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Exposure Draft of proposed Amendments to IAS 19. Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures

The Danish Accounting Standards Committee is pleased to comment on the International Accounting Standards Board's Exposure Draft of Proposed Amendments to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures.

We do not support the proposal, mainly because we do not find it appropriate to introduce yet another option within IFRS. Our reasons for not supporting the proposal are discussed further below.

In general, we support the comments made by EFRAG in its preliminary views, dated 19 May 2004. In addition to the comments included in EFRAG's letter, we find that IASB could also consider the following comments:

We acknowledge the difficulty finding a rational basis for recognising accrual gains and losses, but we believe that yet another option would not be appropriate as it could prejudice the comparability.

Nor do we find that the introduction of further options is in accordance with the overall intentions in the Improvements project, the very objective of which is/was to eliminate/reduce options within the IFRS literature. In addition, the proposal creates a further divergence with US GAAP which also seems to contradict the objective of global convergence of accounting standards.

We generally have serious concerns about the volume of changes being proposed to the stable platform suite of standards. With regards to the specific ED we question why such a change is necessary and also why the proposal is not deferred until a comprehensive review of accounting for employee benefits is undertaken rather than changes to IAS 19 being made on a piece-meal basis.

We do not support a concept under which use of an option in one standard is conditional upon opting out an option in another standard, namely the requirement to present the “Statement of changes in equity” as a statement of recognised income and expense (SORIE) in accordance with IAS 1.96

We believe that the the acceleration of the debate regarding comprehensive income and items recognised in equity is not appropriate and may cause confusion, in that the proposed treatment may pre-empt some of the discussions that more logically should take place under the project dealing with ‘Reporting comprehensive income’. We therefore believe that the issue of comprehensive income should be subjected to a separate, in-depth and broader debate.

As mentioned in BC13, there is not a consistent policy on recycling in the IFRS literature. Recycling in general is an issue we find ought to be resolved in the project on ‘Reporting comprehensive income’.

The Exposure draft (paragraph 93D) proposes that, when actuarial gains and losses are recognised outside profit or loss and in a statement of recognised income and expenses, they should not be recognised in profit or loss in a later period, i.e. no recycling.

We believe that all items of income and expenses should be recognised in the profit or loss in some period and should not be excluded from the profit or loss permanently. Furthermore, the method is not consistent with the accounting treatment of, e.g. exchange rate differences on foreign operations recognised in equity in accordance with IAS 21 with respect of disposal of the subsidiary.

As EFRAG, we believe that the prohibition of recycling and recycling in general should be debated further in respect of the project on ‘Reporting comprehensive income’.

Should the IASB wish to further discuss the above-mentioned comments, please do not hesitate to contact the Danish Accounting Standards Committee.

Yours sincerely

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