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ASSURANCE AND ACCOUNTING

ASPE - IFRS: A Comparison

Employee Benefits

In this publication we will examine the key differences between Accounting Standards for Private Enterprises (ASPE) and International Financial Reporting Standards (IFRS) in regards to employee benefits with a focus on:

- Scope of the standards;
- Short-term employee benefits;
- Post-employment benefits, including defined contribution plans, defined benefit plans, multi-employer and multiple-employer plans;
- Other long-term benefits; and
- Termination benefits.

References

ASPE	IFRS
• Section 3462 – *Employee Future Benefits*	• IAS 19 – *Employee Benefits* • IFRIC 14 – *IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Overview of Major Differences

IFRS and ASPE have some similarities in terms of accounting for employee benefits. However, there are some significant differences in the requirements of the standards such as:

- IAS 19 applies to short-term employee benefits, while such benefits are not within the scope of Section 3462.
- ASPE provides a choice to measure the defined benefit obligation using an actuarial valuation prepared for either accounting purposes or funding purposes, while IFRS requires the use of an actuarial value prepared for accounting purposes.
- In determining the defined benefit obligation, ASPE allows for the discount rate used to be based on either the market interest rate on high-quality debt instruments or the interest rate inherent in the amount at which the defined benefit obligation could be settled, while the inherent interest rate is not an option in IFRS.
- IFRIC 14 provides more guidance on determining when refunds or reductions in future contributions are considered available, than Section 3462 does.
- ASPE recognizes remeasurements and other items in net income, while IFRS recognizes remeasurements in other comprehensive income (OCI). ASPE does not have the concept of OCI.
- IAS 19 provides specific guidance on accounting for other long-term benefits while Section 3462 does not.

ASPE-IFRS differential rating scale

Scope

Section 3462 and IAS 19 are similar standards in that they both apply to benefits earned by employees. However, there are differences in when each standard is applicable.

ASPE	IFRS
Section 3462 applies to benefits earned by employees currently rendering service to the entity (”active employees”) and expected to be provided to them when they are no longer providing active service.	IAS 19 applies to all employee benefits. The standard defines employee benefits as all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. This includes benefits provided to either employees or their dependents and may be settled by payments (or the provision of goods or services) made either directly to the employees, to their spouses, children or other dependents or to others, such as insurance companies. Employees include those who provide services to an entity on a full-time, part-time, permanent, casual or temporary basis. Directors and other management personnel are also considered employees under IAS 19.
Employee future benefits include: • Pension and other retirement benefits expected to be provided after retirement to employees and their beneficiaries; • Post-employment benefits expected to be provided after employment but before retirement to employees and their beneficiaries; • Compensated absences for which it is expected employees will be paid; and • Termination benefits.	Employee benefits include: • Short-term employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services; • Post-employment benefits, including retirement benefits and other post-employment benefits • Other long-term employee benefits; and • Termination benefits.
Section 3462 does not apply to benefits provided by an entity to employees during their active employment. Therefore, the section does not apply to: • Salaries, wages, bonuses, fringe benefits, and similar items provided by an entity in the current reporting period, or within twelve months thereafter, in exchange for services rendered by employees in the current reporting period; • Sick days and vacation days that do not vest or accumulate beyond twelve months after the current reporting period; and / or • Benefits provided under stock-based compensation arrangements.	IAS 19 applies to short-term employee benefits. However it does not apply to employee benefits to which IFRS 2, *Share-based Payments*, applies.

Short-term Employee Benefits

As noted above, Section 3462 does not apply to short-term employee benefits, while IAS 19 provides specific guidance on accounting for short-term employee benefits, including wages, salaries, social security contributions, paid annual leave, paid sick leave, profit-sharing and bonuses and non-monetary benefits (i.e. medical care, housing, cards and free or subsidized goods or services) due to be settled within 12 months after the end of the period in which the employees render the related employee service.

When applying IAS 19, the entity recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as:

a) A liability (accrued expense) or asset (prepaid expense); and
b) An expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset (e.g. IAS 2, *Inventories*, or, IAS 16, *Property, Plant and Equipment*).

Short-term accumulating compensated absences (benefits that are carried forward and can be used in future periods if the current period's entitlement is not used in full) are recognized when the employees render service that increases their entitlement to future compensated absences. Short-term non-accumulating compensated absences (benefits that lapse if not used and therefore do not carry forward) are recognized when the absences occur.

