



To:	AASB members	Date:	20 August 2008
From:	Dean Ardern & Angus Thomson	Agenda Item:	3.3.1
Subject:	Contributions and a statement of member benefits	File:	P19

Action

Consider the possible need for an additional financial statement for presentation by superannuation plans – a statement of member benefits.

Background

Agenda papers 3.3 on contributions and 3.4 on tax are based on Board decisions to date and reflect the view that the principles in AASB 101 should apply. However, if the issues surrounding the treatment of contributions and tax, particularly contributions tax, are considered in terms of the journal entries that could apply, it may cause the Board to reconsider some of its in-principle decisions in regard to financial statement presentation.

In Agenda paper 3.3, two approaches are considered – Approach A, being a comprehensive income statement; and Approach B, being an income statement and statements of changes in equity. Both Approaches are predicated on a view that contributions are not revenues. In terms of journal entries, in respect of defined contribution members, contributions would be treated as liabilities (debit cash; credit liability). However, in respect of defined benefit members it is not the contributions that are a liability, the liability is determined based on a defined benefit formula. Accordingly, the nature of the journal entries for defined benefit members' benefits is not as clear.

In addition, the staff views in agenda paper 3.4 in relation to tax deal only with measurement issues and do not address presentation issues, particularly in relation to contributions tax, or consider the journal entries that might be made.

Although we note that the cash flow statement would show (among other things) contributions cash inflows and contributions tax cash outflows, there is an argument that another statement is needed to provide useful information about member benefits. Accordingly, a variation of Approach B in agenda paper 3.3 could be considered that would involve:

- * a statement of operating activities comprising all investment income and related expenses, administration and other operating expenses and income tax (including capital gains tax); and
- * a statement of changes in member benefits showing contributions, transfers, benefit payments, changes in accrued benefits, contributions tax attributable to member benefits and the net result of operating activities.

Such a statement has the potential to show useful information about plan performance in terms of the contributions made and how they have been applied, which is distinct from the performance shown in the income statement with regard to investment and administrative efficiency.