

29 June 2013

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom
Email: CommentLetters@ifrs.org

Dear Sir/Madam,

SAICA SUBMISSION ON THE EXPOSURE DRAFT ON *DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS* – PROPOSED AMENDMENTS TO IAS 19 – *EMPLOYEE BENEFITS*

In response to your request for comments on the exposure draft on *Defined Benefit Plans: Employee Contributions* – Proposed Amendments to IAS 19 – *Employee Benefits*, attached is the comment letter prepared by Accounting Practices Committee (APC) of The South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of the APC, which comprises members from reporting organisations, regulators, auditors, IFRS specialists and academics.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

Sue Ludolph
Project Director – Financial Reporting

cc: Paul O’Flaherty (Chairman of the Accounting Practices Committee)

SAICA SUBMISSION ON EXPOSURE DRAFT ON DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS – PROPOSED AMENDMENTS TO IAS 19 – *EMPLOYEE BENEFITS*

SPECIFIC COMMENTS

Question 1—Reduction in service cost

The IASB proposes to amend IAS 19 to specify that contributions from employees or third parties set out in the formal terms of a defined benefit plan may be recognised as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee’s service rendered in that period. An example would be contributions that are a fixed percentage of an employee’s salary, so the percentage of the employee’s salary does not depend on the employee’s number of years of service to the employer. Do you agree? Why or why not?

Yes, we agree with the proposed amendment to IAS 19. We raise a concern that an employee’s contribution may relate to their current services, but may be amended or adjusted to include an increased benefit and hence relate to past service as well. With the wording of the amendment stating “if and only if...linked solely” would this contribution be able to be split accordingly? We believe that in such cases, the contribution would need to be split with the portion relating to the current period being included in current service costs and any remaining portion being accounted for using the attribution model.

Question 2—Attribution of negative benefit

The IASB also proposes to address an inconsistency in the requirements that relate to how contributions from employees or third parties should be attributed when they are not recognised as a reduction in the service cost in the same period in which they are payable. The IASB proposes to specify that the negative benefit from such contributions is attributed to periods of service in the same way that the gross benefit is attributed in accordance with paragraph 70. Do you agree? Why or why not?

Yes, we agree with the proposed amendment to IAS 19. Although such contributions are not common in the South African environment, we believe this amendment is a clarification regarding the treatment of the applicable contributions.

Question 3—Other comments

Do you have any other comments on the proposals?

We note that the transitional provisions require these amendments to be applied retrospectively. Should the attribution method be required by paragraph 70 of IAS 19 not have been applied to applicable contributions in the past, we envisage that entities may have difficulties applying this method retrospectively, as information may not be readily available in order to do so.