

September 28, 2009

Submitted electronically via [www.iasb.org](http://www.iasb.org)

International Accounting Standards Board

30 Cannon Street,

London EC4M 6XH

United Kingdom

Dear Sirs,

The following comprises the response of the staff of the Canadian Accounting Standards Board (AcSB staff) to the IASB's Exposure Draft (ED), "Discount Rate for Employee Benefits (Proposed amendments to IAS 19)," dated August 2009.

Overall, we support the proposals in the ED. We provide our detailed comments on the specific questions asked as follows:

**Question 1 – Discount rate for employee benefits**

*Do you agree that the Board should eliminate the requirement to use government bond rates to determine the discount rate for employee benefit obligations when there is no deep market in high quality corporate bonds? Why or why not? If not, what do you suggest instead, and why?*

Yes. We think that the proposals will be welcomed by financial statement users as they will improve comparability between entities and within an entity over time by narrowing the requirements to determine the discount rate for employee benefit obligations.

Canadian GAAP has been consistent with these proposals for several years and we are not aware of any difficulties in application.

## **Question 2 – Guidance on determining the discount rate for employee benefits**

*For guidance on determining the discount rate, do you agree that an entity should refer to the guidance in IAS 39 Financial Instruments: Recognition and Measurement for determining fair value? Why or why not? If not, what do you suggest instead, and why?*

Yes. We think that a cross-reference to the guidance in IAS 39 and, later, to the planned replacement of that guidance resulting from the fair value measurement proposals will standardize the determination of the discount rate and avoid unnecessary duplication of guidance within IFRSs.

## **Question 3 – Transition**

*The Board considered whether the change in the defined benefit liability (or asset) that arises from application of the proposed amendments should be recognised in retained earnings or as an actuarial gain or loss in the period of initial application (see paragraph BC10). Do you agree that an entity should:*

*(a) apply the proposed amendments prospectively from the beginning of the period in which it first applies the amendments?*

*(b) recognise gains or losses arising on the change in accounting policy directly in retained earnings?*

*Why or why not? If not, what do you suggest instead, and why?*

Yes to both (a) and (b).

We agree that the proposed amendments should be applied prospectively and gains and losses arising on the change in accounting policy should be recognized as an adjustment to opening retained earnings. The cost and effort in determining the discount rate and the resultant defined benefit obligation since the inception of the plan would outweigh the benefits of retrospective restatement.

This accommodation is consistent with the treatment in IFRS 1 *First-time Adoption of International Financial Reporting Standards* for a first-time adopter to elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRSs as full retrospective application would be costly and without commensurate benefit to financial statement users.

We would be pleased to elaborate on any of our comments in more detail if you require. If so, please contact Peter Martin, Director, Accounting Standards, at +1 416 204-3276 (e-mail [peter.martin@cica.ca](mailto:peter.martin@cica.ca)), or Nancy Estey, Principal, Accounting Standards, at +1 416 204-3271 (e-mail [nancy.estey@cica.ca](mailto:nancy.estey@cica.ca)).

Yours truly,



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