In relation to profit-sharing and bonus plans that are due for payment within twelve months after the end of the period in which the employees render the related service, ASPE requires an expense to be recognized in the period in which the service has been rendered, provided payment is probable and can be reliably estimated. Whereas IFRS requires recognition when the entity has a present legal or constructive obligation to make a payment (i.e. no realistic alternative but to make the payment) as a result of past events and a reliable estimate of the obligation can be made. The presence of a constructive obligation may result in more expenses being recognized under IFRS.

Post-employment Benefits

Both ASPE and IFRS require post-employment benefit plans to be classified as either a defined contribution plan or a defined benefit plan, depending on the economic substance of the plan established by its principal terms and conditions. Also, both standards recognize that in practice additional benefits may be provided outside of the strict plan terms and conditions. The standards have a different approach to what other informal practices or constructive obligations need to be included.

ASPE	IFRS
A benefit plan may contain characteristics of both defined benefit and defined contribution plans but is, in substance, one or the other. For example, a benefit plan may stipulate the basis of contributions on which future benefits are determined and, because of this, appear to be a defined contribution plan. However, the plan may make the entity responsible for specific employee future benefits or a specified level of future benefits. This results in the plan being, in substance, a defined benefit plan.	Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. Constructive obligations may also need to be taken into account when making the classification of the benefit plan.

Post-employment Benefits – Defined Contribution Plans

Both ASPE and IFRS require an entity to determine its obligation for each period under defined contribution plans by the amounts to be contributed for that period. Consequently, no actuarial valuation is required to measure the liability or the cost. In a defined contribution plan, the employee bears the risk since the amount of the benefit that will be payable to an individual employee is dependent upon the amount of funds accumulated in the employee's account and the investment earnings on the accumulated fund.

ASPE	IFRS
A defined contribution plan is a benefit plan that specifies how an entity's contributions to the plan are determined rather than the benefits to be received by an employee or the method of determining those benefits.	A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

For a defined contribution plan, an entity recognizes a cost for a period comprised of: • The current service cost for the period; • The past service costs for the period • The interest cost for the period on the estimated present value of any contributions required in future periods related to employee services rendered during the current period or prior periods; and • A reduction for the interest income for the period on any unallocated plan surplus. The costs for the period are recognized either as an expense or capitalized as part of an asset such as inventory or property, plant and equipment.	When an employee has rendered service to an entity during a period, the entity recognizes the contribution payable to a defined contribution plan as: • A liability (accrued expense), after deducting any contribution already paid. Any excess is recognized as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund; and • An expense, unless another standard requires or permits the inclusion of the contribution in the cost of an asset (e.g. IAS 2, *Inventory* and IAS 16, *Property, Plant and Equipment*).

Post Employee Benefits – Defined Benefit Plans

Neither Section 3462 nor IAS 19 provide detailed definitions of a defined benefit plan. Instead, both standards state that it is a benefit plan that is not a defined contribution plan. Both standards recognize that the entity is at risk with respect to the amount of the benefit that each employee will receive due to not knowing with certainty the amount until the benefits have all been paid or cease (actuarial risk – benefits will cost more than expected). The entity is also at risk with respect to the investment returns on any assets set aside to pay for the cost of the benefits since any shortfall from expected returns must be funded by the entity (investment risk). However, there are some differences between ASPE and IFRS in how the defined benefit obligation is recognized and measured.

ASPE	IFRS
For a defined benefit plan an entity accounts for both its legal obligation under the formal terms of the plan and also for any informal obligations (e.g. constructive or equitable obligations) the entity is a party to.	An entity accounts for both its legal obligation under the formal terms of a defined benefit plan and also for any constructive obligation that arises from the entity's informal practices. These informal practices give rise to a constructive obligation (where the entity has no realistic alternative but to pay employee benefits). These obligations may be wider in scope than informal plans under ASPE.
Recognition	
For a defined benefit plan an entity recognizes: • The defined benefit liability (asset) on the balance sheet at the end of the period; and • The costs of the plan for the period as an expense or as an amount capitalized as part of an asset (e.g. inventory or property, plant and equipment) if applicable. The defined benefit liability (asset) is the amount of the defined benefit obligation less the fair value of plan assets, if any, adjusted for any valuation allowance in the case of a net asset.	Similarly, under IFRS, an entity recognizes the net defined benefit liability (asset) on the statement of financial position and the costs for the period are recognized as an expense, unless another IFRS requires or permits their inclusion in the cost of an asset. The net defined benefit liability (asset) is the present value of the defined benefit obligation less the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.
Measurement	
Under ASPE an entity has an option to measure the defined benefit obligation using either an actuarial valuation prepared for accounting purposes or an	IFRS does not provide the same choice as ASPE does for measurement. The defined benefit obligation must be measured using an actuarial valuation prepared for accounting purposes.

