

**FRS-32**

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## **FINANCIAL REPORTING BY SUPERANNUATION SCHEMES**



FINANCIAL REPORTING STANDARD NO. 32  
1998

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Institute of Chartered Accountants of New Zealand*

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*This Standard should be read in the context of the Explanatory Foreword  
to General Purpose Financial Reporting published by the Council,  
Institute of Chartered Accountants of New Zealand.*

*The Accounting Standards Review Board has approved  
FRS-32: Financial Reporting by Superannuation Schemes, for the purposes of the  
Financial Reporting Act 1993, to apply to all persons who are superannuation  
trustees (as defined in the Securities Act 1978) in respect of the general purpose  
financial reports of the superannuation schemes of which those persons are  
superannuation trustees (as so defined) other than schemes that are expressly  
exempted by the terms of the Standard.*

### 1 INTRODUCTION

#### COMMENTARY

- 1.1 This Standard deals with financial reporting by superannuation schemes.
- 1.2 Financial reporting standards are paragraphs in bold type-face in this Standard. Where appropriate, interpretative commentary paragraphs in plain type-face follow the financial reporting standards.

### 2 APPLICATION

#### STANDARD

**2.1 This Standard applies to general purpose financial reports of all superannuation schemes except where exempted in paragraphs 2.6 or 2.8.**

#### COMMENTARY

- 2.2 Superannuation schemes are defined contribution superannuation schemes or defined benefit superannuation schemes. Many require the creation of separate funds to which contributions are made and from which benefits are paid. Such funds may or may not have separate legal identity and may or may not have trustees. This Standard is to be applied regardless of whether such funds are created and regardless of whether trustees are appointed formally. This Standard is also to be applied to superannuation schemes regardless of whether their assets are invested with investment fund managers or otherwise. General purpose financial reports include interim financial reports.
- 2.3 This Standard does not deal with other forms of employment benefits such as employment termination indemnities, deferred compensation arrangements, long-

service leave benefits, special early retirement or redundancy schemes, health and welfare schemes or bonus schemes.

2.4 This Standard does not deal with accounting in an employer's financial report for employee entitlements, including retirement benefits.

2.5 Compliance with this Standard meets the Government Actuary's interpretation of the disclosures to be made in the annual accounts of a scheme as required by section 13(1)(b) of the Superannuation Schemes Act 1989.

*STANDARD*

**2.6 Superannuation schemes that are not issuers as defined by section 4 of the Financial Reporting Act 1993 and with membership at the balance date consisting of one person, or two persons where each member is able to command and obtain information that meets their needs, are not required to comply with this Standard.**

*COMMENTARY*

2.7 Superannuation schemes exempted by paragraph 2.6 are effectively providing special purpose financial reports, as members of these schemes have the power to obtain the information they require.

*STANDARD*

**2.8 This Standard shall not apply to superannuation schemes whose only assets (other than temporary deposits at call with a bank) are endowment, whole of life or other long-term insurance policies that match and fully guarantee the benefits to be paid to individual members.**

*COMMENTARY*

2.9 Superannuation schemes exempted by paragraph 2.8 are encouraged to disclose information that would assist them in discharging their accountability obligations to members. For example, disclosure of the amounts contributed by sponsors and members, and of expenses of the plan incurred by trustees, during the reporting period is relevant to the accountability function of the financial statements of superannuation schemes.

*STANDARD*

**2.10 The financial reporting standards set out in this Standard shall apply to all financial reports where such application is of material consequence. A statement, fact, or item is material if it is of such a nature or amount that its disclosure, or the method of treating it, given full consideration of the circumstances applying at the time the financial report is completed, is likely to influence the users of the financial report in making decisions or assessments.**

**2.11 This Standard applies to general purpose financial reports of superannuation schemes covering periods beginning on or after 1 July 1998.**

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### 3 STATEMENT OF PURPOSE

#### *COMMENTARY*

3.1 The purpose of this Standard is to provide guidance on:

- (a) the manner in which superannuation schemes are to account for particular transactions and events;
- (b) the format(s) of superannuation schemes' financial reports; and
- (c) the information to be disclosed in financial reports of superannuation schemes.

The financial report shall provide information about the financial resources of the scheme that is useful in assessing the relationship between the accumulation of resources and scheme benefits over time, in addition to the discharge of accountability by the scheme's trustees and administrators to the scheme members and beneficiaries.

