



August 1, 2022

Mr. Ian Carruthers  
Chairman,  
International Public Sector Accounting Standards Board,  
The International Federation of Accountants,  
277 Wellington Street West,  
Toronto, Ontario M5V 3H2 CANADA

Dear Ian Carruthers,

**Sub: Comment on Exposure Draft 82, *Retirement Benefit Plans***

We are pleased to provide comments on the Exposure Draft 82, *Retirement Benefit Plans* issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC). Our comments on the Exposure Draft 82 are enclosed with this letter.

Please feel free to contact us, in case any further clarification in this regard is required.

Thanking you,

Yours sincerely,

(CA. Kemisha Soni)  
Chairperson  
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Encl.: As above



**Exposure Draft (ED) 82, Proposed International Public Sector Accounting Standard,  
Retirement Benefit Plans**

**Specific Matter for Comment 1 – Paragraph 9 (see paragraphs BC10-BC13)**

This Exposure Draft (ED) proposes amending the IAS 26 definition of ‘defined benefit plans’ to include all retirement benefit plans that are not defined contribution plans. The definition proposed for a defined benefit plan is consistent with IPSAS 39, *Employee Benefits* as follows:

‘Defined benefit plans are retirement benefit plans other than defined contribution plans’.

**Do you agree with this proposal? If not, why not?**

**ICAI’s views:**

IPSAS 39, “*Employee Benefits*” defines that “*Defined benefit plans are **post-employment benefit plans** other than defined contribution plans*” and then defines the term “post-employment benefit plans”. IPSASB ED 82 uses the term “**retirement benefit plans**” instead of “**post-employment benefit plans**” and also defines “retirement benefit plans”.

Apart from this, definition of “Defined Contribution Plan” in IPSASB ED 82 is also different from IPSAS 39, ‘*Employee Benefits*’.

As mentioned in para BC10 that IPSAS 39’s definitions are written from the perspective of an employer contributing to a retirement benefit plan whereas IAS 26’s definitions are written from a retirement benefit plan’s perspective. It is suggested that *consistency in the definition and terminologies should be maintained, to the extent possible, as this proposed Standard is supposed to complement IPSAS 39.*

**Specific Matter for Comment 2 – Paragraph 9 (see paragraph BC14)**

This ED proposes to retain the IAS 26 definition for ‘actuarial present value of promised retirement benefits’ as it addresses the plan perspective rather than to use the IPSAS 39 definition for ‘present value of a defined benefit obligation’.

**Do you agree with this proposal? If not, why not?**

**ICAI’s views:**

The difference between the definitions of ‘present value of a defined benefit obligation’ and ‘actuarial present value of promised retirement benefits’ is not clear, i.e., whether actuary is involved for calculation of the later, it is not clear from the existing definitions.

**Specific Matter for Comment 3 – Paragraph 10 (see paragraph BC15)**

This ED proposes that for defined benefit plans the actuarial present value of promised retirement benefits be recognized and presented on the face of the



**statement of financial position as a provision for that obligation. This removes two options in IAS 26 which permit the actuarial present value of promised retirement benefits to be only disclosed in the notes to the financial statements or in a separate actuarial report.**

**Do you agree with this proposal? If not, why not?**

**ICAI's views:**

We agree with the IPSASB's approach to prescribe only one method of presentation of defined benefit plans. It will help in making financial statements of retirement benefit plan (i.e., reporting entity for the purpose this Standard) uniform and comparable.

**Specific Matter for Comment 4 – Paragraph 11 (see paragraph BC16)**

**IAS 26 does not specify whether or where the retirement benefit obligations for defined contribution plans should be recognized and presented. To achieve the objective of increased transparency and accountability, this ED proposes that defined contribution obligations should be recognized and presented on the face of the statement of financial position.**

**Do you agree with this proposal? If not, why not?**

**ICAI's views:**

We agree with the IPSASB's proposal to recognise and present defined contribution obligations on the face of the statement of financial position. It will help in making financial statements of retirement benefit plan uniform and comparable and harmonising diverse accounting and reporting practices that may be followed in the absence of any specified requirement.

