

25 July 2013

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Mr Hoogervorst

EXPOSURE DRAFT ED/2013/4 — DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS (PROPOSED AMENDMENTS TO IAS 19)

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the IASB Exposure Draft on Defined Benefit Plans: Employee Contributions – Proposed amendments to IAS 19 (ED/2013/4).

We support the IASB's efforts to amend IAS 19 *Employee Benefits* to provide a practical expedient where contributions from employees that are solely linked to the employee's service that is rendered in the same period could be recognised as a reduction of service cost. Our detailed responses are enclosed in the Appendix of this letter.

If you need further clarification, please contact Ms. Tan Bee Leng at +603 2240 9200 or by email at beeleng@masb.org.my.

Thank you.

Yours sincerely,



MOHAMMAD FAIZ AZMI
Chairman

Question 1

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?

Response

We support the IASB's proposals to offer a pragmatic solution that will simplify the accounting for contributions from employees or third parties to a defined benefit plan.

However, we wish to highlight that the proposed criteria for "payment of contributions that is linked solely to the employee's service rendered in that period" as it is currently drafted, may be subject to different interpretations. For example, it is not clear whether a fixed rate of contribution that varied with age or seniority of employees is considered as "contribution linked solely to the employee's service rendered in that period" and accordingly meet the practical expedient criteria.

We therefore suggest that the IASB to provide application guidance on when the proposed amendments can be applied to arrangements other than those identical to the example provided in paragraph 93. We believe that it is not the intention of the IASB to provide this practical expedient for a narrow application. We believe that additional guidance helps to reduce potential divergence in application when the amendments are finalised.

Question 2

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?

Response

We agree with the proposed amendment to paragraph 93 as it clarifies the requirement of paragraph 70 of IAS 19.

Question 3

Do you have any other comments on the proposals?

Response

As highlighted in the paragraph BC4, in the absence of the practical expedient, the attribution of contributions from employees or third parties over the periods of services involved complex calculation. We suggest that the IASB provides guidance on how the requirement of paragraph 93 could be applied in those circumstances where the proposed practical expedient is not opted or when the criteria are not met.