### 4 DEFINITIONS

#### *STANDARD*

**The following terms are used in this Standard with these meanings:**

**4.1 "Accrued benefits" in a defined benefit superannuation scheme are benefits that the scheme is presently obliged to transfer in the future to members and beneficiaries as a result of membership of the scheme up to the measurement date.**

**4.2 "Accrued benefits" in a defined contribution superannuation scheme include benefits that the scheme is presently obliged to transfer in the future to members and beneficiaries as a result of membership of the scheme up to the balance date. Accrued benefits encompass benefits that have been allocated, where appropriate, to individual members' accounts, sponsors' accounts and reserves.**

#### *COMMENTARY*

4.3 Accrued benefits in a defined contribution superannuation scheme include amounts allocated, where appropriate, to individual members' accounts, sponsors' accounts, and reserves. Reserves include forfeited benefits and are amounts that a defined contribution scheme has not allocated to members or sponsors. These amounts may have been designated as reserves by the scheme's trust deed or appropriated for specific or general purposes by the scheme's trustees. If an obligation to transfer to sponsors or other entities arises in respect of any amounts classified as reserves, these amounts should cease to be classified under liability for accrued benefits; they should instead be transferred from reserves and reclassified as other liabilities.

#### *STANDARD*

**4.4 "Beneficiaries" are those persons who are currently receiving benefits,**

or are currently or contingently entitled to receive benefits in the future, from the superannuation scheme.

**4.5 “Carrying amount” of an asset or liability is the amount at which the item appears in a scheme’s records. It has the same meaning as the term “book value.”**

**4.6 “Class of assets or liabilities” is a category of assets or liabilities that have a similar nature or function in the operations of a superannuation scheme.**

**4.7 “Defined benefit superannuation schemes” are superannuation schemes under which amounts to be paid as retirement benefits are determinable usually by reference to the member’s salary level and/or years of service, and for which actuarial valuations are necessary. Defined benefit superannuation schemes encompass all schemes other than defined contribution superannuation schemes.**

*COMMENTARY*

4.8 For the purposes of this Standard, those schemes that exhibit features of both defined contribution and defined benefit superannuation schemes are classified as defined benefit superannuation schemes.

4.9 The Superannuation Schemes Act 1989 (section 15) requires actuarial examinations to be carried out at least every three years if a registered scheme provides benefits that are dependent on the contingencies of human life, and the risks associated with those benefits are not fully insured with a company engaged in the business of insurance. Such a scheme, for the purposes of this Standard, is classified as a defined benefit superannuation scheme.

*STANDARD*

**4.10 “Defined contribution superannuation schemes” are superannuation schemes under which amounts to be paid as retirement benefits are determined by accumulated contributions to a scheme together with net investment earnings thereon.**

**4.11 “General purpose financial reports” are financial reports that are intended to provide information to meet the needs of external users who are unable to require, or contract for, the preparation of special reports to meet their specific information needs.**

*COMMENTARY*

4.12 The primary users of financial reports of superannuation schemes include scheme members and beneficiaries, potential members, employers, sponsors, financial analysts, and advisers.

4.13 The term *financial reports*, when used in this Standard, means general purpose financial reports.

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### STANDARD

**4.14 “Measurement date” of accrued benefits of a defined benefit superannuation scheme is the date at which the actuarial valuation of accrued benefits is determined.**

**4.15 “Measurement period” of accrued benefits is the time between two measurement dates.**

**4.16 “Members” are those persons in respect of whom contributions are, have been or will be, made under the terms of a superannuation scheme, and who, as a consequence, expect to receive benefits from the scheme.**

**4.17 “Net market value” is the price for which an asset might reasonably be expected to be sold at a particular date in an orderly market, less the costs of disposal that could reasonably be anticipated at that date.**

### COMMENTARY

4.18 The costs of disposal are those that would be expected if the asset was sold at a particular date in the normal course of business. However, if an asset is intended for disposal outside the normal course of business, such as in the termination of an investment contract, then all costs associated with the disposal (including termination-type costs) should be deducted to arrive at the net market value.

### STANDARD

**4.19 “Related party.” Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making operating, investing and financing decisions to the extent that one of the parties might be prevented from fully pursuing its own separate interests. Parties are also considered to be related when they are subject to common outside control or significant influence. In considering each possible related-party relationship, attention should be directed to the substance of the relationship and not merely to the legal form.**

### COMMENTARY

4.20 For further clarification of the meaning of *related party* refer to SSAP-22: *Related Party Disclosures*.

### STANDARD

**4.21 “Sponsor.” In an employer superannuation scheme, the sponsor is the employer. In any other superannuation scheme, the sponsor is the association, committee, or other parties (including employers) who administer and/or fund the superannuation scheme.**

**4.22 “Superannuation (pension or retirement) schemes” are arrangements between trustees, sponsors, employers, employees, self-employed persons or other participants, that primarily provide retirement benefits as a consequence**

**of membership (either in the form of an annual income or as a lump sum) when such benefits can be determined or estimated in advance of termination of membership from the provisions of documents or from the sponsors' practices.**

*COMMENTARY*

4.23 The definition of superannuation schemes in paragraph 4.22 covers:

- superannuation schemes as defined in section 2 of the Superannuation Schemes Act 1989;
- registered and unregistered schemes; and
- formal and informal schemes.

