Think Ahead ACCA

FRED71 draft amendments to FRS102: Multi-employer defined benefit plans

Exposure draft issued for comment by the Financial Reporting Council in January 2019

Comments from ACCA
March 2019

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering 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.

ACCA supports its 208,000 members and 503,000 students in 179 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 104 offices and centres and more than 7,300 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence. More information is here: www.accaglobal.com

Further information about ACCA's comments on the matters discussed here can be requested from:

Richard Martin
Head of Corporate Reporting
richard.martin@accaglobal.com
+44 (0)20 70595748

ACCA
+44 (0)20 7059 5000
info@accaglobal.com
www.accaglobal.com
The Adelphi 1/11 John Adam Street London WC2N 6AU United Kingdom

COMMENTS

ACCA welcomes the opportunity to provide views in response to the FRC's exposure draft.

Clear guidance is to be welcomed on how this transition from defined contribution to defined benefit accounting in these particular circumstances should be accounted for. The guidance to be inserted into FRS102 should help in avoiding different treatments and so improving comparability between the entities affected.

The solution proposed in FRED 71 is not fully aligned with the approach elsewhere in FRS102. Arguably this would be a change in estimate of the pension obligation as new information becomes available. In FRS102.10.16 such differences should be part of profit or loss for the period. However FRED71 is proposing that this is part of Other Comprehensive Income (OCI) instead.

We accept this as a pragmatic solution avoiding excessive burden of application, and not including in the main performance statement a one-off, but potentially material, item representing a catch-up potentially over many years. As an item of OCI it will perhaps have more prominence than an alternative treatment such as a restatement of the opening reserves.