

Introduction and Invitation to Comment

In this exposure draft the International Accounting Standards Board proposes to amend IAS 19 *Employee Benefits* to replace the term 'fall due' in the definitions of short-term employee benefits and other long-term employee benefits.

The Board invites comments on the proposed amendments to IAS 19. It would particularly welcome answers to the question set out below. Comments are most helpful if they indicate the specific paragraph, contain a clear rationale and, when applicable, provide a suggestion for alternative wording.

The Board is not requesting comments on matters in IAS 19 not addressed in the exposure draft.

Question

In IAS 19, should the term 'fall due' be replaced with 'expected to be settled' in the definitions of short-term employee benefits and other long-term employee benefits? If not, why?

Proposed amendments to IAS 19 *Employee Benefits*

In the Standard, paragraph 7 is amended (new text is underlined, deleted text is struck through).

Definitions

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

...

***Short-term employee benefits* are employee benefits (other than termination benefits) which that fall due are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service.**

...

***Other long-term employee benefits* are employee benefits (other than post-employment benefits and termination benefits) which that do are not fall due expected to be settled wholly within twelve months after the end of the period in which the employees render the related service.**

...

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the draft amendments.

Fall due

- BC1 The Board discussed a potential conflict between paragraphs 7 and 8 of IAS 19. Paragraph 7 states that compensated absences fall due when the employee has rendered the service. Short-term compensated absences are described in paragraph 8 as benefits ‘expected to occur’ within twelve months after the end of the period. Other long-term employee benefits are defined as employee benefits which are expected to ‘fall due’ more than twelve months from the end of the period. Therefore, a compensated absence which is due to the employee but is not expected to occur for more than twelve months is not an ‘other long-term employee benefit’ as defined in paragraph 7 of IAS 19, nor is it a short-term compensated absence as described in paragraph 8 of IAS 19. In view of this perceived conflict, the Board proposes to amend the definition of short-term employee benefits and other long-term employee benefits to replace the term ‘fall due’ with ‘expected to be settled’. The Board noted that the expected timing of settlement of the benefit is the critical factor in classifying the benefit.