

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

25 March 2002

Dear Sir

**Exposure Draft of a Proposed Amendment to IAS 19, Employee Benefits: The Asset Ceiling**

We are responding to your invitation to comment on the above exposure draft on behalf of the worldwide organisation and Global IAS Board of PricewaterhouseCoopers.

We support the amendment as it addresses the practical difficulty of applying the asset ceiling.

Pension accounting is an area where diverse practice exists. We believe that the IASB should take on a broader project to revisit IAS 19 as part of its convergence agenda.

**Question 1**

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

Yes. The proposal is more consistent with the smoothing mechanism of the corridor.

**Question 2**

**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?**

(1) We support the changes proposed for paragraph 58(b)

(2) We wish that an easier construction could be found, as we fear that the complexity of paragraph 58A will not be easily understood. To clarify the immediate recognition of the actuarial loss or gain and the effect on the asset ceiling, we suggest the following revised wording:

"The application of paragraph 58 should not result in a gain being recognised solely as a result of an actuarial loss or past service cost in the current period or in a loss being recognised solely as a

result of an actuarial gain in the current period. The enterprise should therefore not defer the following under paragraph 54:

- (a) net unrecognised actuarial losses and past service cost incurred in the current period to the extent that they exceed any reduction in the present value of economic benefits specified in paragraph 58(b)(ii) during that period, and
- (b) net unrecognised actuarial gains incurred in the current period to the extent that they exceed any increase in the present value of the economic benefits specified in paragraph 58(b)(ii) during that period.

The defined benefit asset is determined in accordance with paragraph 58(b), with the effect that the actuarial loss or actuarial gain that are recognised immediately under paragraph 54 is offset respectively by the reduction or the increase in the effect of the asset ceiling.”

(3) For consistency and clarity with paragraphs 58(b) and 58A we suggest the following changes to the wording of the examples in Appendix C:

- where appropriate change ‘actuarial loss/gain’ to actuarial loss/gain’
- where appropriate change ‘unrecognised losses’ to cumulative unrecognised losses’

### Question 3

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

Yes.

### Question 4

**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).**

Yes.

If you have any questions in relation to this letter please do not hesitate to contact Jochen Pape, Chair of the PwC Global IAS Board (49 211 981 2905), or Mary Dolson (44 207 804 2930).

Yours faithfully



**PricewaterhouseCoopers**