

Comments to Preliminary Views on Amendments to IAS 19 Employee Benefits

Introduction

Thank you for the opportunity to comment on the Discussion Paper 'Preliminary Views on Amendments to IAS 19 Employee Benefits'.

AVÖ, Aktuarvereinigung Österreichs, the association of actuaries in Austria, has decided to send comments to question 4b and to question 5.

If you have any queries on our comments, please do not hesitate to contact us via email at secretariat@avoe.at.

Question 4 (b)

Please explain any alternative approach to presentation that provides more useful information to users of financial statements. In what way does your approach provide more useful information to users of financial statements?

We suggest an alternative approach.

The recognition of actuarial gains and losses in profit or loss remains unchanged. Amounts that arise during the period but are not recognised as components of net periodic cost, have to be recognised as other comprehensive income. Amounts recognised in accumulated other comprehensive income are adjusted as they are subsequently recognised as components of net periodic cost.

The reasons for suggesting the alternative approach above are

Approach 1

The volatility in profit or loss that could result from changes in the assumptions does not give a faithful representation of the benefit obligation, it is too large to be acceptable in financial statements. The effect could easily overwhelm the results and financial position of the business operations.

Approach 2 and 3

Parts of the post-employment benefit cost will never be in profit or loss, but they cause expenses for the entities.

Question 5

Do you agree that the Board has identified the appropriate promises to be addressed in the scope of this project? If not, which promises should be included or excluded from the scope of the project, and why?

The new distinction between Defined Benefit Promises and Contribution Based Promises creates greater discontinuities than the current distinction between Defined Benefit Plans and Defined Contribution Plans. The new category of Contribution Based Promises includes promises that have fitted perfectly in the Defined Benefit Plans. We think that the recognition of two plans in the payout phase, which have the same liabilities, should be equal.

Arbeitskreis Sozialkapital der Aktuarvereinigung Österreichs