**Specific Matter for Comment 5 – Paragraph 12 (see paragraph BC19)**

**IAS 26 allows plan assets to be valued at amounts other than fair value. The ED proposes that plan investments should be measured at fair value.**

**Do you agree with this proposal? If not, why not?**

**ICAI's views:**

We agree with the IPSASB's proposed guidance to measure the plan investments at fair value but it is suggested to define "fair value" in the Standard.

The reference of the para AG19 (i.e., guidance for determination of fair value) may be considered to be given in para 12 for more clarification. If due to certain reasons, it is not possible to estimate fair value than at what value such plan investments be recorded. The guidance in this regard would also need to be obtained from other applicable IPSASs that also need to be clarified in the Standard itself for better understanding.

Apart from this, the last two line of para AG19 may be merged as follows for better clarity:



*“Other plan assets would be measured in accordance with the applicable IPSAS (e.g. other plan investments would be measured as per IPSAS 16, Investment Property).”*

**Specific Matter for Comment 6 – Paragraph 13 (see paragraph BC17)**

**IAS 26 allows the actuarial present value of promised retirement benefits to be calculated using either current or projected salaries. This ED proposes that only projected salaries should be used.**

**Do you agree with this proposal? If not, why not?**

**ICAI’s views:**

We agree with the IPSASB’s proposal as it is consistent with IPSAS 39 under which the present value of a defined benefit obligation is required to be measured using projected salaries that are projected considering current salaries only.

**Specific Matter for Comment 7 – Paragraph 15(c) and 19, (see paragraph BC23)**

**This ED proposes that a retirement benefit plan be required to prepare a cash flow statement, whereas IAS 26 is silent on this. This ED also proposes the cash flow statement be prepared using the direct method.**

**Do you agree with this proposal? If not, why not?**

**ICAI’s views:**

We agree with the IPSASB’s proposal to prepare Cash Flow Statement (CFS) as it will provide information about cash flows that will help in decision-making.

Recommending direct method for CFS also seems fine considering that this Standard does not require preparation of statement of financial performance that contains information of surplus or deficit that is required to be adjusted with non-cash items under the indirect method.

**Specific Matter for Comment 8 – Paragraph 27 (see paragraph BC24)**

**This ED proposes prospective application of the requirements of the Standard, which would require an opening and closing statement of financial position in accordance with the Standard but no comparative figures in other financial statements.**

**Do you agree with this proposal? If not, why not?**

**ICAI’s views:**

We agree that the IPSASB’s proposal, as retirement benefit plans’ accounting being a complex subject, prospective application has been permitted by IPSASB to make adoption of this Standard easy and timely recording of such transactions.



### Specific Matter for Comment 9 — Paragraphs BC20-BC21 and Implementation Guidance

Public sector retirement benefit plans are structured and/or regulated in many different ways and jurisdiction-specific requirements on how to account for contributions and benefits may vary. As a result, this ED proposes not to require contributions or benefits to be accounted for as any specific element in the financial statements, which is aligned with the approach taken in IAS 26. Instead, Implementation Guidance and Illustrative Examples are provided to demonstrate different accounting presentations depending on how the contributions and benefits are viewed.

Do you agree with this proposal? If not, why not?

#### ICAI's views:

We agree with the IPSASB's proposal. However, it needs to be ensured that the same should not affect faithful presentation of financial statements.

#### Other Comments

- Paragraph 8 seems ambiguous. Because if accounting requirements of retirement benefit plans with assets invested with insurance companies will be same as privately invested arrangements then how they will be covered within the scope of this Standard that is supposed to be applicable to Government.
- As per the requirement of para 15 read together with para AG22, a retirement benefit plan should also present the following:

*“A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available”.*

It can be explicitly mentioned in para 15 itself for better understanding.

- Some typo errors are there in second last line of para AG16. (“one of” should be replaced with “one or”)
  - The titles of IAS 26 (Accounting and Reporting by Retirement Plans) and IPSASB ED 82 (Retirement Benefit Plans) are different. It is mentioned in para BC6 that the project of development of IPSASB ED 82 is an adaption project rather than an alignment project. It is suggested that the title of IAS 26 may be retained as it is as it is more clarificatory in nature and title itself hints what will be dealt with in this Standard.