# FRED 55 Amendments to FRS102 – Pension obligations

Exposure draft issued for comment by the Financial Reporting Council

Comments from ACCA

21 November 2014

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 170,000 members and 436,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of 91 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting, and conduct relevant research to ensure that accountancy continues to grow in reputation and influence.



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Further information about ACCA’ s comments on the matters discussed here may be obtained from the following:

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ACCA welcomes the opportunity to provide comments on the questions raised in the FRED. UK and Ireland-based members of our Global Forum for Corporate Reporting have considered the questions raised, and their views are reflected in the following general and specific comments.

# GENERAL COMMENTS

Overall, ACCA supports the proposals in the FRED. As indicated in our specific comments below, our views bear in mind the principles of



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proportionality and practicality to which the FRC has regard, and the current status of the other Comprehensive Income (OCI) category.

We also support the proposed implementation date, which is the same as for the other sections of FRS 102. Whilst this is now only a short time away, the proposals are primarily a clarification, and their narrow scope means that it should be practicable for reporting entities to make any changes necessary.

## SPECIFIC COMMENTS

We now comment on the specific questions raised in the FRED, as follows:

**Question 1**

Do you agree that FRS 102 should be amended to clarify that an entity is not required to recognise any additional liabilities to reflect an agreement with a defined benefit plan to fund a deficit, where the entity has already measured and recognised its defined benefit obligation/asset in accordance with paragraphs 28.15 and 28.18 (and additionally for assets, paragraph 28.22) of FRS 102, even though this may differ from the accounting required by entities applying EU-adopted IFRS? If not, why not?

**ACCA response**



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**ACCA supports this change, which is a clarification of the FRC's original intention, and so was open to comment during the main consultation on FRS 102. Whilst the full application of IFRIC 14 provides an accounting treatment which is in accordance with EU-adopted IFRS, we still accept that there is scope for a simplification, on the grounds of practicality, for the entitles which are within the scope of FRS 102.**

| **Question 2**<br><br>Do you agree with the proposed new paragraph 28.15A of FRS 102 and the other proposed amendments to FRS 102? If not, why not? |
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**ACCA response**

**We believe that the proposed new paragraph 28.15A of FRS 102 reflects the FRC's clarification which is covered in Qu. 1 above. We also agree that the irrecoverable element of a plan surplus should not be treated as somehow recoverable, by recognising it in Profit or Loss. In general terms, it is difficult to see how this surplus could be treated as income of the reporting entity. However, to the extent that OCI, for now, acts to some extent as a residual category, we support the recognition of the irrecoverable surplus in OCI.**



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