries where there is a vast market for such bonds, Bonds issued by the government) denominated in one currency and term that corresponds to those on the commitments made by the post-employment benefits;

(g) deducting the amount of the bonds, the fair value of any plan assets. The rights of redemption that have not been qualified as plan assets, will be treated as if they were, except for the presentation because it is considered as separate assets rather than deducted from the liability;

(h) limit the amount of an asset in a way that does not exceed the net total of:

(i) past service costs and losses, not recognized, more

(ii) the present value of benefits that will arise in the form of reimbursements from the plan or reductions in future contributions to it;

(i) recognize the costs of past service using a linear approach, on the average period until the new or enhanced benefits are covered;

(j) recognize gains or losses from reductions in the plan, or the liquidation of it, in defined benefit plans, when the reduction or winding up in these cases, the gain or loss will be measured by The resulting change in the present value of defined benefit obligations, and in the fair value of plan assets, as well as the part of any unrecognized actuarial gain or loss and past service cost, and

(k) recognize the specific part of the accumulated gains and losses that exceed the higher of the two following amounts:

(i) 10% of the present value of defined benefit obligations (before deducting the value of plan assets) and

(ii) 10% of the fair value of plan assets.

The share of actuarial gains and losses, to be recognized for each defined benefit plan is the excess that falls outside the range of 10% on the balance sheet date immediately preceding, divided between the average life expectancy of active Workers participating in this plan.

The Standard also permits systematic methods of faster recognition, provided that they apply the same criteria for gains and losses, and the bases value are applied consistently in all periods. Among the methods allowed include the immediate recognition of all actuarial gains and losses in profit or loss. In addition, the rule allows an entity recognizes all actuarial gains and losses for the year in which they occur outside the income statement, in a state of recognized income and expense.

7. The Standard requires the use of a much simpler method for the treatment of long-term benefit, other than those having to do with the post-employment, which is to immediately recognize the results in both gains and losses Actuarial as the cost of past service.

8. The awards are severance fees that are paid as a result either of the company's decision to terminate the contract before the employee's normal retirement age, or the employee's decision to accept voluntarily the conclusion of the relationship work in exchange for such compensation. The incident giving rise to the obligation to pay is the conclusion of the contract, rather than the employee's years of service. Therefore, the company must come to the recognition of the salaries resulting from the termination of the contract when, and only when it has acquired the patent for commitment:

(a) either terminates the contract to an employee or group of employees before the normal retirement dates;

(b) or pay compensation for termination as a result of an offer made to employees to achieve the voluntary termination of their contracts.

9. The company has made a clear commitment on the termination of a contract when, and only when it has a detailed formal plan (which specify the minimum) proposed to the affected workers, and has no realistic chance of removing it.

10. In the event that the severance compensation will be paid over a period of time greater than 12 months after the balance sheet date, should be discounted their value. In the case of having made a bid for the voluntary termination of contracts by employees, the valuation of compensation for termination should be based on the expected number of employees who will benefit from it.

11. [Deleted]

12. The Standard will be in effect for periods beginning on or after January 1 1999. It is advised the implementation of the Standard prior to that date. In adapting for the first time the Standard, the company can recognize any resulting increase in their liabilities for post-employment in a time period not exceeding five years. If the adoption of the Standard decreases the amount of liabilities, the company is obliged to immediately recognize this reduction.

13. This rule was amended in 2000 to review the definition of plan assets, introducing also the recognition, measurement and disclosure of reimbursement. These changes took effect for fiscal years beginning on or after January 1, 2001, although his application was recommended earlier.

Index

OBJECTIVE

The normative part of this Statement, which appears in bold italics, it must be understood in the context of the explanations and guidelines for implementing them and in line with the Preface to International Accounting Standards. It is not intended that international accounting standards are applied in the case of non-significant (see paragraph 12 of the Prologue).

Objective

The goal of this standard is to prescribe the accounting treatment and disclosure of financial information in respect of employee benefits. This Standard requires companies to recognize:
(a) a liability when the employee has provided service in exchange for the right to receive payments in the future and
(b) an expense when the enterprise has consumed the economic benefit from the service provided by the employee in exchange for fees in question.

Scope

1. This standard applies to employers to account for all the salaries of employees, except those to which is applied IFRS 2 Share-based payment.

2. The Standard does not deal with the information they provide plans for employee benefits (see IAS 26, Accounting and Financial Reporting on retirement benefit plan).

3. The salaries of employees covered by this standard include those from:

(a) plans or other formal agreements concluded between a company and its employees, either individually, with groups of employees or their representatives;

(b) legal requirements or agreements made in certain industrial sectors, under which companies are forced to make contributions to national, provincial, sect oral or other multi-character, or

(c) not formalized practices that give rise to payment obligations implicit for the company. No formalized practices give rise to payment obligations implied when the company has no choice but to deal with payments derived from the salaries involved. An example of the existence of an implicit obligation is when a possible change in the practices of the company not guaranteed may cause unacceptable harm to the relations it maintains with its employees.

4. The salaries of employees include the following:

(a) short-term for active employees, such as salaries, wages and social security contributions, paid sick leave and for other reasons, participation in profits and incentives (if paid within twelve months after the end of the year) and non-monetary rewards (such as medical care, enjoyment of houses, cars and goods or services provided subsidized or free);

(b) post-employment benefits such as pensions, other retirement benefits, life insurance post-employment and post-employment medical care;

(c) other long-term employee benefits, including paid leave after long periods of service (sabbaticals), special benefits after a long period of service, incapacity benefits and, if paid within twelve months or more after the end of the year, profit sharing, incentive and other compensation deferred salary; and

(d) termination of the contract.

Because each category listed in paragraphs (a) to (d) have different characteristics, this Standard establishes requirements for each of them.

5. The employee benefits include both those provided to the workers themselves, as the people who depend on them, and can be met by payments (or providing goods and services previously committed) made directly to employees or their spouses, children or other dependents of those, or others previously designated, such as insurance companies.

6. Employees can provide their services in the business full time or part-time, permanent, temporary or casual. For purposes of this Standard, the term "employees" includes the managers and staff linked to management.

Definitions

7. The following terms are used in this Standard with the meanings specified below:

The <u>employee benefits</u> include all types of remuneration that the company provides to workers in exchange for their services.

The <u>employee benefits are short-term earnings</u> (other than severance compensation) for which payment should be handled at the end of the twelve months following the end of the period in which employees have served.

<u>Salaries</u> are post-employment compensation to employees (other than severance grants) to be paid after completion of his term of employment.

<u>Plans</u> for post-employment agreements are formal or informal, in which the company agrees to provide benefits to one or more employees after the

completion of his term of employment.

<u>Plans to defined contribution plans</u> are post-employment, in which the company makes contributions to a default of a separate entity (a fund) and has no legal obligation to perform or implied additional contributions in the event that the fund does not has sufficient assets to meet the benefit of employees who are related to the services they have provided in the current financial year and in previous ones.

<u>Defined benefit plans</u> are plans for post-employment benefits other than defined contribution plans.
Multi plans are defined contribution plans (other than State plans) or defined benefit plans (plans of various public), in which:

(a) meet the assets contributed by different companies, which are not under common control, and

(b) use the aforementioned assets to provide benefits to employees of more than one company, taking into account that both the contributions and the amounts of benefits are determined without regard to the identity of the company or the employees covered by the plan.

<u>Other employee benefits</u> are long-term employee benefits (other than the post-employment benefits and severance compensation) for which payment has not be met within the period of twelve months following the end of the period in which employees have served.

<u>Severance grants</u> are the salaries to pay employees as a result of:

(a) the decision of the company to terminate the contract before the employee's normal retirement age, or

(b) the employee's decision to accept voluntarily the conclusion of the employment relationship in exchange for such compensation.

<u>Benefits are irrevocable or consolidated</u> earnings that are not constrained by the existence of an employment relationship or work in the future.

The <u>present value of defined benefit obligation</u> is the present value, without deducting any asset affection to the plan, the expected future payments that are required to comply with the obligations arising from services rendered by employees in the current financial year and in the earlier.

<u>Cost of services for the current period</u> is the increase in the present value of defined benefit obligations, which occurs as a result of services rendered by

employees in the current fiscal year.

<u>Interest cost</u> is the increase occurred during an exercise in the present value of defined benefit obligations, because those fees are a year closer to maturity.

The <u>plan assets</u> include:

(a) assets held by a fund for long-term benefit for employees and

(b) insurance policies suitable.

<u>The assets held by fund long-term benefits for employees</u> are assets (other than financial instruments issued by the company that introduced the financial statements) that:

(a) are owned by an entity (a fund) that is legally separated from the company presents its financial statements and exist only to pay or fund employee benefits, and

(b) are available to be used only to pay or fund employee benefits, are not available to deal with debts to creditors of the company that introduced the financial statements (even in case of bankruptcy) and cannot return to this company except under the following circumstances:

(i) when the assets that remain in the plan are sufficient to meet all the obligations of the plan or the company that introduced the financial statements, related to employee benefits, or

(ii) when the assets returned to the company to pay benefits to employees and paid for it.

<u>An insurance policy</u> is a suitable insurance policy issued by an insurer which is not a party linked to the company that introduced the financial statements (as defined in IAS 24, information disclosure of related party), when Indemnity coverage:
(a) can be used only to pay or fund employee benefits under a defined benefit plan, and

(b) are not available to deal with debts to creditors of the company that introduced the financial statements (even in case of bankruptcy) and cannot be paid to this company except under the following circumstances:

(i) when the awards represent surplus assets that are not needed in the pool to meet the remaining obligations related to the plan of employee benefits, or

(ii) when the awards return to the company to pay benefits to employees and paid for it.

Fair value is the amount for which an asset could be exchanged or a liability settled between a buyer and a seller interested and informed, in a free transaction.

The return on plan assets are interest, dividends and other income from plan assets, together with gains and losses of these assets, whether or not realized, less any costs of administering the plan and all kinds of taxes themselves from it.

Gains and losses include:

(a) adjustments for experience (which measure the effects of differences between the previous actuarial assumptions and the events actually took place in the plan) and

(b) the effects of changes in actuarial assumptions.

Past service cost is the increase in the present value of its obligations under the plan because of the services rendered by employees in previous years, revealed in the current financial year by the introduction of new post-employment, by modification of existing ones or by the introduction in the plan of long-term benefit of another nature. The cost of past service can be positive (where benefits are introduced to new or existing ones are improved) or negative (where existing benefits are reduced).

Employee benefits in the short term

8. The earnings in the short term employee benefits include items such as the following:

(a) Salaries, wages and social security contributions;

(b) paid leave at short notice (such as rights to paid leave or paid sick leave), provided they are expected to take place the same within twelve months following the end of the period in which the employees render services that give them rights;

(c) participation in profits and incentives, payable within twelve months following the end of the period in which the employees render the services; and

(d) non-monetary rewards to active employees (such as medical care, use of houses and cars, and delivery of goods and services free or partially subsidized).

9. Accounting for short-term employee is usually immediate, since there is no need to raise any actuarial assumptions for valuing the obligations or costs, and therefore there is no possibility of any gains or losses. In addition, the obligations for short-term employees are evaluated without a discounting the amounts.

Recognition and Measurement

Applicable to all short-term

10. When an employee has served in the company during the period, it must recognize the undiscounted amount of short-term has to pay for such services:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount paid is greater than the undiscounted amount of remuneration, the company must recognize the difference as an asset (advance payment of an expense) to the extent that the advance payment would result, for example, a reduction in payments for in the future or cash refund.

(b) and as an expense, unless another International Accounting Standard requires or permits the inclusion of those fees in the cost of an asset (see, for example IAS 2, inventories, and IAS 16, Capitalized Material).