4.24 A unit trust may, but will not always, fall within the definition of a superannuation scheme, since unit trusts are frequently investment vehicles rather than retirement product vehicles. The definition of superannuation schemes in paragraph 4.22 does not cover other forms of employment benefits such as employment termination indemnities, deferred compensation arrangements, long-service leave benefits, special early retirement or redundancy schemes, health and welfare schemes or bonus schemes.

4.25 A superannuation scheme is constituted as either a separate entity or a number of separate entities interconnected by, for example, common membership. Examples of the latter occur where a superannuation scheme operates through two separate administrative entities to provide benefits for members. For the purposes of this Standard, a superannuation scheme is regarded as a distinct entity whether it is constituted as a separate entity or a number of separate but interconnected entities, and irrespective of the reporting obligations attaching to those entities and the strategy employed to fund the benefits. This Standard, therefore, applies regardless of whether a separate pool of assets from which benefits are paid is created, whether benefits are to be met with the proceeds of insurance contracts, and whether there are trustees formally appointed. It also applies where a nominee holds investments on behalf of the scheme.

*STANDARD*

**4.26 “Vested benefits” are benefits payable to members or beneficiaries, under the conditions of a superannuation scheme, on the basis of all members ceasing to be members of the scheme at a particular date.**

## **5 FINANCIAL REPORTING**

### **General Purpose Financial Reports**

*STANDARD*

**5.1 When a superannuation scheme prepares a general purpose financial report, the report shall be prepared in conformity with New Zealand Financial**

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**Reporting Standards.** In the event of a conflict between this Standard and any other Standard, the provisions of this Standard will prevail.

### **Financial Reports of Defined Contribution Superannuation Schemes**

**5.2** The financial report of a defined contribution superannuation scheme shall include:

- a statement of financial position;
- a statement of financial performance;
- a statement of cash flows;

and explanatory notes necessary to amplify or explain the components in the individual statements.

### **Financial Reports of Defined Benefit Superannuation Schemes**

**5.3** If at the end of each reporting period the accrued benefits of a defined benefit superannuation scheme are measured by an actuarial valuation, the financial report of the defined benefit superannuation scheme may adopt the following format:

- a statement of financial position;
- a statement of financial performance;
- a statement of cash flows;

and explanatory notes necessary to amplify or explain the components in the individual statements.

#### *COMMENTARY*

5.4 For a defined benefit superannuation scheme, this Standard allows the scheme to adopt the reporting format in paragraph 5.3 on the condition that the scheme measures its accrued benefits at the end of each reporting period. A defined benefit superannuation scheme may adopt the reporting format in paragraph 5.3 if accrued benefits were measured at the end of the current reporting period and the prior reporting period, and it is intended that accrued benefits will continue to be measured at the end of future reporting periods.

#### *STANDARD*

**5.5** If the accrued benefits of a defined benefit superannuation scheme are not measured at the end of each reporting period, or if the accrued benefits of a defined benefit superannuation scheme are measured at the end of each reporting period and the scheme elects not to adopt the format in paragraph 5.3, the financial report of the defined benefit superannuation scheme shall include:

- a statement of net assets;
- a statement of changes in net assets;
- a statement of cash flows;



**and explanatory notes necessary to amplify or explain the components in the individual statements.**

*COMMENTARY*

5.6 When accrued benefits of a defined benefit superannuation scheme are measured as at the end of each reporting period, this Standard allows adoption of either of the two reporting formats in paragraphs 5.3 and 5.5. When accrued benefits of a defined benefit superannuation scheme are not measured as at the end of each reporting period, this Standard requires adoption of the reporting format in paragraph 5.5. This Standard therefore requires that the financial report of a defined benefit superannuation scheme comprises either:

- (a) a statement of financial position which includes the liability for accrued benefits on the face of that statement, a statement of financial performance, a statement of cash flows, and explanatory notes. The financial statements will therefore highlight performance of the scheme during the reporting period, the benefits that have accrued to members and beneficiaries during the period, and whether, at the balance date, the assets of the scheme are greater or less than the accrued benefits and other liabilities; or
- (b) a statement of net assets, a statement of changes in net assets, a statement of cash flows, and explanatory notes, including an explanatory note that discloses the amount and the date of the last measurement of accrued benefits, and, when accrued benefits have been re-measured during the reporting period, changes therein. The financial statements will therefore highlight assets available to meet accrued benefits, and the changes in those assets as a result of investment and other activities of the scheme during the reporting period. Accrued benefits, and any changes therein, will be reported in the explanatory notes.

*STANDARD*

**5.7 When financial reports have been prepared for more than one reporting period, comparative figures for the prior period, restated so they correspond to the current period, shall be given for all items in the financial report. Where there has been a restatement of prior year amounts, the nature of and the reason for the restatement shall be disclosed. Comparative figures do not need to be restated in the reporting period to which the reporting format in paragraph 5.3 is first applied.**

*COMMENTARY*

5.8 When a scheme adopts the reporting format in paragraph 5.3 for the first time, it may not be practicable to provide comparative data.