actuarial valuation prepared for funding purposes, provided certain criteria are met.	
Attribution	
When accounting for a defined benefit obligation using an actuarial valuation prepared for accounting purposes, an entity attributes the cost of benefits to the periods in which an employee provides services. The entity determines its defined benefit obligation using: • The projected benefit method prorated on services, when future salary levels or cost escalation affect the amount of the employee future benefits; or • The accumulated benefit method, when future salary levels and cost escalation do not affect the amount of the employee future benefits.	IAS 19 does not provide a choice of methods. The benefit is discounted using the projected unit credit method only, in order to determine the present value of the defined benefit obligation and the current service cost.
The obligation for employee future benefits is attributed to each year of service in the attribution period. This is based on the plan's benefit formula, except when the plan does not state or imply a benefit formula or when an employee's service in later years will lead to a significantly higher level of benefit than in earlier years. In that situation, the obligation is attributed on a straight-line basis to each year of service in the attribution period.	An entity attributes benefits to periods of service under the plan's benefit formula. However, similar to ASPE, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years different rules apply. When this is the case the entity attributes the benefit on a straight-line basis from the date when: • Service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until • Further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.
Actuarial Assumptions	
When accounting for a defined benefit obligation using an actuarial valuation prepared for accounting purposes, actuarial assumptions would include: • Demographic assumptions about future characteristics of employees and their beneficiaries who are eligible for benefits; and • Financial assumptions, such as discount rate for future cash flows, future salary and benefits levels, and future medical costs. The set of actuarial assumptions for each plan must be internally consistent Actuarial assumptions are based on management’s best estimate and assume the plan will continue to be in effect in the absence of evidence to the contrary. Actuarial assumptions used for funding purposes may differ from those used for an actuarial valuation prepared for accounting purposes.	Actuarial assumptions include demographic assumptions and financial assumptions. Similar to ASPE, actuarial assumptions must be unbiased and mutually compatible. Financial assumptions are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled.

<table>
<tr>
<td>The discount rate used to determine the defined benefit obligation must be an interest rate determined at the date of the actuarial valuation by reference to either:
• Market interest rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or
• The interest rate inherent in the amount at which the defined benefit obligation could be immediately settled (e.g. the purchase of an insurance contract, such as an annuity contract, that transfers the significant risks associated with the defined benefit obligation to a third party insurer).</td>
<td>The rate used to discount post-employment benefit obligations (both funded and unfunded) is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

For currencies where there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency must be used. The currency and term of the corporate bonds or government bonds must be consistent with the currency and estimated term of the post-employment benefit obligation.

The inherent interest rate alternative method is not permitted under IAS 19.</td>
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<td>The defined benefit obligation is measured on a basis that takes into account:
• Future compensation levels;
• Expected changes in benefits defined in monetary terms (including substantive commitments);
• Automatic benefit changes specified by the plan that are expected to occur; and
• Expected amendments in the cost-sharing provisions of the benefit plan.</td>
<td>Similar to ASPE, the defined benefit obligation is measured on a basis that reflects:
• The benefits set out in the terms of the plan (or resulting from a constructive obligation that goes beyond those terms) at the end of the reporting period;
• Any estimated future salary increases that affect the benefits payable;
• The effect of any limit on the employer's share of the cost of the future benefits;
• Contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and
• Estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
    ◦ Those changes were enacted before the end of the reporting period; or
    ◦ Historical data, or other reliable evidence, indicate that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

However, IFRS provides more specific guidance on the inclusion of constructive obligations than ASPE does.</td>
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<tr>
<td>Actuarial assumptions about medical costs reflect expected future changes in the cost of medical services resulting from general price-level inflation, specific changes in the prices of medical services and changes in medical practices and technology.