In paragraphs 11, 14 and 17 of the Standard explains how the company should implement this requirement on short-term employees, consisting of paid leave, profit sharing and incentive schemes.

Paid leave short-term

11. The company must recognize the expected cost of short-term employee in the form of paid leave, applying paragraph 10 above as follows:

(a) in the case of paid leave whose rights are being built up, as the employees render services that allow them to enjoy future paid leave; and

(b) if not paid cumulative permits, where such permits have actually occurred.

12. A company can reward employees by giving them the right to be absent from work for varied reasons, including holidays, illness or disability, maternity or paternity, membership of juries or conduct of military service. The rights that may result in the permits are of two categories:

(a) cumulative; and

(b) not cumulative.

13. The cumulative leaves with rights are those whose enjoyment can be deferred, so that the corresponding rights can be used in subsequent years, provided those in the current period have not been fully enjoyed. Permits paid cumulative nature of rights can be either irrevocable (when employees are entitled to receive a cash allowance enjoyed in the event of did not leave the company) or revocable (when employees are not entitled to receive compensation cash in case of leaving the company). The obligation under this emerges as the employees render the services which entitle them to enjoy future permits paid. The obligation exists and must be recognized even if the permits are revocable paid, although the possibility that employees may leave the company before using this right, when it is a revocable, could affect the valuation of the corresponding obligation .

14. **The company must evaluate the expected cost of paid leave with rights of cumulative nature in the balance sheet date, depending on the additional amounts that it expects to meet employees as a result of rights that have accrued on that date.**

15. The method has been described in the preceding paragraph is to measure the obligations according to the amounts of additional payments that the company expects specifically, the fact that the right to paid leave is cumulative. In many cases, the company may not need to make detailed calculations to estimate that does not have significant obligations amounting related fees for unused permits paid. For example, a requirement regarding the payment of sick leave, it is likely that a magazine of meaningful if there is agreement within the company, tacit or explicit, that such rights shall not used can be enjoyed as paid holidays.

Illustration of paragraphs 14 and 15

One company has 100 employees, each of whom has the right to be absent for five working days a year because of illness. The rights for unused can be enjoyed during the following year. Successive permits are deducted, first, of the rights of the current year, and then apply those rights were not used in the previous year (a kind of LIFO). On Dec. 31 the year 20X1, the average rights of this kind not used by employees is two days per worker. The company expects from the experience it expected to continue in the future, that 92 employees will use no more than five days of paid absence for sickness in the year 20X2, while the remaining eight employees will take an average of six days and half each.

The company expects to pay an additional amount equal to 12 days of paid absence for sickness as a result of rights that has accumulated unspent to December 31 of the year 20X1 (one and a half days for each of the eight employees). Therefore, the company will recognize a liability equal to 12 days of paid absence for sickness.

16. The rights to paid leave is not cumulative not move ahead: expire if not used entirely during the current period and does not entitle employees to cash in the amount receivable from them in case of leaving the company. This is the most common case in the paid sick leave (to the extent that rights not used in the past do not increase the enjoyment of future rights), in cases of absence on maternity or paternity and those of

paid leave for Because of belonging to a jury or by carrying out military service. The company did not recognize or liabilities or expenses for these situations until there is the absence, since the services provided by the employees do not increase the amount of remuneration to which they are entitled.

Participation in profits and incentive schemes

17. The company must recognize the expected cost of participation in profits or incentive schemes for workers, pursuant to paragraph 10 above when, and only when:

(a) has a present obligation, legal or implied, to make such payments as a result of past events; and

(b) can make a reliable estimate of the value of that obligation.
There is a present obligation if, and only when, the company has no other realistic alternative to cope with payments.

18. In the case of some agreements or profit-sharing plans, employees receive a share of the profits only if they remain at the company during a specified time. These plans create a constructive obligation as the employees render services that increase the amount to pay if they remained in service until the end of the period specified. In conducting the valuation of such obligation, will reflect the possibility that some employees may leave the company before they can receive payments for participation in the profits.

Illustration of paragraph 18

A plan envisages a share in the profits that the company pays a specified proportion of their net profits for the year to employees who have served throughout the year. If there are no employees who have left the company during the year, total payments per share in the profits will amount to 3% of net profit. The company estimates that staff turnover will reduce payments to 2.5% of net profit.
The company will recognize a liability and an expense for an amount of 2.5% of net profit.

19. The company may have no legal obligation to pay incentives. However, in some cases, the company may have the habit of paying such incentives to their employees. In such cases, the company will have an implicit obligation, as it has no alternative other than that involves dealing with the payment of incentives. In making the evaluation of this obligation will be taken into account the possibility that some employees leaving the company without the incentive of pays.

20. The company can make a reliable estimate of the amount of their legal obligations or implied, as a result of profit-sharing plans or incentive when, and only when:

(a) the formal terms of the respective plans contain a formula to determine the amount of the benefit;

(b) the company determine the amounts payable before the financial statements to be made, or

(c) past experience provides clear evidence about the amount of the obligation implied by the company.

21. The obligations related to the plans of participation in profits and incentives are the result of services rendered by employees, not from transactions with owners. Therefore, the company will recognize the cost of such plans, profit sharing and incentive as an expense in the income, not as a component of the distribution of net profit.

22. If payments as a result of participation in the profits and incentives to staff not made within a period of twelve months after the end of the period in which the employees render their services, these payments will be considered as other benefits Long-term employee (see paragraphs 126 to 131).

Information Disclosure

23. Although this rule does not require the presentation of specific disclosures about short-term employee, other rules may require such information to disclose. For example, according to IAS 24 to disclose information about related parties, the entity must disclose certain information about the salaries of key personnel of the management. In IAS 1 Presentation of Financial Statements, are forced to disclose information on staff costs.

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

24. Among the post-employment pay will include:

(a) retirement benefits such as pensions, and

(b) other forms of remuneration to employees after the period in which they have been working for the company, such as life insurance or medical benefits after employment.

The agreements in which the company agrees to provide benefits in the period following the provision of labor services of the employees are plans for post-employment benefits. The company will apply the content in this standard for accounting to reflect these agreements, regardless of whether they involve the establishment of a separate entity to receive contributions and make payments.

25. Plans for post-employment can be classified into defined contribution plans and defined benefit plans, according to the economic substance which is derived from the terms and conditions contained in them. In the case of defined contribution plans:

(a) a legal obligation or implied in the company is limited to the contribution it has agreed to deliver to the fund. In this way, the amount of benefits received by the employee shall be determined by the amount of the contributions you have made the company (and possibly the employee) to plan for post-employment or insurance company, along with the return on investments where the funds materialize, and

(b) as a result, the actuarial risk (that benefits are lower than expected) and the investment risk (of the invested assets are insufficient to cover the expected benefits) are borne by the employee.

26. Examples of cases where the obligations of the company are not limited by the amount with which it agrees to contribute to the fund, are when the company has entered into an obligation, legal or implied, that:

(a) the formula for the benefit plan is not linked solely to the amount of the contributions;

(b) there is a guarantee, either indirectly through a plan or directly, for a yield specific contributions, or

(c) the normal practices of the company gave birth to an implicit obligation, which occurs when, for example, it has a history of systematic increases of benefits in the past, with the goal that benefits to former Employees recover purchasing power lost to inflation, although there is no obligation to do so.

27. In defined benefit plans:

(a) the obligation of the company is to provide benefits granted to current and former employees, and

(b) the actuarial risk (that benefits have a cost higher than expected) and the investment risks are borne mainly by the company itself, which means that if the differences actuarial or return on investment is lower than expected, the obligations of the company may be inflated.

28. Then, in paragraphs 29 to 42, explained the distinction between defined contribution plans and defined benefit plans, in the case of multi plans, the government plans and the benefits secured.

Plans Multi

29. The company must proceed to classify a multi-employer plan benefit as a defined contribution plan or defined benefit, depending on the conditions of it (taking into account all sorts of obligations or commitments outside the terms agreed formally). In the event that the multi-employer plan is a defined benefit plan, the company must:

(a) keep its share of the obligation on account of the defined benefit of plan assets and costs associated with maintaining the same, the same way you would with any other defined benefit plan E

(b) include in its financial statements the disclosures required under paragraph 120A.

30. **When not enough information available to implement the accounting treatment of defined benefit plans to plans multi fulfilling the conditions for it, the company must:**

(a) reflect the accounting plan as if it were a defined contribution plan, as set out in paragraphs 44 to 46;

(b) disclose the following information:

(i) the fact that the plan is defined benefit, and

(ii) the reasons why it is not enough information available to enable the company accounted for as a defined benefit plan, and

(c) to the extent that there is the possibility that a surplus or deficit in the plan might affect the amount of future contributions, in addition to disclose:

(i) any information with respect to that surplus or deficit;

(ii) the basis used for determining it, and

(iii) the implications, if any, might have these imbalances for the company.

31. An example of multi-defined benefit plan is one where:

(a) the plan is funded by payments on the progress made by companies participating in the following way: the contributions are made according to the amount of benefits that are expected to pay in the current financial year and future benefits accrued during the year are facing with future contributions, and

(b) benefits payable to employees are calculated based on their years of service and business partners have no realistic possibility of withdrawing from the plan without the input of the benefits accrued by employees until it terminates the link to the plan. The plan outlined creates an actuarial risk for the company. Indeed, if the total cost of accrued benefits at the balance sheet date is higher than expected, the company must proceed to increase their contributions or persuade employees to reduce the amount of benefits they receive. Therefore, this plan can be described as defined-benefit plan.

32. When the company has adequate information about the multi-employer plan that is described as defined-benefit accounting to proceed with their share of the defined benefit obligation of plan assets and costs of benefits associated with the plan in question, just as you would with any other plan of this type. However, in some cases the company may not be able to identify their part in the financial position and performance of the plan with sufficient reliability to be counted. This can occur if:

(a) the company does not have access to information about the plan that can satisfy the requirements of this Standard, or

(b) the plan sets out to businesses involving actuarial risks associated with current or former employees of other companies, and as a result there is no consistent and reliable procedure for distribution to individual members or obligations or liabilities, or the cost of the plan.
In such cases, the company recorded the plan as if it were defined contribution, and provide additional information to disclose that is required by paragraph 30.

32A. There may be a contractual agreement between the multi-employer plan and its participants, which determines how it will distribute the surplus of the same between them (or how it will finance the deficit). A participant in a multi-employer plan subject to this type of agreement, accounting for the plan as a defined contribution under paragraph 30, will recognize the asset or liability arising out of contractual agreement, and accounted for the corresponding income or expense in the mind results.

Example illustrating paragraph 32A

An institution participates in a defined benefit plan that does not make multi valuations of the plan under IAS 19. The counting of the plan is carried out as if it were a defined contribution. A valuation is not prepared in accordance with IAS 19, shows a funding shortfall of 100 million. The plan has a contract conclude which are scheduled contributions by employers participating in it, in order to eliminate the deficit over the next five years. The total contributions of the entity under the contract amounts to 8 million.

The entity recognizes a liability for contributions, which are set according to the value of money over time and an equal amount of expense in the income statement.

32B. IAS 37 Provisions, contingent liabilities and contingent assets requires an entity to recognize or disclose information regarding certain contingent liabilities. In the context of a multi-employer plan can emerge a contingent liability, for example:

(a) actuarial losses related to other participating entities because each of the entities involved in the plan shares the actuarial risks of the other, or

(b) the responsibility assumed, according to the terms of the plan, to finance the deficits in the event that others fail to participate.