**Measurement of Assets**

*STANDARD*

**5.9 Assets of a superannuation scheme shall be measured at net market value as at the balance date.**

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### COMMENTARY

5.10 Assets of a superannuation scheme may include the following:

- (a) investments of the scheme, which may include equity securities, debt securities, and properties;
- (b) cash and other monetary assets;
- (c) contributions receivable, being amounts due to the scheme at the balance date from the sponsor, members and any other contributors; and
- (d) operating assets.

5.11 The primary function of superannuation schemes is to pay benefits to members and beneficiaries, and as a consequence it may be necessary to accumulate assets. The *Statement of Concepts for General Purpose Financial Reporting* identifies relevance to users as one of the qualitative characteristics which determines usefulness of information in financial reports. Measuring assets of superannuation schemes at net market values as at the balance date provides more relevant information to users about the resources available to pay the benefits than the historical cost basis of measurement. Information about the assets available to pay benefits will be relevant, in the case of a defined benefit superannuation scheme, to an assessment of the scheme's ability to meet its obligations to members and beneficiaries. In a defined contribution superannuation scheme, it is relevant to the scheme's ability to provide benefits for members and beneficiaries.

5.12 This Standard requires the use of the net market value method in the measurement of assets. Superannuation schemes hold assets to enable them to meet their obligations to members and beneficiaries. Sometimes it is considered that disposal costs of assets are unlikely to be incurred because of the long-term nature of superannuation schemes. However, it is more than likely that members and beneficiaries will receive their benefits in cash rather than in the form of assets other than cash. Consequently, this Standard requires recognition of the expected transaction costs involved in disposing of assets. This will avoid an overstatement of asset values.

5.13 The disposal costs to be deducted in arriving at net market value should be those that would reasonably be expected if the asset was to be sold in the normal course of business. Such transaction costs do not include termination-type disposal costs that are incurred when investment contracts are terminated (e.g. when investment assets are disposed of earlier than initially expected). However, if termination is anticipated, then all costs associated with the disposal should be deducted in arriving at net market value.

5.14 Unitised investments are commonly traded at allocation prices, which are net of the normal transaction costs of trading individual units within investment pools. The allocation price for a unitised investment is an appropriate measure of the net market value of that investment. It is also common for unitised funds to quote prices that are applicable if all units in a pool held by a scheme are sold. If a

scheme anticipates terminating its investments in a unitised pool, then such a price, which is net of all costs associated with the disposal, is an appropriate measure of the net market value of the investment.

5.15 Actuarial asset values may be different from the net market values required by this Standard. Methods such as adjusted market value methods, moving average methods and average ratio methods, could be appropriate for actuarial asset values when assumptions used in determining the actuarial value of the accrued benefits are developed by reference to expected long-term market conditions. Such methods may be important in establishing the manner in which the scheme is to be funded; however, for financial reporting purposes, assets are to be measured at net market values as at the balance date.

5.16 The valuation of land and buildings is to be undertaken either by an independent valuer or, where a superannuation scheme or its sponsor has in its employ a qualified valuer or valuers, by an internal valuer, as long as the basis of valuation has been subject to review by an independent valuer. Both independent and internal valuers are to hold recognised professional qualifications and have experience in the location and category of asset being valued.

5.17 Superannuation schemes may have assets representing investments in units with investment fund managers. Where the investment fund manager is a captive seller and market prices are not readily available, judgement is required in determining the net market values of the assets.

#### **Changes in Net Market Value of Assets**

##### *STANDARD*

**5.18 The change in the net market value of a superannuation scheme's assets during the reporting period shall be included as a component of revenue or expense for the reporting period.**

##### *COMMENTARY*

5.19 Assets available to pay benefits are generated by the accumulation and investment of contributions made by, or on behalf of, members and earnings thereon. Accordingly, an assessment of the performance of a superannuation scheme involves consideration of the overall change in the amount of assets available to pay benefits over the reporting period and the manner in which that change was achieved. To reflect the overall change in the amount of assets available to pay benefits, periodic changes in the net market value of the scheme's assets are to be recognised as revenues or expenses in the financial statements of the scheme.

5.20 Consistent with the Standard set out in paragraph 5.18, revenues or expenses will include changes in net market values of assets held at the balance date. If assets are sold during the period, revenues or expenses will also include the difference between the carrying amount of the assets at the beginning of the period

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(or when acquired, if acquired after the beginning of the reporting period) and the proceeds from the sale of the assets.

### **Measurement of Accrued Benefits**

#### *STANDARD*

**5.21 Accrued benefits of a defined contribution superannuation scheme shall be shown as an amount equivalent to the difference between the carrying amount of the assets and the sum of the other liabilities.**

#### *COMMENTARY*

5.22 The liability of a defined contribution superannuation scheme for accrued benefits is to be shown as the difference between the carrying amount of the scheme's assets and the sum of income tax liabilities and sundry liabilities, including liabilities arising from forfeited benefits that have been designated as refundable to sponsors as at the balance date. Accrued benefits encompass amounts that have been allocated to members' accounts, sponsors' accounts, and reserves at the balance date.

