IAS 19 - QUESTION

A, a public limited company, operates a defined benefit plan. A full actuarial valuation by an independent actuary revealed that the value of the liability at 31 May 2000 was $1,500 million. This was updated to 31 May 2001 by the actuary and the value of the liability at that date was $ 2,000 million. The scheme assets comprised mainly bonds and equities and the fair value of these assets was as follows:

	31-May-00	**31-May-01**
	$ M	**$ M**
Fixed interest and index linked bonds	380	600
Equities	1,300	1,900
Other investments	290	450
	1,970	2,950

The scheme had been altered during the year with improved benefits arising for the employees and this had been taken into account by the actuaries. The increase in the actuarial liability in respect of employee service in prior periods was $25 million (past service cost). The increase in the actuarial liability resulting from employee service in the current period was $70 million (current service cost). The company had not recognized any net actuarial gain or loss in the income statement to date.
The company had paid contributions of $60 million to the scheme during the period. The company expects its return on the scheme assets at 31 May 2001 to be $295 million and the interest on pension liabilities to be $230 million.
The average expected remaining working lives of the employees is 10 years and the net cumulative unrecognized gains at 1 June 2000 were $247 million.
Required:
Calculate the amount which will be shown as the net plan asset in the balance sheet of A as at 31 May 2001, showing a reconciliation of the movement in the plan surplus during the year and a statement of those amounts which would be charged to operating profit.
(Candidates should utilize IAS19 .Employee Benefits, in answering the question.)

IAS 19 - SOLUTION

	$ M	$ M
Statement of financial position		
Present value of defined benefit liability		2,000
Fair value of plan assets		- 2,950
Surplus (Net asset)		- 950

	$ M	$ M
Statement of comprehensive income		
<u>Profit or loss account</u>		
Current service cost	70	
Interest cost (Net) (230-295)	- 65	
Past service cost	25	30
<u>Statement of comprehensive income</u>		
Re-measurement gain (actuarial gain) (175-625)		- 450
Net effect in statement of comprehensive income		- 420

WORKING NOTES

W-1 Present value of defined benefit liability	**$ M**	
Opening balance	1,500	
Past service cost	25	
Current service cost	70	
Interest cost	230	
Actuarial loss	175	This shall be taken as balancing figure
Closing balance	2,000	

W-2 fair value of plan asset	**$ M**	
Opening balance	1,970	
Contribution during the year	60	
Expected return	295	
Actuarial gain	625	This shall be taken as balancing figure
Closing balance	2,950	