33. The plans are different from multi plans administered collectively. A plan is jointly administered an aggregation of individual plans, combined to allow companies to pool their assets to participants in making investments, thus reducing the costs of administration and management of the same, but the assets belonging to each of businesses remain segregated to meet the benefit of its employees in particular. The plans administered collectively pose no particular problems in their accounting, since the information is always available to come to his record as an individual plan, and because such plans do not involve exposure to any of the companies participating in the actuarial risks associated with active employees or retirees of other companies. The definitions offered in this standard requires that companies classify plans administered collectively as defined contribution plans or defined benefit, in accordance with the terms of each of them (taking into account any eventual obligation to the spinoff of the normal terms agreed for the same).

Defined benefit plans in which risks are shared among several entities under joint control

34. Defined benefit plans in which risks are shared among several entities under joint control, for example between a parent and its subsidiaries, are not multi plans.

34A. An entity participating in this type of plan can obtain information about the plan as a whole, valued in accordance with IAS 19, on the basis of assumptions applicable to the whole of it. If there is a contractual agreement or an established policy of charging a group of individual entities, the cost of the net defined benefit plan as a whole, valued in accordance with IAS 19, the entity recognizes in its financial statements separate or individual The cost charged to him in this way. If there was no agreement or established policy, will recognize the cost of defined benefit net in the separate financial statements of the entity or individual in the group that is legally the employer who has sponsored the plan. The other group entities recognized in its financial statements or separated, at a cost equal to their contributions to be paid in the period.

34B. The participation in this plan is a related party transaction, for each individual item of the group. Therefore, each of the entities disclose, in their separate or individual financial statements, the following information:

(a) The contractual agreement or established policy to charge the cost for the defined benefit net, or the fact that there is no such policy,

(b) The policy for determining the contribution payable by the entity,

(c) If the institution counted the distribution of the cost of providing defined net in accordance with paragraph 34A, all information about the plan in its entirety, in accordance with paragraphs 120 and 121,

(d) If the body count the contribution payable in the period in accordance with paragraph 34A, information about the plan as a whole that require paragraphs 120A [paragraphs (b) to (e), (j), (n), (O) and (q)] and 121. Do not apply the other disclosures required by paragraph 120A.

35. [Removed]

Government plans

36. The company should seek a public accounting in the same manner as the multi plans (see paragraphs 29 and 30).

37. State plans are established by legislation to cover all companies (or all companies in the same class or category, such as those belonging to a specific sector) and are administered by national or local authorities, or by another body (e.g. an autonomous agency created specifically for this purpose) that is not subject to control or influence of companies whose employees are the beneficiaries. Moreover, some plans are set by companies in order to provide benefits that replace the salary should pay a public plan and provide some voluntary improvements. These plans are not public plans.

38. The characterization of the plans for public input or defined benefit is given the nature of the obligations of companies that participate in them. Many of the public plans are funded through payments on the progress made by companies participating in the following way: the contributions are made according to the amount of benefits that are

expected to pay in the current financial year and future benefits accrued during the year will be dealt with future contributions. However, in most plans public, the company has no legal obligation to pay such implicit or future contributions, as its only commitment is to pay the contributions as they are made payments to employees, so if the company ceases to employ beneficiaries of the scheme the public will have no obligation to continue paying benefits accrued during the years of service prior to their employees. For this reason, the government plans usually are classified as defined contribution plans. However, should the case that the plan was a public defined benefit plan, the company applied the treatment required in paragraphs 29 and 30.

Insured Benefits

39. A company can finance a plan for post-employment benefits by paying premiums on an insurance policy. In this case, you should treat the plan as a defined contribution plan, unless you have an obligation (either directly or indirectly through the plan) legal or implicit:

(a) pay the employees directly benefits the moment they fall due, or

(b) pay additional amounts if the insurer does not pay all benefits relating to services rendered by employees in the exercise in the present and past.
If the company retains such an obligation, legal or implied, must try to plan as if it were defined benefit.

40. The benefits insured by an insurance policy need not maintain a relationship directly or automatically with the obligations implied by the company regarding the payment of benefits to their employees. Plans for post-employment involving the use of insurance policies, subject to the same distinction between accounting and finance than other plans covered by pension funds.

41. When a company decides to implement their obligations for post-employment through contributions to an insurance policy in which it retains the legal obligation or implicit (either directly on its own, indirectly through the plan, through a mechanism for future contributions or through a third party linked to the insurance company) to account for agreed benefits, payment of insurance premiums will not result in an agreement defined contribution. On the contrary, this fact remains that the company:

(a) accounted for the insurance policy as a suitable plan assets (see paragraph 7) and

(b) recognizes the other insurance policies as rights of reimbursement (if the policies satisfy the requirements of paragraph 104A).

42. When the insurance policy is in the name of one of the employees engaged in special, or a group of employees, and the company that has contracted has no legal obligation nor implied to cover any losses resulting from the policy, there is no compromise to pay benefits for employees, as the insurer is solely responsible for such payments. In this case, the payment of premiums fixed by the policy is, in essence, how to cancel an obligation concerning the provision of the employee, not an investment that will help meet the future with the commitments made. As a result, the company has neither an asset nor a liability for this concept. Therefore,

the company booked premiums such as contributions to a defined contribution plan.

Post-employment benefits: defined contribution plans

43. Accounting for defined contribution plans is easy, since the obligation of the company that introduced the financial statements for each financial year will be determined by the amounts that constitute the input into the plan. Accordingly, there is no need for actuarial assumptions to assess the obligation acquired or spending, and therefore there is the potential for gains or losses. In addition, the obligations are valued without resorting to discounts, except those portions of them to be overcome beyond the period of twelve months from the date of the financial period in which the employees render the services.

Recognition and Measurement

44. When an employee has served in the company for a year, the company must come to recognize the contribution to the defined contribution plan in exchange for such services:

(a) as a liability (obligations accrued expenses), after deducting any amount already paid. If the amount already paid exceeds the contributions must be made according to the services rendered through the balance sheet date, the company must recognize the difference as an asset (advance payment of an expense) to the extent that the advance payment will lead, for example, a reduction in payments to make in the future or a cash refund, and

(b) as an expense, unless another International Accounting Standard requires or permits the inclusion of the said benefits in the cost of an asset (see, for example IAS 2, inventories, and IAS 16, property, plant and equipment).

45. In the event that contributions to a defined contribution plan had not been paid within twelve months from the date of the balance that provided the services of employees, the amount of the same should be discounted, using the discount rate specified in paragraph 78.

Information Disclosure

46. The company should disclose in each year, about the amount recognized as an expense in defined contribution plans.

47. In the event that required by IAS 24, Information disclosure of related party, the company will offer information on the relative contributions to defined contribution plans of key management personnel.

Post-employment benefits: defined benefit plans

48. Accounting for defined benefit plans is complex, since it is required actuarial assumptions for valuing the obligations and expenditures for each financial year and there is also potential for gains or losses. On the other hand, the obligations are valued according to their values discounted, since there is the possibility that they are satisfied many years after those employees have given their services.

Recognition and Measurement

49. Defined benefit plans cannot be financed through a fund, or on the contrary can be financed, in whole or in part, by contributions made by the company, and eventually by employees, to an entity or fund that is legally separate of the company, and is responsible for paying salaries to employees. The payment of benefits through a fund, when they become due, depends not only on the financial position and performance of the investments held by the fund, but also the ability and willingness of the company to cover any shortfall on fund assets. Therefore, the company is, in essence, the holder of the actuarial and investment risks associated with the plan. As a result, spending that will be recognized in a defined benefit plan is not necessarily equal to the amount that will contribute to it in the exercise.

50. The accounting by the company, defined benefit plans, involves the following steps:

(a) use actuarial techniques to make a reliable estimate of the amount of benefits that employees have accrued on account of the services they have rendered during the current financial year and in previous ones. This calculation requires the company to determine the amount of benefits that are attributable to the current period and prior (see paragraphs 67 to 71), and to carry out the estimates (actuarial assumptions) with respect to demographic variables (such as rotation Employees and mortality) and financial (such as future increases in salaries and the costs of medical care) that influence the cost of benefits to be provided (see paragraphs 72 to 91);

(b) deduct the above benefits using the projected unit credit in order to determine the present value of the obligation involving the defined-benefit and cost of services for the current period (see paragraphs 64 to 66);

(c) to determine the fair value of any plan assets (see paragraphs 102 to 104);

(d) to determine the total amount of actuarial gains or losses, as well as the amount of those losses or gains to be recognized (see paragraphs 92 to 95);

(e) in the event that the plan has been introduced for new or have changed the conditions, determine the appropriate cost for the services mentioned above (see paragraphs 96 to 101); and

(f) finally, in cases where there has been reductions in the plan or liquidation of it, determine the gain or loss (see paragraphs 109 to 115).

If the company keeps more of a defined benefit plan will apply the procedure outlined in the previous steps separately to each of the plans significantly different.

51. In some cases, the use of estimates, averages or shortcuts calculation can provide a reliable approximation of the procedures at ILLUSTRATED this Standard.

Accounting for the obligations implicit

52. The company must account not only their legal obligations under the formal terms of the defined benefit plan, but also implicit liabilities arising out of practices which, although not formalized, they are usually followed. These non-formalized

practices give rise to obligations implied, as long as the company has no realistic alternative than to face payment of related employee benefits. An example of the existence of an implicit obligation to effectively be when the change in the practices followed by the company could produce unacceptable damage in its relations with its employees.

53. The formal terms of a defined benefit plan may enable the company to withdraw from it without addressing their obligations committed. However, it is usually difficult for the company to cancel the plan if they want to continue to hold their employees. Therefore, in the absence of evidence to the contrary, in accounting for post-employment benefit assumes that the company, which is now promising these benefits, they should continue for the rest of the lives of their employees.

Balance

54. The amount recognized as a liability for defined benefit should be the net sum total of the following amounts:

(a) the present value of defined benefit obligation at the balance sheet date (see paragraph 64);

(b) plus any actuarial gain (less any actuarial loss) unrecognized because of the accounting treatment set out in paragraphs 92 and 93;

(c) minus any amount from the past service cost not yet recognized (see paragraph 96);

(d) less the fair value at the balance sheet date of any plan assets with which the obligations are settled directly (see paragraphs 102 to 104).

55. The present value of defined benefit obligation is the gross amount of them, before deducting the fair value of any plan assets.

56. The company must determine the present value of defined benefit obligations and the fair value of any plan assets, with sufficient regularity to ensure that balances recognized in the financial statements do not differ, significantly, the amounts which could be determined at the balance sheet date.

57. This Standard is encouraged, but not required, the company involves a qualified actuary, in the valuation of all obligations arising from significant post-employment benefits. Although it is desirable that the company requires the actuary to carry out an actuarial valuation of the obligations of each before year-end, is normal that the results of the evaluation conducted in past years to update to reflect the operations which have Instead, as well as other changes in circumstances related to these obligations (including changes in market prices and interest rates).

58. The amount determined under paragraph 54 may be negative (i.e., prove an asset). The company said the assets should be valued as the lesser of:

(a) the amount determined under paragraph 54; and

(b) the total value of:

(i) any loss actuarial and past service cost not yet recognized (see paragraphs 92, 93 and 96) and

(ii) the present value of any financial benefit available in the form of reimbursements from the plan or reductions in future contributions to it, to update these amounts using the discount rate specified in paragraph 78.

58A. The implementation of paragraph 58 should not result in a gain that is recognized in the current financial year, only because of an actuarial loss or the cost of past service, or a loss which is recognized only because of an actuarial gain in the current financial year. The company must therefore recognize immediately, according to paragraph 54, the following amounts, as far as they appear in the process of determining the defined benefit assets in accordance with paragraph 58 (b):

(a) The net actuarial losses and past service cost for the current financial year, to the extent that exceed any reduction in the present value of benefits specified in paragraph 58 (b) (ii). If there is no change or there has been an increase in the present value of benefits, should be recognized immediately under paragraph 54, of the amount of net actuarial losses and past service cost for the current financial year.

