

18 March 2002

International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH  
United Kingdom

Dear Board Members

**EXPOSURE DRAFT OF A PROPOSED AMENDMENT TO IAS 19, EMPLOYEE BENEFITS: THE ASSET CEILING**

This letter contains our response to the *Exposure Draft of a Proposed Amendment to IAS 19, Employee Benefits: The Asset Ceiling*. We appreciate the opportunity to respond to this Exposure Draft and support the initiative of the International Accounting Standards Board (IASB) in addressing this practical issue as a matter of urgency. We respond below to the four questions asked by the Board.

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

Yes. The issue identified has already arisen in practice on a number of occasions and cannot be resolved rationally by applying the current text of IAS 19. Consequently, we believe that this issue is of sufficient importance to warrant a limited amendment to IAS 19.

**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 note that the effect of the changes is to override, to a limited extent, the corridor approach by requiring immediate recognition of certain actuarial gains and losses that would otherwise be deferred. We recognise that this is a pragmatic solution to a problem that arises as a result of the incompatibility of two approaches: deferred recognition and the asset ceiling. In view of the counter-intuitive results generated by the existing standard, we accept the necessity of the departure from the corridor approach in these limited circumstances. We are pleased to note, however, the IASB's assurances in paragraph 78D of the Basis of Conclusions that it intends to undertake a comprehensive review of both deferred recognition and the asset ceiling as part of a future convergence project.

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

Yes, provided that the final standard is published as quickly as possible to avoid the risk that financial statements for accounting periods ending on or after 31 March 2002 are already issued prior to the promulgation of this amendment.

**4. Do you agree that there should be no specific transitional provisions for the proposed changes proposed in this exposure draft?**

Yes. We do not consider any specific transitional provisions to be necessary.

If you have any questions concerning our comments, please contact Jeannot Blanchet at 33.1.55.61.08.58, Alain Gouverneyre at 33.1.55.02.22, or Pauline Wallace at 44.207.438.3576.

Very truly yours

Andersen