For benefit plans providing medical coverage, where certain medical claims may be covered by governmental programs under existing laws or by other providers of health care benefits, it is assumed that benefit coverage by governmental programs will continue as provided by the present law and by other providers pursuant to their present plans. However, any enacted changes in the law or amendments to the plans of other health care</td>
<td>Assumptions used about medical costs must take into account estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.</td>
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</table>

providers that will affect the future level of benefits are taken into account.	
Measurement Date	
An actuarial valuation of the defined benefit obligation is determined at least every three years, but may occur more frequently (e.g. when a significant event such as a settlement, curtailment or plan amendment takes place). In the years between valuations, the entity uses a roll-forward technique to estimate the defined benefit obligation taking into account factors such as: The amount from the last actuarial determination of the defined benefit obligation; • The increase in the obligation due to the passage of time; • The increase in the obligation due to the rendering of service in the current year; and • Any benefit payments.	While in practice actuaries are used in the measurement of all material post-employment benefit obligations, IAS 19 only encourages, but does not require, an entity to involve a qualified actuary. An entity is required to determine the present value of defined benefit liability (asset with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date. There is no specific guidance in IAS 19 on performing a roll-forward technique for periods in between actuarial valuations to estimate the defined benefit obligation.
The plan assets and the defined benefit obligation must be measured as of the balance sheet date.	Similarly under IFRS, the plan assets and the defined benefit obligation must be measured at the end of the reporting date.
Valuation Allowance	
When the fair value of plan assets exceeds the defined benefit obligation this results in a plan surplus. This plan surplus is recognized on the balance sheet as a defined benefit asset only to the extent that it is expected to be realized by the entity. To determine the amount an entity expects to realize from the plan surplus the expected future benefit must be determined. An entity's expected future benefit consists of any withdrawable surplus and any reduction in future contributions, which is determined as the sum of: • The present value of its expected future annual accruals for services for the current number of active employees; • Less: the present value of required employee contributions; • Less: the present value of minimum contributions the entity is required to make regardless of any surplus; • Add: the amount of the plan surplus that can be withdrawn in accordance with the existing plan and any applicable laws and regulations. A valuation allowance is recognized for any excess of the plan surplus over the expected future benefit. A change in the valuation allowance is recognize in income in the period the change occurs.	When an entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of: • The surplus in the defined benefit plan; and • The asset ceiling, determined using the discount rate described earlier in this publication. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. IFRIC 14 provides specific guidance on when refunds or reductions in future contributions should be regarded as available, particularly when a minimum funding requirement exists. Additionally, it provides guidance on when a minimum funding requirement may be onerous and give rise to a liability. Refer to BDO's IFRS at a Glance: IFRIC 14 – *IAS 19 The Limit on a Defined benefit Asset, Minimum Funding Requirements and their Interaction* for a summary of the guidance. The change in the effect of the asset ceiling is recognized in OCI in the period the change occurs.
Determination of the Cost for the Period	

The cost of a defined benefit plan for a period comprises:
• Current service cost, which is the actuarial present value of benefits attributed to employees' services rendered during that period, reduced to reflect employee contributions;
• Finance cost, which is the net interest on the defined benefit liability; and
• Remeasurements and other items, which comprise the aggregate of:
  ◦ The difference between the actual return on plan assets and the return calculated using the discount rate referred to above;
  ◦ Actuarial gains and losses;
  ◦ The effect of any valuation allowance in the case of a net defined benefit asset;
  ◦ Past service costs; and
  ◦ Gains and losses arising from settlements and curtailments.
 	
The cost of the defined benefit plan for the period is recognized in net income. The amount of remeasurements must be disclosed if not separately presented on the income statement.
	The components of the defined benefit cost comprise:
	• Service cost, which comprises current service cost, past service cost and any gain or loss on settlement;
	• Net interest on the net defined benefit liability (asset); and
	• Remeasurements of the net defined benefit liability (asset), which comprise the aggregate of:
	  ◦ The return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset));
	  ◦ Actuarial gains and losses; and
	  ◦ Any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).
	