(b) The net actuarial gains after deducting the cost of past service for the current period, to the extent that exceed any increase in the present value of benefits specified in paragraph 58 (b) (ii). If there is no change or there has been a decrease in the present value of benefits, should be recognized immediately under paragraph 54, of the amount of actuarial net earnings for the current financial year, after the deduction of past service cost of this year.

58B. Paragraph 58A is applicable only if the company has, at the beginning or end of the year, a superávit1 in the defined benefit plan and cannot, under the prevailing conditions of the plan in its entirety recover such surplus through refunds or reductions in future contributions. In such cases, the cost for past service and actuarial losses that appear in the exercise, whose awards are deferred under paragraph 54, increase the amount specified in paragraph 58 (b) (i). If such an increase is not offset by a decrease of equal amount in the present value of benefits to be recognized under paragraph 58 (b) (ii) there will be an increase in the net total specified in paragraph 58 (b) And therefore, this will lead to recognition of a gain. Paragraph 58A prohibits the recognition of a gain in such circumstances. Have the opposite effect in the case of actuarial gains appearing in the exercise, whose recognition is deferred under paragraph 54, to the extent that the actuarial gains reduce cumulative unrecognized actuarial losses. Paragraph 58A prohibits the recognition of a loss in such circumstances. May be examples of the implementation of this paragraph in Appendix C.

59. You can see a net assets when the defined benefit plan is with, or when they just recognize actuarial gains. The company recognizes an asset in such cases because:

(a) the company controls an economic resource that is manifested in his ability to use the surplus in generating future profits;

(b) this control is the result of past events (contributions made by the company and services provided by employees) and

(c) the future economic benefits will reach the company in the form of reductions in future contributions or in the form of reimbursements, which the company may receive directly or they can go to another plan with deficits.

60. The limit of paragraph 58 (b) does not override the requirement for recognition of certain deferred actuarial losses (see paragraphs 92 and 93) or from certain past service cost (see paragraph 96), provided they are different from those specified in Paragraph 58A. However, the limit mentioned repealing transient option referred to in paragraph 155 (b). In paragraph 120A (f) (iii) requires the company to provide information on any cases of non-recognition of an asset due to the implementation of the limit set out in paragraph 58 (b).

Illustration of paragraph 60	
A defined benefit plan has the following features:	1100
Present value of obligations	<u>(1,190)</u>
Fair value of plan assets	(90)
Unrecognized actuarial losses	(110)
Unrecognized cost of past service	(70)
Unrecognized increase in liabilities arising of the initial implementation of the Standard, according to paragraph 155 (b)	<u>(50)</u>
Negative amount determined under paragraph 54	(320)
Present value of future reimbursements and reductions in future contributions that are available to the company	<u>**90**</u>
The limit set out in paragraph 58 (b) is computed as follows:	
Unrecognized actuarial losses	110
Past service cost Unrecognized	70
Present value of future refunds and reductions in future contributions	<u>90</u>
Limit	**270**
As 270 is less than 320, the company recognizes an asset for an amount of 270 and report on their financial statements that the limit reduces the amount of assets amounting to 50 (see paragraph 120A (f) (iii).	

Results

61. An entity recognized in the income statement, the total net amount of the following amounts, unless otherwise required or permitted standard inclusion in

the cost of an asset:

(a) the cost of services for the current period (see paragraphs 63 to 91);

(b) interest cost (see paragraph 82);

(c) the expected return of any plan assets (see paragraphs 105 to 107), and any right of redemption (see paragraph 104A);

(d) actuarial gains and losses, as required under the accounting policy of the entity (see paragraphs 92 to 93D);

(e) the cost of past service (see paragraph 96);

(f) the effect of any reduction or termination of the plan (see paragraphs 109 and 110) and

(g) the effect of the limit contained in paragraph (b) of paragraph 58, unless it has been recognized outside the income statement in accordance with paragraph 93C.

62. Other International Accounting Standards require the inclusion of certain costs arising from defined benefit to employees in the cost of assets such as stocks or property, plant and equipment (see IAS 2, inventories, and IAS 16, property, plant and equipment). All costs for defined benefit post-employment, which is included in the purchase price or cost of production assets cited, include the right proportion of components that have been mentioned in the list of paragraph 61.

Recognition and measurement: present value of defined benefit obligations and cost of services for the current period

63. The final cost of a defined benefit plan can be influenced by different variables, such as final salary, employee turnover and mortality, trends in the cost of medical care, and in the case of plans covered by funds, by the return on the investment of plan assets. The final cost of the plan is uncertain, and this uncertainty is likely to persist for a long period of time. In order to determine the present value of liabilities for post-employment benefits and the cost for the current financial year, it is necessary:

(a) apply an actuarial valuation method (see paragraphs 64 to 66);

(b) distribute the benefits from the period of service (see paragraphs 67 to 71) and

(c) make actuarial assumptions (see paragraphs 72 to 91).
Actuarial valuation method

64. The company must use the method of the projected unit credit both to determine the present value of its defined benefit obligations, such as the cost for services rendered in the current year and, where appropriate, the cost of past service.

65. In the method of the projected unit credit (also sometimes called the method of allocation of benefits accrued in proportion to the services rendered, or the method of allocation of benefits per year of service), provides each year of service as a generator

an additional unit of entitlement to benefits (see paragraphs 67 to 71) and is measured by each unit separately to form the final obligation (see paragraphs 72 to 91).

66. The company has to proceed to deduct the full amount of the obligation post-employment benefits, even if part of it has to be paid within a period of twelve months of the balance sheet date.

Illustration of paragraph 65

The company must pay at the end of the period of their contract workers, a benefit consisting of a single sum of money equal to 1% of final salary for each year of service. The salary of the year 1 is 10,000 and is expected to grow at a rate of 7% per annum compound. The discount rate used is 10% per annum. The table below shows inserted the requirement generated for the company by an employee who is expected to leave it at the end of the year 5, assuming no changes in actuarial assumptions. For reasons of simplicity, this example ignores the additional adjustment would be necessary to reflect that, eventually, the likelihood that the employee may leave the company at an earlier date or later.

Year	1	2	3	4	5
Remuneration attributed to:					
- Prior years	0	131	262	393	524
- Current period (1% of salary for the year 5)	131	131	131	131	131
- Current period and Previous	131	262	393	524	655
Initial amount of obligation	--	89	196	324	476
Interest to 10%	--	9	20	33	48
Cost of services the current period	89	98	108	119	131
The final amount of obligation	89	196	324	476	655

Notes:
1. The initial amount of the obligation is the present value of benefit attributed to previous years.
2. The cost for the services of this exercise is the present value of benefit attributed to this exercise.
3. The final amount of the obligation is the present value of benefit attributed to the current period and prior.

Sharing of benefits between periods of service

67. In determining the present value of its defined benefit obligations as well as charges that relate to the services provided for in this exercise and, where appropriate, the costs of past service, the company should proceed to distribute the benefits among periods service, using the formula of the performances of the plan. However, if the services rendered by an employee in subsequent years will rise to a significantly higher level of benefits that achieved in previous years, the company must distribute the straight-line profit in the interval period between:

(a) the date from which the service provided by the employee gives you the right to benefit under the plan (regardless of whether the benefits are tied to future services) and

(b) the date on which the post to give the employee the right to generate significant additional amounts of benefit under the plan, except in case of any increases in wages in the future.

68. We use the projected unit credit requires the company attributed a portion of benefits to be paid in the future, the services provided in the current financial year (to determine the cost incurred in the same) and other serving different from those provided in the current financial year and the previous (in order to calculate the present value of defined benefit obligations). The company, in this way, shared benefits from the period in which they earned the payment obligation on the post-employment benefits. This obligation arises as the employees render services in exchange for which the company has promised to pay future benefits. The actuarial techniques allow the company to assess their obligations with sufficient reliability to warrant the recognition of them as elements of financial statements.

Illustrative examples of paragraph 68

1. A defined benefit plan is to pay the employee at the time of retirement, a lump sum of 100 for each year of service.

In this case is attributed to a provision of 100 each year of active duty. The cost of each year is the present value of 100. The present value of the corresponding obligation is the present value of 100 multiplied by the number of years of service until after the balance sheet date.

If the provision were to be paid immediately after the employee left the company, the cost of services for the current period and the present value of the obligation of the defined benefit plan would take into account the expected date of the withdrawal. Thus, because of discounting the amounts, such amounts will be lower than should calculate if the employee were to retire at the balance sheet date.

2. A plan is to ensure a monthly pension of 0.2% of final salary for every year of service. The pension is payable from the employee meets the 65 years.

In this case will be assigned to each period, a benefit equal to the current value of a pension of 0.2% of the estimated amount of final salary, payable from the date of the withdrawal until the expected date of death. The cost of services for the current period is the present value of such a provision. The present value of liabilities for the defined benefit plan is the present value of monthly payments of 0.2% of final salary, multiplied by the number of years of service until after the balance sheet date. Both the cost of services for the current period as the present value of the obligations involved in the plan are being discounted because pension payments begin when the employee's 65th birthday.

69. The services provided by the employees will result in a defined benefit plan, the birth of a payment obligation, even in the event that such payments are conditional upon the existence of an employment relationship in the future (in other words, although those fees are revocable). The years of service prior to the time of consolidation of rights obligations, will result in an implicit obligation because, in each of the dates of the balance sheet, will be reduced the amount of future services to provide for the employee before consolidating their rights. In the process of assessment, however, the company will consider the likelihood that some employees cannot get to meet the requirements to become irrevocable rights. In a similar vein, although certain post-employment benefits, such as costs for health care, are satisfied only when you think of an individual event the employee entitled to them, the obligation for payment of the same establishment as the employee is to provide the services that you are entitled to receive the benefit, when that event takes place. The likelihood of this specific event occurs, will affect the valuation of the obligation, but is not decisive obligation that has an actual existence.

Illustrative examples of paragraph 69

1. A plan acknowledges a benefit of 100 per year of service. The right to receive it consolidates after 10 years of service.

In this case should be allotted to each year a benefit worth 100. In each of the first ten years, the cost for the services of the current financial year and the current value of the obligation to date, have to take into account the likelihood that the employee in question fails to complete the ten years required for service.

2. Another plan acknowledges a benefit of 100 per year of service, excluding service before reaching 25 years. The benefits are irrevocable immediately.

In such a case does not confer benefits to any of the periods prior to the employee reaches the age of 25 since they are not entitled to benefits (or revocable or irrevocable). In each of the subsequent years will be assigned an allowance amounting to 100.

70. The obligation is increased until such time as any subsequent service provided by the employee does not lead to a significant increase in benefits. Therefore, the entire amount of benefits is attributable to the period ending on that date and that are before him. The benefits to be provided will be distributed among the periods using the formula of the plan. However, in the event that the services rendered by an employee in the

years ahead can give you the right to receive a benefit substantially higher than it was entitled in previous years, the company will distribute the provision in a linear fashion, so far in the that the additional services rendered by the employee did not give the right to receive a significantly greater amount of provision. This is done so because they are all services rendered by the employee in the exercise, which will entitle him to receive the highest level of benefits.

Illustrative examples of paragraph 70

1. A plan provides a benefit to employees by a single level of 1,000, which is irrevocable after ten years of service. The plan does not provide more benefits for additional years of service will be allocated an allowance of 100 (1,000 divided by 10) to each of the first ten years.

The cost of the services of the current financial year, in each of the first ten years, will take into account the probability that the employee can not complete the ten years of service required. No profit is attributed to the following years.

2. A plan to provide grants a one-off amount, valued at 2.000, to all employees who remain in the company at the age of 55 years, having given at least twenty years of service, or who are serving in the company to age 65, regardless of their age.

