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International Accounting Standards Board
30 Cannon Street
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DISCUSSION PAPER: Preliminary Views on Amendments to IAS 19 Employee Benefits

Dear Sir/Madam,

Thank you for the opportunity to comment on the IASB DISCUSSION PAPER: Preliminary Views on Amendments to IAS 19 Employee Benefits. On behalf of the Volkswagen AG, Wolfsburg, we are pleased to provide you with remarks on the proposed Discussion Paper in response to your Invitation to Comment.

Volkswagen agrees to the proposal of chapter 2 to reject deferred recognition of the changes in plan assets and the defined benefit obligation, but on other than the stated reasons. Though the deferred recognition leads to a relevant presentation of the profit or loss of the period, it is very complex and hard to understand. Since applicable, most entities changed from the corridor approach to the recognition of actuarial gains and losses directly in equity, an alternative treatment providing a similar relevant presentation of the profit or loss account, but being less complex, producing „transparent information about defined benefit plans“ (IAS 19.IN3 (rev. 2004)). With this alternative, there is no need for a deferred recognition. Hence for a better inter-company comparability the deferred recognition should be abandon.

Volkswagen generally disagrees to the presentation approaches discussed in chapter 3 to the following reasons. First of all, Volkswagen just changed its accounting policies for the treatment of actuarial gains and losses two years ago, as most other preparers did. As the comparability of our financial statements through time is a fundamental need of our users, we disagree at the moment to any further “short-term” change in accounting policy for pension obligations that is not for avoiding misleading practices but may only minor improve the relevance of presentation. Second, we don’t agree that the discussed approaches are more relevant than the approach currently used by Volkswagen. Maybe the current approach is not align to the conceptual framework, as the approach was adopted under the same framework just four years ago, the IASB should use this as hindsight for a change in definition when discussing its new framework. But as long as there are no real arguments why the discussed presentation is more useful than the current, we don’t see the need for a change. At least, accounting for actuarial gains or losses is in our view primary a question of the treatment of changes in accounting estimates, which is nothing more but an accounting convention that is not even really addressed in the discussion paper.

Volkswagen disagrees to the change in Definition of contribution based promises as discussed in chapter 4 following, as we can’t see any conceptual underpinning under the new concept. The distinction between contribution based and defined benefit based promises used hitherto in IAS 19 is based on a clear concept, though there are maybe some remaining gray areas. The discussed new definition is much more complex than the old and the principle behind it is hard to see. We don’t see any improvement with the new definition.

Best Regards,

Karl Gadesmann