



International Accounting Standards Board®

Press Release

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IASB PROPOSES AMENDMENT TO IAS 19, EMPLOYEE BENEFITS

As promised in an announcement made on 25 January, the International Accounting Standards Board (IASB) has published an exposure draft of a limited amendment to the pension accounting provisions of the standard IAS 19, Employee Benefits.

The accountancy profession has alerted the IASB to a counter-intuitive result produced by the interaction of two aspects of IAS 19—the option to defer gains and losses in the pension fund and the limit on the amount that can be recognised as an asset (the ‘asset ceiling’). The combination of the asset ceiling and the option for an entity to defer losses can in certain circumstances require the entity to report an increase in profit. Equally perversely, the combination of the asset ceiling and the option for an entity to defer gains can require the entity to report a decrease in profit. The IASB concluded that reporting gains and losses in these circumstances is wholly inappropriate. The limited amendment would prevent their recognition.

The Chairman of the IASB, Sir David Tweedie, said “The IASB believes that it is important to be responsive to legitimate concerns with standards raised by parties involved in financial reporting. Consequently, we have moved quickly to address a specific problem that practitioners have identified in an existing standard.”

Sir David added “We shall soon be considering a proposal to reexamine IAS 19 more generally with a view to the convergence of pension accounting standards worldwide.”

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The text of the exposure draft 'Amendment to IAS 19, Employee Benefits: The Asset Ceiling' is available on the IASB Website www.iasb.org.uk. Copies (ISBN 0 905625 98 6) are available, at £5.00 including postage, from: IASB Publications Department, 7th Floor, 166 Fleet Street, London EC4A 2DY, United Kingdom. Tel: +44 (020) 7427 5927, Fax: +44 (020) 7353 0562, email: publications@iasb.org.uk Internet: <http://www.iasb.org.uk>

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NOTES TO EDITORS

1 The International Accounting Standards Board (IASB), based in London, began operations in 2001. It is funded by contributions from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 Board members (12 of whom are full-time) reside in nine countries and have a variety of functional backgrounds. The Board is committed to developing, in the public interest, a single set of high-quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the Board cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world.

2 Upon its inception the IASB adopted the body of International Accounting Standards (IASs) issued by its predecessor, the International Accounting Standards Committee.

3 The need for the proposed amendment is set out in detail in the exposure draft.