For workers entering the job before the age of 35 years, it is necessary to take into account the benefits that they can reach to fulfill that age, but not before (the employee can leave the company at 30 and re-join the age 33, which will have no effect on the level of the neither benefit nor the date of payment). Such benefits are conditioned to the future. In addition, services provided after 55 years does not attach to any employee entitled to additional benefits. For employees who reach the age of 35 years, the company must allocate benefits of 100 (2,000 divided by 20) for each year of service, from 35 to 55 years of age.

For workers who have access to the company between 35 and 45 years, the services rendered after 20 years does not bring them additional benefits Therefore, the company attributable to such employees, a benefit of 100 (2,000 divided 20) for each of the first 20 years of service.
In the case of a worker who enters the job at the age of 55 years, services provided after the first ten years do not grant him the right to provide additional quantities. For this employee, the company will attach a provision of 200 (2,000 divided by 10) for each of the first ten years of service.

In all previous cases, both in the cost of services for the current period as in the present value of obligations in the plan will take into account the likelihood that the employee in question, complete all required periods of service before becoming eligible for receive them.

3. A plan for post-employment medical care is reimbursed 40% of the costs for medical care that supports the former employee provided that it has left the company with between ten and twenty years of service, and 50% of those same costs if the employee has left the company after twenty or more years of service.

Under the formula of the benefit plan, the company attributed to 4% of the current value of the costs of medical care provided (40% divided by 10), each of the first ten years, and 1% (10% divided by 10) to each of the second decade. The cost of services for the current period should take into account the probability that the employee can not complete the service necessary to qualify for part or all of the benefits. In cases where employment is expected to leave the company, or withdraw, before the first ten years shall not be attributed to exercise any corresponding cost.

4. A plan for post-employment medical care is reimbursed 10% of the costs for medical care if workers have left the company after ten but before the twenty years of service, and 50% of such costs if they have left the After twenty or more years of service.

In this case, services provided after the first 20 years granted to an employee much higher level of performance it achieved the past. Therefore, for employees who will leave the company after twenty years or more, it attached the provision using the linear method of distribution described in paragraph 68. The services provided after the first 20 years are not eligible for additional benefits. Therefore, the provision attached to each of the first twenty years is 2.5% of the current value of the expected costs for medical care (50% divided by 20).

For those cases where employment is expected to leave the company or retire, after ten years of service but before reaching the twentieth, the benefit attributed to each of the first ten years shall be 1% of the value of current the expected costs for medical care. For these workers there is no need to attribute any benefit to services rendered after the end of the tenth year and before the estimated date of withdrawal.

For those cases where employment is expected to withdraw from the company before the first ten years, there is no need to attribute any benefit to the corresponding periods.

71. In the event that the amount of the benefit consists of a proportion of final salary for every year of service, salary increments in future affect the amount necessary to fulfill the obligation exists, for years of past service on the date Balance sheet, but not create any additional liability. Therefore:

(a) for the purposes of paragraph 67 (b), increases in salaries do not imply greater benefits, even when the amount of benefits will depend on the amount of final salary; and

(b) the amount of the allowance given to each financial year will be a constant proportion of salary with benefits that are related

Illustration of paragraph 71

Employees acquire the right to a benefit of 3% of final salary for every year of service before age 55.
In this case is attributed to an annual profit of 3% of final salary for each year until the employee meets the age of 55. This is the date on which the post does not entitle them to a level more in benefits, according to the plan. Therefore, no provision is attributed to

the services rendered by the employee after reaching that age.

Actuarial assumptions

72. **The actuarial assumptions must be unbiased and mutually compatible**.

73. The actuarial assumptions represent the best estimates that the company owns on the variables that will determine the final cost of providing post-employment benefits. Among the actuarial assumptions include the following two types:

(a) demographic assumptions about the characteristics of the employees past and present (as well as their beneficiaries) that they can receive benefits. These assumptions relate to matters such as:

(i) mortality, both during the activity period and beyond;

(ii) turnover rates among employees, disability and premature withdrawals;

(iii) the proportion of participants in the plan to recipients who are entitled to benefits, and

(iv) the types of demands for attention, in plans for medical assistance.

(b) financial assumptions, which are related to the following:

(i) the discount rate (see paragraphs 78 to 82),

(ii) future levels of salaries and benefits (see paragraphs 83 to 87);

(iii) in the case of benefits for health care, the future costs of it, including whether they were important, the administration costs of claims and payments of benefits (see paragraphs 88 to 91); and

(iv) the expected rate of return on plan assets (see paragraphs 105 to 107).

74. The actuarial assumptions were considered unbiased if they are neither reckless nor too conservative.

75. The actuarial assumptions will be compatible with each other when they reflect the economic relations between factors such as inflation, rates of increase in salaries, return on assets and discount rates. For example, all scenarios that are dependent on a certain level of inflation in a future period (such as those related to interest rates and increases in wages and benefits), will handle the same kind of price increase in this period.

76. The company will establish the discount rate and other financial assumptions in nominal terms (current), except that the estimates in real terms (adjusted for inflation) are more reliable, as can happen, for example, in the case of a hyperinflationary economy (see IAS 29, financial reporting in hyperinflationary economies), or in cases where benefits are linked to an index, having a fluid market bonds tied to the index in the same currency

and term.

77. The financial assumptions should be based on market expectations at the balance sheet date for the year in which obligations should be adhered to.

Actuarial assumptions: discount rate

78. The interest rate used to discount post-employment benefits payable to workers should be determined using as reference the market yield on the balance sheet date, corresponding to the emission of corporate bonds of high quality. This is separate from that benefits are implemented or not through separate funds. In countries where there is a large market for such securities, the yield should be used for bonds issued by the government in the balance sheet date. In any case, both the currency as the deadline for the government or corporate bonds should match the currency and the payment deadline for the payment of estimated liabilities for post-employment benefits.

79. One of the actuarial assumptions that have significant effects is the discount rate. This discount rate reflects the value of money over time, but not the actuarial or investment risk. Moreover, the discount rate does not reflect the specific risk of credit that bear the company's creditors, nor reflects the risk that the behavior of the variables in the future may differ from the actuarial assumptions used.

80. The discount rate reflects the estimated timing of payments of benefits. In practice, companies often get this simply by using a discount rate is a weighted average that reflects the timing and the estimated amount of benefit payments, as well as the currency in which they have to be satisfied.

81. In some cases, may not exist a large market for bonds with a maturity period sufficient to cover the expected maturity of all payments for benefits. In such cases, the company will have to use either the current market, with references that are appropriate to deduct the payments in the short term, and estimate the type to use for longer-term maturities corresponding extrapolating current market rates through the curve of long-term interests. It is unlikely that the total current value of a defined benefit obligation is particularly sensitive to the discount rate applied to the portion of benefits to be paid after the expiration of the company or government bonds, issued in the longer term.

82. The interest cost is calculated by multiplying the discount rate, determined at the beginning of the year, for the present value of defined benefit obligations in that period, taking into account any potential change in value. The present value of obligations can be different liabilities recognized in the balance as this item is assessed by deducting the fair value of any plan assets and because some actuarial gains and losses, as well as certain costs of past service, are not recognized immediately in the accounts (in Appendix 1 illustrates, among others, the calculations for the interest cost).

Actuarial assumptions: salaries, benefits and costs of medical care

83. The liabilities for post-employment should be valued to reflect:

(a) the estimated increases in salaries in the future;

(b) the benefits provided in the balance sheet date, according to the terms of the plan (or resulting from any obligation that may arise from such conditions) and

(c) estimated future changes in the level of public benefits, insofar as it affects the amounts payable under the defined benefit plan, if and only if:

> **(i) such changes have been incorporated into a law before the balance sheet date, or**
>
> **(ii) past history, or other reliable evidence, indicates that such public benefits will be changed in a predictable manner, for example, in line with future changes in overall levels of prices or wages.**

84. Estimates of future increases in wages should take into account inflation, seniority, promotions and any other relevant factors, such as the evolution of supply and demand in the labor market.

85. If the formal terms of a plan (or any obligation that goes beyond the terms contained therein) require the company to change benefits in future periods, the valuation of the corresponding obligation should reflect such changes. This is the case, for example, when:

(a) the company has a history of increasing benefits, for example, to mitigate the effects of inflation, and there are no indications that this practice will change in the future, or

(b) have been recognized actuarial gains in the financial statements and the company is required, either by the formal terms of the plan, which implied by the obligations deriving from the conditions attached thereto or by the law, to use any surplus profit from members of the plan (see paragraph 98 (c).

86. The actuarial assumptions will not have to reflect changes in future benefits that are not in the formal terms of the plan (or implicit obligations) at the balance sheet date. Such changes occur:

(a) a past service cost, to the extent that changes the performance of services prior to the change, or

(b) a service cost of the current financial year in subsequent years to change, to the extent that change benefits for services provided after the change.

87. Some post-employment benefits are linked to variables such as the level of retirement benefits or medical care. The valuation of these benefits will reflect expected changes in such variables as assessed on the basis of past history and other reliable evidence.

88. The assumptions about the costs for medical care must take into account changes in the estimated future cost of medical services, both arising from inflation and changes in the prices of those specific services.

89. The valuation of post-employment benefits in the form of medical care requires hypotheses about the level and frequency of future demand for such services as well as cover the cost of such care. The company will estimate the future costs of health care

from historical data taken from their own experience, supplemented if necessary with data from other firms, insurance companies, healthcare companies and other sources. Estimates of the costs of future medical care should consider the impact of technological advances, changes in the use of the benefits of medical care or patterns of demand for health care, and also changes in the health status of participants in the plan.

90. The amount and frequency of requests for medical care are particularly sensitive to the age, health status and sex of employees (and the people who depend on them) and can also be sensitive to other factors such as geographic location. Therefore, historical data must be adjusted whenever the demographic mix of the target population is different from that used as a basis for developing the historical data. It is also necessary to adjust the data when there is reliable evidence that historical trends will not continue in the future.

91. Some plans for post-employment health care require contributions from employees for coverage of medical costs covered by the plan. The estimates of future costs that requires the company to bear that takes into account such contributions, considering the terms of the plan at the balance sheet date (including any obligation that might result from such conditions). The changes in the contributions of the employees will result in the emergence of past service cost or, if this were the case, to reductions in the plan. The cost of covering health care can be reduced by the benefits they can receive the health officer or other health care providers (see paragraphs 83 (c) and 87).

Actuarial gains and losses

92. When valuing the defined benefit liabilities in accordance with paragraph 54, an entity recognized as income or expense, according to the terms of paragraph 58A, a portion of its actuarial gains and losses (as specified in paragraph 93), provided that the Unrecognized net amount accumulated at the end of the immediately preceding financial year, exceeds the greater of the following amounts:

(a) 10% of the present value of defined benefit obligation at that date (before deducting plan assets) and

(b) 10% of the fair value of any plan assets at that date.
These limits are calculated and applied separately to each of the existing defined benefit plans.

93. **The share of actuarial gains and losses to recognize for each defined benefit plan is the excess determined in accordance with paragraph 92, divided by the number of years of active work that on average, less to employees who participate in the plan. However, the entity may adopt any method of systematic nature, which produces faster recognition of the actuarial gains and losses, provided that they apply the same criteria for the recognition of losses and gains, and that the application is made in a consistent manner at different periods. The entity may apply such systematic methods for actuarial gains and losses, even if they were within the limits specified in paragraph 92.**

93A. If, as is permitted under paragraph 93, an entity to adopt the policy of recognizing actuarial gains and losses in the period in which they occur, may recognize them outside the income statement, in accordance with paragraphs 93B

to 93D, assuming that what to do:
(a) all of its defined benefit plans and
(b) all actuarial gains and losses.

