

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH



28 March 2002

Dear Sir/Madam

Draft amendment to IAS 19

The London Society of Chartered Accountants is the largest, with a membership of 35,000, of the regional bodies comprising the Institute of Chartered Accountants in England & Wales. London members, like those of the Institute as a whole, comprise a mixture of members working in practice and those working in business. The Society has a wide range of specialist committees through which it scrutinises proposals and makes representations to issuing bodies, such as yourselves.

The Technical Committee of the London Society has considered the proposed amendment to IAS 19 *Employee Benefits* in relation to the asset ceiling. Before turning to the amendment itself, we make some general comments.

It is unfortunate that the IASB felt it necessary to issue, particularly as its first consultation, an exposure draft with such a short comment period. The draft *Preface to IFRS* set out the due process that the IASB would seek to follow in developing its standards; it seems likely that many of those who might otherwise have wished to comment but who are not able to review documents in English will be excluded from the consultation process on this exposure draft.

We recognise the urgent need to revise this aspect of the standard. However, in our view it would have been preferable to have issued the exposure draft with a longer comment period and to have drawn preparers' attention to paragraph 13 of IAS 1, which in certain extremely rare circumstances requires a departure from an accounting standard if this is necessary in order to achieve a fair presentation.

Turning to IAS 19, we welcome the statement in paragraph 3 of the Background to the Invitation to Comment that the Board intends considering the general approach to the recognition of actuarial gains and losses. The Committee strongly supports the immediate recognition approach taken in the UK's FRS 17 *Retirement benefits*. The Basis for Conclusions to IAS 19 noted both the technical and practical arguments for and against immediate recognition; in view of the progress intended to be made in 2002 with the Board's reporting performance project, the Committee trusts that the Board will then find it feasible to require immediate recognition in all cases (subject to an asset ceiling test).

That brings us to the current proposed amendment in relation to that test.

Question 1: Is the issue identified of sufficient importance to warrant a limited amendment to IAS 19?

As noted above, we regret the Board's decision to impose such a tight comment deadline on this consultation but we do agree that the counter-intuitive result of applying the test in the standard



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as it currently stands may be sufficiently material in some cases as to require a different approach to be adopted. Therefore, we agree that amendment is required.

Question 2: If so, does the proposed amendment to IAS 19 (paragraph 58A) appropriately address the issue?

The Committee believes that it does. However, we believe that in the explanatory material the net impact of the revised standard on the income statement should be stated more specifically, since we found it unclear in places how various comments on gains or losses being recognised were intended to interact. For example, the text following the table in *Example 1 continued* states that the entire actuarial loss is recognised immediately which, taken in isolation, suggests a charge to the income statement, particularly when followed by the statement that no gain is recognised. On the other hand, the next paragraph implies no entry, net, in the income statement.

Does it create any anomalies?

We are not aware of any anomalies created but note that these tend to emerge only with the practical application of (revised) standards.

If the proposed amendment is inappropriate, can you suggest an alternative?

N/A.

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?

Yes.

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We trust that you find the Committee's comments helpful. Should you wish to discuss any matters further, please do not hesitate to write to me at the above address or contact Lynn Percy (020 7694 8075) or Kathryn Cearn (020 7466 2686).

Yours faithfully


Danielle C Stewart
Chairman, LSCA Technical Committee