

25 July 2013

Mr Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Hans

**AOSSG comments on Exposure Draft ED/2013/4**  
***Defined Benefit Plans: Employee Contributions***

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the Exposure Draft ED/2013/4 *Defined Benefit Plans: Employee Contributions*. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.

The AOSSG currently has 26 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan and Vietnam.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region. This submission has been circulated to all AOSSG members for their comment after having been initially developed through the AOSSG Chair's Advisory Committee.

AOSSG members are supportive of the IASB's efforts to address any potential confusion relating to the accounting for contributions from employees or third parties when the requirement for such contributions is set out in the formal terms of a defined benefit plan.

Consistent with the rationale in paragraphs BC3-4 of ED/2013/4, most AOSSG members agree with the IASB proposal to amend paragraph 93 to allow entities to choose between accounting for contributions from employees or third parties either as a reduction in service cost in that period or as a negative benefit when applying the

projected unit method, provided that these contributions are linked solely to the employee's service rendered in that period. However, whilst disposed towards the direction, other AOSSG members have concerns that there is insufficient clarity provided in the Basis for Conclusions to ED/2013/4, including in relation to underlying principles, to form a view on the merits of the proposals.

Consistent with the rationale in paragraph BC7 of ED/2013/4, AOSSG members agree with the IASB proposal to specify in paragraph 93 that the negative benefit from contributions from employees or third parties should be attributed to periods of service in the same way that the gross benefit is attributed in accordance with paragraph 70, when they are not recognised as a reduction in the service cost in the same period in which they are payable.

Our views are explained in more detail in the Appendix.

If you have queries regarding any matters in this submission, please contact me.

Yours sincerely



Kevin M. Stevenson  
AOSSG Chair

## APPENDIX

### Detailed comments on ED/2013/4 *Defined Benefit Plans: Employee Contributions*

#### Question 1 – Reduction in service cost

1. Consistent with the rationale in paragraphs BC3-4 of ED/2013/4, most AOSSG members agree with the IASB proposal to amend paragraph 93 to allow entities to choose between accounting for contributions from employees or third parties either as a reduction in service cost in that period or as a negative benefit when applying the projected unit method, provided that these contributions are linked solely to the employee's service rendered in that period. These members believe that such an amendment would provide helpful relief to constituents in accounting for plans such as those where employees' contributions are a fixed percentage of employees' salaries.
2. Some of these members suggest that:
  - (a) the IASB should provide guidance in relation to whether the proposed amendments can be applied to arrangements other than those identical to the example provided in paragraph 93. These members are of the view that the proposed criterion, as it is currently drafted, that is: 'payment of contributions that is linked solely to the employee's service rendered in that period', may be subject to interpretation. For example, it is not clear whether a fixed rate of contribution that varies with age or seniority of employees would be considered to be a contribution linked solely to the employee's service rendered in that period, and accordingly, would meet the practical expedient criterion.
  - (b) the IASB should clarify whether the same proposed accounting in paragraph 93 would apply to circumstances where contributions are made by government entities (as third parties) to match the employees' contributions as a form of incentive to the employee.
3. Other AOSSG members are concerned that there is insufficient clarity provided in the Basis for Conclusions to ED/2013/4, including in relation to underlying principles, for these members to form a view on the merits of the proposals. This is particularly in respect of the proposed treatment of employee contributions or third party contributions that are linked solely to the employee's service rendered in the period in which payments are made.
4. In addition, without further guidance in the standard, it is not clear to these other AOSSG members how an employer would determine under which circumstances employee contributions or third party contributions are linked

## **APPENDIX**

### **Detailed comments on ED/2013/4 *Defined Benefit Plans: Employee Contributions***

solely to the employee's service rendered in that period. Furthermore, these members disagree with developing guidance on contributions via only an example (that is, contributions that are a fixed percentage of an employee's salary). These members consider that the use of a specific example does not adequately facilitate analysis of other patterns of employee contributions or third party contributions.

#### **Question 2 – Attribution of negative benefit**

5. Consistent with the rationale in paragraph BC7 of ED/2013/4, AOSSG members agree with the IASB proposal to specify in paragraph 93 that the negative benefit from contributions from employees or third parties should be attributed to periods of service in the same way that the gross benefit is attributed in accordance with paragraph 70, when they are not recognised as a reduction in the service cost in the same period in which they are payable. These members believe that attribution should be consistent between the gross benefit and employee contributions to arrive at a net benefit and the clarification proposed should remove any confusion that currently exists.

#### **Question 3 – Other comments**

6. As highlighted in paragraph BC4 of ED/2013/4, in the absence of the proposed practical expedient, the attribution of contributions from employees or third parties over the periods of service involves complex calculations. Therefore, some AOSSG members consider the IASB should provide guidance on how the requirement in paragraph 93 could be applied in the absence of the proposed practical expedient.