93B. Actuarial gains and losses recognized outside the income statement, as permitted paragraph 93A, will be presented in a statement of changes in equity titled 'statement of income and expenditure in January 2008 30
IAS 19
Recognized 'to include only the items specified in paragraph 96 of IAS 1 (revised 2003). The entity will not submit actuarial gains and losses using the statement of changes in equity with columnar format referred to in paragraph 101 of IAS 1, or in any other format that includes the items specified in paragraph 97 of IAS 1.

93C. An entity to recognize actuarial gains and losses in accordance with paragraph 93A, also recognized outside the income statement any adjustments arising from the limit set out in paragraph (b) of paragraph 58, within the statement of income and expenses recognized .

93D. Both actuarial gains and losses as adjustments arising from the limit set out in paragraph (b) of paragraph 58, which have been recognized directly in the statement of recognized income and expense, are recognized immediately in retained earnings. Shall not be recognized in the income of any subsequent year.

94. Actuarial gains and losses can occur through increases or decreases in the present value of defined benefit obligations, or by changes in the fair value of plan assets. Among the causes of such losses or gains are the following:

(a) high or low turnover rate of employees, by early retirements, by death, or to increase wages, as well as changes in benefits (whether formal or implicit cover increases when there is inflation) or the cost of care medical;

(b) the effect of changes in estimates of the rates of employee turnover, mortality, early withdrawal or to increase salaries of employees, as well as the effect of changes in benefits (whether formal or cover increases when there is assumed inflation) or the costs of medical care;

(c) the effect of changes in the discount rate, and

(d) the differences between the actual and expected performance of plan assets (see paragraphs 105 to 107).

95. Taken over the long term, actuarial gains and losses can be offset from one another. Therefore, the estimates of liabilities for post-employment can be considered as an interval (or 'corridor') around the most plausible estimate. Allows the entity, not force him to do so, recognizing actuarial gains and losses that fall within this range.

Past service cost

96. In valuing its defined benefit liabilities, in accordance with paragraph 54, the company should recognize, according to the conditions set out in paragraph 58A, the cost of past service as an expense, spreading line basis over the average

period remaining to the definitive consolidation of the right to receive benefits consolidated (or irrevocable). However, if the benefits are irrevocable immediately after the introduction, or after any change of a defined benefit plan, the company must come to recognize immediately the costs of past service on the net profits.

97. The past service cost appears when the company introduces a defined benefit plan or change to receive benefits under a plan already exists. Such changes are as payment services rendered by employees in the time period in which consolidates the irrevocable right to receive benefits. Therefore, the cost of past service is recognized throughout this period of time, regardless of the cost relates to services rendered by employees in previous years. The cost of past service will be assessed as the change in liabilities arising from the adjustment made (see paragraph 64).

Illustration of paragraph 97

One company has a retirement benefit plan that provides a pension equal to 2% of final salary for each year of service. The right to receive benefits consolidates after five years of active service. On Jan. 1 the company's 20X5 improving the pension moving to 2.5% of final salary for each year of service, starting from January 1 of 20X1. On the date of the improvement, the present value of additional benefits from January 1 of 20X1 until January 1 of 20X5 is as follows:

Employees with more than five 1/1/X5 years of service to	150
Employees with fewer than five 1/1/X5 years of service (average period until vesting: three years)	120
	270

The company will recognize 150 immediately, since the right to receive these benefits and is irrevocable. Moreover, the company distributed 120 of a linear in the three remaining years until January 1 of 20X5.

98. In the past service cost excludes:

(a) the effect on the amount of the payment obligations of benefits for services from previous years, the differences between actual increases in wages and increases as previously assumed hypothesis (in this case does not appear past service cost Since the actuarial assumptions must take into consideration the projected salary);

(b) below or super estimations of the kind of discretionary increases in pensions in the event that the company has an obligation to make such increases (in this case there is no past service cost, because the actuarial assumptions must account such increases);

(c) estimates of improvements in benefits, as a result of the actuarial gains that have been recognized in the financial statements, provided that the company is formally bound by the terms of the plan (or implied by the obligations that may arise from the conditions set in the same), or the law, to use for the participants in the plan any surplus that may occur in the same, even if the increases in benefits have not been formally awarded (the resulting increase in the value of the bonds is an actuarial loss, not a past service cost, as indicated in paragraph b of paragraph 85);

(d) the increase in consolidated benefits (or irrevocable) when, in the absence of new or improved benefits, employees get better rights to convert them into irrevocable (is not given, in this case, past service cost because the cost Estimated benefits was recognized at the time as the cost of services for the current period, as the corresponding services were provided by employees) and

(e) the effect of the adjustments in the plan which has the effect of reducing benefits for future services (i.e., when a reduction).

99. When entering or modifying benefits, the company will have to establish a repayment schedule of past service cost. It might be impossible to keep detailed records necessary to identify and implement subsequent changes in the repayment schedule. In addition, the effect induced possibly is meaningful only when it consists of a reduction or the liquidation of all or part of the plan. Therefore, the company will adjust the repayment schedule to reflect the cost of past service, only in the case of a reduction or liquidation.

100. In the event that the company reduces benefits to pay a defined benefit plan, the resulting decrease in the balance of defined benefit liabilities is recognized as a negative cost of past service, during the averaging period to elapse until the portion of benefits, which has proved diminished, is irrevocable.

101. In the event that the company reduced some benefits to pay a defined benefit plan and at the same time, increase other within the same plan and for the same employees, the company will seek the change as a single variation, in net terms.

Recognition and measurement: plan assets

Fair value of plan assets

102. In determining the amount that should be recognized on the balance sheet under paragraph 54, then subtract the fair value of plan assets. If there is no market price available, then estimating the fair value of plan assets, for example by discounting future cash flows using a discount rate that reflects both the risk associated with the assets plan as the maturity date or expected disposal of such assets (or, if they had no expiration date, the estimated period until settlement of the obligation to pay off).

103. In the plan assets are not included outstanding contributions that the company must be at the bottom, nor the financial instruments issued by the company and held by the fund. Of plan assets is deducted any liabilities of the fund with no connection to the

remuneration of employees, such as accounts payable, whether or not commercial, and the liabilities that come from derivative financial instruments.

104. When the plan assets include insurance policies fit, which flows correspond exactly, both in amounts and in the payment schedule, with some or all of the benefits payable under the plan, which was deemed fair value of these policies Insurance is equal to the current value of the payment obligations related, as described in paragraph 54 (which will be subject to any reduction would be required if the amounts receivable under the insurance policies are not fully recoverable).

Repayments

104A. Only if it is true that almost a third go to repay some or all of the capital calls to cancel a defined benefit obligation, the company must recognize its right to reimbursement as a separate asset. The enterprise must value this asset at fair value. In all other respects, the company must seek such an asset in the same manner as the rest of plan assets. In the income, expenditure related to the defined benefit plan can be presented net of the amount recognized as reimbursable.

104B. sometimes, the company may require a third party, such as an insurer to pay all or a portion of the outlay required to cancel a defined benefit obligation. Insurance policies suitable, as defined in paragraph 7, are on plan assets. The company accounted for such policies fit in the same manner as all other plan assets, and does not apply paragraph 104A (see paragraphs 39 to 42 and 104).

104C. when an insurance policy does not meet the criteria for being a suitable policy, this policy will not be plan assets. Paragraph 104A deals with such cases: the company recognizes its right to reimbursement, under the insurance policy, as a separate asset and not as a deduction in determining the defined benefit liabilities recognized on the basis of paragraph 54; in all other respects, the company will address this asset in the same manner as the other plan assets. In particular, will increase (decrease) defined benefit liabilities recognized under paragraph 54, to the extent that the earnings (losses) on the net cumulative actuarial defined benefit obligation and the right to reimbursement, remain unrecognized, under paragraphs 92 and 93. Paragraph 120A (f) (iv) requires the company to disclose, through a brief description, the relationship between the right of redemption and the related obligation.

Illustration of paragraphs 104A to 104C

Current value of the obligation	1241
Unrecognized actuarial gains	17

Liabilities recognized in the balance	1258
Rights under insurance policies that compensate the exact amount and timing of some of the benefits payable under the plan. These benefits have a present value of 1.092.	1092

The unrecognized actuarial gains, amounting to 17, are the accumulated net actuarial gains on compulsory and the rights of redemption

104D. If the right to reimbursement arises under an insurance policy that compensates the exact amount and timing of some or all of the defined benefit payable in terms of a defined benefit plan, which was deemed fair value of the right of redemption is the current value of the related obligation, as described in paragraph 54 (subject to any reduction would be required if the amounts receivable under the insurance policies are not fully recoverable).

Income from plan assets

105. The expected return on plan assets is one component of expenditure to recognize in the income statement. The difference between the expected return on assets and the real yield is an actuarial gain or loss depending on the case and its amount will be included with the rest of the gains and losses relating to the defined benefit obligation to determine the net amount that will make comparisons with the limits of the "corridor" of 10% specified in paragraph 92.

106. The expected return on plan assets is determined, at the beginning of the period, based on market expectations for performance throughout the lifetime of the obligations associated with them. This projected return on plan assets will be required to reflect changes in fair value of plan assets during that period, which occur as a result of actual contributions made to the fund and the actual benefits paid under to it.

107. To determine the expected return and actual plan assets, the company deduct the estimated costs of administering the fund, which are different from those that have been included in the actuarial assumptions used to value the obligations of the plan.

Illustrative example of paragraph 106

On January 1 20X1, the fair value of plan assets stood at 10,000 and the net cumulative actuarial gains and unrecognized amounted to 760. A June 30 20X1, the plan paid benefits amounting to 1900 and received contributions by 4900. A Dec. 31 20X1, the fair value of plan assets stood at 15,000 and the present value of defined benefit obligations amounted to 14,792. The actuarial losses in the value of the payment obligations were 60 in the period 20X1.

On January 1 20X1, the company made the following estimates, based on market prices at that date:

	%
Income from dividends and interest, after taxes payable by the fund	9.25
Realized and unrealized gains on plan assets (after tax)	2.00
Administration costs	(1.00)
Type of yield	10.25

For the year 20X1, and actual performance of plan assets are as follows:

Yield of 10,000, held 12 months at 10.25% per annum	1025
Yield 3,000, kept for six months, to 5%	
(equivalent to 10.25% annual compound semiannually)	150
Projected return on plan assets in the 20X1	1175

Fair value of plan assets at December 31 of 20X1	15,000
Less fair value of plan assets at January 1 of 20X1	(10,000)
Less contributions received	(4,900)
More benefits paid	1.900
Actual return on plan assets	2.000

The difference between the expected return (1,175) and real (2,000) of plan assets is an actuarial gain of 825. Therefore, the net cumulative actuarial gains are to recognize outstanding 1,525 (760 over 825 less 60). According to paragraph 92, the limits of the fluctuation band of ± are 1,500 (the largest amount of (i) 10% to 15,000 and (ii) 10% of 14,792). In the following year (20X2), an enterprise to recognize in the income statement, an actuarial gain equal to the result of dividing 25 (1,525 less 1,500) between the value of the expected average remaining working lives of employees involved in the plan.

The expected return on plan assets for the year 20X2 is calculated from the expectations of market on January 1 20X2, for estimated returns, considering the entire period in which the obligation is in effect.

Business Combinations

108. In a business combination, the entity recognizes the assets and liabilities arising from the post-employment benefits, for the present value of the obligations under the fair value of plan assets (see IFRS 3 Business Combinations). The present value of all the obligations include the following components, even if the acquired entity had not

recognized at the date of acquisition:

(a) actuarial gains and losses that arose before the date of acquisition (regardless of whether or not to be found within the "corridor" of 10%);

(b) past service cost that comes from changes in benefits or the introduction of a plan before the date of acquisition, and

(c) the amounts that the company has not recognized yet acquired under the provisions of the transitional provisions of paragraph 155 (b).

