

DRAFT

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

25 March 2002

Dear Sir

Exposure Draft of a Proposed Amendment to IAS 19, Employee Benefits: The Asset Ceiling

I am responding to your invitation to comment on the above exposure draft on behalf of the Association of Consulting Actuaries. We support the amendment as a short-term measure to address the practical difficulty of applying the asset ceiling, but urge the IASB to revisit without delay the root cause of the difficulty, namely the rules in IAS 19 on applying the corridor approach on recognition of experience gains/losses.

Question 1

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

Yes. The proposal is more consistent with the smoothing mechanism of the corridor.

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?

Yes. The issue is addressed in an acceptable way. However, the approach taken seems very complex and we believe will not be clearly understood.

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? 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).

You may wish to consider whether it would be appropriate to allow the amendment to be applied prospectively without requiring restatement of the prior year comparative figures. We also believe that further guidance may be required as companies may wish to retrospectively apply this treatment, or indeed may already have followed an approach consistent with these amendments where application of para 58(b) was felt to lead to a misleading presentation of the accounts.

If you have any questions in relation to this letter please do not hesitate to contact Robert Hails, Chairman ACA Accounting sub-committee on +44 (0) 173 7274 179 or Richard Davis (+44 (0) 20 7212 4565).

Yours truly,

Richard Davis

Association of Consulting Actuaries – Accounting sub-committee