



Our Ref.: C/FRSC

**Sent electronically through the IASB Website (www.ifrs.org)**

25 July 2013

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sirs,

**IASB Exposure Draft of Defined Benefit Plans: Employee Contributions**

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We welcome the opportunity to provide you with our comments on this Exposure Draft (ED). Our responses to the questions raised in your Invitation to Comment are set out in the Appendix for your consideration.

We agree with the IASB's proposals on the basis that they clarify the existing requirements in IAS 19 (2011) on accounting for contributions from employees or third parties and existing inconsistency in relation to the attribution of these contributions which would reduce potential divergence in practice and provide pragmatic solution to preparers.

If you have any questions regarding the matters raised in our submission, please contact Winnie Chan, our Associate Director of Standard Setting at [winniechan@hki CPA.org.hk](mailto:winniechan@hki CPA.org.hk).

Yours faithfully,

Simon Riley  
Director, Standard Setting

SR/WC

Encl.

**Hong Kong Institute of CPAs**

**Comment on IASB Exposure Draft of Defined Benefit Plans: Employee Contributions**

**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 support the IASB's proposal of providing a practical expedient that allows entities to choose between accounting for contributions from employees or third parties that are linked solely to the employee's service rendered in that period either as a reduction in service cost for that period or by attribution to periods of service as a negative benefit. The proposals would address diversity in practice that would likely arise regarding the accounting for contributions from employees or third parties to defined benefit plans. It also offers a pragmatic solution that will simplify the accounting for preparers.

**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 support the amendments. We believe that attribution should be consistent between gross benefit and employee contributions to arrive at a net benefit. Using different attributions would have the potential to distort the measurement of the defined benefit obligation.

**Question 3—Other comments**

**Do you have any other comments on the proposals?**

We have no further comments.

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