26 October 2006

Our Ref: ICAEW REP 62/06

D19 Comment Letters
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

email: CommentLetters@iasb.org

Dear Sir

IFRIC DRAFT INTERPRETATION D19 IAS 19 -THE ASSET CEILING

I enclose the comments of the Institute of Chartered Accountants in England and Wales IFRIC Draft Interpretation D19 IAS 19 - The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements.

I would be grateful for confirmation of receipt in due course.

Yours faithfully

Desmond Wright

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ICAEW representation

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

ICAEW REP 62/06

IAS 19 - DEFINED BENEFIT ASSET OR LIABILITY: THE EFFECT OF MINIMUM FUNDING REQUIREMENTS

Memorandum of comment submitted in October 2006 by the Institute of Chartered Accountants in England and Wales in response to Draft Interpretation D19 IAS 19 - The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements published by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board on 24 August 2006.

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INVESTOR IN PEOPLE

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INTRODUCTION

1. The Institute of Chartered Accountants in England and Wales welcomes the opportunity to comment on Draft Interpretation D19 *IAS 19 - The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements* published by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board on 24 August 2006. We have reviewed the draft Interpretation and set out below our response to its proposals.

WHO WE ARE

2. The Institute of Chartered Accountants in England and Wales (the 'Institute') is the largest accountancy body in Europe, with more than 128,000 members. Three thousand new members qualify each year. The prestigious qualifications offered by the Institute are recognised around the world and allow members to call themselves Chartered Accountants and to use the designatory letters ACA or FCA.

3. The Institute operates under a Royal Charter, working in the public interest. It is regulated by the Department of Trade and Industry through the Financial Reporting Council. Its primary objectives are to educate and train Chartered Accountants, to maintain high standards for professional conduct among members, to provide services to its members and students, and to advance the theory and practice of accountancy.

MAJOR ISSUES

4. We welcome this draft Interpretation, which addresses a common problem with the potential for divergent treatments in practice, and we agree with it in principle. We have a number of suggestions for improvement, which are set out below.

5. The title of the Interpretation is potentially misleading, because it does not alert entities to the fact that it may be relevant to them even if they do not at present have a potential asset, if they have an obligation to make additional contributions in respect of past service that will result in an asset. We suggest that a new title should be found that more accurately describes the content of the Interpretation: perhaps '*IAS 19 - Defined Benefit Asset or Liability: The Effect of Minimum Funding Requirements*'.

6. A clearer distinction is needed between the first part of the Interpretation (which deals with recovery of an existing surplus) and the second part (which deals with the potential creation of a future surplus resulting from a commitment to pay additional contributions in respect of past service).

7. It may initially seem counter-intuitive to find that an Interpretation dealing with the 'asset ceiling' can require accounting that leads to an increase in a liability. However, we agree that this is correct. Where additional contributions will create an asset that will not be recoverable, a corresponding liability must be recognised to reflect that fact. The additional loss should be recognised when the commitment arises rather than when the payments are made. This is analogous to the treatment of an onerous contract. However, we believe that there may be some confusion on this issue. We suggest that it is thoroughly explored in the Basis for Conclusions, where the analogy with an onerous contract may prove useful.

8. It would also be helpful to provide additional examples, one showing how making minimum contributions in respect of *future* service leads to an asset of zero, and another showing contributions in respect of *past* service leading to an increased liability.

9. We believe that paragraph 14 needs to be clearer. Using the example of a five-year contribution schedule for a UK scheme which establishes the minimum funding contributions for that period, the first sentence would imply that the company can anticipate future contribution reductions beyond the schedule period, if it expects there still to be surplus at that time on the basis of the contributions to be made during the five years, although only to the extent of that remaining surplus; the second sentence might be read as implying that no subsequent variations to the scheduled contributions can be taken into account until it is agreed. We assume that IFRIC intended the former meaning, with which we agree, but this should be stated unequivocally.

10. We support full retrospective application in principle, although we believe that paragraph 21 should be clear about the interaction between this Interpretation and IFRS 1 paragraph 20. However, we are concerned that it may not be practicable for long-standing IFRS users applying the corridor approach if their past pattern of gain/loss recognition has been affected by the application of paragraph 58A of IAS19.

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