Korea Accounting Institute KAI
Korea Accounting Standards Board KASB

Severance Building 24th Flr.
84-11, 5-ka Namdaemunro
Chungku, Seoul, 100-753, Korea
Tel : 02) 2259-0150~60
Fax : 02) 2259-0170~1

29 July 2004

CL 43

Ms. Anne McGeachin
International Accounting Standards Board
30 Cannon Street, London EC4M 6XH
United Kingdom

Dear Ms. Anne McGeachin:

The International Accounting Standards Review Committee (IASRC) of the Korea Accounting Standards Board (KASB) is pleased to send its comments on the ED of Proposed Amendments to IAS 19 Employee Benefits, *Actuarial Gains and Losses, Group Plans and Disclosures*.

The enclosed comments are those of the IASRC and do not represent an official position of the KASB. The official position of the KASB is determined only after extensive due process and deliberation, to which this letter has not been subjected.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may forward your inquiries either to Mr. Jae-ho Kim (jhkim@kasb.or.kr) or Mr. Kyoung-chun Yu (yukc@kasb.or.kr), both of whom are full-time research staff of the KASB.

Best regards,

? ? ?

Dr. Suk Sig Lim
Chairman, International Accounting Standards Review Committee
Vice Chairman, Korea Accounting Standards Board

Encl: IASRC comments on the ED of Proposed Amendments to IAS 19 Employee Benefits, *Actuarial Gains and Losses, Group Plans and Disclosures*

IASRC Comments on the ED of Proposed Amendments to IAS 19 Employee Benefits, Actuarial Gains and Losses, Group Plans and Disclosures

■ Question 1 - Initial recognition of actuarial gains and losses

> IAS 19 requires actuarial gains and losses to be recognised in profit or loss, either in the period in which they occur or on a deferred basis. The Exposure Draft proposes that entities should also be allowed to recognise actuarial gains and losses as they occur, outside profit or loss, in a statement of recognized income and expense.
>
> Do you agree with the addition of this option? If not, why not?

We do not agree with the addition of a new option because too many alternatives will hamper comparability. A total of three alternatives are allowed with the new option: one alternative uses the application of the corridor approach, another alternative recognises actuarial gains and losses in profit or loss, and the third alternative(the addition proposed in the ED) recognises actuarial gains and losses as they occur, outside profit or loss, in a statement of recognized income and expense. Generally, when accounting standards allow alternatives, the comparability among companies may be impaired. Therefore, the number of alternatives should be minimized. Nevertheless, we prefer the new alternative proposed in the ED over the existing ones. We suggest that the ED eliminate the two alternatives permitted in current IAS 19 and instead, require only the new alternative uniformly so as to enhance the comparability among different companies.

■ Question 2 - Initial recognition of the effect of the limit on the amount of a surplus that can be recognised as an asset

> Paragraph 58(b) of IAS 19 limits the amount of a surplus that can be recognized as an asset to the present value of any economic benefits available to an entity in the form of refunds from the plan or reductions in future contributions to the plan (the asset ceiling).* The Exposure Draft proposes that entities that choose to recognise actuarial gains and losses as they occur, outside profit or loss in a statement of recognised income and expense, should also recognise the effect of the asset ceiling outside profit or loss in the same way, ie in a statement of recognised income and expense.

Do you agree with the proposal? If not, why not?

We agree with the proposal because the existing principle of recognising the effect of the asset ceiling in profit or loss would be inconsistent with the recognition principle of the new alternative if adopted by an entity. Yet, one concern we have is that according to the proposal while an entity recognises the effect of the asset ceiling in profit or loss, another entity may recognise the effect of the asset ceiling outside profit or loss. This concern is related to the comparability issue and reconfirms our argument laid out in our comment on Question 1.

■ Question 3 - Subsequent recognition of actuarial gains and losses

The Exposure Draft proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should not be recognised in profit or loss in a later period (ie they should not be recycled).

Do you agree with this proposal? If not, why not?

We agree with the proposal.

■ Question 4 - Recognition within retained earnings

The Exposure Draft also proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should be recognised immediately in retained earnings, rather than recognised in a separate component of equity and transferred to retained earnings in a later period.

Do you agree with this proposal? If not, why not?

We agree with the proposal.

■ Question 5 - Treatment of defined benefit plans for a group in the separate or individual financial statements of the entities in the group

(a) The Exposure Draft proposes an extension of the provisions in IAS 19 relating to multi-employer plans for use in the separate or individual financial statements of entities within a consolidated group that meet specified criteria.

Do you agree with this proposal? If not, why not?

(b) The Exposure Draft sets out the criteria to be used to determine which entities within a consolidated group are entitled to use those provisions.

Do you agree with the criteria? If not, why not?

In principle, we agree with the proposal and criteria. However, we believe that more detailed explanations on the rationality of such criteria are necessary.

■ Question 6 - Disclosures

The Exposure Draft proposes additional disclosures that (a) provide information about trends in the assets and liabilities in the defined benefit plan and the assumptions underlying the components of the defined benefit cost and (b) bring the disclosures in IAS 19 closer to those required by the US standard SFAS 132 Employers' Disclosures about Pensions and Other Postretirement Benefits.

Do you agree with the additional disclosures? If not, why not?

We agree with the additional disclosures.

■ Question 7 - Further disclosures

Do you believe that any other disclosures should be required, for example the following disclosures required by SFAS 132? If so, why?

(a) a narrative description of investment policies and strategies;

(b) the benefits expected to be paid in each of the next five fiscal years and in aggregate for the following five fiscal years; and

(c) an explanation of any significant change in plan liabilities or plan assets not otherwise apparent from other disclosures.

SFAS 132 also encourages disclosure of additional asset categories if that information is expected to be useful in understanding the risks associated with each asset category.

We believe that "an explanation of any significant change in plan liabilities or plan assets not otherwise apparent from other disclosures" would provide meaningful information and be relevant to users of financial statements. However, (a), (b), and "disclosure of additional asset categories above" would provide only limitedly useful information that is not essential to users of financial statement.

In conclusion, we do not believe that further disclosures besides the requirement in the ED would provide significant additional net benefits in terms of 'benefits and costs'.