



Grant Thornton

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International Accounting Standards Board
30 Cannon Street
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ED/2013/4 Defined Benefit Plans: Employee Contributions - Proposed amendments to IAS 19

Grant Thornton International Ltd is pleased to comment on the International Accounting Standards Board's (the Board) Exposure Draft ED/2013/4 *Defined Benefit Plans: Employee Contributions - Proposed amendments to IAS 19* (the ED). We have considered the ED, as well as the accompanying draft Basis for Conclusions.

We support the proposed practical expedient for accounting for certain contributions from employees or third parties. This amendment should alleviate the need for complex calculations, and disruption to established practices, in relation to straightforward employee contributions to defined benefit plans.

Our responses to the questions in the ED's Invitation to Comment are set out in the Appendix.

If you have any questions on our response, or wish us to amplify our comments, please contact our Executive Director of International Financial Reporting, Andrew Watchman (andrew.watchman@gti.gt.com or telephone + 44 207 391 9510).

Yours sincerely,

Kenneth C Sharp
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Responses to Invitation to Comment questions

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?

We agree, for the following reasons:

- as noted in the ED's Basis for Conclusions, attributing contributions from employees or third parties to periods of service as a negative benefit involves complex calculations
- our understanding is that, in applying the pre-2011 version of IAS 19, predominant practice was to recognise such contributions as a reduction of service cost for the period on a cash or accruals basis. We are not aware that this practice was viewed as flawed or problematic for users or preparers
- it is not apparent that, in making the 2011 amendments to IAS 19, the Board intended to significantly change established practice in this area.

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?

We are not convinced that this amendment would achieve the objective of clarifying how contributions from employees or third parties should be attributed. This is because:

- the proposal could be taken to mean that the negative benefit from employee contributions should be attributed on a straight-lined basis if, and only if, the gross benefit is straight-lined (on the basis of paragraph 70 of IAS 19). Under this view the need for straight-lining is assessed only on the basis of the gross benefit.
- alternatively it could be taken to mean that paragraph 70 is applied separately and in the same way to the gross benefit and the negative benefit, with the possible outcome that one, both or neither is on a straight-lined basis.

Based on BC7 we believe the former approach reflects the Board's intentions. If so we suggest that this is stated more explicitly.

Question 3: other comments

Do you have any other comments on the proposals?

We have no other comments.