Association pour la participation des entreprises françaises à l'harmonisation comptable internationale (ACTEO) (France)

Comments on proposed amendment of IAS 19 : Employee Benefits

We are in full agreement with the attempt undertaken by the IASB to issue and enforce, in as short a time as possible, an amendment to IAS 19, in order to prevent gains (losses) from being recognized solely as a result of past service cost and actuarial losses (gains).

Please find below our answers to the four specific questions raised in your request for comments.

We take the opportunity of this request for comments to re-affirm our very strong support to the corridor approach.

Question 1.

Do you agree that IAS 19 should be amended to deal with the issue identified?

➭ Yes we do.

Question 2.

Do you agree that the proposed amendment to IAS 19 (paragraph 58 A) appropriately addresses the issue?

➭ We think that the solution considered solves the issue identified; however we would hope for greater precision in the second part of § 58A, in order to avoid any misinterpretation. In the first sentence of § 58A, the objective of the amendment is very clearly set out: " no gain or loss should be recognized solely as a result of an actuarial loss or actuarial gain in the **current** period". The detailed explanations given in § 60 also very clearly relate to " actuarial gains and losses **that arise in the period**".
To be consistent with both the objective and the explanations, we suggest that the second part of § 58A be written as follows:
" the enterprise should therefore recognize immediately under paragraph 54 the following to the extent that they arise while the defined benefit asset is determined with paragraph 58(b):

- **the variations in the period** in net actuarial losses and past service cost to the extent that they exceed any reduction in the present value of the economic benefits specified in paragraph 58(b)(ii) and,

- **the variations in the period** in net actuarial gains to the extent that they exceed any increase in the present value of the economic benefits specified in paragraph 58(b)(ii).

➯ We would also suggest that some explanations be given for the apparent inconsistent ways of dealing with a reduction in economic benefits available.

Examples 2 and 3 set out in Appendix C show apparent inconsistent ways of dealing with a reduction in economic benefits available.
In example 2, the reduction in economic benefit available does not generate any loss, whereas, in example 3, that reduction is shown as leading to the immediate recognition of a loss.
We understand - and truly appreciate - that, in doing so, the Board chooses **to limit to the greatest extent possible the necessary over-riding of the corridor approach**. Full understanding by the reader would be more easily ensured, would this intent be explicit.

➯ We also would be in favor of:

- A more precise guidance for the valuation of future economic benefits be added;
- An addition to §94, in order to formally exclude reductions in economic benefits available from actuarial losses.

<u>Question 3.</u>

Do you agree that the limited changes should become effective for accounting periods ending on or after 31 march 2002 with earlier application encouraged (§ 159 A) ?

➯ We think that the sooner the unintended side effects of the present IAS 19 § 58 be annihilated, the better.

However IAS amendments should be effective for accounting periods ending on or after the date of issuance of those amendments, and no sooner, in order not to impede those preparors of financial statements that operate in a very timely manner.

<u>Question 4.</u>

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 of 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 (§ 160) ?

➯ Yes we do. Applying § 160 of the proposed amendment is, in our opinion, an appropriate method.