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Your Ref:

Our Ref:

NSJ/sm

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Dear Sirs

AMENDMENT TO IAS 19, 'EMPLOYEE BENEFITS'

Please find enclosed the Institute's comments on the proposed amendment to IAS 19, as previously emailed to you.

Yours sincerely

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AMENDMENT TO IAS 19, 'EMPLOYEE BENEFITS'

Memorandum of comment submitted to the International Accounting Standards Board in March 2002 concerning the exposure draft 'Proposed amendment to IAS 19, Employee Benefits: the asset ceiling', issued for comment in February 2002

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INTRODUCTION

1. The Institute of Chartered Accountants in England & Wales welcomes the opportunity to respond to the exposure draft 'Proposed amendment to IAS 19, Employee Benefits: the asset ceiling', published by the International Accounting Standards Board (IASB) for comment in February 2002.

MAJOR POINTS

2. We believe that major changes to IAS 19 are required in view of the complexity of its language and the convoluted approach to the operation of the 'corridor'. We strongly recommend that IASB initiates a comprehensive review of IAS 19 at the earliest opportunity.
3. The approach adopted in this exposure draft should not set a precedent for IASB's approach to standard setting. We are disappointed that the first paper published by IASB is a 'quick fix' involving the addition of a complex rule in an attempt to improve a flawed standard. IASB should not deviate from an approach to standard setting based on principles, not rules.
4. We accept that the issue identified in the exposure draft is important and that the proposed amendment to IAS 19 is a pragmatic quick solution. We agree that the changes should become effective for March 2002 accounting periods, with no specific transitional provisions.

RESPONSES TO SPECIFIC QUESTIONS

Q1. Is the issue identified of sufficient importance to warrant a limited amendment to IAS 19?

5. Yes.

Q2. If so, does the proposed amendment to IAS 19 (paragraph 58A) appropriately address the issue? Does it create any anomalies? If the proposed amendment is inappropriate, can you suggest an alternative?

6. The proposed amendment appropriately addresses the issue.

Q3. Should the limited changes become effective for accounting periods ending on or after 31 March 2002, with earlier application encouraged (paragraph 159A)?

7. Yes.

Q4. Do you agree that there should be no specific transitional provisions for the limited changes proposed in this exposure draft? Consequently, IAS 8 'Net Profit

or Loss for the Period, Fundamental Errors and Changes in Accounting Policies'
will apply to any changes in accounting policies that are made to comply with
IAS 19 if amended as proposed (paragraph 160).

8. Yes.

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