IAS/IFRS

info sheet

The international accounting standards IAS/IFRS set the rules for the representation of liabilities and costs of the undertaking with regard to employee benefits. The implementation of a single accounting method increases the uniformity and comparability of business figures. Further distinguishing personnel costs and financial expenses also improves the transparency of these figures.

What is IAS/IFRS?

For many undertakings pension schemes result in high and volatile costs which can only be anticipated on the basis of complex calculations. The 'International Accounting Standards Board' (IASB) sets out the European standard for financial reporting.

The purpose is to achieve a uniform accounting standard to ensure that transparent and comparable information is available and to increase the efficiency of the capital market. The name of this standard, IAS, has been changed to IFRS (International Financial Reporting Standards). Both abbreviations are currently in use.

Who is subjected to reporting according to IAS/IFRS?

The IAS standards took effect in 2005 for all listed undertakings within the European Union. The member states can decide whether or not they impose the IAS standards on non-listed companies. In all probability, listed parent companies will require their subsidiaries to report in accordance with the IAS standards.

Certain organisations, such as banks, investment companies, insurance companies and investment funds, are also subject to international accounting standards (IAS). Companies can choose to report based on IAS. As a result, many companies are directly involved with IAS.

What is the impact on Employee Benefits?

IAS refers to the whole of consolidated accounts. The standard for Employee Benefits is set out in IAS19.

Besides pension benefits and death covers, this standard also refers to other employee benefits such as healthcare insurance, guaranteed income, bonuses, share options, early retirement schemes, bridging pension allowances, jubilee bonuses, leave based on length of service, ...

The purpose is to correctly allocate the financial cost stemming from the pension scheme to the periods when it is accumulated and to make sure it is correctly projected in the balance sheet.

Defined benefit pension schemes

According to the IAS19 standard, an assessment is always required for 'defined benefit' plans. For such plans, the employer commits to paying a certain amount of capital (or a pension), based on salary and length of service, when the employee retires.

The aim is to allocate the costs to the period in which the accumulation occurs. According to IAS, two elements should be included: Firstly, a provision on the balance sheet for the employer's obligation and which is not covered by the plan's assets; secondly, the costs for the current year in the income statement.

Defined contribution pension schemes

For 'defined contribution' type plans, the auditor must also assess whether an additional provision is necessary. An IAS analysis will make this question clearer. Whether the result of the IAS analysis is ultimately substantive depends on the evolution of the fixed contributions and the (legal) applicable return.

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How can Vanbreda Risk & Benefits help you?

Our consultants have the necessary know-how and experience to make evaluations according to the IAS and IFRS standards. We will study your pension scheme(s), decide which hypothesis to use, finalise the data files, calculate the cost price of acquired rights and write a report.

Contact your Vanbreda Risk & Benefits account manager if you want an evaluation or additional information.

Contact us

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