#### *STANDARD*

**5.23 Accrued benefits of a defined benefit superannuation scheme shall be measured at least every three years. Accrued benefits of a defined benefit superannuation scheme shall be measured, using appropriate actuarial assumptions, as the present value of expected future payments based on membership of the scheme up to the measurement date.**

#### *COMMENTARY*

5.24 Accrued benefits of defined benefit superannuation schemes are to be measured at least triennially. This is consistent with the Superannuation Schemes Act 1989 (section 15) which requires actuarial examinations to be carried out at least every three years. When there has been a material change in a defined benefit superannuation scheme, such as change in the composition of membership, it may be appropriate to measure accrued benefits on a more frequent basis than every three years.

### **Measurement of Benefits Accrued During the Reporting Period**

#### *STANDARD*

**5.25 The amount of benefits accrued by a defined contribution superannuation scheme during the reporting period shall be the difference between revenues (including contribution inflows) and expenses (including benefit outflows).**

**5.26 In a defined benefit superannuation scheme:**

- (a) when accrued benefits are measured as at the end of each reporting period, the amount of benefits accrued during the reporting period shall be measured as follows:

*The amount of benefits accrued during the reporting period =*  
*The amount of benefits paid to scheme beneficiaries during the reporting period*  
 + (-) *Net increase (decrease) in the amount of accrued benefits between the beginning and the end of the reporting period;*

or

- (b) when accrued benefits are not measured as at the end of each reporting period but have been measured during the reporting period, the amount of benefits accrued during the measurement period shall be measured as follows:

*The amount of benefits accrued during the measurement period =*  
*The amount of benefits paid to scheme beneficiaries during the measurement period*  
 + (-) *Net increase (decrease) in the amount of accrued benefits during the measurement period.*

*COMMENTARY*

5.27 When the accrued benefits of defined benefit superannuation schemes have not been measured during, or at the end of, the reporting period, no amount is to be reported as benefits accrued during the measurement period.

**Revenues and Expenses**

*STANDARD*

**5.28 The statement of financial performance of a superannuation scheme as outlined in paragraphs 5.2 and 5.3 shall include both revenues and expenses of the reporting period. Revenues shall encompass investment revenues, contribution inflows and other revenues, while expenses shall encompass investment expenses, benefit outflows and other expenses.**

*COMMENTARY*

5.29 The *Statement of Concepts for General Purpose Financial Reporting* defines revenues as inflows or other enhancements, or savings in outflows, of service potential or future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period. There are different views on the nature of contribution inflows. Contribution inflows are sometimes viewed as movements in equity, because the contributions are in the nature of contributions by owners that result in an increase in members' equity. Therefore they would be disclosed in a statement of movements in equity. Contribution inflows are also sometimes viewed as having the nature of advances

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which would increase the scheme's liabilities rather than its equity, because members of superannuation schemes are entitled to specific benefits, rather than a residual interest in net assets. In the *Statement of Concepts for General Purpose Financial Reporting*, equity is a residual interest in net assets, and liabilities are defined as future economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events. Although this Standard acknowledges that contribution inflows may show characteristics of both equity and liabilities, this Standard requires the classification of contribution inflows as revenues to ensure comparability of superannuation schemes' financial reports.

5.30 Revenues of a superannuation scheme encompass investment revenues, contribution inflows, and other revenues. Consistent with paragraph 5.18 of this Standard, changes in net market values of assets are considered as investment revenue or expense.

5.31 In a defined benefit scheme, expenses include benefits accruing to members and beneficiaries as a result of membership, expenses directly related to investment activities, general administration expenses, tax expense, and other expenses. In a defined contribution scheme, expenses include benefits paid, expenses directly related to investment activities, general administration expenses, tax expense, and other expenses. This Standard requires recognition of benefits paid to members as an expense in the statement of financial performance to enhance the comparability of information provided in financial reports.

### Disclosure Requirements

#### STANDARD

#### A) Defined Contribution Superannuation Schemes

##### *Statement of Financial Position*

**5.32 The statement of financial position of a defined contribution superannuation scheme shall disclose:**

- (a) **the assets of the scheme, showing separately investments, with each class of investment appropriately disclosed, and other assets by class of assets;**
- (b) **the liabilities of the scheme, showing separately the liability for accrued benefits and other liabilities by class of liabilities;**
- (c) **separately, the amount of accrued benefits allocated, when appropriate, to members' accounts, sponsors' accounts and the amount of reserves; and**
- (d) **by way of note:**
  - (i) **a summary description of the scheme;**
  - (ii) **details of investments in securities issued by the scheme's sponsor or by related parties of the sponsor;**
  - (iii) **movements in the liability for accrued benefits and each of its components;**

- (iv) the trust deed's provisions and trustees' policies in respect of the use of reserves;
- (v) vested benefits;
- (vi) any benefits that have been guaranteed, the identity of the guarantor(s), the nature of the guarantee(s) and any changes from the corresponding preceding reporting period;
- (vii) the method adopted in determining net market value for each class of asset disclosed; and
- (viii) any contributions receivable, disaggregated into those receivable from sponsors and those receivable from members.