Reductions and liquidations of the plan

109. When reductions or liquidations take place in a defined benefit plan, the company should recognize the gains or losses arising there from. These gains or losses will include the following:

(a) any change that would result in the present value of defined benefit obligations assumed by the company;

(b) any change in fair value of plan assets;

(c) any loss and gain actuarial and past service cost that had not been previously recognized, according to the provisions of paragraphs 92 and 96.

110. **Before proceeding to determine the effect of the curtailment or settlement in question, the company must re-estimate the amount of the obligation (and the value of plan assets, if any) using current actuarial assumptions (including interest rates and other recent market prices).**

111. A reduction takes place when the company:

(a) has been committed, demonstrably, to make a significant reduction in the number of employees covered by the plan, or

(b) adjusts the timing of the defined benefit plan so that a significant component of future services to provide for current employees will not be taken into account for calculating benefits in his time, or will be taken into account resulting in benefits than those of today.

The reduction can occur as a result of an event, such as the closure of a factory, the final interruption of a farm or the termination or suspension of a benefit plan. The event will be as significant as to be regarded as a reduction, if the recognition of gains and losses caused by it can have a significant effect on the financial statements of the entity. Often the reductions are related to a restructuring, which is why the company will have to be held at the same time it is necessary to register it.

112. It takes place a plan of liquidation when the company pact a transaction that has the effect of eliminating, with reference to all or part of the remuneration provided by a defined benefit plan, or implied legal obligations to fulfill in the future. An example of this transaction is when the company pays a fixed sum of money to members of a plan or on behalf of them, in return for their surrender to certain post-employment benefits to which they are entitled.

113. In some cases, the company buys an insurance policy to fund all or a portion of the salaries of employees who are related to the services they have rendered during the current financial year and in previous years. The acquisition of such a policy is not a liquidation plan if the company retains an obligation, whether legal or implied, to pay future amounts (see paragraph 39) if the insurer fails to meet specified performance in the insurance policy. Paragraphs 104A to 104D deal with the recognition and valuation of the rights of reimbursement arising under insurance policies that were not plan assets.

114. There is a settlement, along with a reduction plan when it is completed, proceeding to pay the debt securities and its cancellation. However, the cancellation of the plan does not have the character of reduction or liquidation as long as it is replaced by a new offering essentially the same benefits.

115. When a reduction affects only certain employees covered by the plan or when it settles only part of the obligations assumed by it, the gain or loss will include the proportionate share of the cost of past service which has not been previously recognized (as well as the amounts arising from the transitional provision of paragraph b of paragraph 155, and are still recognize). The proportionate share is determined from the current value of the obligation before and after the curtailment or settlement, unless it is more reasonable to use a different approach depending on the circumstances. For example, it might be appropriate to apply first profit, resulting from the reduction or elimination of the plan to eliminate the past service cost not yet recognized in the benefit plan.

Illustrative example of paragraph 115

One company definitely interrupted the operation of a segment of exploitation, so that employees of the same are not going to get and additional benefits. This is a reduction without clearance. Through the use of updated actuarial assumptions (including interest rates and other recent market prices), the company has calculated that has some obligations, immediately before making the reduction, by a current value of 1,000, about plan assets for a fair value of 820 and a cumulative unrecognized actuarial gain amounting to 50. This company has proceeded to adopt this standard a year ago, and in doing so, the net liabilities under the plan increased by 100, which was decided by spreading over the next five years (see paragraph b of paragraph 155). The reduction in the current issue diminishes the value of the obligation in the amount of 100 to place it at 900.

The amounts for previously unrecognized actuarial gains and the transitional provisions of the standard, 10% (100/1.000) corresponds to the part of the obligation that has been eliminated as a result of the reduction. Therefore, the effect of this reduction can be calculated as follows:

	Before reduction	Gain by reduction	After of reduction
Net present value of the obligation	1.000	(100)	900
Fair value of plan assets on Plan	(820)	----	(820)
	180	(100)	80
Unrecognized actuarial gains	50	(5)	45
Unrecognized part of the amount derived from the transitional arrangement (100x4 / 5)	(80)	8	(72)
Net liability recognized in the balance	150	(97)	53

Presentation

Compensation

116. The company needs to make up for assets to a plan with a liability belonging to another plan when, and only when:

(a) have the right, legally enforceable, to use the surplus for a plan to cancel the obligations of the other;

(b) intends to either cancel the obligations according to their net worth, or make the surplus in the first of the plans and, simultaneously, to cancel its obligation in the other.

117. This approach is similar to that set compensation for the case of financial instruments in IAS 32, Financial Instruments: disclosure and presentation.

Separation between current and non-current

118. Some companies split up, in its financial statements, assets and current liabilities of non-current assets and liabilities. The Standard does not specify whether the company should proceed with the disengagement of the parties and non-current flows of assets and liabilities arising from post-employment benefits.
Financial components of the costs of post-employment benefits

119. The Standard does not specify that the company must submit the cost for the services of the current financial year, costs for interest rate or the expected return on assets, as components of specific items of income or expenses in the income statement.

Information Disclosure

120. An entity shall disclose information that enables users of financial statements, assessing the nature of its defined benefit plans, as well as the financial effects of changes in these plans during the year.

120A. The Company disclosed in connection with defined benefit plans, the following information:

(a) The accounting policy followed by the institution for the recognition of actuarial gains and losses;

(b) A general description of the type of plan in question;

(c) A reconciliation between the opening and closing balances of the present value of defined benefit obligation showing separately, if applicable, the effects during the year were attributable to each of the following:

(i) cost of the services of the current financial year,

(ii) interest cost,

(iii) contributions made by participants,

(iv) actuarial gains and losses,

(v) changes by variations in the exchange rate for plans valued in a currency other than the currency of the entity,

(vi) benefits paid,

(vii) past service cost,

(viii) business combinations,

(ix) reductions, and

(x) liquidations.

(d) A breakdown of the defined benefit obligation in amounts that come from plans that are totally non funded and amounts coming from plans that are fully or partially funded;

(e) a reconciliation between the opening and closing balances of the fair value of plan assets and opening balances and final repayment of any rights recognized as assets in accordance with paragraph 104A, showing separately, if applicable, the effects during the year were attributable to each of the following:

(i) expected return on plan assets;

(ii) actuarial gains and losses,

(iii) changes due to variations in the exchange rate for plans valued in a currency other than the currency of the entity,

(iv) contributions by the employer,

(v) contributions made by participants,

(vi) benefits paid,

(vii) business combinations, and

(viii) liquidations.

(f) a reconciliation between the present value of defined benefit obligation referred to in paragraph (c) and the fair value of plan assets of paragraph (e) the assets and liabilities recognized in the balance, showing at least:

(i) actuarial gains and losses net unrecognized in the balance sheet (see paragraph 92);

(ii) the cost of past service are not recognized in the balance sheet (see paragraph 96)

(iii) any amount not recognized as an asset because of the limit of paragraph (b) of paragraph 58,

(iv) the fair value at the balance sheet date of any reimbursement right recognized as an asset in accordance with paragraph 104A (with a brief description of the relationship between the right and obligation of repayment linked with him), and

(v) other amounts that were not recognized in the balance.

(g) The total expense recognized in the income, for each of the following concepts, and the item or items which are included:

(i) cost of the services of the current financial year,

(ii) interest cost,

(iii) expected return on plan assets,

(iv) expected return on any reimbursement right recognized as an asset, in accordance with paragraph 104a,

(v) actuarial gains and losses,

(vi) past service cost,

(vii) the effect of any reduction or liquidation, and

(viii) the effect of the limit of paragraph (b) of paragraph 58.

(h) The total amount recognized in the statement of recognized income and expense for each of the following:

(i) actuarial gains and losses, and

(ii) the effect of the limit of paragraph (b) of paragraph 58.

(i) For the entities that recognize actuarial gains and losses in the statement of income and expenses recognized in accordance with paragraph 93A, the cumulative amount of gains and losses recognized there;

(j) For each of the major categories of plan assets, which include such as but not limited to, the equity instruments, debt instruments, real estate and other assets, the percentage or amount that each Principal level represents fair value of total

assets of the plan;

(k) The amounts included in the fair value of plan assets for:

> **(i) each category of equity instruments of the entity itself, and**
>
> **(ii) any property occupied or other assets used by the body.**

(l) A narrative description of the criteria used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets;

(m) The actual performance of plan assets, as well as that of any reimbursement right recognized as an asset in accordance with paragraph 104a;

(n) The principal actuarial assumptions used to refer to the balance sheet date, including, where applicable:

> **(i) discount rates,**
>
> **(ii) the expected rates of return of any plan assets for the periods presented in the financial statements,**
>
> **(iii) the expected rates of return, for the periods presented in the financial statements of any reimbursement right recognized as an asset in accordance with paragraph 104a,**
>
> **(iv) the rate of wage growth (and of changes in rates or other variables specified in the formal terms of the plan or implied as determinants of future increases of benefits),**
>
> **(v) the trend in the variation in the costs of health care, and**
>
> **(vi) any other significant actuarial assumptions used.**

The entity will reveal each of the actuarial assumptions in absolute terms (for example, as an absolute percentage), and not only as margins between different percentages or other variables.

(o) What effect would an increase of one percentage point, and that would result from a decrease of one percentage point in the trend of variation assumed in respect of medical cost on:

(i) the sum of the components of the cost of the services of the current financial year and the interest cost of health care costs periodic post-employment net, and

(ii) accrued liabilities post-employment benefits arising from health costs.

For the purposes of disclosing this information, all other assumptions remain constant. For plans that operate in environments with high inflation, the data collected disclosure to the effect the increase or decrease in the tendency of the rate assumed in the cost of medical care, a percentage that has a similar meaning to a percentage point in an environment of low inflation.

(p) The amounts for the current year period and for four periods a year earlier, in:

(i) the present value of defined benefit obligations, the fair value of plan assets and the surplus or deficit in the plan, and

(ii) the experience adjustments arising from:

(A) liabilities of the plan expressed as (1) an amount or (2) a percentage of the liabilities of the plan at the balance sheet date, and

(B) plan assets, expressed as (1) an amount or (2) a percentage of the liabilities of the plan in the balance sheet date.

(q) The best estimate of the employer, as can be reasonably certain of the contributions to pay for the plan during the annual period that begins after the balance sheet date.

121. In the letter (b) of paragraph 120A requires a general description of the type of plan in question. In such a description will be distinguished, for example, plans for post-employment fixed amount of wages calculated on the basis of final plans and healthcare benefits. The description of the plan include the informal practices that give rise to obligations implied that have been included in the valuation of the defined benefit obligations in accordance with paragraph 52. Is not obliged to give more precise details.

122. When the company has more than a defined benefit plan, the information can be disclosed on the set of plans, each plan individually or grouped in a manner that is considered most useful. It may be helpful to group the information that any of the following criteria:

(a) geographical location of the plans, for example, distinguishing between national and foreign, or

(b) in the event that the plans carry risks significantly different, for example, proceeding to distinguish between items relating to those of post-employment fixed amount, calculated on the basis of the final salary or those consisting of assistance medical.

When the company discloses information, grouped by totals for different kinds of plans, such information must be provided in the form of using weighted averages, or ranges of values relatively small.

123. In paragraph 30 are required to disclose additional information related to defined benefit plans multi, which are treated to this effect as if they were defined contribution plans.

124. In the event of it being mandatory under IAS 24, Information disclosure of related party, the company will provide information on:

(a) related party transactions with plans for post-employment; and

(b) post-employment benefits for key executives of the entity.

125. In the event of it being mandatory under IAS 37, Provisions, contingent liabilities and contingent assets, the company will reveal information about contingent liabilities that might arise with respect to the obligations for post-employment benefits.