	Except to the extent another IFRS requires or permits their inclusion in the cost of an asset, an entity recognizes service cost and net interest in profit or loss and remeasurements in OCI. Remeasurements are not reclassified from (OCI) to profit or loss in a subsequent period; however, an entity may transfer the amounts within equity. An entity presents current service cost and net interest in accordance with IAS 1, *Presentation of Financial Statements.* IFRS requires more extensive disclosure of the amounts that make up remeasurements than ASPE does.

Under ASPE, past service costs and gains and losses arising from settlements and curtailments are including as part of remeasurements and other items. Past service costs are changes in the defined benefit obligation for employee service in prior periods that arise from the introduction or withdrawal of, or amendment to, a defined benefit plan in the current period. Past service costs are recognized in the period they occur. A curtailment is an event that, under a defined benefit plan, results in a significant reduction of the expected years of future service of active employees, or the elimination, for a significant number of employees, of the right to earn defined benefits for some, or all, of their future services. The gain or loss from a curtailment, determined as of the date of the curtailment, is the change in the defined benefit obligation resulting from the curtailment. A settlement is a transaction in which an entity substantially discharges or settles all, or part, of a defined benefit obligation. The gain or loss from a settlement, determined as of the date of the settlement, is the difference between: • The amount of the defined benefit obligation being settled; and • The settlement price, including the fair value of any plan assets transferred and any payments made	Unlike ASPE, under IFRS, past service cost includes curtailments. Additionally, past service costs and gains and losses arising from settlements are considered part of service cost under IFRS not part of remeasurements and other items as they are in ASPE. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or curtailment (a significant reduction by the entity in the number of employees covered by a plan). An entity recognizes past service costs as an expense at the earlier of: • The date when the plan amendment or curtailment occurs; and • The date when the entity recognizes related restructuring costs or termination benefits. A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions. The gain or loss on a settlement is the difference between: • The present value of the defined benefit obligation being settled, as determined on the date of settlement; and • The settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement.

directly by the entity in connection with the settlement.	An entity recognizes a gain or loss on the settlement of a defined benefit plan when the settlement occurs. Under IFRS, before determining past service cost, or a gain or loss on settlement, an entity must remeasure the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions reflecting the benefits offered under the plan before the plan amendment, curtailment or settlement.
Insurance Contracts and Arrangements	
When an entity has settled a defined benefit obligation through the purchase of an insurance contract, the benefits provided or funded by the insurance contract are excluded from the defined benefit obligation and the insurance contract is excluded from plan assets, except for any participation right.	Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of those insurance policies is deemed to be the present value of the related obligations (subject to any reduction required if the amounts receivable under the insurance policies are not recoverable in full).
Other arrangements with an insurance enterprise do not meet the definition of an insurance contract because the insurance enterprise does not assume an unconditional legal obligation to provide specified benefits to specified individuals. In those cases, the entity accounts for its obligations without regard to the insurance arrangement.	When an insurance policy held by an entity is not a qualifying insurance policy, it is not a plan asset. In that situation, an entity recognizes a right to reimbursement from the insurance policy as a separate asset on the balance sheet measured at fair value. This right to reimbursement is only recognized when there is virtual certainty of reimbursement of some or all of the expenditure required to settle a defined benefit obligation. On the income statement, the expense relating to a defined benefit plan may be presented net of amounts relating to changes in the carrying amount of the right to reimbursement.
Presentation	
An entity that has two or more defined benefit plans must present separately in the balance sheet a defined benefit asset of one plan and a defined benefit liability of another plan. These amounts could only be presented net when the entity: • Has a right to use the assets of one plan to pay for the benefits to be provided by the other plan; and • Intends to exercise that right.	An entity is limited in its ability to offset assets and liabilities of different plans. Offsetting can only be done when the entity: • Has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and • Intends either to settle the obligations on a net basis, or to realize the surplus in one plan and settle its obligation under the other plan simultaneously. This requirement is similar to the requirements in IAS 32, *Financial Instruments: Presentation,* on offsetting items.

Multi-employer and Multiple-Employer Plans

While the treatment of multi-employer and multiple-employer plans is similar between ASPE and IFRS there are some significant differences.

