



LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA  
MALAYSIAN ACCOUNTING STANDARDS BOARD

CL 79

14 July 2004

The Chairman  
International Accounting Standards Board  
30 Cannon Street  
LONDON EC4M 6XH  
UNITED KINGDOM

Dear Sir David,

IFRIC DRAFT INTERPRETATION D6 MULTI-EMPLOYER PLANS  
EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IAS 19 EMPLOYEE  
BENEFITS – ACTUARIAL GAINS & LOSSES, GROUP PLANS & DISCLOSURES

The Malaysian Accounting Standards Board (MASB) is pleased to provide its comments on IFRIC D 6 Multi-Employer Plans and IASB Exposure Draft of Proposed Amendments to IAS 19 Employee Benefits, as set out in the accompanying pages.

We hope that you will find the comments useful in your deliberation of the above Exposure Draft.

We thank you for the opportunity to give our comments.

Yours sincerely,

Dato' Zainal Abidin Putih  
Chairman

## **IFRIC Draft Interpretation D6**

### ***Multi-employer Plans***

#### **Question 1**

In your experience, are participants in defined benefit multi-employer plans able to obtain the information necessary to apply defined benefit accounting? If not, what causes the information not to be available? How do such entities monitor and manage the risks involved in their participation in the plan?

**Defined benefit multi-employer plan is not common in Malaysia. As such, we cannot comment on this issue.**

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#### **Question 2**

Does application of defined benefit accounting by participants in multi-employer plans provide useful information compared with the disclosure of substantial information about the plan as required by paragraphs 30(b) and (c) of IAS 19?

**Yes. If the multi-employer plan is a defined benefit plan, defined benefit accounting should be applied by participants. However, if sufficient information is not available, it will be more useful to account for the multi-employer plan using defined contribution accounting together with the disclosures required by paragraphs 30(b) and (c) of IAS 19.**

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#### **Question 3**

The consensus requires a participant in a multi-employer plan to apply defined benefit accounting by, if possible:

- (a) measuring the plan in accordance with IAS 19 using assumptions that apply to the plan as a whole and
- (b) allocating the plan so that the entity recognises an asset or liability that reflects the extent to which the surplus or deficit in the plan will affect its future contributions.

Do you agree that this is an appropriate way for a participant in a multi-employer plan to apply defined benefit accounting? If not, how should defined benefit accounting be applied?

**MASB has no objection to the proposal.**

#### **Question 4**

The appendix to the draft Interpretation sets out a proposed amendment to IAS 19, narrowing the scope of the definition of state plans and requiring them to be accounted for as defined contribution plans. Plans that are excluded from the definition of state plans will be multi-employer plans.

Do you agree with the narrowed scope of the definition of state plans? Do you agree that state plans defined as proposed should be accounted for as defined contribution plans?

**The proposals are appropriate.**

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### **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 recognised income and expense.

Do you agree with the addition of this option? If not, why not?

**MASB disagrees with the additional option to recognise actuarial gains or losses, outside profit or loss, in a statement of recognised income and expense. MASB believes the two options in the existing IAS 19 are adequate. Too many options tend to hinder comparability of financial statements.**

**MASB believes that it is more transparent to reflect the full amount of actuarial gains and losses in the profit or loss in the period they occur. Besides, there is no firm basis to allow the actuarial gains and losses to bypass the income statement into a separate component of equity. For all intent and purposes, all items of income and expense should be recognised in the income statement.**

**The proposal does not seem to be an improvement to financial reporting.**

## **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 recognised 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?

**See our response to Question 1 above.**

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## **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?

**See our response to Question 1 above.**

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## **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?

**See our response to Question 1 above.**

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\* The limit also includes unrecognised actuarial gains and losses and past service costs.

**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?

**MASB has no objection to the proposal.**

- (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?

**MASB has no objection to the proposal.**

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**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?

**MASB has no objection to the proposed additional disclosures.**

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**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.

**MASB believes that the proposed disclosures are appropriate and has no further comments on other disclosures.**