Other long-term employee

126. Among other long-term employee benefits are included, for example:

(a) permits paid over the long term, such as special leave after long periods of life or sabbaticals;

(b) prizes of seniority or other benefits for an extended period of service;

(c) the permanent disability benefits;

(d) participation in profits and incentives payable from the twelve months of the end of the period in which the employees render the services; and

(e) the deferred benefits that are received from the twelve months of the end of the year in which they have won.

127. The valuation of other long-term employee is not typically the same degree of uncertainty that affects the valuation of post-employment benefits. In addition, the introduction or changes in this type of long-term benefits rarely introduce a significant amount of past service cost. For these reasons, this standard requires the use of a simplified method for the recording of other long-term employee. This method differs from the accounting required for post-employment benefits in the following:

(a) actuarial gains and losses are recognized immediately, without any possibility of "corridor" and

(b) all past service cost is recognized it immediately.

Recognition and Measurement

128. The amount recognized as a liability for other long-term employee must be the total net balance of the following items:

(a) the present value of defined benefit obligation at the balance sheet date (see paragraph 64);

(b) less the fair value at the balance sheet date of plan assets, if any, with which it will cancel direct obligations (see paragraphs 102 to 104).

In assessing the amount of liabilities, the company must implement paragraphs 49 to 91, except as contained in paragraphs 54 and 61. The company must, moreover, to implement paragraph 104A recognize and appreciate any right of redemption.

129. **For other long-term employee, the employer must recognize the net total of the following amounts as an expense or as income (the latter subject to the rules set out in paragraph 58), unless otherwise Standard International Accounting requires or permits their inclusion in the cost of another asset:**

(a) the cost of services for the current period (see paragraphs 63 to 91);

(b) interest cost (see paragraph 82);

(c) the expected return of any plan assets (see paragraphs 105 to 107) and repayment of any right recognized as an asset (see paragraph 104A);

(d) actuarial gains and losses, which must be totally and immediately recognized;

(e) the cost of past service, which must be totally and immediately recognized, and

(f) the effect of any reduction or liquidation (see paragraphs 109 and 110).

130. A range of other long-term employee is the provision for permanent disability. If the amount of the benefit depends on the period of active duty, the duty will arise when the service is provided. The valuation of this obligation reflect the probability that the payment may be required, as well as the time interval over which is expected to make payment. If the amount of the benefit is the same for all employees with a disability, regardless of years of service, the cost of benefits will be recognized when the event occurs that causes permanent disability.

Information Disclosure

131. Despite the fact that this rule does not require specific disclosures about other long-term employee, there may be information requirements in other standards, such as

when spending for these benefits is material, so that the relevant information mandatory in accordance with IAS 1 Presentation of Financial Statements. When it is mandatory, according to IAS 24 to disclose information about related parties, the entity shall disclose information on other long-term in favor of key personnel of the management.

Severance grants

132. This Standard covers the severance grants separately from the rest of the salaries to employees, because the incident giving rise to the corresponding obligation is the completion of the employment relationship, not the service life of the employee.

Recognition

133. The company must recognize compensation grants as a liability and as an expense when, and only when it is demonstrably committed to:

(a) terminate the link that connects you with an employee or group of employees before the normal retirement date, or to

(b) severance pay damages as a result of a bid to encourage the voluntary termination by employees.

134. The company is demonstrably committed to the termination when, and only when, having a detailed formal plan for making the same, without any realistic possibility of withdrawing the offer. The detailed plan must include at least:

(a) the location, function and approximate number of employees whose services are going to terminate;

(b) severance compensation for each type of job or role, and

(c) the time at which the plan will be implemented. The implementation should begin as soon as possible, and the period of time to complete the deployment must be such that they are not likely significant changes in the plan.

135. The company may be compromised, either by law, by collective agreement or other agreements with employees or their representatives, either by an implicit obligation, based on the routines of the same, or by a desire to act in equitable, to make payments (or provide other benefits) when resolves its labor contracts. Such payments are compensation for dismissal. Although the compensation payments that are normally consist of a lump sum of money, sometimes may include:

(a) improving the retirement benefits or other post-employment benefit, either directly or indirectly through a specific benefit plan, and also in

(b) payment of wages until the end of a specified period of time, provided that the employee in question did not provide further services that provide financial benefits to the company.

136. Some benefits are paid to employees regardless of the reasons for his departure from the company. The payment of such benefits is a fact (subject to certain requirements for

minimum periods of consolidation or service), but the time during which they are paid is a fact uncertain. Although these benefits are described in some countries such as severance End of contract or termination of contract bonuses, are in fact post-employment rather than compensation for termination and the company will have to deal with the rest of the post-pay jobs. Some companies provide benefit slightly less if the employee voluntarily terminated his contract (in which case it would be a pay post-employment) that if the company that makes the dismissal irrespective of the will of the employee. In this case, the additional benefit to be paid in the event of dismissal will be a severance pay.

137. The awards grants do not pose for the company to obtain benefits in the future, so it should be recognized as an expense immediately.

138. When the company recognizes severance grants, will also take into account the effects of the reduction that may be on the retirement benefits or other benefits that could possibly exist (see paragraph 109).

Poll

139. When the severance compensation will be paid after the twelve months following the date of the balance sheet, should be at a discount from the amount using the discount rate specified in paragraph 78.

140. In the case of a bid for the company to encourage the voluntary termination of the contract, the valuation of compensation for termination should be based on the number of employees that are expected to accept such an offer.

Information Disclosure

141. You're in the presence of a contingent liability when there is uncertainty about the number of employees who accept an offer of compensation for dismissal. As required by IAS 37, Provisions, contingent liabilities and contingent assets, the company will reveal information about the contingent liability, unless the possibility of disbursement of cash for this cause is remote.

142. Depending on what is required by IAS 1, the entity shall disclose the nature and amount of any expenses that are material or relative importance. The awards grants can produce cost value of which is necessary to disclose to comply with the requirement described.

143. The company will report on compensation for termination of the key executives of the entity, if such information falls within the requirements of IAS 24, Information disclosure of related party.

144. 144 - 152. [Repealed]

Transitional Arrangements

153. This section specifies the transitional treatment for defined benefit plans. When the company adopted this standard for other various fees, apply IAS 8 Accounting policies, changes in accounting estimates and errors.

154. **Once adopted for the first time the regulation contained in this Standard, the company must proceed to determine, on the relevant date, the transitional liability for defined benefit plans as:**

(a) the present value of the obligation at the time of adoption (see paragraph 64);

(b) less the fair value at the time of adoption of plan assets, if any, which will directly cancel their obligations under the agreement (see paragraphs 102 to 104);

(c) less any eventual past service cost that, according to paragraph 96, should be recognized in subsequent years.

155. If the transitional liability is greater than the liabilities that would have been recognized on the same date by the company following its previous accounting policies, the company must make a choice, irrevocably, to recognize this increase as part of its liabilities for benefit plans defined, as it is referred to in paragraph 54, choosing between the following two alternatives:

(a) immediate recognition, according to IAS 8 Accounting policies, changes in accounting estimates and errors, or

(b) recognition as an expense, in a linear fashion, over a maximum period of five years from the date of adoption, in which case the company should:

(i) to apply the limit set out in paragraph 58 (b) to assess any potential asset recognized on the balance sheet;

(ii) disclose at each balance sheet date: (1) the increase that has not been recognized yet, and (2) the amount that has been recognized during the period;

(iii) limiting the recognition of actuarial gains beyond (but not the cost of past service) as follows: if you're going to be recognized an actuarial gain by applying paragraphs 92 and 93, the company only needs to come to recognize in the As the cumulative unrecognized net earnings (before computing the present) are superior to the party without recognizing the transitional liability; and

(iv) include the relevant part of the transitional liability is not recognized in the determination of any gain or loss resulting from reductions or liquidations of the plans.
If the transitional liability is less than the liabilities that would have been recognized on the same date by the company, following its previous accounting policies, the company must immediately recognize this decrease in application of IAS 8.

156. At the time of the initial adoption of this standard, the effect of change in accounting policy to include all actuarial gains and losses that have occurred in previous years, regardless of whether the value thereof falls within the "corridor "10% set out in paragraph 92.

Illustration of paragraphs 154 to 156

On December 31, 1998, the company's balance sheet shows a pension liability amounting to 100. The company adopts the standard on January 1, 1999, at which time the current value of the obligation as it is 1,300, and the fair value of plan assets is 1,000. On January 1 1993, the company improved pensions (cost of benefits revocable: 160; average period until the vesting of benefits: 10 years):

The effect is transient as follows:

Current value of the obligation	1300
Fair value of plan assets	(1.000)
Less: Cost of service come to recognize in subsequent periods (160 x 4 / 10)	(64)
Transitional liability	236
Liabilities and recognized in the financial statements	100

The company may choose to recognize the rise of 136, immediately or split-line basis over 5 years. The choice is irrevocable.

On December 31, 1999, the current value of the obligations arising from the implementation of the Standard is 1,400, and the fair value of plan assets is 1050. The accumulated net actuarial gain not yet recognized from the date of the adoption of the standard is 120. The half life expectancy of employees participating in the plan, until his retirement, is eight years. The company has adopted a policy to recognize all actuarial gains and losses immediately, as permitted in paragraph 93.

The effect of the limit of paragraph 155 (b) (ii) is computed below.

Actuarial gains accumulated net unrecognized	120
Unrecognized part of the transitional liability (136 x 4 / 5)	(109)
Maximum gain recognition (paragraph 155 (b) (ii)	11

Effective Date

157. **The International Accounting Standard is effective for financial statements covering periods beginning on or after January 1, 1999, except as specified in paragraphs 159 and 159A. You must apply before that date. If the company applies this standard to the costs for retirement benefits in financial statements covering periods beginning before January 1, 1999, must disclose who is applying this standard in place of the old IAS 19, retirement benefit costs, Passed in 1993.**

158. This standard supersedes IAS 19, retirement benefit costs, approved in 1993.

159. **The following parties will anuales2 effective for financial statements covering periods beginning on or after January 1, 2001:**

(a) the revised definition of plan assets, paragraph 7, as well as related definitions of assets held by a fund benefits to employees long-term employee benefits and insurance policy fit and

(b) requirements for the recognition and valuation for reimbursement, which appear in paragraphs 104A, 128 and 129, as well as the disclosures related paragraphs 120A (f) (iv), 120A (g) (iv), 120A (m) and 120A (n) (iii).

The early application is advised. If the early application affecting the financial statements, the company must disclose that fact.

159A. The amendments contained in paragraph 58A are effective for annual financial statements covering periods ending on or after May 31 of 2002. Earlier application is encouraged. If this anticipation is effective for financial statements, the company must disclose that fact.

159B.Una entity shall apply the amendments to paragraphs 32A, 34 to 34B, 61, 120 and 121 for annual periods beginning on or after January 1, 2006. Earlier application is encouraged. If an entity applies those changes for a period that starts before January 1, 2006, disclose that fact.

159C. The option of paragraphs 93A to 93D can be used for annual periods ending on or after the December 16, 2004. The entity that uses this option in annual periods beginning before January 1, 2006 also apply the amendments contained in paragraphs 32A, 34 to 34B, 61, 120 and 121.

160. Will apply IAS 8 when an entity changed its accounting policies to reflect the changes specified in paragraphs 159 to 159C. In implementing these changes retroactively, as required by IAS 8, the entity treat them as if they had been adopted at the same time as the rest of this Standard, except with respect to the disclosures of the amounts required by paragraph (p) of paragraph 120A, which the institution can decide to make on a prospective basis, starting from the first year presented in the financial statements in which the entity applies for the first time the amendments contained on paragraph 120A.