

S02.03-EL-02-II.4-Asset Ceiling

II - Provisions: Specific points and Examples

2. Employee Benefits

2.2. Accounting for Post-Employment Benefits

2.2.3. Defined Benefit Obligation

2.2.3.4. Asset Ceiling

How it works?

- Net asset recognized is the lower of Balance Sheet Asset & IAS 19R, par 58 asset ceiling
- Determined separately for each plan

Balance Sheet Asset/(Liability)		IAS 19R, par 58 Asset Ceiling	
	(DBO)		
+	Fair Value of Plan Assets	+	Unrecognized Past Service Cost
		+	PV Economic Benefits (available refunds or reductions in future contributions)
+	Unrecognized Past Service Cost		
=	Balance Sheet Asset/(Liability)	=	IAS 19R, par 58 Asset Ceiling

- IAS 19R, par 58 asset ceiling considers an unrecognized loss, but ignores an unrecognized gain. Loss is a deferred cost, which will reduce the prepaid when recognized.

Recognition of Additional Gain or Loss

Additional losses/gains may be required to be recognised to offset the effect of a reduction/increase in the reserve against the prepaid [recognized as income/expense] caused by actuarial losses/gains or the effect of a plan amendment.

Paragraph 58A	
The application of par 58 should not result in a gain being recognised solely as a result of an actuarial loss or past service cost in the current period or in a loss being recognised solely as a result of an actuarial gain in the current period. The entity should therefore recognise immediately under par 54 the following to the extent that they arise while the defined benefit asset is determined in accordance with par 58(b)	
(a)	net actuarial losses ... and past service cost ... to the extent that they exceed any reduction in the present value of the economic benefits ...
(b)	net actuarial gains ... after the deduction of past service ... to the extent that they exceed any increase in the present value of the economic benefits ...