

UK ACCOUNTING STANDARDS BOARD (ASB) RESPONSE TO EFRAG INVITATION TO COMMENT ON THE EFFECTS (COSTS AND BENEFITS) OF IFRIC 14

Comments should be sent to commentletter@efrag.org by 14 March 2008

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the endorsement of IFRIC 14 *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. In order to do that, EFRAG has been assessing IFRIC 14 against the criteria for endorsement set out in Regulation (EC) No 1606/2002 and is now carrying out a separate assessment of the costs and benefits that would arise from its implementation in the EU.

A brief summary of IFRIC 14 is set out in Appendix 1.

Although EFRAG has not yet finalised its technical assessment of IFRIC 14, its near-final conclusion is that IFRIC 14 is not contrary to the true and fair principle and that it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning in reaching this near-final view is explained in Appendix 2.

EFRAG has carried out an initial assessment of the costs and benefits that would arise from implementing IFRIC 14 in the EU. A summary of the results is set out in Appendix 3.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record unless the respondent requests confidentiality. EFRAG is a transparent organisation and will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Accounting Standards Board (UK)

- (b) Are you/Is your organisation or company a:

Preparer User Other (please specify) *Standard-setter*

- (c) Please provide a short description of your activity/ the general activity of your organisation or company:

The main role of the ASB is to issue accounting standards. The ASB collaborates with accounting standard-setters from other countries and the International Accounting Standards Board (IASB) both in order to influence the development of international standards and in order to ensure that its standards are developed with due regard to international developments.

(d) Country where you/your organisation or company is located:

United Kingdom

(e) Contact details including e-mail address:

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2 EFRAG is carrying out an assessment of the costs and benefits that will arise for preparers and for users in implementing IFRIC 14, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the work. The results of the initial assessment are set out in Appendix 3. To summarise, IFRIC 14 will:

- involve preparers incurring some year one costs—in order to read, understand and implement the new requirements—but that those costs will not be significant;
- not involve preparers incurring significant incremental ongoing costs; and
- not involve users incurring any incremental year one or ongoing costs.

Do you agree with this assessment?

Yes ~~No~~

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

3 As EFRAG believes (as explained in Appendix 3) that IFRIC 14 will improve the quality of the financial information provided and its implementation will involve on an overall level only insignificant additional costs, it has tentatively concluded that the benefits to be derived from IFRIC 14's application will exceed the costs involved.

Do you agree with this assessment?

Yes ~~No~~

If you do not, please explain why you do not and what you think the implications should be for EFRAG's endorsement advice?

4 EFRAG is not aware of any factors other than those mentioned in appendices 2 and 3 that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRIC 14. Do you agree that there are no other factors?

Yes ~~No~~

If you do not, please explain why you do not and what you think the implications should be for EFRAG's endorsement advice?

5 EFRAG's near final technical assessment of IFRIC 14 is that it is not contrary to the true and fair principle and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning in reaching this near-final view is explained in Appendix 2.

Do you agree with this assessment?

Yes No

If you do not agree, it is presumably because you have a *significant* concern about IFRIC 14 when judged against the technical criteria. Please could explain what that concern is, why you have it now (at this late stage of the process) but did not have it earlier, and what you think the implications should be for EFRAG's endorsement advice?