*Statement of Financial Performance*

**5.33** The statement of financial performance of a defined contribution superannuation scheme shall disclose:

- (a) revenues other than contribution inflows, showing separately:
  - (i) investment revenues and their major components, including the aggregate change in values (regardless of whether realised or unrealised) for each class of investment; and
  - (ii) other revenues, showing separately proceeds from insurance policies and the aggregate change in values (regardless of whether realised or unrealised) of assets other than investments;
- (b) expenses other than benefit outflows, showing separately:
  - (i) those directly related to investment activities;
  - (ii) general administration;
  - (iii) total trustees' remuneration, whether direct or indirect, from the scheme to all trustees for the financial period; and
  - (iv) insurance expense for death and disability cover;
- (c) surplus (deficit) before taxation and membership activities;
- (d) income tax expense;
- (e) surplus (deficit) after taxation and before membership activities;
- (f) membership activities, showing separately:
  - (i) amounts contributed by sponsors;
  - (ii) amounts contributed by members;
  - (iii) benefit outflows;
  - (iv) the amount of any payment(s) made to the scheme by new entrants and existing members as consideration for the purchase of additional benefits (inward transfer values); and
  - (v) the amounts transferred out by members to other schemes;
- (g) the amount of benefits that has accrued during the reporting period, measured as the difference between revenues and expenses; and
- (h) by way of note, the rate(s) or other basis of contributions by sponsors and members during the reporting period, and any change in the rate(s)

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or other basis of contributions from the corresponding preceding reporting period.

### *Statement of Cash Flows*

**5.34** The statement of cash flows of a defined contribution superannuation scheme shall be prepared in accordance with FRS-10: *Statement of Cash Flows*.

### **B) Defined Benefit Superannuation Schemes**

**5.35** A defined benefit superannuation scheme that measures accrued benefits as at the end of each reporting period may, in accordance with paragraph 5.3, elect to adopt the reporting format of a statement of financial position, a statement of financial performance, a statement of cash flows and explanatory notes. Defined benefit superannuation schemes that elect to adopt this reporting format shall comply with paragraphs 5.36, 5.37 and 5.38.

### *Statement of Financial Position*

**5.36** The statement of financial position of a defined benefit superannuation scheme that measures accrued benefits at the end of each reporting period shall disclose:

- (a) the assets of the scheme, showing separately investments, with each class of investment appropriately disclosed, and other assets by class of assets;
- (b) the liabilities of the scheme, showing separately the liability for accrued benefits and other liabilities by class of liabilities; and
- (c) by way of note:
  - (i) a summary description of the scheme;
  - (ii) details of investments in securities issued by the scheme's sponsor or by related parties of the sponsor;
  - (iii) movements in the liability for accrued benefits;
  - (iv) vested benefits;
  - (v) any benefits that have been guaranteed, the identity of the guarantor(s), the nature of the guarantee(s) and any changes from the corresponding preceding reporting period;
  - (vi) the method adopted in determining net market values for each class of asset disclosed; and
  - (vii) any contributions receivable, disaggregated into those receivable from sponsors and those receivable from members.

### *Statement of Financial Performance*

**5.37** The statement of financial performance of a defined benefit superannuation scheme that measures accrued benefits as at the end of each reporting period shall disclose:

- (a) revenues other than contribution inflows, showing separately:



- (i) investment revenues and their major components, including the aggregate change in values (regardless of whether realised or unrealised) for each class of investment; and
- (ii) other revenues, showing separately proceeds from insurance policies and the aggregate change in values (regardless of whether realised or unrealised) of assets other than investments;
- (b) expenses other than benefit outflows, showing separately:
  - (i) those directly related to investment activities;
  - (ii) general administration;
  - (iii) total trustees' remuneration, whether direct or indirect, from the scheme to all trustees for the financial period; and
  - (iv) insurance expense for death and disability cover;
- (c) surplus (deficit) before taxation and membership activities;
- (d) income tax expense;
- (e) surplus (deficit) after taxation and before membership activities;
- (f) membership activities, showing separately:
  - (i) amounts contributed by sponsors;
  - (ii) amounts contributed by members;
  - (iii) the amount of benefits that has accrued during the reporting period, measured in accordance with paragraph 5.26(a);
  - (iv) the amount of any payment(s) made to the scheme by new entrants and existing members as consideration for the purchase of additional benefits (inward transfer values); and
  - (v) the amounts transferred out by members to other schemes;
- (g) the net surplus (deficit), measured as the difference between revenues and expenses; and
- (h) by way of note:
  - (i) the principal components of the change during the reporting period in accrued benefits; and
  - (ii) the rate(s) or other basis of contributions by sponsors and members during the reporting period, and any change in the rate(s) or other basis of contributions from the corresponding preceding reporting period.

