7 September 2009

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XHUnited Kingdom

Dear Sir/Madam

Re: IASB's ED of Proposed Amendments to IFRIC 14

On behalf of the European Financial Reporting Advisory Group (EFRAG) I am writing to comment on the IASB's ED of proposed amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*. This letter is submitted in EFRAG's capacity of contributing to IASB's due process and does not necessarily indicate the conclusions that would be reached in its capacity of advising the European Commission on endorsement of the definitive amendment to IFRS.

We are pleased that the IASB has decided to address the unintended consequences of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction* for the accounting treatment of prepayments of minimum funding requirement contributions relating to future service.

IFRIC 14 currently does not regard a voluntary prepayment of a minimum funding requirement contribution relating to future service to be an asset if the future minimum funding contributions required in respect of future service exceed future service costs. As such, such voluntary prepayments will be expensed even though the entity derives future benefit from them. The proposed amendments in the ED seek to address this anomaly.

EFRAG agrees with the IASB's analysis and reasoning. We note also that prepayments of MFR contributions relating to future service will meet the definition of an asset under the existing Framework. As a result, we support the proposed amendments. We do however have a few detailed comments, and they are set out in the appendix to this letter.

We hope that you find our comments helpful. If you wish to discuss them further, please do not hesitate to contact Jeff Waldier or me.

Yours sincerely

Stig Enevoldsen
EFRAG, Chairman

Appendix
EFRAG's comments on the ED of proposed amendments to IFRIC 14

New paragraph 20 v Deleted paragraph 22

1 As we understand it, the IASB is proposing to omit paragraph 22 from the revised IFRIC 14 because its content has, the IASB believes, now been incorporated into the revised paragraph 20. However, we do not think it is clear from paragraph 20 how the IASB intends the amount available as a contribution reduction to be calculated—in particular it is not clear whether the amount is to be determined by looking at each year individually or by considering the cumulative amounts—and as a result deleting paragraph 22 is perceived to result in a loss of guidance.

2 We think the IASB needs to decide how it intends the calculation to be done, then ensure that paragraph 20 clearly explains that intention. Perhaps an additional illustrative example might help. We think it would also help if the Basis for Conclusions explained why the IASB believes paragraph 22 can be omitted.

Drafting points

3 The ED proposes that the reference to 'present value' should be omitted from the third line of what will be paragraph 20(b). However, we do not think the paragraph will make sense unless that same phrase is inserted in paragraph 20(b)(ii). This would also ensure that the text is consistent with the example in IE16.

4 We do not think that paragraph 28A, which sets out the transitional provisions, is very clear. As we understand it, the IASB's intention is that:

(a) the numbers should be restated as if the version of IFRIC 14 that was issued initially contained the amendment being proposed; and

(b) the restatements should be reflected in the opening statement of financial position of the first comparative period presented..

However, we do not think paragraph 28A explains this very clearly.

5 It is also clear from the comments we have received that there is confusion as to whether the proposed amendments apply only when the plan as a whole is in surplus. We therefore think that paragraph 20 would benefit from further clarification on this issue.