ASPE	IFRS
Multi-employer Plans	

A multi-employer plan is a defined benefit plan to which two or more unrelated entities contribute, usually pursuant to one or more collective bargaining agreements. Characteristics of such a plan include: • Assets contributed by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus, may be used to provide benefits to employees of other participating entities. • Participating entities usually have a common industry bond or at least have the same labour union. • It is usually administered by a board of trustees composed of management and labour representatives.	Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: • Pool the assets contributed by various entities that are not under common control; and • Use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees.
Where a multi-employer plan is a defined benefit plan but sufficient information is not available to apply the accounting requirements for defined benefit plans, the plan is accounted for as a defined contribution plan.	When an entity participates in a multi-employer plan that is a defined benefit plan it accounts for its proportionate share of the defined benefit obligation, plan assets and post-employment cost. However, like ASPE when a multi-employer plan is a defined benefit plan, but sufficient information is not available for the entity to account for it as such, the plan is accounted for as a defined contribution plan. When there is a contractual agreement between the multi-employer plan and its participants on how the surplus in the plan is to be distributed or the deficit is to be funded, a participant applying defined contribution accounting recognizes the asset or liability arising from the contractual agreement and the resulting income or expense in profit or loss.
ASPE does not include the concept of state plans.	State plans are established by legislation to cover all entities (or all entities in a particular category, such as a specific industry) and are operated by national or local government or by another body that is not subject to control or influence by the reporting entity. State plans are classified as either defined benefit or defined contribution, depending on the entity's obligation under the plan. State plans are accounted for in the same way as a multi-employer plan.
The definition of a multiemployer plan refers to entities that are unrelated. Entities within a related group, such as a parent and its subsidiaries, may share a benefit plan that meets the definition of a multiemployer plan except for the requirement that the entities be unrelated. The costs of the benefit plan are not always allocated to, or funded separately by, the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. In that situation, the benefit plan is accounted for by the parent and its subsidiaries in their individual financial statements as a defined contribution plan. In its consolidated financial statements, the company would account for the plan as a defined benefit plan.	Defined benefit plans that share risks between entities under common control, for example, a parent and its subsidiaries, are not multi-employer plans. An entity participating in such a plan must obtain information about the plan as a whole measured in accordance with IAS 19 on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging individual group entities the net defined benefit cost for the plan as a whole measured in accordance with IAS 19, the entity, in its separate or individual financial statements, recognizes the net defined benefit cost charged.

Additional disclosures would be required in the non-consolidated financial statements of the parent company and in the financial statements of its subsidiaries to indicate that defined contribution plan accounting has been followed.	If there is no such agreement or policy, the net defined benefit cost is recognized in the separate or individual financial statements of the group entity that is legally the sponsoring employer for the plan. The other group entities recognize, in their separate or individual financial statements, a cost equal to their contribution payable for the period. Participation in such a plan is a related party transaction for each individual group entity. As a result, in its separate or individual financial statements an entity must provide additional disclosures.
Multiple-employer Plans	
A multiple-employer plan is a defined benefit plan maintained by more than one entity that is not a multi-employer plan. Such a plan maintains separate accounts for each entity so that contributions provide benefits only for employees of the contributing entity. They are generally not collectively bargained and are intended to allow participating entities (often in the same industry) to pool their plan assets for investment purposes and to reduce the cost of plan administration. Such plans may have features that allow participating entities to have different benefit formulae, with the entity's contributions to the plan based on the benefit formula selected by the entity.	A multiple-employer plan under ASPE would be similar to a group administration plan under IAS 19. A group administration plan is an aggregation of single employer plans combined to allow participating employers to pool their assets for investment purposes and reduce investment management and administration costs and the claims of different employers are segregated for the sole benefit of their own employees.
Each entity in a multiple-employer plan accounts for its plan using defined benefit accounting and accounts for its plan assets based on its proportionate interest in the assets of the multiple-employer plan.	As a result, each entity in a group administration plan classifies the plan as either define benefit or defined contribution according to the terms of the plan and accounts for it accordingly.

Other Long-term Employee Benefits

Other long-term employee benefits include items such as the following, if they are not expected to be completely settled earlier than twelve months after the end of the annual reporting period in which the employees render the related service: long-term compensated absences such as long-service or sabbatical leave; jubilee or other long-service benefits; long-term disability benefits; profit-sharing; bonuses or deferred compensation. ASPE does not provide specific guidance on accounting for other long-term benefits, however IFRS does.

Since the measurement of long-term benefits is not usually subject to the same amount of uncertainty as the measurement of post-employment benefits, IAS 19 requires a simplified method of accounting.

