

Audit Alert: Employee benefit plan accounting-proposed standards

The FASB recently issued an exposure document containing three [proposed ASUs](#), *Fully Benefit-Responsive Investment Contracts*, *Plan Investment Disclosures*, and *Measurement Date Practical Expedient – a consensus of the FASB Emerging Issues Task Force*, to simplify the measurement and disclosure requirements for employee benefit plans. These proposed standards would amend the existing guidance in ASC 960, *Defined Benefit Pension Plans*, ASC 962, *Defined Contribution Pension Plans*, and ASC 965, *Health and Welfare Benefit Plans*.

The amendments in the proposed ASUs would simplify plan accounting as follows:

- * Fully benefit-responsive investment contracts would be measured, presented, and disclosed only at contract value, and plans would no longer be required to reconcile contract value to fair value. However, a plan would continue to disclose information that assists financial statement users in understanding the nature and risks of fully benefit-responsive investment contracts.
- * Plan assets would be grouped and disclosed by general type either on the face of the financial statements or in the notes, and would no longer be disaggregated in multiple ways.
- * Plans would no longer disclose individual plan assets that constitute 5 percent or more of net assets available for benefits.
- * The net appreciation or depreciation in investments for the period would be

presented in aggregate and would no longer be disaggregated and disclosed by general type.

* Plans with investment funds measured using the net asset value per share practical expedient in ASC 820, *Fair Value Measurement*, that file Form 5500 with the Department of Labor as direct filing entities would no longer be required to disclose that investment's strategy.

* Plans would be permitted to measure investments and investment-related accounts as of a month-end that is closest to the plan's fiscal year-end when the fiscal year-end does not coincide with a month-end. Plans that utilize this practical expedient would be required to disclose the policy election, the measurement date, and the financial effects of contributions, distributions, and significant events occurring between the measurement date and the plan's fiscal year-end.

The proposed measurement-date practical expedient would be applied prospectively. The other proposed guidance would require retrospective application. The proposed effective dates will be determined after the EITF considers feedback from stakeholders.

The comment period on these proposed ASUs ends May 18.

Source: Grant Thornton, On The Horizon, April 30, 2015.



Contact us

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