Alexandra's pension plan was accounted for as a defined benefit plan in 2010. In the year ended 30 April 2011, Alexandra changed the accounting method used for the scheme and accounted for it as a defined contribution plan, restating the comparative 2010 financial information. The effect of the restatement was significant. In the 2011 financial statements, Alexandra explained that, during the year, the arrangements underlying the retirement benefit plan had been subject to detailed review. Since the pension liabilities are fully insured and indexation of future liabilities can be limited up to and including the funds available in a special trust account set up for the plan, which is not at the disposal of Alexandra, the plan qualifies as a defined contribution plan under IAS 19 Employee Benefits rather than a defined benefit plan. Furthermore, the trust account is built up by the insurance company from the surplus yield on investments. The pension plan is an average pay plan in respect of which the entity pays insurance premiums to a third party insurance company to fund the plan. Every year 1% of the pension fund is built up and employees pay a contribution of 4% of their salary, with the employer paying the balance of the contribution. If an employee leaves Alexandra and transfers the pension to another fund, Alexandra is liable for, or is refunded the difference between the benefits the employee is entitled to and the insurance premiums paid. (7 marks)

**Professional marks will be awarded in question 3 for clarity and quality of discussion. (2 marks)**

**Required:**

Discuss how the above transactions should be dealt with in the financial statements of Alexandra for the year ended 30 April 2011.