In recognizing and measuring the surplus or deficit in another long-term employee benefit plan, as well as any reimbursement right, an entity follows the guidance set out for defined benefit plans.

For other long-term employee benefits, an entity recognizes the net total of the following amounts in profit or loss, except to the extent that another IFRS requires or permits their inclusion in the cost of an asset:

- Service cost;
- Net interest on the net defined benefit liability (asset); and
- Remeasurements on the net defined benefit liability (asset).

Termination Benefits

ASPE and IFRS have similar requirements in relation to the obligation to make payments (or provide other benefits) to employees when the entity terminates their employment. However, ASPE, provides more detailed guidance than IFRS, since ASPE separates termination benefits into different types and provides different accounting guidance for each.

<table>
<tr><th>ASPE</th><th>IFRS</th></tr>
<tr><td>Section 3462 separates termination benefits into two categories:
Contractual termination benefits: benefits required to be provided under the existing terms of a benefit plan when a specified event occurs (e.g. a plant closing); and
Special termination benefits: benefits that are not contractual termination benefits and that are offered to employees for a short period of time, normally not exceeding twelve months, in exchange for employees' voluntary or involuntary termination of employment.</td><td>Under IAS 19, termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:
An entity's decision to terminate an employee's employment before the normal retirement date; or
An employee's decision to accept an offer of benefits in exchange for the termination of employment.
IFRS provides more guidance on determining whether an employee benefit is a termination benefit or a post-employment benefit than ASPE does.</td></tr>
<tr><td>An entity that is required by the existing terms of a benefit plan to provide contractual termination benefits to employees recognizes a liability and an expense when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated.</td><td rowspan="3">An entity recognizes a liability and expense for termination benefits at the <u>earlier</u> of the date the entity:
Can no longer withdraw the offer of the benefits; and
Recognizes costs for a restructuring that are within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

For termination benefits payable as result of an employee’s decision to accept an offer of termination benefits, an entity can no longer withdraw the offer of termination benefits at the earlier of:
The date the employee accepts the offer; and
When a restriction (e.g. legal) on the entity’s ability to withdraw the offer takes effect, which would be when the offer is made if the restriction existed at that time.
For termination benefits payable as result of the entity’s decision to terminate an employee’s employment, the entity can no longer withdraw the offer when it has communicated to the affected employees a plan of termination that meets all the following criteria:
Actions required to complete the plan indicate it’s unlikely significant changes to the plan will be made;
The number of employees whose employment is to be terminated, their job classifications / functions and their locations and the expected completion date are identified by the plan; and
The plan establishes the termination benefits employees will receive in enough detail that employees can determine the type and amount</td></tr>
<tr><td>An entity that offers special termination benefits to employees for voluntary terminations recognizes a liability and an expense when employees accept the offer and the amount of the benefits can be reasonably estimated.</td></tr>
<tr><td>An entity that offers special termination benefits to employees for involuntary terminations recognizes a liability and an expense in the period in which:
A plan of termination has been approved and committed to by management with the proper authority and the plan sets out the benefits employees will receive on termination;
Communication has been provided to employees in enough detail to allow them to understand the type and amount of benefits to be received on termination;
The intended reduction in the number of employees, job classifications / functions and locations are all specifically identified by the termination plan; and
Significant changes to the plan are unlikely during the time required to complete the plan.</td></tr>
</table>

	of benefits they will receive when their employment is terminated.
An entity may offer special termination benefits to employees to leave voluntarily but then terminates other employees involuntarily if target reduction levels are not achieved. In that situation, a liability is recognized for all targeted terminations when the criteria for involuntary termination benefit recognition are met. Any excess cost of voluntary termination benefits over the cost of involuntary termination benefits is recognized when employees accept the offer and the amount can be reasonably estimated.	In the situation where an entity makes an offer to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

Conclusion

In general, the principles relating to accounting for employee benefits under ASPE and IFRS have a lot of similarities. However, when looking at the details of each standard there are also some significant differences.

If you require further guidance on employee benefits under ASPE or IFRS, please contact your local BDO Canada LLP office. If you are considering the adoption of a new standard, learn how our BDO Integrated Advisory Services Team can help you with the transition.

To learn more about the differences between standards, view our ASPE-IFRS: A Comparison Series.

The information in this publication is current as of March 15th, 2017.