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**Government of India**

**Ministry of Corporate Affairs**

**NOTIFICATION**

New Delhi the 27th March, 2008

**G.S.R. No. 212 (E).** – In exercise of the powers conferred by clause (a) of sub-section (1) of section 642 read with sub-section (1) of section 210A and sub-section (3C) of section 211 of the Companies Act, 1956 (1 of 1956), the Central Government in consultation with the National Advisory Committee on Accounting Standards, hereby makes the following rules to amend the Companies (Accounting Standards) Rules, 2006, namely: -

1. (1) These rules may be called the Companies (Accounting Standards) Amendment Rules, 2008.

   (2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Accounting Standards) Rules, 2006, in the Annexure, in Part B, in Accounting Standard – 15 (Employee Benefits)-

   (i) after paragraph 92, the following shall be inserted, namely:-

   "92A. Paragraph 145(b)(iii) explains the need to consider any unrecognised part of the transitional liability in accounting for subsequent actuarial gains."

   (ii) for paragraph 116 and example illustrating Paragraph 116, the following shall be substituted, namely:-

   "116. Where a curtailment relates only to some of the employees covered by a plan, or where only part of an obligation is settled, the gain or loss includes a proportionate share of the previously unrecognised past service cost (and of transitional amounts remaining unrecognised under paragraph 145(b)). The proportionate share is determined on the basis of the present value of the obligations before and after the curtailment or settlement, unless another basis is more rational in the circumstances.

**Example Illustrating Paragraph 116**

An enterprise discontinues a business segment and employees of the discontinued segment will earn no further benefits. This is a curtailment without a settlement. Using current actuarial assumptions (including current market interest rates and other current market prices) immediately before the curtailment, the enterprise has a defined benefit obligation with a net present value of Rs. 1,000 and plan assets with a fair value of Rs. 820 and unrecognised past service cost of Rs. 50. The enterprise had first adopted this Standard one year before. This increased the net liability by Rs. 100, which the enterprise chose to recognise over five years (see paragraph 145(b)). The curtailment reduces the net present value of the obligation by Rs. 100 to Rs. 900.

*Of the previously unrecognised past service cost and transitional amounts, 10% (Rs. 100/Rs. 1000) relates to the part of the obligation that was eliminated through the curtailment. Therefore, the effect of the curtailment is as follows:*

*(Amount in Rs.)*

| | *Before Curtailment* | *Curtailment gain* | *After curtailment* |
|---|---|---|---|
| *Net present value of obligation* | *1,000* | *(100)* | *900* |
| *Fair value of plan assets* | *(820)* | *-* | *(820)* |
| | *180* | *(100)* | *80* |
| *Unrecognised past service cost* | *(50)* | *5* | *(45)* |
| *Unrecognised transitional amount (100x4/5)* | *(80)* | *8* | *(72)* |
| *Net liability recognised in balance sheet* | *(50)* | *(87)* | *(37)* |

An asset of Rs. 37 will be recognised (it is assumed that the amount under paragraph 59(b) is higher than Rs. 37)."

(iii) under the heading 'Transitional Provisions' and before the sub-heading "Employee Benefits other than Defined Benefit Plans and Termination Benefits", the following shall be inserted, namely:-

"142 A. An enterprise may disclose the amounts required by paragraph 120(n) as the amounts are determined for each accounting period prospectively from the date the enterprise first adopts this Standard."

(iv) for paragraph 145 and the example illustrating paragraph 144 and 145, the following shall be substituted, namely:-

***"145. If the transitional liability is more than the liability that would have been recognised at the same date as per the pre-revised AS 15, the enterprise should make an irrevocable choice to recognise that increase as part of its defined benefit liability under paragraph 55:***

***(a) immediately as an adjustment against the opening balance of revenue reserve and surplus (as adjusted by any related tax expense); or***

***(b) as an expense on a straight-line basis over up to five years from the date of adoption.***

***If an enterprise chooses (b), the enterprise should:***

***(i) apply the limit described in paragraph 59(b) in measuring any asset recognised in the balance sheet;***
***(ii) disclose at each balance sheet date (1) the amount of the increase that remains unrecognised; and (2) the amount recognised in the current period;***
***(iii) limit the recognition of subsequent actuarial gains (but not negative past service cost) only to the extent that the net cumulative unrecognised actuarial gains (before recognition of that actuarial gain) exceed the unrecognised part of the transitional liability; and***
***(iv) include the related part of the unrecognised transitional liability in determining any subsequent gain or loss on settlement or curtailment.***

***If the transitional liability is less than the liability that would have been recognized at the same date as per the pre-revised AS 15, the enterprise should recognise that decrease immediately as an adjustment against the opening balance of revenue reserves and surplus.***

**Example Illustrating Paragraphs 144 and 145**

At 31st March 20X7, an enterprise's balance sheet includes a pension liability of Rs. 100, recognised as per the pre-revised AS 15 issued by the ICAI in 1995. The enterprise adopts the Standard as of 1st April 20X7, when the present value of the obligation under the Standard is Rs. 1,300 and the fair value of plan assets is Rs. 1,000. On 1st April 20X1, the enterprise had improved pensions (cost for non-vested benefits: Rs. 160; and average remaining period at that date until vesting: 10 years).

(Amount in Rs.)

| | |
|---|---|
| *The transitional effect is as follows:* | |
| *Present value of the obligation* | *1,300* |
| *Fair value of plan assets* | *(1,000)* |
| *Less: past service cost to be recognised in later periods (160 x 4/10)* | *(64)* |
| *Transitional liability* | *236* |
| *Liability already recognised* | *100* |
| *Increase in liability* | *136* |
| | === |

*An enterprise may choose to recognise the increase in liability (as adjusted by any related tax expense) either immediately as an adjustment against the opening balance of revenue reserve and surplus as on 1st April 20X7 or as an expense on straight line basis over up to five years from that date. The choice is irrevocable.*

At 31st March, 20X8, the present value of the obligation under the Standard is Rs. 1,400 and the fair value of plan assets is Rs. 1,050. Net cumulative unrecognized actuarial gains since the date of adopting the Standard are Rs. 120. The enterprise is required, as per paragraph 92, to recognise all actuarial gains and losses immediately.

*The effect of the limit in paragraph 145(b)(iii) is as follows:*

| | *(Amount in Rs.)* |
|---|---|
| *Net unrecognised actuarial gains* | *120* |
| *Unrecognised part of the transitional liability (136 x 4/5)* | *109* |
| *(If the enterprise adopts the policy of recognising it over 5 years)* | |
| | ------ |
| *Maximum gain to be recognised* | *11"* |
| | === |

[F No 1/2/2008/CL.V]

(Jitesh Khosla)
Joint Secretary

Note. - The principal notification was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 739 (E), dated the 7th December, 2006.