



The South African Institute of Chartered Accountants
Die Suid-Afrikaanse Instituut van Geoktrooieerde Rekenmeesters

25 March 2002

Sir David Tweedie
Chairman
International Accounting Standard Board
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Dear David

EXPOSURE DRAFT ON PROPOSED AMENDMENTS TO IAS 19 -EMPLOYEE BENEFITS

In response to your request for comments on the proposed limited amendments to the pension accounting provisions of IAS 19 - Employee Benefits, I attach the comment letter prepared by the South African Institute of Chartered Accountants (SAICA).

We would like to thank you for the opportunity to comment. Please do not hesitate to contact me should you wish to discuss any of our comments.

Yours sincerely

Linda de Beer
PROJECT DIRECTOR – TECHNICAL

cc: Peter Wilmot (Chairman of the Accounting Practices Board)
Pat Smit (Chairman of the Accounting Practices Committee)

**COMMENTS ON THE EXPOSURE DRAFT
OF PROPOSED LIMITED AMENDMENTS TO
IAS 19 – EMPLOYEE BENEFITS**

Question 1

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

Yes, even though we have not come across such an issue in practice, we believe that it could occur and is important enough to warrant an amendment to IAS 19. However, we believe that the need for this amendment results from a larger issue, being the “corridor approach” adopted by IAS 19. It would be preferable for the IASB to address this and other issues as part of a larger project on employee benefits.

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?

We are of the opinion that the proposed amendment to IAS 19 will appropriately address the issue and are unaware of any anomalies that could be created as a result of these amendments.

Question 3

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

We agree with the proposal in the exposure draft.

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.

Other comments

In our view, the inclusion of examples, in the proposed amendment would assist in explaining the issue as well as clarifying the application of paragraphs 58 and 58A.

Such examples may include an instance where there is an actuarial loss and there has been an increase in the present value of economic benefits in the current year. It would also be useful if the examples could demonstrate the difference between the accounting treatment in instances where there was a change (increase or decrease) in economic benefits that resulted from actuarial gains or losses in comparison to instance where the change in economic benefits is not a direct result of actuarial gains or losses.

We would also like to raise our concern that a 30-day comment period on an exposure draft jeopardises the following of a due process in issuing accounting standards. Even though we understand the urgency of the matter, it is difficult to issue a proposed amendment to a standard with such a short comment period and still expect constituents to submit well thought through and properly debated comments. SAICA was forced to shorten the local comment period for our constituents to submit their comments to us even further, in order for us to prepare a comment letter for submission to the IASB.