FRC MAURITIUS
FINANCIAL REPORTING COUNCIL
(Established under the Financial Reporting Act 2004)

FRC/Adm/133

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The Director
IFRS Foundation
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Sir

Exposure Draft on: Re-measurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund from a Defined Benefit Plan *(Proposed amendments to IAS 19 and IFRIC 14)*

The Financial Reporting Council (Mauritius) has one of its main functions to ensure co-ordination and cooperation with international institutions in the development and enforcement of financial reporting, accounting and auditing standards.

The FRC is pleased to respond to the International Accounting Standards Board's (IASB's) Exposure Draft, Re-measurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund from a Defined Benefit Plan *(Proposed amendments to IAS 19 and IFRIC 14)*. The comments and responses to the specific questions are included in the following pages.

For any further clarifications, please contact us at frc.mauritius@intnet.mu.

Yours faithfully

V. Tuhobol
Officer in Charge

Financial Reporting Council FRC Mauritius

Re-measurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund from a Defined Benefit Plan

(Proposed amendments to IAS 19 and IFRIC 14)

Question 1 - Accounting when other parties can wind up a plan or affect benefits for plan members without an entity's consent.

The IASB proposes amending IFRIC 14 to require that, when an entity determines the availability of a refund from a defined benefit plan:

(a) the amount of the surplus that an entity recognises as an asset on the basis of a future refund should not include amounts that other parties (for example, the plan trustees) can use for other purposes (for example, to enhance benefits for plan members) without the entity's consent.

(b) an entity should not assume a gradual settlement of the plan as the justification for the recognition of an asset, if other parties can wind up the plan without the entity's consent.

(c) other parties' power to buy annuities as plan assets or make other investment decisions without changing the benefits for plan members does not affect the availability of a refund.

Do you agree with the proposed amendments? Why or why not?

Comments to Question 1.

(a) Agree.

A surplus should not be recognized as a plan asset if other party has the power to reduce surplus by using it for other purpose.

The exposure Draft prohibits the recognition of an asset on the basis of a future refund when other parties like the plan trustees can use the surplus or refund for other purposes without the entity's consent. For example, using the surplus to reduce future contributions.

This practice may lead to inconsistent fluctuations in the amount recognized as surplus asset, especially that the amounts will be used without the entity's consent.

(b) Agree.

An entity will not have a right for a refund on the basis of assuming a gradual settlement when other parties can decide at anytime to wind up the plan without the entity's consent. The power of the trustees to wind up a plan at anytime will prevent the gradual settlement over time until all members have left the plan. This power will restrict realizing economic benefit through a gradual settlement.

This proposed amendment also clarifies paragraph 11 of IFRIC 14 which allows the entity to assume that a refund is available when an entity has an unconditional right to a gradual settlement over time until all members have left the plan.

(c) Agree.

The power of trustees to make investment decisions or buy annuities as plan assets is different from the trustees' power to wind up the plan or decide how a surplus can be used. Buying annuities affect the plan assets value whereas deciding of how to use a surplus affect the benefits of members more particularly where the surplus is used to reduce contributions.

Question 2 - Statutory requirements that an entity should consider to determine the economic benefit available.

The IASB proposes amending IFRIC 14 to confirm that when an entity determines the availability of a refund and a reduction in future contributions, the entity should take into account the statutory requirements that are substantively enacted, as well as the terms and conditions that are contractually agreed and any constructive obligations.

Do you agree with that proposal? Why or why not?

Comments to Question 2.

Agree.

The scope of factors to be considered had been broadened taking into consideration the statutory requirements that are substantively enacted, as well as the terms and conditions that are contractually agreed and any constructive obligations.

Question 3 - Interaction between the asset ceiling and past service cost or a gain or loss on settlement.

The IASB proposes amending IAS 19 to clarify that:

(a) the past service cost or the gain or loss on settlement is measured and recognised in profit or loss in accordance with the existing requirements in IAS 19; and

(b) changes in the effect of the asset ceiling are recognised in other comprehensive income as required by paragraph 57(d)(iii) of IAS 19, as a result of the reassessment of the asset ceiling based on the updated surplus, which is itself determined after the recognition of the past service cost or the gain or loss on settlement.

Do you agree with that proposal? Why or why not?

Comments to Question 3.

Agree that the asset ceiling will have no effect on past service cost or on the gain or loss on settlement at the time of the event. However, after the plan amendments, the asset ceiling will be determined using the updated surplus and new assumptions used.

This proposal would provide for more clarification.

Question 4 - Accounting when a plan amendment, curtailment or settlement occurs.

The IASB proposes amending IAS 19 to specify that:

(a) when the net defined benefit liability (asset) is remeasured in accordance with paragraph 99 of IAS 19:

   (i) the current service cost and the net interest after the remeasurement are determined using the assumptions applied to the remeasurement; and

   (ii) an entity determines the net interest after the remeasurement based on the remeasured net defined benefit liability (asset).

(b) the current service cost and the net interest in the current reporting period before a plan amendment, curtailment or settlement are not affected by, or included in, the past service cost or the gain or loss on settlement.

Do you agree with that proposal? Why or why not?

Comments to Question 4.

Agree.

Presently, under IAS 19, entity should not revise any assumptions even if remeasurement is carried out during the year. Ignoring the effects of remeasurement will not result in provision of useful information. The proposal will certainly result in provision of more relevant information and enhanced comparability and understandability of the financial information provided.

However cost of implementation of amendment need to be considered compared to benefits. The frequency of changes of the assumptions needs to be considered.

Question 5 - Transition requirements.

The IASB proposes that these amendments should be applied retrospectively, but proposes providing an exemption that would be similar to that granted in respect of the amendments to IAS 19 in 2011. The exemption is for adjustments of the carrying amount of assets outside the scope of IAS 19 (for example, employee benefit expenses that are included in inventories) (see paragraph 173(a) of IAS 19).

Do you agree with that proposal? Why or why not?

Comments to Question 5.

Agree for retrospective application. It will enhance the comparability. It is also in line with IAS 8, paragraph 23, which require retrospective application unless it is impracticable.

However, due consideration must be given to costs and benefits.