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**International  
Accounting Standards  
Board**

*This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.*

*Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.*

#### **INFORMATION FOR OBSERVERS**

**IFRIC meeting:** November 2007, London

**Project:** Review of tentative agenda decision published in September IFRIC Update: IAS 19 *Employee Benefits* – Changes to a plan caused by government (Agenda Paper 6B, Addendum)

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#### **Staff comments on KPMG's comments on the tentative agenda decision published in September 2007 IFRIC Update**

1. KPMG supports the view that the source of the change to a plan should not affect the accounting. However, KPMG recommends narrowing the scope of the agenda decision to the issue of the originator of the change only, without referring to the accounting for a plan amendment imposed by a government (see KPMG's letter for further information).
2. The staff note that there are three options:
  - Option 1: the wording remains the same as the tentative decision. The IFRIC comments on the issue of the originator of the change and quotes relevant guidance in IAS 19 to account for the effects of the change;
  - Option 2: the wording takes into account KPMG's proposal to narrow the scope to deal only with the issue of the originator of the change for the reasons stated in KPMG's letter;

- Option 3: the wording takes into account KPMG’s proposals but also keeps the first sentence of the last paragraph ‘The IFRIC acknowledged that, in some circumstances, it might be difficult to determine whether the change affects either actuarial assumptions or benefits payable and noted that judgement is required’. This would remind readers of the need to consider the two possible effects of a change to a defined benefit plan in general.
- 3. The staff support Option 1 because it addresses the issue submitted to the IFRIC, quotes relevant guidance in IAS 19 and acknowledges the complexity of some situations. Does the IFRIC agree with the staff recommendation? If not, which option does the IFRIC prefer?**