*Statement of Cash Flows*

**5.38** The statement of cash flows of a defined benefit superannuation scheme shall be prepared in accordance with **FRS-10: *Statement of Cash Flows***.

**C) Defined Benefit Superannuation Schemes — Alternative Reporting Format**

**5.39** A defined benefit superannuation scheme that does not measure accrued benefits as at the end of each reporting period, or measures accrued

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benefits at the end of each reporting period and elects not to provide financial statements in accordance with paragraph 5.3, shall adopt the reporting format of a statement of net assets, a statement of changes in net assets, a statement of cash flows and notes thereto. A defined benefit superannuation scheme that adopts this reporting format shall not comply with paragraphs 5.36, 5.37 and 5.38, but shall comply with paragraphs 5.40, 5.41 and 5.42.

### *Statement of Net Assets*

**5.40** The statement of net assets of a defined benefit superannuation scheme as in paragraph 5.5 shall disclose:

- (a) the assets of the scheme, showing separately investments, with each class of investment appropriately disclosed, and other assets by class of assets;
- (b) the liabilities of the scheme, showing separately each class of liability but excluding the liability for accrued benefits;
- (c) net assets available to pay the benefits; and
- (d) by way of note:
  - (i) a summary description of the scheme;
  - (ii) details of investments in securities issued by the scheme's sponsor or by related parties of the sponsor;
  - (iii) accrued benefits and the date at which they were measured;
  - (iv) when accrued benefits have been measured during the reporting period, the benefits that have accrued since the last measurement date, measured in accordance with paragraph 5.26(b);
  - (v) vested benefits;
  - (vi) any benefits that have been guaranteed, the identity of the guarantor(s), the nature of the guarantee(s) and any changes from the corresponding preceding reporting period;
  - (vii) the method adopted in determining net market value of each class of asset disclosed; and
  - (viii) any contributions receivable, disaggregated into those receivable from sponsors and those receivable from members.

### *Statement of Changes in Net Assets*

**5.41** The statement of changes in net assets of a defined benefit superannuation scheme as in paragraph 5.5 shall disclose:

- (a) the amount of net assets available to pay benefits as at the beginning and end of the reporting period;
- (b) investment revenues and their major components, including the aggregate change in values (regardless of whether realised or unrealised) for each class of investment;
- (c) the aggregate change in values (regardless of whether realised or unrealised) of assets other than investments;

- (d) revenues, other than investment revenues and contribution inflows, showing separately proceeds from insurance policies;
- (e) expenses directly related to investment activities;
- (f) general administration expenses;
- (g) total trustees' remuneration, whether direct or indirect, from the scheme to all trustees for the financial period;
- (h) insurance expense for death and disability cover;
- (i) the change in net assets before taxation and membership activities;
- (j) income tax expense;
- (k) the change in net assets after taxation and before membership activities;
- (l) membership activities, showing separately;
  - (i) amounts contributed by sponsors;
  - (ii) amounts contributed by members;
  - (iii) benefits paid;
  - (iv) the amount of any payment(s) made to the scheme by new entrants and existing members as consideration for the purchase of additional benefits (inward transfer values); and
  - (v) the amounts transferred out by members to other schemes;
- (m) the increase (decrease) in net assets during the reporting period; and
- (n) by way of note, the rate(s) or other basis of contributions by sponsors and members during the reporting period, and any change in the rate(s) or other basis of contributions from the corresponding preceding reporting period.

*Statement of Cash Flows*

**5.42** The statement of cash flows of a defined benefit superannuation scheme shall be prepared in accordance with **FRS-10: *Statement of Cash Flows***.

**D) All Superannuation Schemes**

*COMMENTARY*

5.43 In determining the classes of assets to be presented in the statement of financial position and statement of net assets, schemes should consider the quality of the information presented. In particular, asset classifications according to risk and return profiles can be useful in assessing past performance of a scheme and predicting a scheme's performance.

5.44 The Superannuation Schemes Act 1989 (second schedule, part (f)) requires schemes to disclose in the Trustees' report whether the market value of a scheme's assets exceeds the vested benefits as at the close of the financial year. In complying with that Act, schemes should have readily available the information on vested benefits as at the balance date, as required by paragraphs 5.32(d)(v), 5.36(c)(iv), and 5.40(d)(v) of this Standard.

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5.45 Paragraphs 5.33, 5.37 and 5.41 prescribe revenue and expense disclosures in the statement of financial performance and statement of changes in net assets. This Standard requires that revenues and expenses from membership activities (e.g. contribution inflows and benefit outflows) be presented separately from other revenues and expenses, after the surplus (deficit) after tax. This format is considered useful in that it clearly distinguishes the results of investment and other non-membership activities from the results of membership activities.

