



5 June 2009

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT OF PROPOSED
AMENDMENTS TO IFRIC 14 – PREPAYMENTS OF A MINIMUM FUNDING
REQUIREMENT**

Comments to be received by 13 July 2009

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the IASB Exposure Draft which has been posted on the Institute's website at:

www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php.

The proposed amendments are aimed at correcting an unintended consequence of IFRIC 14, an interpretation of IAS 19 *Employee Benefits*. As a result of the interpretation, entities are in some circumstances not permitted to recognise some prepayments for minimum funding contributions as an asset. This issue was also raised as a concern by many interested parties. The proposals respond to those concerns and, if confirmed, would remedy this unintended consequence of IFRIC 14 by requiring prepayments in appropriate circumstances to be recognised as assets.

In its present form, IFRIC 14 states that the surplus in the plan created by the prepayment may not be regarded as available as an economic benefit if the future minimum funding contribution required in respect of the future accrual of benefits exceeds the future IAS 19 service cost. The prepayment is therefore recognised as an expense.

The IASB proposes that an entity shall apply the proposed amendment from the beginning of the earliest comparative period presented in the first financial statements in which the entity applied IFRIC 14. An entity shall recognise in retained earnings at the beginning of that period any initial adjustment arising from the application of those amendments.

In accordance with the Institute's Convergence Due Process, comments are invited from any interested party. The FRSC would like to hear from both those who do agree and those who do not agree with the proposals contained in the IASB Exposure Draft.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the IASB Exposure Draft to be considered, they are requested to be received by the Institute on or before **13 July 2009**.

Comments may be sent by mail, fax or e-mail to:

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Comments may be made available for public review unless otherwise requested by the contributor.