ICAEW REPRESENTATION
156/14

FRED 55: DRAFT AMENDMENTS TO FRS 102 – PENSION OBLIGATIONS

ICAEW welcomes the opportunity to comment on the exposure draft *FRED 55 Draft Amendments to FRS 102 The Financial Reporting Standard in the UK and Republic of Ireland – Pension obligations* published by the Financial Reporting Council (FRC) in August 2014, a copy of which is available from this link.

This response of 21 November 2014 has been prepared on behalf of ICAEW by the Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

The Institute of Chartered Accountants in England and Wales
Chartered Accountants' Hall
Moorgate Place London EC2R 6EA UK
icaew.com

T +44 (0)20 7920 8100
F +44 (0)20 7920 0547
DX 877 London/City

ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 142,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

For more information, please contact the Financial Reporting Faculty at frfac@icaew.com

icaew.com

MAJOR POINTS

Support for the proposal

1. We have reviewed the proposed amendments to FRS 102 and agree that the clarifications to the accounting for defined benefit plans will reduce uncertainty over the current requirements and therefore decrease potential diversity in practice.

2. We agree that the amendments should be effective for accounting periods beginning on or after 1 January 2015, in line with the mandatory effective date of FRS 102.

RESPONSES TO SPECIFIC QUESTIONS

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?

3. Yes, we agree with the proposed amendments which will clarify that, for entities already recognising assets or liabilities for defined benefit plans in accordance with FRS 102, no additional liabilities need to be recognised in respect of a ‘schedule of contributions’, even if such an agreement would otherwise be considered onerous.

4. We believe the proposed clarification will reduce uncertainty over the current requirements for defined benefit plans under FRS 102 and therefore decrease potential diversity in practice.

Question 2:

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?

5. Yes, we agree with the proposed new paragraph 28.15A which clarifies the accounting treatment as described in question 1. In addition, we agree with the proposed amendment to paragraph 28.25 which clarifies that the effect of restricting the recognition of a surplus in a defined benefit plan, where the surplus is not recoverable, should be recognised in other comprehensive income.