5.46 The *Framework for Differential Reporting* may provide entities with exemption from reporting requirements of FRS-10: *Statement of Cash Flows*. However, this exemption does not apply to the reporting requirements of this Standard. The reason for requiring schemes to provide a statement of cash flows is that superannuation schemes report much information at present values, and the statement of cash flows provides information of a different nature, useful to users of the report.

5.47 FRS-10 defines cash widely, as coins and notes, demand deposits and other highly-liquid investments in which an entity invests as part of its day-to-day cash management. Therefore, for an item to be considered cash for the purpose of the statement of cash flows, it must be:

- (a) coins, notes or demand deposits, or
- (b) highly-liquid investments:
  - (i) for which there is a recognised ready market, and
  - (ii) which are unconditionally convertible to coins and notes at the investor's option within no more than two working days, and
  - (iii) which the entity regards as part of its day-to-day cash management.

FRS-10 provides further guidance on the meaning of cash and the preparation of statements of cash flows.

5.48 Some superannuation schemes invest through fund managers into investments such as master superannuation schemes, trusts and other group or pooled investment vehicles. The trustees often direct the allocation of funds to specific categories of investments, maintaining a certain proportion of the scheme assets in liquid form for the purposes of day-to-day cash management. Whether investments through fund managers are treated as cash and/or as investing activities for the purposes of FRS-10 is a matter of interpretation. If the trustees direct the allocation of funds to specific categories of investments, then the investment by the superannuation scheme is deemed to comprise those specific categories of investment. Certain of those investments may meet the definition of cash. If the trustees do not direct the allocation of funds to specific categories of investments, then the investment by the superannuation scheme is deemed to be an investment in the pooled investment vehicle, which generally will not meet the definition of cash.

**Actuarial Information**

*STANDARD*

**5.49 The financial statements of a defined benefit superannuation scheme shall have appended to them or shall include, by a way of note, a summary of the most recent actuarial report prepared for the scheme in accordance with the requirements of the Superannuation Schemes Act 1989 or an equivalent report for unregistered schemes. That summary shall include:**

- (a) the effective date of the actuarial report;**
- (b) the name and qualifications of the actuary;**
- (c) significant actuarial assumptions;**
- (d) the relationship of the market value of the net assets available to meet accrued benefits to the vested benefits of the scheme at the date of valuation of the scheme's assets;**
- (e) the opinion of the actuary as to the financial condition of the scheme at the valuation date; and**
- (f) the actuary's recommendation of the level of future contributions.**

*COMMENTARY*

5.50 The actuarial information required by paragraph 5.49(a) to (f) forms part of the financial statements whether provided by way of note or by appendix.

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### APPENDIX

#### Comparison of FRS-32 with International and Australian Accounting Standards

This comparison appendix, which was prepared as at 1 March 1998 and deals only with significant differences in the standards, is produced for information purposes only and does not form part of the standards in FRS-32. The International Accounting Standard referred to in this Appendix was promulgated by the International Accounting Standards Committee.

The financial reporting standards comparable with FRS-32 are:

- IAS-26 (1987): *Accounting and Reporting by Retirement Benefit Plans*; and
- AAS-25 (1993): *Financial Reporting by Superannuation Plans*.

There is substantial agreement among these standards and FRS-32. The following summarises the significant differences in the above standards.

#### Measurement of Accrued Benefits of Defined Benefit Schemes

In measuring accrued benefits of a defined benefit scheme, AAS-25 provides more detailed guidance than FRS-32. The Australian standard requires accrued benefits to be determined using the projected salary levels; IAS-26 allows the use of current and projected salary levels. FRS-32 does not specify the method to be used in measuring accrued benefits.

#### Financial Reporting Format

The financial reporting formats in FRS-32 are similar to those prescribed in the Australian standard. However, FRS-32 requires revenues and expenses relating to membership activities to be disclosed after the surplus after tax. AAS-25 does not specify formats for the statement of financial performance and statement of changes in net assets.

FRS-32 requires defined benefit schemes that adopt the statement of net assets and statement of changes in net assets format to also prepare statements of cash flows. AAS-25 does not require the preparation of statements of cash flows by defined benefit schemes that adopt this reporting format.

There are some differences between the financial reporting formats in FRS-32 and IAS-26. While the reporting format in IAS-26 comprises a statement of net assets and a statement of changes in net assets, FRS-32 requires defined contribution schemes, and allows defined benefit schemes in certain circumstances, to present statements of financial position, statements of financial performance, and statements of cash flows. FRS-32 permits all defined benefit schemes to present statements of net assets and statements of changes in net assets.

#### HISTORY

*Previously issued accounting standards superseded by this Financial Reporting Standard:*  
FRS-32: *Financial Reporting by Superannuation Schemes (issued in December 1994 and effective for the general purpose financial reports of superannuation schemes covering periods beginning on or after 1 April 1995).*

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